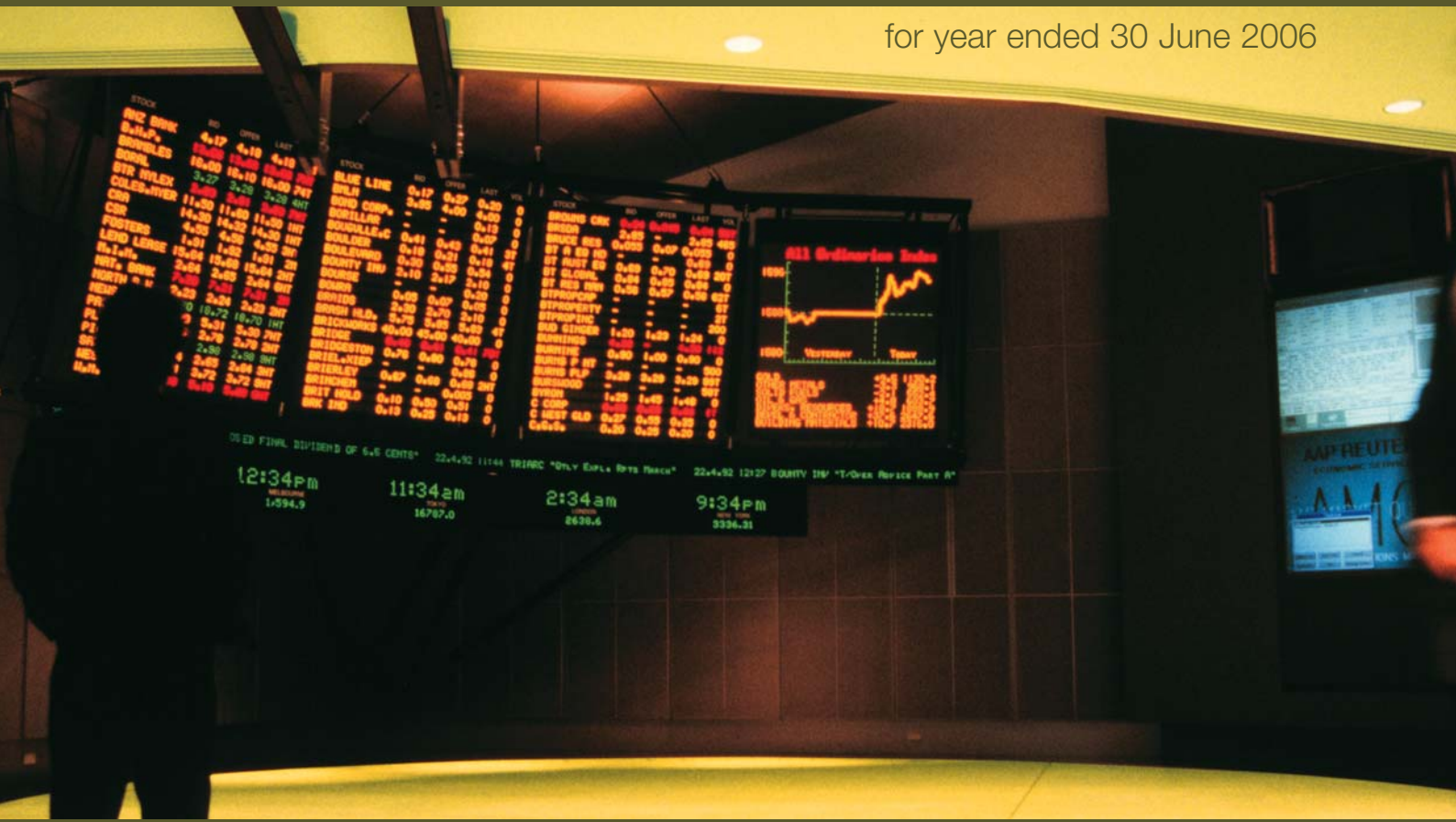


Annual Report

for year ended 30 June 2006



BRICKWORKS INVESTMENT COMPANY LIMITED

ABN 23 106 719 868

Brickworks Investment Company Limited

ABN: 23 106 719 868

CORPORATE DIRECTORY

Directors

Robert Dobson Millner	Non-Executive Director and Chairman
David Capp Hall	Non-Executive Director
Alexander James Payne	Non-Executive Director
Geoffrey Guild Hill	Non-Executive Director (appointed 14 December 2005)

Secretary

John de Gouveia

Registered Office

Level 2
160 Pitt Street Mall
Sydney 2000
NSW
Telephone: (02) 9210 7000
Facsimile: (02) 9210 7099
Postal Address:
GPO Box 5015
Sydney 2001

Auditors

Travis & Travis
1/114 Longueville Road
Lane Cove 2066

Investment Manager

Souls Funds Management Limited
Level 14
15 Castlereagh Street
Sydney 2000

Share Registry

Computershare Investor Services Pty Limited
60 Carrington Street
Sydney 2000

Australian Stock Exchange Code

Ordinary Shares BKI

Website

<http://www.brickworksinvestments.com.au>

Contents

Page No.

Financial Highlights	2
Company Profile	3
Chairman's Address	4
Investment Portfolio at 30 June 2006	5
Directors' Report	8
Corporate Governance	13
Income Statement	21
Balance Sheet	22
Statement of changes in Equity	23
Cash Flow Statement	24
Notes to the Financial Statements	25
Directors' Declaration	44
Independent Audit Report	45
Auditor's Independence Declaration	46
ASX Additional Information	47

FINANCIAL HIGHLIGHTS

- Consolidated profit after tax of \$12.8 million for the year to 30 June 2006 (2005: \$10.5 million)

- Revenue Performance

		% Change	Amount of Change \$'000		\$'000
Dividend Income - Ord	Up	18.8%	1,574	to	\$9,935
Dividend Income - Special	Up	784%	2,164	to	\$2,440

- Earnings per share for the year of 6.51 cents (2005: 5.69 cents)

- Fully franked final dividend of 2.5 cents per share.

- Fully franked Special dividend of 1.0 cents per share

This brings the total fully franked dividends for the year to 6.0 cents per share (2005: 4.3 cents per share)

- Net asset backing per share at 30 June 2006 of \$ 1.429 per share before tax (2005: \$1.281 per share before tax)

- After tax, net asset backing per share at 30 June 2006 of \$ 1.318 (2005: \$1.197)

- Total portfolio value as at 30 June 2006 of \$294.7 million (2005: \$248.3 million)

- Acquisition of PSI completed 24 October 2005

- Share Price History:

	30/06/04	30/06/05	30/06/06
BKI Prospectus IPO issued @ \$1.00 per share in December 2003	\$0.98	\$1.09	\$1.35
Annual % Growth	-	11.2%	23.9%

- Dividend History (cents per share):

	30/06/04	30/06/05	30/06/06
Interim	-*	2.1	2.5
Final	2.0	2.2	2.5
Special	-	-	1.0
Total	2.0	4.3	6.0

* This Company was listed on ASX 12 December 2003, no interim dividend is applicable.

COMPANY PROFILE

Brickworks Investment Company Limited is a Listed Investment Company on the Australian Stock Exchange. The Company invests in a diversified portfolio of Australian shares, trusts and interest bearing securities.

The Company was formed on 17 October 2003 to take over the investment portfolio of Brickworks Limited.

Shares in the Company were listed on the Australian Stock Exchange Limited commencing 12 December 2003.

At 30 June 2006 the market capitalisation of the Company was \$281.2 million.

Corporate Objectives

The Company aims to generate an increasing income stream for distribution to its shareholders in the form of fully franked dividends, to the extent of its available imputation tax credits, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth to shareholders.

Investment Strategy

The Company is a long-term investor in companies, trusts and interest bearing securities with a focus on Australian entities. It primarily seeks to invest in well-managed businesses with a profitable history and with the expectation of sound dividend and distribution growth.

Dividend Policy

The Company will pay the maximum amount of realised profits after tax to its shareholders in the form of fully franked dividends to the extent permitted by the Corporations Act, the Income Tax Assessment Act and prudent business practices from profits obtained through interest, dividends and other income it receives from its investments.

Dividends will be declared by the Board of Directors out of realised profit after tax, excluding realised capital profit from any disposals of long-term investments.

Portfolio Management

The Company has appointed Souls Funds Management Limited to act as Portfolio Manager and provide investment advisory services to the Board of Directors and its Investment Committee, including the implementation and execution of investment decisions and the day to day administration of the investment portfolio.

The Company also engages Corporate and Administrative Services Pty Ltd to provide accounting and company secretarial services.

CHAIRMAN'S ADDRESS

Dear Shareholders,

I am pleased to enclose the third Annual Report of Brickworks Investment Company for the year ended 30th June 2006.

The consolidated profit of the economic entity after providing for income tax amounted to \$12,824,000 (2005 \$10,474,000).

Revenue from the investment portfolio comprising ordinary dividend income increased by 18.8% to \$ 9.94 million, whilst revenue from special dividend income showed a dramatic increase during the year of 784% to \$2.44 million.

At the 30th June 2006 the portfolio of investments was valued at \$294.7 million compared to \$248.3 million as at June 2005. The Share Purchase Plan was supported by 3,854 shareholders who acquired a total of 12,562,212 new shares at \$1.33 per share. This provided Brickworks Investment with additional funds of \$ 16.7 million.

Portfolio Movements

Major investment purchases during the year were Huntley Investment Company, IAG Australia, BHP Billiton Ltd, Wesfarmers Ltd, HPAL Limited and Metcash Limited.

Total purchases amounted to \$14,473,000. The only sales were Colorado Group Limited for a total of \$708,000 and also the takeover of Foodlands by Metcash Limited.

Dividends

I am pleased to report that based on the profits earned by the company during the year the directors have declared the payment of a final fully franked dividend of 2.5 cents per share which will be paid on 31st August 2006. This brings the total ordinary dividend paid for the year ended 30th June 2006 to 5.0 cents per share compared to 4.3 cents last year.

Directors are also pleased to announce a special fully franked dividend of 1.0 cent per share which is also to be paid on 31st August 2006.

Earnings per Share and NTA

Earnings per share for the year were 6.51 cents (2005 - 5.69 cents).

The Net Tangible Asset Backing (NTA) of the company at 30th June 2006 was \$1.429 before tax (2005: \$1.281) and the after tax Net Asset Backing per share was \$1.318 (2005: \$1.197).

Outlook

The full year reporting period which commenced in late July 2006 is expected to be quite strong with most companies expected to increase their dividends. Interest rates and high fuel prices may slow the economy going forward. Your company is in a very strong position to take advantage of opportunities should they arise.

Yours sincerely,

Robert Millner

Chairman

Sydney, 10 August 2006

List of securities held and their market value at 30 June 2006 were:

Stock	No. of Shares Held	Market Value (\$'000)	Portfolio Weight %
Automobile & Components			
Coventry Group Limited	140,000	581	0.2%
Banks			
Australia and New Zealand Banking Limited	45,457	1,209	0.4%
Bendigo Bank Limited	349,942	4,514	1.5%
Bank of Queensland Limited	95,382	1,335	0.5%
Commonwealth Bank of Australia	695,674	30,895	10.5%
National Australia Bank Limited	1,573,690	55,252	18.7%
St George Bank Limited	447,750	13,133	4.5%
Westpac Banking Corporation	123,872	2,874	1.0%
		109,212	37.1%
Capital Goods			
Alesco Corporation Limited	158,980	1,434	0.5%
GWA International Limited	468,128	1,451	0.5%
Wesfarmers Limited	221,618	7,821	2.7%
		10,706	3.7%
Commercial Services & Supplies			
Brambles Industries Limited	418,952	4,567	1.5%
Coates Hire Limited	321,354	2,015	0.7%
Tabcorp Holdings Limited	33,500	509	0.2%
		7,091	2.4%
Consumer Durables & Apparel			
Gazal Corporation Limited	226,865	540	0.2%
Diversified Financials			
Choiseul Investments Limited	1,082,175	5,919	2.0%
Huntley Investment Company Limited	3,896,502	3,254	1.1%
Macquarie Bank Limited	109,693	7,536	2.6%
Milton Corporation Limited	105,849	2,106	0.7%
Perpetual Limited	7,500	549	0.2%
Suncorp-Metway Limited	153,028	2,961	1.0%
Westfield Group	35,501	614	0.2%
		22,939	7.8%

Stock	No. of Shares Held	Market Value (\$'000)	Portfolio Weight %
List of securities (continued)			
Energy			
Santos Limited	70,000	835	0.3%
Woodside Petroleum Limited	190,483	8,379	2.8%
		9,214	3.1%
Food, Beverages & Tobacco			
Coca-Cola Amatil Limited	179,400	1,267	0.4%
Graincorp Limited	90,535	732	0.2%
		1,999	0.6%
Food & Staples Retailing			
AWB Limited	410,000	1,734	0.6%
Metcash Limited	258,700	968	0.3%
Woolworths Limited	442,184	8,888	3.0%
		11,590	3.9%
Health Care Equipment & Services			
Clover Corporation Limited	858,000	120	0.0%
Insurance			
AXA Asia Pacific Holdings Limited	341,000	2,128	0.7%
Insurance Australia Group Limited	759,200	4,054	1.4%
		6,182	2.1%
Materials			
Alumina Limited	809,013	5,453	1.9%
BHP Billiton Limited	870,936	25,222	8.6%
Bluescope Steel Limited	137,568	1,092	0.4%
Campbell Bros Limited	254,600	4,611	1.6%
Illuka Resources Limited	340,000	2,220	0.7%
New Hope Corporation Limited	14,060,452	17,224	5.8%
Onesteel Limited	125,281	506	0.2%
Orica Limited Step up Preference Securities	10,000	1,024	0.3%
Wattyl Limited	673,881	2,291	0.8%
		59,643	20.3%

Brickworks Investment Company Limited

Stock	No. of Shares Held	Market Value (\$'000)	Portfolio Weight %
List of securities (continued)			
Media			
Fairfax (John) Holdings Limited	274,749	1,030	0.3%
Publishing & Broadcasting Limited	141,500	2,574	0.9%
Rural Press Limited	81,300	854	0.3%
Rural Press Limited - Preferred Shares	321,800	3,379	1.1%
Ten Network Holdings Limited	484,429	1,274	0.4%
West Australian Newspapers Holdings Limited	276,800	2,372	0.8%
		11,483	3.8%
Pharmaceuticals & Biotechnology			
Australian Pharmaceutical Industries Limited	248,738	572	0.2%
Retailing			
Angus & Coote (Holdings) Limited	65,000	332	0.1%
Software & Services			
HPAL Limited	912,562	1,551	0.5%
Telecommunications Services			
B Digital Limited	3,000,000	345	0.1%
SP Telemedia Limited	3,322,223	2,525	0.9%
Telstra Corporation Limited	1,257,000	4,626	1.6%
		7,496	2.6%
Transportation			
Lindsay Australia Limited	1,868,000	299	0.1%
Macquarie Infrastructure Group	762,329	2,546	0.9%
Qantas Airways Limited	512,500	1,517	0.5%
		4,362	1.5%
Utilities			
Alinta Limited	168,060	1,731	0.6%
Australian Gas Light Company	242,200	4,238	1.4%
Babcock & Brown Infrastructure Group	305,000	485	0.2%
		6,454	2.2%
Total Investments		272,067	92.3%
Bank Deposit		22,670	7.7%
		294,737	100.0%
TOTAL PORTFOLIO		294,737	100.0%

The Company is not a substantial shareholder in any of the investee corporations in accordance with the Corporations Act 2001, as each equity investment represents less than 5% of issued capital of the investee corporation.

DIRECTORS' REPORT

The directors of Brickworks Investment Company Limited (the Company) present the following report for the year ended 30 June 2006.

1. Directors

The following persons were directors of the Company since the beginning of the financial year and up to the date of this report unless otherwise stated:

Robert Dobson Millner – Non-Executive Director and Chairman

Mr Millner has over 20 years experience as a Company Director. During the past three years, Mr Millner has also served as a director of the following listed companies:

- Milton Corporations Limited*
- Choiseul Investments Limited*
- New Hope Corporation Limited*
- Washington H Soul Pattinson and Company Limited*
- SP Telemedia Limited*
- Brickworks Limited*
- Souls Private Equity Limited*
- Pacific Strategic Investments Limited* (delisted March 2005)
- Australian Pharmaceutical Industries Limited*
- Clover Corporation Limited
- KH Foods Limited

* denotes current directorship

David Capp Hall, FCA, FAICD – Independent Non-Executive Director

Mr Hall is a Chartered Accountant with experience in corporate management and finance. He holds directorships in other companies and is the Chairman of the audit committee. During the past three years, Mr Hall also served as a director of the following listed companies:

- Undercoverwear Limited*
- Pacific Strategic Investments Limited* (delisted March 2005)
- Ainsworth Game Technology Limited

* denotes current directorship

Alexander James Payne, B.Comm, Dip Cm, FCPA, FCIS, FCIM - Non-Executive Director

Mr Payne is chief financial officer of Brickworks Limited and has considerable experience in finance and investment and is a member of the audit committee.

DIRECTORS' REPORT - Continued

Geoffrey Guild Hill, B.Econ., MBA, FCPA, ASIA FAICD – Non-Executive Director (appointed 14 December 2005)

A merchant banker, Mr Hill has identified and implemented mergers and takeovers and has acted for a wide range of corporate clients in Australia and overseas.

During the past three years, Mr Hill has served as a director of the following listed companies:

- Huntley Investment Company Limited*
- Heritage Gold NZ Limited*
- Pacific Strategic Investments Limited* (delisted March 2005)
- Hills Industries Limited*
- Souls Private Equity Limited* (alternate director)
- Enterprise Energy NL
- Biron Capital Limited

* denotes current directorship

2. Company Secretary

John Paul de Gouveia, B. Bus, M Com, CA

Mr de Gouveia has acted as company secretary of Brickworks Investment Company Limited since incorporation on 17 October 2003. Mr de Gouveia is a Chartered Accountant with extensive experience in public practice.

3. Principal Activities

The principal activities of the economic entity during the financial year were that of a Listed Investment Company (LIC) primarily focused on long term investment in ASX listed securities. There has been no significant changes in the nature of those activities during the year.

4. Operating Results

The consolidated profit of the economic entity after providing for income tax amounted to \$12,824,000 (2005: \$10,474,000).

5. Review of Operations

During the year ending 30 June 2006 the company enjoyed a successful year in the investment markets with total revenue from the investment portfolio increasing by 38% and profits after tax increasing by 22%.

The investment focus during the year primarily concentrated on managing the existing portfolio by continuing to add on its existing holdings as well as adding new companies to its investment portfolio, such as Babcock & Brown Infrastructure Group, Orica Limited step up preference securities, Tabcorp Holdings Limited, Perpetual Limited and Westfield Group.

Major additional investment to existing holdings included BHP Billiton Ltd, Huntley Investment Company Ltd, HPAL Limited, IAG Australia, Metcash Limited and Westfarmers Limited.

DIRECTORS' REPORT - Continued

6. Financial Position

The net assets of the economic entity increased during the financial year by \$ 41.5 million to \$ 275.3 million.

This increase has largely resulted from the following factors;

- Market value increase in the investment portfolio of \$ 19.7 million
- Proceeds from share issues raising \$ 18.3 million; and
- Balance of profits retained for future investment.

7. Employees

The consolidated entity has nil employees as at 30 June 2006 (2005: Nil).

8. Significant changes in the state of affairs

Other than as stated above and in the accompanying Financial Report, there were no significant changes in the state of affairs of the Company during the reporting year.

9. Likely Developments and Expected Results

The operations of the Company will continue with planned investments in Australian equities and fixed interest securities. No information is included on the expected results of those operations and the strategy for particular investments, as it is the opinion of the directors that this information would prejudice the interests of the Company if included in this report.

10. Significant Events after Balance Date

The directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may significantly affect:

- i. the operations of the Company and the entities that it control
- ii. the results of those operations; or
- iii. the state of affairs of the Company in subsequent years

11. Dividends

There were two dividend payments during the year ended 30 June 2006.

On 31 August 2005, a final ordinary dividend of \$4,276,644 (2.2 cents per share fully franked) was paid out of retained profits at 30 June 2005.

On 10 March 2006, an interim ordinary dividend of \$4,877,118 (2.5 cents per share fully franked) was paid out of retained profits at 31 December 2005.

In addition, the directors have declared a final ordinary dividend of \$ 5,208,108 (2.5 cents per share fully franked) and a special dividend of \$2,083,243 (1.0 cent per share fully franked) out of retained profits at 30 June 2006 and payable on 31 August 2006.

12. Environmental Regulations

The Company's operations are not materially affected by environment regulations.

DIRECTORS' REPORT - Continued

13. Meetings of Directors

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

	Board		Investment		Audit	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
RD Millner	6	6	15	15	2	2
AJ Payne	6	6	15	15	2	2
DC Hall	6	6	6	-	2	2
GG Hill	4	4	4	-	1	1

14. Remuneration Report

Payment to non-executive directors is fixed at \$150,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided amongst the Directors as they may determine.

These fees exclude any additional fee for any service based agreement which may be agreed from time to time, and also excludes statutory superannuation and the reimbursement of out of pocket expenses

Details of the nature and amount of each Non – Executive Director's emoluments from the Company and controlled entities in respect of the year to 30 June 2006 were:

	Primary	Superannuation	Equity Compensation	Other Compensation	Total
	\$	\$	\$	\$	\$
RD Millner	40,000	3,600	-	-	43,600
DC Hall	30,000	2,700	-	-	32,700
AJ Payne	25,000	2,250	-	-	27,250
GG Hill	30,000	2,700	-	-	32,700
TOTAL	125,000	11,250	-	-	136,250

There were no retirement allowances provided for the retirement of non-executive directors.

15. Beneficial and relevant interest of Directors in Shares of the Company

As at the date of this report, details of Directors who hold shares in the Company for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

	Number of Shares
RD Millner	1,868,928
DC Hall	162,602
AJ Payne	61,296
GG Hill	2,667

DIRECTORS' REPORT - Continued

16. Directors and Officers' Indemnity

The Constitution of the Company provides indemnity against liability and legal costs incurred by Directors and Officers to the extent permitted by Corporations Act.

During the year to 30 June 2006, the Company has paid premiums in respect of an insurance contract to insure each of the officers against all liabilities and expenses arising as a result of work performed in their respective capacities.

17. Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

18. Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board of directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid to the external auditor during the year ended 30 June 2006:

Taxation services	\$ 2,860
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19. Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 46.

This report is made in accordance with a resolution of the directors.

Robert D Millner
Director

Sydney
10 August 2006

CORPORATE GOVERNANCE

Brickworks Investment Company Limited (the Company) was incorporated on 17 October 2003 and since that date the Board are committed to achieving and demonstrating the highest standards of corporate governance. Unless otherwise stated, the Company has followed best practice recommendations set by the ASX Corporate Governance Council during the reporting year.

The Board of directors (hereinafter referred to as the Board) is responsible for the corporate governance of the Company and its controlled entities. The directors of the Company and its controlled entities are required to act honestly, transparently, diligently, independently, and in the best interests of all shareholders in order to increase shareholder value.

The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

The Company's main corporate governance practices in place throughout the year are discussed in this section.

The Board of Directors

The Board operates in accordance with the broad principles set out in its charter.

Role of the Board

The responsibilities of the board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business results, business plans, the annual budget and financial plans
- authorising and monitoring the investment portfolio
- ensuring regulatory compliance
- reviewing internal controls
- ensuring adequate risk management processes
- monitoring the Board composition, director selection and Board processes and performance
- overseeing and monitoring:
 - organisational performance and the achievement of the Company's strategic goals and objectives
 - compliance with the Company's code of conduct
- monitoring financial performance including approval of the annual report and half-year financial reports and liaison with the Company's auditors
- appointment and contributing to the performance assessment of the portfolio manager and other external service providers
- enhancing and protecting the reputation of the Company
- reporting to shareholders.

The terms and conditions of appointment and retirement of new directors are set out in a formal letter of appointment that includes:

- term of the appointment
- powers and duties
- determination of remuneration
- dealings in the Company securities including notification requirements
- conflicts of interest and disclosure policies
- indemnity and insurance arrangements
- access to independent professional advice
- review of appointment

CORPORATE GOVERNANCE - Continued

Board Composition

The key elements of the Board composition include:

- ensuring, where practicable to do so, that a majority of the Board are independent directors
- the Board of the Company currently comprises 2 independent non-executive directors and 2 non executive directors
- non-executive directors bring a fresh perspective to the board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- the Company is to maintain a mix of directors on the Board from different backgrounds with complementary skills and experience
- the Board seeks to ensure that:
 - at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external perspective
 - the size of the Board is conducive to effective discussion and efficient decision making.
- in recognition of the importance placed on the investment experience of the directors and the Board's role in supervising the activities of the portfolio manager, the majority of the Board are not independent directors. Refer discussion detailed under "Directors' Independence" on page 15.

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the directors' report under the heading "Directors".

Term of Office

The company's Constitution specifies that all directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election in accordance with company's Constitution.

Chairman

The Chairman is a non-executive director who is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with external service providers.

Board Meetings

Details of directors' attendance at Board meetings are set out in the Directors' Report on page 8-12.

The Board meets formally at least 6 times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between the scheduled meetings.

Meeting agendas are established by the Chairman and Company Secretary to ensure adequate coverage of financial, strategic, compliance and other major areas throughout the year.

Copies of Board papers are circulated in advance of meetings. Directors are always encouraged to participate with a robust exchange of views and to bring their independent judgment to bear on the issues and decisions at hand. The Board highly values its relationship with the portfolio manager which is based on openness and trust.

CORPORATE GOVERNANCE - Continued

Performance Assessment

The Board undertakes an annual self assessment of its collective performance. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. The self assessment:

- compares the performance of the Board with the requirements of its Charter
- sets forth the goals and objectives of the Board for the upcoming year
- effects any improvements to the Board charter deemed necessary or desirable.

The performance evaluation is conducted in such manner as the Board deems appropriate. In addition, each Board committee undertakes an annual self assessment on the performance of the committee and achievement of committee objectives.

The Chairman annually assesses the performance of individual directors where necessary, and meets privately with each director to discuss this assessment. The Chairman's performance is reviewed by the Board.

Directors' Independence

Assessing the independence of directors is undertaken in accordance with the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003.

When assessing the independence of directors and the Chairman under recommendation 2.1 and 2.2 of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council, both Mr Millner and Mr Payne, although meeting other criteria, and bringing independent judgement to bear on their respective roles, are both not defined as independent directors, primarily due to the fact that both Messrs Millner and Payne are officers of Brickworks Limited, who is a substantial shareholder of the company. The Company has not followed recommendation 2.1 and 2.2 due to the following reasons;

- The Board are of the opinion that all directors exercise and bring to bear an unfettered and independent judgement towards their duties. Brickworks Investment Company Limited listed on the Australian Stock exchange on 12 December 2003 to take over the investment portfolio of Brickworks Limited and the Board is satisfied that both Messrs Millner and Payne play an important role in the continued success and performance of the portfolio.

In relation to director independence, materiality is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company is considered material. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the director's performance.

Avoidance of conflicts of interests of Directors

In accordance with the Corporations Act 2001 (Cth), any director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

Independent Professional Advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, but this will not be unreasonably withheld.

CORPORATE GOVERNANCE - Continued

Corporate Reporting

The portfolio manager and the administrative and company secretarial service provider, namely Souls Funds Management Ltd and Corporate & Administrative Services Pty Ltd have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and its consolidated entities in accordance with all mandatory professional reporting requirements
- that the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal control is operating effectively and efficiently in all material respects.

The Company adopted this reporting structure for the year ended 30 June 2006.

Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the investment committee, nomination committee, the remuneration committee and audit committee. The committee's structure and membership is reviewed on an annual basis. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Investment Committee

The Company has established an Investment Committee effective from 12 December 2003.

The investment committee consists of the following members:

RD Millner (Chairman)

AJ Payne

Details of these directors' qualifications, experience and attendance at investment committee meetings held during the year are set out in the Directors' Report on page 8-12.

The main responsibilities of the committee are to:

- assess the information and recommendation received by the portfolio manager regarding the present and future investment needs of the Company
- assess the performance of the portfolio manager
- evaluating investment performance.

Nomination Committee

The Company has embraced the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 and established a Nominations Committee effective from 12 December 2003.

The nomination committee consists of the following members:

RD Millner (Chairman)

DC Hall

AJ Payne

GG Hill

Details of these directors' qualifications, experience and attendance at nomination committee meetings held during the year are set out in the Directors' Report on page 8-12.

CORPORATE GOVERNANCE - Continued

Nomination Committee (continued)

The main responsibilities of the committee are to:

- assess the membership of the Board having regard to present and future needs of the Company
- assess the independence of directors to ensure where practicable to do so, that a majority of the Board are independent directors
- propose candidates for Board vacancies in consideration of qualifications, experience and domicile
- oversee board succession
- evaluating Board performance.

New directors are provided with a letter of appointment setting out their responsibilities, rights and the terms and conditions of their employment.

The nominations committee charter provides guidance for the selection and appointment of new directors

Audit Committee

The members of the audit committee at the date of this annual financial report are:

DC Hall (Chairman)

RD Millner

AJ Payne

GG Hill

Details of these directors' qualification, experience and attendance at audit committee meetings are set out in the Directors' Report on page 8-12.

The audit committee operates in accordance with a charter.

The Chairman of the audit committee is an independent, non-executive director. The Chairman of the Audit Committee is also required to have accounting or related financial expertise, which includes past employment, professional qualification or other comparable experience. The other members of the audit committee are all financially literate and have a strong understanding of the industry in which the Company operates.

The audit committee's role and responsibilities, composition, structure and membership requirements are documented in an audit committee charter, which has been approved by the Board and is reviewed annually.

The main responsibilities of the committee are to:

- review, assess and approve the annual report, half-year financial report and all other financial information published by the Company or released to the market
- reviewing the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance and consider the independence and competence of the external auditor on an ongoing basis. The Audit Committee receives certified independence assurances from the external auditors
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence. The external auditor will not provide services to the Company where the auditor would have a mutual or conflicting interest with the Company; be in a position where they audit their own work; function as management of the Company; or have their independence impaired or perceived to be impaired in any way.

CORPORATE GOVERNANCE - Continued

Audit Committee (continued)

- review and monitor related party transactions and assess their priority
- report to the Board on matters relevant to the committee's role and responsibilities

In accordance with the audit committee charter, the Company requires that the external audit engagement partner and review partner be rotated every five years.

In fulfilling its responsibilities, the audit committee requires the portfolio manager and the administrative and company secretarial service provider, namely Souls Funds Management Ltd and Corporate & Administrative Services Pty Ltd to state in writing to the Board that the Company's financial reports presents a true and fair view, in all material respects, of the Company's and its consolidated entities financial condition, operational results and are in accordance with the relevant accounting standards.

The external auditors, the portfolio manager and the administrative and company secretarial service provider, namely Souls Funds Management Ltd and Corporate & Administrative Services Pty Ltd are invited to attend meetings at the discretion of the audit committee.

Remuneration Committee & Policies

The Company has embraced the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 and established a Remuneration Committee effective from 12 December 2003.

The remuneration committee consists of the following members:

RD Millner (Chairman)

DC Hall

AJ Payne

GG Hill

Details of these directors' qualifications, experience and attendance at remuneration committee meetings are set out in the Directors' Report on page 10-12.

The Remuneration Committee oversees and review remuneration packages and other terms of employment for executive management (if any). In undertaking their roles the Committee members consider reports from external remuneration experts on recent developments on remuneration and related matters.

The Company does not have any employees due to the nature of its business and the use of external service providers. If the use of external service providers was to change in the future, any person engaged in an executive capacity would be required sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities, and any entitlements on termination. In such circumstances, executive remuneration and other terms of employment would also be reviewed annually by the committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration in such circumstances could be expected to include superannuation, performance-related bonuses and fringe benefits.

Fees for non-executive directors reflect the demands on and responsibilities of our directors. Non-executive directors are remunerated by way of base fees and statutory superannuation contributions and do not participate in schemes designed for the remuneration of executives. Non-executive directors do not receive any options, bonus payments or nor are provided with retirement benefits other than statutory superannuation.

Further information on directors' and executives' remuneration is set out in the directors' report and note 20 to the financial statements.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and

CORPORATE GOVERNANCE - Continued

Remuneration Committee & Policies (continued)

terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.

The remuneration committee operates in accordance with a charter.

Corporate Governance Framework

The Board is committed to the highest standards of corporate governance, which it requires as fundamental to all its activities.

External service providers are required to provide a Corporate Governance Declaration (the Declaration) to the Board on an annual basis.

External service providers are required to confirm in the annual Statements that to the best of their knowledge and belief and having made appropriate inquiries of their own staff and consultants regarding the Company and its controlled entities (the Group) that, in the interests of directors, shareholders and other key stakeholders the service provider has applied corporate governance practices mandated by the Board at all times.

The Declaration covers the following:

- disclosure of the Groups' operations in the Board meeting papers.
- satisfaction of all matters arising from prior Board meetings
- the maintenance of financial records that correctly record and explain the Group's transactions and financial position and performance to enable true and fair financial statements to be prepared and audited or reviewed in accordance with all applicable Accounting Standards and other mandatory professional reporting requirements
- compliance with statutory and prudential obligations and details of all lodgments in accordance with these obligations
- maintenance of ethical conduct by execution of duties with the utmost integrity, objectivity and professionalism at all times
- notification to the Company Secretary of all purchases and sales of Company securities, directly and indirectly and disclosure in the Board papers.

Risk Management

The Board is committed to the identification and quantification of risk throughout the Company's operations.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability. Adherence to the code of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Management of investment risk is fundamental to the business of the Company being an investor in Australian listed securities. Details of investment risk management policies are held by the portfolio manager.

The Board operates to minimise its exposure to investment risk, in part, by the appointment of an external portfolio manager who has proprietary systems, processes and procedures in place to effectively manage investment risk.

Code of Conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and external service providers and their employees. The code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

CORPORATE GOVERNANCE - Continued

Share Trading Policy

The Company has developed a Share Trading Policy which has been fully endorsed by the Board and applies to all directors and employees.

Directors, executives and employees may deal in Company securities, however they may not do so if in possession of information which is price sensitive or likely to be price sensitive to the security's market price. Changes in a Director's interest is required to be advised to the Company within 3 days for notification to the ASX".

Continuous Disclosure and Shareholder Communication

The Chairman and Company Secretary have been nominated as being responsible for communications with the Australian Stock Exchange (ASX). This role includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to ASX. The Chairman is responsible for disclosure to analysts, brokers and shareholders, the media and the public.

The company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities.

All information disclosed to the ASX is available on the ASX's website within 24 hours of the release to the ASX. Procedures have been established for reviewing whether price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

All shareholders receive a copy of the Company's full annual report. Shareholders also are updated with the Company's operations via monthly ASX announcements of the net tangible asset (NTA) backing of the portfolio and other disclosure information. All recent ASX announcements and annual reports are available on the ASX website, or alternatively, by request via email, facsimile or post.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Company	
		30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
Revenue from investment portfolio		13,289	9,618	12,797	12,798
Revenue from bank deposits		904	641	414	167
Income from trading portfolio:					
- Revenue from trading portfolio		-	49	-	-
- Net realised gains		-	256	-	-
Other income		5	1,706	5	-
Income from operating activities before net gains on investment portfolio	3	14,198	12,270	13,216	12,965
Administration expenses	4	(1,537)	(1,561)	(1,423)	(1,249)
Operating profit before income tax expense and net gains on investment portfolio		12,661	10,709	11,793	11,716
Income tax expense	5	(137)	(105)	12	216
Net operating profit before net gains on investment portfolio		12,524	10,604	11,805	11,932
Net gains/(losses) on investment portfolio		384	-	384	-
Tax expense relating to net realised gains on investment portfolio	5	(78)	-	(78)	-
Net gains on investment portfolio		306	-	306	-
Profit for the year		12,830	10,604	12,111	11,932
Profit attributable to minority interest		(6)	(130)	-	-
Profit for the year attributable to members of the Company		12,824	10,474	12,111	11,932
		2006	2005		
		Cents	Cents		
Basic earnings per share	18	6.51	5.69		
Diluted earnings per share	18	6.51	5.69		

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

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006

	Note	Consolidated		Company	
		30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
CURRENT ASSETS					
Cash assets	7	22,670	17,401	19,445	5,539
Receivables	8	3,244	2,163	2,501	2,036
Prepayments		20	21	20	21
TOTAL CURRENT ASSETS		25,934	19,585	21,966	7,596
NON-CURRENT ASSETS					
Investment Portfolio	9	272,067	230,929	367,453	300,662
Deferred tax assets	10	693	844	803	831
TOTAL NON-CURRENT ASSETS		272,760	231,773	368,256	301,493
TOTAL ASSETS		298,694	251,358	390,222	309,089
CURRENT LIABILITIES					
Payables	11	220	1,117	210	1,066
Current tax liabilities		-	173	-	53
TOTAL CURRENT LIABILITIES		220	1,290	210	1,119
NON CURRENT LIABILITIES					
Payables	11	-	-	92,550	64,319
Deferred tax liabilities	12	23,141	16,227	23,141	13,933
TOTAL NON CURRENT LIABILITIES		23,141	16,227	115,691	78,252
TOTAL LIABILITIES		23,361	17,517	115,901	79,371
NET ASSETS		275,333	233,841	274,321	229,718
EQUITY					
Share capital	13	209,964	191,614	209,964	191,614
Revaluation reserve	14	53,588	33,888	55,540	32,244
Realised capital gains reserve	15	1,750	1,444	1,750	1,444
Retained profits	16	10,031	6,667	7,067	4,416
PARENT ENTITY INTEREST		275,333	233,613	274,321	229,718
Minority interest		-	228	-	-
TOTAL EQUITY		275,333	233,841	274,321	229,718

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Company	
		30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
Total equity at the beginning of the year		233,841	182,411	229,718	167,918
Dividends paid	6	(9,154)	(7,397)	(9,154)	(7,397)
Shares issued					
- Dividend Reinvestment Plan net of costs	13(b)	1,674	674	1,674	674
- Share Purchase Plan net of costs	13(b)	16,676	4,964	16,676	4,964
- Purchase of controlled entity		-	17,939	-	17,939
Total transactions with equity holders in their capacity as equity holders		9,196	16,180	9,196	16,180
Direct equity adjustments:					
Adjustment on adoption of AASB 132 and AASB 139:					
Decrease in value of investment portfolio		(459)	-	(403)	-
Tax effect @30%		138	-	121	-
	2(e)	(321)	-	(282)	-
Revaluation of investment portfolio		27,863	35,286	33,224	46,927
Provision for tax on unrealised gains		(7,842)	(10,738)	(9,646)	(13,819)
Net unrealised gains recognised directly in equity	14	20,021	24,548	23,578	33,108
Capital profits distribution from subsidiary		-	-	-	580
Profit for the year		12,824	10,474	12,111	11,932
Total recognised income (including realised gains) and expense for the year		32,845	35,022	35,689	45,620
Other adjustments:					
Increase/(decrease) in minority interest		(228)	228	-	-
Total equity at the end of the year		275,333	233,841	274,321	229,718

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Company	
		30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
Cash flows from operating activities					
Payments to suppliers and employees		(1,511)	(1,575)	(1,376)	(1,275)
Other receipts in the course of operations		54	40	52	34
Proceeds on sale of current investments		-	2,879	-	-
Payment for current investments		-	(16)	-	-
Dividends and distributions received		12,922	9,513	12,328	4
Interest received		915	640	414	167
Income tax paid		(987)	(306)	(105)	-
Net Cash Inflow/(Outflow) from operating activities	17(a)	11,393	11,175	11,313	(1,070)
Cash flows from investing activities					
Payment for subsidiary, net of cash acquired	17(b)	(1,211)	(590)	(1,211)	(4,005)
Payment for non current investments		(14,953)	(12,865)	(14,473)	(1,878)
Proceeds on sale of non current investments		864	8,650	864	3,621
Net Cash Inflow/(Outflow) from investing activities		(15,300)	(4,805)	(14,820)	(2,262)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		16,640	4,960	16,640	4,960
Proceeds from borrowings		-	-	8,237	-
Dividends paid		(7,464)	(6,721)	(7,464)	(6,721)
Repayment from subsidiary entities		-	-	-	4,797
Net Cash Inflow/(Outflow) from financing activities		9,176	(1,761)	17,413	3,036
Net increase/(decrease) in cash held		5,269	4,609	13,906	(296)
Cash at the beginning of the year		17,401	12,792	5,539	5,835
Cash at the end of the year	7	22,670	17,401	19,445	5,539

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Brickworks Investment Company Limited and controlled entities, and Brickworks Investment Company Limited as an individual parent entity. Brickworks Investment Company Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Brickworks Investment Company Limited and controlled entities, and Brickworks Investment Company Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Brickworks Investment Company Limited and controlled entities, and Brickworks Investment Company Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first Annual financial statements of Brickworks Investment Company Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Brickworks Investment Company Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 22 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

Brickworks Investment Company Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 12 December 2003. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through income

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(d) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue

Sale of investments occur when the control of the right to equity has passed to the buyer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(h) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(i) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

Critical Accounting Estimates and Judgments

The preparation of this financial report requires the use of certain critical estimates based on historical knowledge and best available current information. This requires the directors 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 of AASB 112: Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax on unrealised gains in the investment portfolio at the current tax rate of 30%.

As the Company does not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in Note 12. In addition, the tax liability that arises on disposal of those securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

2. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

An explanation of how the transition from previous AGAAP to AIFRS has affected the entity's financial position, financial performance and cash flows is set out below.

(a) AASB 1 Transitional Exemptions

AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires prior period information to be presented as comparative information. However, the economic entity is applying the exemption allowed by AASB 1 which exempts an entity from the requirement to restate comparative information as if the requirements of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement had always applied.

(b) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS, **had the exemption under AASB 1 not been applied.**

	Consolidated		Company	
	01/07/05 \$'000	01/07/04 \$'000	01/07/05 \$'000	01/07/04 \$'000
Total equity under AGAAP	233,841	182,411	229,718	167,918
Adjustments to equity:				
Decrease in value of investment portfolio by valuing investments using BID price rather than last sale price	(459)	(1,449)	(403)	-
Income tax effect on change in valuation	138	435	121	-
Total equity under AIFRS	<u>233,520</u>	<u>181,397</u>	<u>229,436</u>	<u>167,918</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

2. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(c) Effect of AIFRS on income statement for the year ended 30 June 2005

The economic entity is applying the exemption allowed by AASB 1.

Effect of AIFRS on income statement for the year ended 30 June 2005, **had the exemption under AASB 1 not been applied.**

	Consolidated			Company		
	AGAAP	AIFRS Adjustment	AIFRS	AGAAP	AIFRS Adjustment	AIFRS
	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000	2005 \$'000
Revenue from investment portfolio	9,618	-	9,618	12,798	580	13,378
Revenue from bank deposits	641	-	641	167	-	167
Income from trading portfolio						
- Revenue from trading portfolio	49	-	49	-	-	-
- Net realised gains	256	-	256	-	-	-
Other income	1,706	-	1,706	-	-	-
Income from operating activities before net gains on investment portfolio	12,270	-	12,270	12,965	580	13,545
Administration expenses	(1,561)	-	(1,561)	(1,249)	-	(1,249)
Profit from ordinary activities before income tax expense	10,709	-	10,709	11,716	580	12,296
Income tax expense relating to ordinary activities	(105)	-	(105)	216	-	216
Operating profit after income tax	10,604	-	10,604	11,932	580	12,512
Net realised gains on investment portfolio	-	2,063	2,063	-	1,234	1,234
Income tax expense relating to net realised gains on investment portfolio	-	(619)	(619)	-	(370)	(370)
	-	1,444	1,444	-	864	864
Profit for the year	10,604	1,444	12,048	11,932	1,444	13,376
Profit attributable to minority interest	(130)	-	(130)	-	-	-
Net profit from operating activities	10,474	1,444	11,918	11,932	1,444	13,376

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

2. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(d) Cashflow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under previous AGAAP.

(e) Change in accounting policy

As discussed at note 2(a) the group has adopted AASB 132 and AASB 139 and has elected to apply the exemption not to adjust comparative information resulting from the introduction of these standards from 1 July 2005 as permitted under the transitional provisions. The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the standard and do not affect the value of amounts reported in the financial statements. The adoption of AASB 139 has resulted in differences in the measurement of the group's financial instruments. A direct equity adjustment has been made to reflect the financial effect of the change in accounting policy to use BID price rather than last sale price to determine fair value for the Investment portfolio. Realised gains on the investment portfolio are now accounted for through the income statement and are therefore part of the Profit Attributable to Members. The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 30 June 2006 is as follows:

Income Statement

	Consolidated			Company		
	Previously stated	Adjustment	Restated	Previously stated	Adjustment	Restated
	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000
Net gains on investment portfolio	-	384	384	-	384	384
Tax expense relating to investment portfolio	-	(78)	(78)	-	(78)	(78)
Profit for the year	12,524	306	12,830	11,805	306	12,111
Profit for the year attributable to members of the Company	12,518	306	12,824	11,805	306	12,111
Basic earnings per share (cents/share)	6.36	0.15	6.51			
Diluted earnings per share (cents/share)	6.36	0.15	6.51			
Balance Sheet						
Investment portfolio	272,724	(657)	272,067	368,110	(657)	367,453
Deferred tax liability	23,338	(197)	23,141	23,338	(197)	23,141
Revaluation reserve	54,048	(460)	53,588	56,000	(460)	55,540

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

2. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(f) Australian Accounting Standards not yet effective

The economic entity has not yet applied any 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. The Company only intends to adopt inoperative standards at the date which their adoption becomes mandatory.

3. REVENUE

	Consolidated		Company	
	30/06/06	30/06/05	30/06/06	30/06/05
	\$'000	\$'000	\$'000	\$'000
Investment portfolio:				
Rebateable dividends:				
- other corporations	9,935	8,361	9,487	1,492
- wholly-owned subsidiary	-	-	-	10,782
Rebateable dividends – special:				
- other corporations	2,440	276	2,421	-
Non – rebateable dividends:				
- other corporations	591	869	566	261
- wholly-owned subsidiary	-	-	-	158
Distributions:				
- other corporations	323	105	323	105
Interest received - notes	-	7	-	-
	13,289	9,618	12,797	12,798
Interest received – bank deposits	904	641	414	167
Income portfolio:				
Rebateable dividends:				
- other corporations	-	45	-	-
Non – rebateable dividends:				
- other corporations	-	4	-	-
	-	49	-	-
Net realised gains:				
Proceeds from sale of current investments	-	2,879	-	-
Carrying costs of current investments disposed	-	2,623	-	-
	-	256	-	-
Other income:				
Other income	5	25	5	-
Discount on acquisition of subsidiary	-	1,681	-	-
	5	1,706	5	-
Income from operating activities	14,198	12,270	13,216	12,965

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

4. EXPENSES

	Consolidated		Company	
	30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
Administration expenses:				
Directors fees and related expenses	136	188	117	104
Management expenses	967	801	932	736
Professional costs	184	220	150	119
General expenses	234	352	224	290
Acquisition costs not capitalised	16	-	-	-
	1,537	1,561	1,423	1,249

5. TAX EXPENSES

(a) The aggregate amount of income tax expense attributable to the year differs from the amount prima facie payable on profits from ordinary activities. The difference is reconciled as follows:

Operating profit before income tax expense and net gains on investment portfolio	12,661	10,709	11,793	11,716
Tax calculated at 30% (2005: 30%)	3,798	3,213	3,537	3,515
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
- Discount on acquisition of subsidiary	-	(504)	-	-
- Acquisition costs not capitalised	5	-	-	-
- Dividends from wholly owned subsidiary	-	-	-	(3,283)
- Franked dividends and distributions received	(3,749)	(2,604)	(3,603)	(448)
- Under provision in prior year	83	-	54	-
Income tax expense on operating profit before net gains on investments	137	105	(12)	(216)
Net gains on investments	384	-	384	-
Tax calculated at 30% (2005: 30%)	115	-	115	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
- Difference between accounting and tax cost bases for capital gains purposes	(37)	-	(37)	-
Tax expense on net gains on investment portfolio	78	-	78	-
Total tax expense	215	105	66	(216)
(b) The components of tax expense comprise:				
Current tax	-	204	-	53
Deferred tax	132	(99)	12	(269)
Under provision in respect of prior years	83	-	54	-
	215	105	66	(216)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

6. DIVIDENDS

(a) Dividends paid during the year	Consolidated		Company	
	30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
Final dividend for the year ended 30 June 2005 of 2.2 cents per share (2004: 2.0 cents per share) fully franked at the tax rate of 30%, paid on 31 August 2005.	4,277	3,424	4,277	3,424
Interim dividend for the year ended 30 June 2006 of 2.5 cents per share (2005: 2.1 cents per share) fully franked at the tax rate of 30%, paid on 10 March 2006.	4,877	3,973	4,877	3,973
Total	9,154	7,397	9,154	7,397
Dividends paid in cash or reinvested in shares under the dividend reinvestment plan ("DRP")				
Paid in cash	7,464	6,723	7,464	6,723
Reinvested in shares via DRP	1,690	674	1,690	674
Total	9,154	7,397	9,154	7,397
Franking Account Balance				
Balance of the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables	5,416	2,646	5,416	2,646
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year (b) below	(3,125)	(1,833)	(3,125)	(1,833)
Net available	2,291	813	2,291	813

(b) Dividends declared after balance date

Since the end of the financial year the directors have declared a final dividend for the year ended 30 June 2006 of 2.5 cents per share (2005: 2.2 cents per share) and a special dividend of 1.0 cents per share, both fully franked at the tax rate of 30% payable on 31 August 2006, but not recognised as a liability at the end of the financial year.

7. CASH ASSETS

Cash at bank	12,670	17,401	9,445	5,539
Short-term bank deposit	10,000	-	10,000	-
	22,670	17,401	19,445	5,539

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

8. RECEIVABLES

	Consolidated		Company	
	30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
Dividends receivable	2,094	2,011	2,094	1,907
Distributions receivable	104	105	104	105
Interest receivable	-	11	-	-
Outstanding settlements	131	-	131	-
Sundry debtors	915	36	172	24
	3,244	2,163	2,501	2,036

9. INVESTMENT PORTFOLIO

Listed securities at fair value:				
- Shares in other corporations	272,067	230,929	272,067	205,528
Shares in controlled entities at cost	-	-	95,386	95,134
	272,067	230,929	367,453	300,662

10. DEFERRED TAX ASSETS

The deferred tax asset balance comprises the following timing differences and unused tax losses:

Transaction costs on equity issues	567	825	566	825
Accrued expenses	6	19	6	6
Current year tax losses	120	-	231	-
	693	844	803	831
Deferred tax asset credited/(charged) directly in equity	20	4	20	4
Deferred tax credited/(charged) to income statement	(171)	208	(48)	375

11. PAYABLES

Current liabilities:				
Creditors and accruals	220	1,117	210	1,066
Non current liabilities:				
Amount due to controlled entities	-	-	92,550	64,319

12. DEFERRED TAX LIABILITIES

The deferred tax liability balance comprises the following timing differences:

Revaluation of investments held	23,063	16,110	23,063	13,819
Non rebateable dividend receivable	78	114	78	114
Interest receivable	-	3	-	-
	23,141	16,227	23,141	13,933
Deferred tax asset credited/(charged) directly in equity	6,953	11,488	9,244	9,197
Deferred tax credited/(charged) to income statement	(39)	109	(36)	106

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

13. SHARE CAPITAL

The Company does not have an authorised share capital and the ordinary shares on issue have no par value.

	Consolidated		Company	
	30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
(a) Issued and paid-up capital				
208,324,328 ordinary shares fully paid (2005: 194,392,926)	209,964	191,614	209,964	191,614
(b) Movement in ordinary shares				
	2006		2005	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the financial year	194,392,926	191,614	171,226,981	168,037
Issued during the year:				
- purchase of controlled equity	-	-	17,943,561	17,939
- dividend reinvestment plan	1,369,190	1,690	596,479	674
- share purchase plan	12,562,212	16,708	4,625,905	4,973
- less net transaction costs	-	(48)	-	(9)
End of the financial year	208,324,328	209,964	194,392,926	191,614

Holders of ordinary shares participate in dividends and the proceeds on a winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

14. REVALUATION RESERVE

The Revaluation reserve is used to record increments and decrements on the revaluation of the investment portfolio.

	Consolidated		Company	
	30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
Balance at the beginning of the year	33,888	10,784	32,244	-
Adjustment on adoption of AASB 132 and AASB 139:				
Decrease in value of investment portfolio, net of tax	(321)	-	(282)	-
Revaluation of investment portfolio	20,021	24,548	23,578	33,108
Transfer to Realised capital gains reserve	-	(1,444)	-	(864)
Balance at the end of the year	53,588	33,888	55,540	32,244

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

15. REALISED CAPITAL GAINS RESERVE

The Realised capital gains reserve records gains or losses after applicable taxation arising from the disposal of securities in the investment portfolio.

	Consolidated		Company	
	30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
Balance at the beginning of the year	1,444	-	1,444	-
Net gains on investment portfolio transferred from retained profits	306	-	306	-
Capital profits distribution from subsidiary	-	-	-	580
Net gains on investment portfolio transferred from revaluation reserve	-	1,444	-	864
Balance at the end of the year	1,750	1,444	1,750	1,444

16. RETAINED PROFITS

Balance at the beginning of the year	6,667	3,590	4,416	(119)
Net profit attributable to members of the company	12,824	10,474	12,111	11,932
Net gains on investment portfolio transferred to realised capital gains reserve	(306)	-	(306)	-
Dividends provided for or paid	(9,154)	(7,397)	(9,154)	(7,397)
Retained profits at the end of the year	10,031	6,667	7,067	4,416

17. CASH FLOW RECONCILIATION

(a) Reconciliation of cash flow from operations with profits from ordinary activities after income tax

Net profit / (loss) after income tax	12,830	10,604	12,111	11,932
Dividends from subsidiary entities	-	-	-	(10,940)
Non cash item - discount on acquisition	-	(1,681)	-	-
- Net gains on investment portfolio	(306)	-	(306)	-
- distribution reclassification	(167)	-	(167)	-
- acquisition costs not capitalised	16	-	-	-
Change in assets and liabilities, net of the effects of purchase of subsidiaries				
(Increase) / Decrease in current investments	-	2,974	-	-
(Increase) / Decrease in receivables and prepayments	(923)	(110)	(307)	(2,020)
Increase / (Decrease) in creditors and accruals	62	(32)	101	14
Increase / (Decrease) in deferred tax liabilities	(39)	(213)	(36)	110
Increase / (Decrease) in provision for current investments revaluation	-	(537)	-	-
Increase / (Decrease) in provision for tax	(173)	(120)	(53)	53
(Increase) / Decrease in future tax benefit	93	290	(30)	(219)
Net cash (outflow) / inflow from operating activities	11,393	11,175	11,313	(1,070)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

17. CASH FLOW RECONCILIATION (continued)

(b) Acquisition of subsidiary entities

During the year to 30 June 2006, the Company acquired the remaining 0.84% of the controlled entity, Pacific Strategic Investments Limited ("PSI") (2005: 99.16%).

Details of the transaction are:

	Consolidated		Company	
	30/06/06	30/06/05	30/06/06	30/06/05
	\$'000	\$'000	\$'000	\$'000
Purchase consideration:				
Acquisition	PSI	PSI	PSI	PSI
% holdings	0.84%	99.16%	0.84%	99.16%
Shares issued nil (2005: 17,943,561)	-	17,939	-	17,939
Share issuing costs	-	285	-	285
Cash consideration	251	4,680	251	4,680
Total consideration	251	22,904	251	22,904
Fair value of identifiable net assets of controlled entities acquired:				
Cash	34	3,482		
Receivables	-	47		
Prepayments	-	25		
Deferred tax assets	-	42		
Fixed assets	-	1		
Listed securities	223	23,026		
Creditors	-	(87)		
Current tax liabilities	(1)	(260)		
Deferred tax liabilities	(21)	(1,691)		
Discount on acquisition	-	(1,681)		
Acquisition costs	16	-		
Total consideration	251	22,904		
Net cash effect:				
Cash paid for current year acquisition	(251)	(3,720)	(251)	(3,720)
Cash paid for prior year acquisition	(960)	-	(960)	-
Share issuing costs	-	(285)	-	(285)
Cash balance acquired	-	3,415	-	-
Total cash outflows on acquisition of controlled entities	(1,211)	(590)	(1,211)	(4,005)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

17. CASH FLOW RECONCILIATION (continued)

(c) Non-cash financing and investing activities

(i) Share issue on acquiring controlled entities

There were no shares issued during the year to acquire the remaining 0.84% interest in PSI. During the previous year, 17,943,561 ordinary shares were issued to acquire 81.42% of the issued share capital of PSI.

(ii) Dividend reinvestment plan

Under the terms of the dividend reinvestment plan, \$1,689,772 (2005: \$674,021) of dividends were paid via the issue of 1,369,190 shares (2005: 596,479)

(iii) Transfer of investment portfolio to parent entity

During the year, the Company transferred all of the investment portfolio held by its wholly owned subsidiary entity, Pacific Strategic Investments Limited at carrying value. During 2005 all of the investment portfolio held by a wholly owned subsidiary, Brickworks Securities Pty Limited, was transferred at cost. The transfer consideration was \$20,745,529 (2005: \$159,974,678) and was settled against the balance due via an inter-company loan.

18. EARNINGS PER SHARE

	Consolidated	
	30/06/06 \$'000	30/06/05 \$'000
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Profit for the year	12,824	10,474
Earnings used in calculating basic and diluted earnings per share	12,824	10,474
	No. ('000)	No. ('000)
Weighted average number of ordinary shares used in the calculation of basic & diluted earnings per share	196,965	184,063
Basic earnings per share (cents)	6.51	5.69
Diluted earnings per share (cents)	6.51	5.69

19. AUDITORS' REMUNERATION

	Consolidated		Company	
	30/06/06 \$'000	30/06/05 \$'000	30/06/06 \$'000	30/06/05 \$'000
Remuneration of the auditor of the parent entity for:				
(a) Auditing the financial report of the Company and the controlled entities	29	29	29	29
(b) Taxation services	3	13	3	13
	32	42	32	42
Remuneration of other auditors of subsidiary for:				
Auditing the financial report of controlled entities	20	28	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

20. DIRECTORS REMUNERATION

Payment to non-executive directors is fixed at \$150,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided amongst the Directors as they may determine.

These fees exclude any additional fee for any service based agreement which may be agreed from time to time, and also excludes statutory superannuation and the reimbursement of out of pocket expenses.

Details of the nature and amount of each Non – Executive Director's emoluments from the Company and controlled entities in respect of the year to 30 June 2006 were:

	Primary \$	Superannuation \$	Equity Compensation \$	Other Compensation \$	Total \$
RD Millner	40,000	3,600	-	-	43,600
DC Hall	30,000	2,700	-	-	32,700
AJ Payne	25,000	2,250	-	-	27,250
GG Hill	30,000	2,700	-	-	32,700
Total	125,000	11,250	-	-	136,250

There were no retirement allowances provided for the retirement of non-executive directors.

	2006	2005
Income paid or payable, or otherwise made available to Non-Executive Directors of the consolidated entity in connection with managing the affairs of the Company and controlled entities	\$	\$
Fees	125,000	107,500
Superannuation Guarantee amounts	11,250	9,675
	136,250	117,175

The Company had no employees during the year to 30 June 2006.

21. SUPERANNUATION COMMITMENTS

The Company contributes superannuation payments on behalf of directors of the consolidated entity in accordance with relevant legislation. Superannuation funds are nominated by the individual directors and are independent of the Company.

22. RELATED PARTY TRANSACTIONS

Related parties of the Company fall into the following categories:

(i) **Controlled Entities**

Acquisition of controlled entities:

During the year, the Company acquired the remaining voting shares in a controlled entity, Pacific Strategic Investments Limited. The operating results of all controlled entities from the date of acquisition have been included in the Consolidated Income Statement. Assets and liabilities of all controlled entities have been included in the Consolidated Balance Sheet.

The main activity of Brickworks Securities Pty Limited and Pacific Strategic Investments Limited is the same as the Company, being a long-term investor in companies, trusts and interest bearing securities with a focus on Australian entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

22. RELATED PARTY TRANSACTIONS (continued)

(i) **Controlled Entities (continued)**

At 30 June 2006, subsidiaries of the Company were:

	Country of Incorporation	Percentage Owned (%)	
		2006	2005
Brickworks Securities Pty Limited	Australia	100	100
Pacific Strategic Investments Limited	Australia	100	99.16
A.C.N 007 336 094 Pty Ltd (in liquidation)	Australia	100	99.16
PSI Unit Trust	Australia	100	99.16

Transactions between the Company and its controlled entities consist of loan balance from the Company to its controlled entities. No interest is charged on the loan balance to the controlled entities and no repayment period is fixed for the loan.

(a) **Dividend payment**

During the year ended 30 June 2006, the Company received nil dividends (2005: \$12,210,432) and nil capital profit distribution (2005: \$580,011) from its wholly owned subsidiary entity, Brickworks Securities Pty Limited ("BSPL").

The dividend was settled against the balance due via an inter-company loan.

(b) **Transfer of investment portfolio to parent entity**

During the year, the Company transferred all of the investment portfolio held by its wholly owned subsidiary entity, Pacific Strategic Investments Limited at carrying value. During 2005 all of the investment portfolio held by a wholly owned subsidiary, Brickworks Securities Pty Limited, was transferred at cost. The transfer consideration was \$20,745,529 (2005: \$159,974,678) and was settled against the balance due via an inter-company loan.

(ii) **Directors/Officers Related Entities**

Persons who were Directors/Officers of Brickworks Investment Company Limited for part or all of the year ended 30 June 2006 were:

Directors: RD Millner
DC Hall
AJ Payne
GG Hill (appointed 14 December 2005)

Company Secretary: JP de Gouveia

Pitt Capital Partners Limited

The Company appointed Pitt Capital Partners Limited, an entity in which Messrs. RD Millner and GG Hill have an indirect interest, to act as financial adviser in respect of the merger of the Company's shares with that of Pacific Strategic Investments Limited. No fees were paid to Pitt Capital Partners Limited during the year (2005: \$165,000, including GST).

Souls Funds Management Limited

The Company has appointed Souls Funds Management Limited, an entity in which Messrs. RD Millner and GG Hill have an indirect interest, to act as investment manager for a period of 5 years from 24 October 2003. Under the agreement between the two parties, the Company agrees to pay Souls Funds Management Limited a monthly management fee equal to one-twelfth of 0.35% of the assets of the Company in the preceding month under their management. Souls Funds Management Limited also acted as investment manager for the controlled entity Pacific Strategic Investments Limited on a quarterly management fee equal to one-quarter of 0.35% of the net assets of PSI at each quarter.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

Souls Funds Management Limited (continued)

The management fee paid for the year ending 30 June 2006 were \$944,148 (2005: \$801,411); and the management fee owed by the Company to Souls Funds Management Limited at 30 June 2006 was \$172,279 (2005: \$78,810).

Corporate and Administrative Services Pty Limited

The Company has appointed Corporate & Administrative Services Pty Limited, an entity in which Messrs. RD Millner and GG Hill have an indirect interest and Mr JP de Gouveia has a direct interest, to provide the Company with administration, company secretarial services and preparation of all financial accounts.

Administration and secretarial fees paid for services provided to the company and its controlled entities for the year ending 30 June 2006 were \$128,260 (2005: \$176,880, including GST) and are at standard market rates. No administration fees were owed by the Company to Corporate & Administrative Services Pty Limited as at 30 June 2006.

(iii) Transactions in securities of the Company

Aggregate number of securities of the Company acquired or disposed of by Directors or their Director-related entities:

	2006	2005
	No. of Shares	No. of Shares
Acquisition - Shares	828,910	549,914
Disposal - Shares	-	-

During the year ended 30 June 2006, entities related to Directors acquired, under normal commercial terms, shares in the Company as follows:

- (i) Entities related to Mr RD Millner: 808,168 shares (2005: 446,760 shares)
- (ii) Entities related to Mr DC Hall: 15,027 shares (2005: 97,574 shares)
- (iii) Entities related to Mr AJ Payne: 5,715 shares (2005: 5,580 shares)
- (vi) Entities related to Mr GG Hill: nil shares

Directors acquired shares through dividend reinvestment plan, share purchase plan or on-market purchase.

There has been no other change to Directors' shareholdings in the Company during the year ended 30 June 2006. Messrs RD Millner, DC Hall, AJ Payne and GG Hill, or their associated entities, being shareholders of the Company are entitled to receive dividends from the Company.

23. FINANCIAL REPORTING BY SEGMENTS

The Company operates predominately in the securities industry in Australia.

24. FINANCIAL INSTRUMENTS

a) Interest Rate Risk

The economic entity's exposure to interest rate risk as at the reporting date is as follows:

	Weighted Average Interest Rate %		Variable Interest Rate \$'000		Non-Interest Bearing \$'000		Total \$'000	
	2006	2005	2006	2005	2006	2005	2006	2005
Financial Assets								
Cash and short-term deposits	5.21	4.05	22,670	17,401	-	-	22,670	17,401
Listed securities	-	-	-	-	272,067	230,929	272,067	230,929
Receivables and prepayments	-	-	-	-	3,264	2,184	3,264	2,184
			22,670	17,401	275,331	233,113	298,001	250,514
Financial Liabilities								
Payables	-	-	-	-	220	1,117	220	1,117

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (continued)

24. FINANCIAL INSTRUMENTS (continued)

b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The economic entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

c) Concentration of investment risk

The economic entity minimises concentration of risk in relation to investments by spreading across different sectors. Spread of investments in the following sectors:

Sector	Percentage of total investment		Amount	
	2006 %	2005 %	2006 \$'000	2005 \$'000
Banks	37.1	38.1	109,212	94,595
Capital goods	3.7	4.3	10,706	10,560
Diversified financials	7.8	7.0	22,939	17,312
Energy	3.1	2.5	9,214	6,188
Food & staples retailing	3.9	3.4	11,590	8,446
Materials	20.3	18.7	59,643	46,499
Media	3.8	4.0	11,483	10,016
Telecommunication services	2.6	5.0	7,496	12,457
Other non concentrated	10.0	10.0	29,784	24,856
Bank deposits	7.7	7.0	22,670	17,401
	100.0	100.0	294,737	248,330

The Company traded all investment transactions through a number of major broking firms with trades evenly placed amongst those firms.

d) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the accounts.

25. CONTINGENT LIABILITIES

The economic entity has no contingent liabilities at 30 June 2006.

26. AUTHORISATION

The financial report was authorised for issue on 10 August 2006 by the Board of Directors.

DIRECTORS' DECLARATION

The directors of Brickworks Investment Company Limited declare that:

1. The financial statements and notes, as set out on pages 21 to 43, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and the performance for the year ended on that date of the Company and consolidated entity;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2006.

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

Robert D Millner
Director

Sydney
10 August 2006

TRAVIS & TRAVIS CHARTERED ACCOUNTANTS

P.O. BOX 429
LANE COVE, AUSTRALIA
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**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
BRICKWORKS INVESTMENT COMPANY LIMITED**

SCOPE

The financial report and director's responsibility

The Financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Brickworks Investment Company Limited (The Company) and the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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 judgment, 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.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations 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.

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.

INDEPENDENCE

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 46 of the financial report has not changed as at the date of providing our audit opinion.

AUDIT OPINION

In our opinion, the financial report of Brickworks Investment Company Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

TRAVIS & TRAVIS

A.J. FAIRALL
Partner
Dated: 10 August 2006

1/114 Longueville Road
LANE COVE NSW 2066

Liability limited by a scheme approved under Professional Standards legislation.

TRAVIS & TRAVIS CHARTERED ACCOUNTANTS

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LANE COVE, AUSTRALIA
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Auditors' Independence Declaration to the Directors of Brickworks Investment Company Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

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

TRAVIS & TRAVIS

A.J. FAIRALL
Partner

Dated: 10 August 2006

1/114 Longueville Road, Lane Cove NSW

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ASX Additional Information

1) Equity Holders

At 31 July 2006, there were 7,673 holders of ordinary shares in the capital of the company. These holders were distributed as follow:

No. of Shares held	No. of Shareholders
1 – 1,000	212
1,001 – 5,000	1,862
5,001 – 10,000	1,811
10,001 – 100,000	3,613
100,001 and over	175
Total	7,673

Holding less than a marketable parcel of 374 shares 80

Votes of Members

Article 5.12 of the Company's Constitution provides

- a) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a show of hands at a meeting of Members, every Eligible Member present has one vote.
- b) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a poll at a meeting of Members, every Eligible Member present has:
 - (i) one vote for each fully paid up Share (whether the issue price of the Share was paid up or credited or both) that the Eligible Member holds; and
 - (ii) a fraction of one vote for each partly paid up Share that the Eligible Member holds. The fraction is equal to the proportion which the amount paid up on that Share (excluding amounts credited) is to the total amounts paid up and payable (excluding amounts credited on that Share).

ASX Additional Information (continued)

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

Name	Shares Held	%
Brickworks Limited	43,101,479	20.69
Bougainville Copper Limited	7,257,357	3.48
Washington H Soul Pattinson & Co Ltd	5,897,861	2.83
Argo Investments Limited	2,944,291	1.41
J S Millner Holdings Pty Limited	887,966	0.43
Tothemill Pty Ltd	871,429	0.42
UBS Wealth Management Australia Nominees Pty Ltd	795,521	0.38
Dr Russell Kay Hancock	703,759	0.34
Janivan Investments Pty Ltd	700,000	0.34
Trephant Pty Ltd	700,000	0.34
Australian Executor Trustees Limited <LIC Fund A/C>	694,134	0.33
RBC Dexia Investor Services Australia Nominees Pty Ltd <MLCI A/C>	657,656	0.32
T G Millner Holdings Pty Ltd	645,986	0.31
Australia Republic Investment Pty Ltd	620,000	0.30
Mr David McKee & Mrs Pamela McKee <D McKee Super Fund A/C>	572,231	0.27
Mr James Sinclair Millner	549,077	0.26
Palmerston Pty Ltd	518,410	0.25
Mr Grant Tilbrook & Mrs Elizabeth A Mead <I & J Radman Family A/C>	500,000	0.24
Impala Superannuation Nominees Pty Ltd	459,000	0.22
Australian Executor Trustees Limited <No 1 Account>	457,269	0.22
Total top 20 security holders	69,533,426	33.38
Total number of shares on Issue	208,324,328	

2) Substantial Shareholders

As at 31 July 2006 the name and holding of substantial shareholder as disclosed in a notice received by the company is:

Substantial Shareholders	No. of Shares	% of Total
Brickworks Limited	43,101,479	20.69

3) Other Information:

- There is no current on-market buy-back in place.
- There were 143 (2005: 100) transactions in securities undertaken by the Company and the total brokerage paid or accrued during the year was \$61,720 (2005: \$73,450).

4) Management Fees

Management fees paid and accrued during the year ended 30 June 2006 to Souls Funds Management Limited was \$966,924 (2005: \$801,411).

5) Management Expense Ratio:

The Management Expense Ratio ("MER") is the total expenses of the company for the financial year, as shown in the income statement, expressed as a percentage of the average total asset of the company for the financial year.

30/06/04	30/06/05	30/06/06
0.69%	0.71%	0.56%

