



AMCIL LIMITED

ABN 57 073 990 735

APPENDIX 4E STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

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- Results for announcement to the market
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These documents comprise the preliminary final report given to ASX under Listing Rule 4.3A

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2011 with the previous corresponding period being the year ended 30 June 2010.

This report is based on audited financial statements. A copy of the audit report can be found on page 38.

Results for announcement to the market

- The portfolio return over the financial year for the Company, including dividends paid, was 13.6 percent whereas the broader Australian equity market increased 11.7 percent over the same period.
- Net Profit attributable to members (including capital gains) was \$8.4 million, up 19.6% from the previous corresponding period. This includes \$1.3m (after tax) from the movement in the unrealised value of the Company's investment in Hastings Diversified Utilities Fund, which under the current accounting standards must be accounted for as part of profit.
- Net Operating Profit after tax was \$7.1 million, 44.4% up from the previous corresponding period.
- Revenue from ordinary activities (excluding capital gains) was \$8.4 million, up 35.9% from the previous corresponding period.
- Net tangible assets at 30 June 2011 were 78 cents per share, up from 70 cents at the end of the previous corresponding period, in both cases before allowing for any final dividend.
- No interim dividend was paid to shareholders in respect of the half year ended 31 December 2010.
- AMCIL's policy is to maximise the distribution of available franking credits. In accordance with this policy, a final dividend of 3.5 cents per share, fully-franked, will be paid on 26 August 2011 to ordinary shareholders on the register on 17 August 2011. Last year's final dividend was 2 cents. Shares are expected to trade ex-dividend from 11 August 2011.
- The dividend reinvestment plan has been suspended for the current dividend.
- The 2011 AGM will be held at the Hilton on the Park, East Melbourne, at 10.00 AM on Thursday 29th September.



AMCIL PROSPERS IN UNCERTAIN MARKETS

20 July 2011

AMCIL has reported a Net Profit after Tax of \$8.4 million for the twelve months to 30 June 2011, up 19.6 per cent on last year's result.

Net Operating Profit, which represents the income generated from the investment and trading portfolios, was \$7.1 million, 44.4 per cent higher.

AMCIL benefited from participation in the share buy-back by BHP Billiton, a lift in company dividends and the deployment into the market of cash from its share purchase plan in January 2011.

The Board has increased AMCIL's dividend to 3.5 cents per share fully franked up from 2 cents per share last year.

Major contributors to the positive performance of the portfolio for the year were gains in Iluka Resources, Hastings Diversified Utilities Fund, Transurban, BHP Billiton and Commonwealth Bank of Australia.

AMCIL moves into the financial year in a strong position. Following the payment of the dividend the Company has \$7 million of cash available. Equity markets are likely to remain uncertain but this environment should provide opportunities for a long term investor like AMCIL.

Please direct any enquiries to:

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MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions (above \$500,000)	Cost \$'000
Senex Energy	1,549
iSelect (new company to the portfolio)	1,500
ANZ Banking Group	1,267
Trust Company	936
Engenco (new company to the portfolio)	827
Amalgamated Holdings(new company to the portfolio)	750
AMP (takeover of AXA Asia Pacific by AMP)	736
Eastern Star Gas	689
Boral (new company to the portfolio)	663
Australian Infrastructure Fund	655
BHP Billiton	635
QBE Insurance	591
Campbell Brothers	536
Blackmores (new company to the portfolio)	533
Asciano (new company to the portfolio)	500

Disposals (above \$500,000)	Proceeds \$'000
Mitchell Communications (taken over by Aegis Group Plc)	4,309
Iluka Resources	2,770
BHP Billiton (participation in buy-back)	1,779
REA Group	1,127
AXA Asia Pacific (takeover of AXA Asia Pacific by AMP)	1,051
PrimeAg Australia	822

TOP INVESTMENTS AS AT 30 JUNE 2011

Includes investments held in both the Investment and Trading Portfolios

Valued at closing prices at 30 June 2011

	Total Value \$ '000
1 Commonwealth Bank of Australia	9,223
2 Hastings Diversified Utilities Fund	9,191
3 Westpac Banking Corporation	8,171
4 BHP Billiton	7,509
5 National Australia Bank	6,846
6 Transurban Group	6,454
7 Bradken	5,781
8 QBE Insurance Group	5,303
9 Australia & New Zealand Banking Group	5,237
10 Iluka Resources	5,034
11 Telstra Corporation	4,920
12 Tox Free Solutions	4,669
13 Australian Infrastructure Fund	4,276
14 Amcor	4,077
15 Oil Search	4,062
16 Coca-Cola Amatil	3,997
17 Brambles	3,971
18 AMP	3,968
19 ASG Group	3,401
20 Campbell Brothers	3,381
	109,470
As % of Total Portfolio (excludes Cash)	74.0%



PORTFOLIO PERFORMANCE TO 30 JUNE 2011

PERFORMANCE MEASURES	1 YEAR	3 YEARS	5 YEARS	SINCE RECAPITALISATION
PORTFOLIO RETURN *	13.6%	7.2%	8.6%	13.0%
S&P/ASX 200 ACCUMULATION INDEX	11.7%	0.3%	2.4%	9.2%
S&P/ASX 200 INDUSTRIALS ACCUMULATION INDEX	9.3%	2.4%	0.5%	6.5%
S&P/ASX 200 RESOURCES ACCUMULATION INDEX	17.7%	-3.5%	7.8%	18.1%

* Portfolio performance is measured by the change in net asset backing plus reinvested dividends and adjusting for the additional cash received from the exercise of options since recapitalisation of the Company in January 2004.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
Dividends and distributions		8,081	5,542
Revenue from deposits and bank bills		337	615
Other revenue		20	54
Total revenue		8,438	6,211
Net gains/(losses) on trading portfolio		252	122
Income from options written portfolio		20	(30)
Income from operating activities		8,710	6,303
Finance costs		(88)	(14)
Administration expenses		(1,239)	(1,177)
Operating profit before income tax expense	4	7,383	5,112
Income tax expense*	5	(279)	(194)
Net Operating Profit for the year		7,104	4,918
Net gains/(losses) on investments			
Net gains/(losses) on open options positions		(11)	11
Deferred tax on net gains/(losses) on open options positions*	5	3	(3)
Net gains/(losses) on puttable instruments		1,819	2,208
Tax on net gains/(losses) on puttable instruments*	5	(546)	(662)
Net gains/(losses) on securities sold from the investment portfolio		-	526
		1,265	2,080
Profit for the year		8,369	6,998
		Cents	Cents
Basic earnings per share	20	4.13	3.73
		2011 \$000	2010 \$000
* Total Tax Expense	5	822	859

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Year to 30 June 2011			Year to 30 June 2010		
	Revenue \$'000	Capital \$'000	Total \$000	Revenue \$'000	Capital \$'000	Total \$'000
Profit for the Year	7,104	1,265	8,369	4,918	2,080	6,998
Other Comprehensive Income						
Unrealised gains/(losses) for the period on securities in the portfolio at 30 June	-	8,524	8,524	-	14,730	14,730
Deferred tax expense on above	-	(3,461)	(3,461)	-	(1,321)	(1,321)
Plus gains/(losses) for the period on securities realised before 7 December 2009	-	-	-	-	267	267
Plus gains for the period on securities realised after 7 December 2009	-	2,828	2,828	-	207	207
Transfer to Income Statement of cumulative gains on investments realised prior to 7 December 2009	-	-	-	-	(526)	(526)
Total Other Comprehensive Income¹	-	7,891	7,891	-	13,357	13,357
Total comprehensive income²	7,104	9,156	16,260	4,918	15,437	20,355

¹ These are the net capital gains/(losses) not recorded through the Income Statement.

Capital includes the unrealised gains or losses on open options positions.

² This is the company's Net Return for the year, which includes the Net Operating Profit plus the net realised and unrealised gains or losses on the Company's investment portfolio and net gains/losses on open options positions.

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

BALANCE SHEET AS AT 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
Current assets			
Cash	6	14,029	4,955
Receivables	7	1,201	1,046
Trading portfolio	8	3,760	5,095
Total current assets		18,990	11,096
Non-current assets			
Investment portfolio	9	144,086	126,484
Deferred tax assets	10	191	264
Total non-current assets		144,277	126,748
Total assets		163,267	137,844
Current liabilities			
Payables	11	829	851
Tax payable		373	159
Options written portfolio	12	-	69
Total current liabilities		1,202	1,079
Non-current liabilities			
Deferred tax liabilities - investment portfolio	13	5,990	1,983
Total non-current liabilities		5,990	1,983
Total liabilities		7,192	3,062
Net Assets		156,075	134,782
Shareholders' equity			
Share Capital	14	129,377	120,447
Revaluation Reserve	16	17,224	11,500
Retained Profits	17	9,474	2,835
Total shareholders' equity		156,075	134,782

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

Year Ended 30 June 2011	Note	Share Capital \$'000	Revaluation Reserve \$'000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year		120,447	11,500	2,835	134,782
Dividends paid	19	-	-	(3,897)	(3,897)
Shares issued - Dividend Reinvestment Plan	14	1,833	-	-	1,833
- Share Purchase Plan	14	7,145	-	-	7,145
Costs of Share Issue	14	(48)	-	-	(48)
Total transactions with share-holders		8,930	-	(3,897)	5,033
Profit for the year		-	1,273	7,096	8,369
Other Comprehensive Income (net of tax)					
Net unrealised gains for the period for stocks held at 30 June		-	5,063	-	5,063
Net gains for the period on securities realised		-	2,828	-	2,828
Transfer to Retained Profits of cumulative gains on investments realised		-	(3,440)	3,440	-
Other Comprehensive Income for the year		-	4,451	3,440	7,891
Total equity at the end of the year		129,377	17,224	9,474	156,075

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011 (CONT)

				'Impairment'		
	Note	Share Capital \$000	Revaluation Reserve \$000	Revaluation Charge \$000	Retained Profits \$'000	Total \$'000
Year Ended 30 June 2010						
Total equity at the beginning of the year (as reported)		109,135	1,969	(5,085)	634	106,653
Adoption of AASB 9		-	(5,085)	5,085	-	-
Restated Total equity at the beginning of the year		109,135	(3,116)	-	634	106,653
Dividends paid	19	-	-	-	(3,538)	(3,538)
Shares issued - Dividend Reinvestment Plan	14	1,475	-	-	-	1,475
- Share Purchase Plan	14	9,895	-	-	-	9,895
Costs of Share Issue	14	(58)	-	-	-	(58)
Total transactions with share-holders		11,312	-	-	(3,538)	7,774
Profit for the year		-	1,546	-	5,452	6,998
Other Comprehensive Income (net of tax)						
Net unrealised gains for the period for stocks held at 30 June		-	13,409	-	-	13,409
Net gains for the period on securities realised before 7 December 2009		-	267	-	-	267
Transfer to Income Statement of cumulative gains on investments realised before 7 December 2009		-	(526)	-	-	(526)
Net gains for the period on securities realised after 7 December 2009		-	207	-	-	207
Transfer to Retained Profits of cumulative gains on investments realised after 7 December 2009		-	(287)	-	287	-
Other Comprehensive Income for the year		-	13,070	-	287	13,357
Total equity at the end of the year		120,447	11,500	-	2,835	134,782

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

		2011 \$'000	2010 \$'000
	Note	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
Sales from trading portfolio		4,586	4,963
Purchases for trading portfolio		(2,364)	(9,179)
Interest received		318	634
Proceeds from entering into options in options written portfolio		-	142
Payment to close out options in options written portfolio		(60)	(91)
Dividends and distributions received		6,758	2,865
		<u>9,238</u>	<u>(666)</u>
Other receipts		20	54
Administration expenses		(1,236)	(1,178)
Finance costs paid		(72)	(27)
Income tax credits received		9	43
Net cash inflow/(outflow) from operating activities	24	<u>7,959</u>	<u>(1,774)</u>
Cash flows from investing activities			
Sales from investment portfolio		11,532	4,732
Purchases for investment portfolio		(15,450)	(27,752)
Net cash inflow/(outflow) from investing activities		<u>(3,918)</u>	<u>(23,020)</u>
Cash flows from financing activities			
Proceeds from borrowing		1,500	-
Repayment of borrowing		(1,500)	-
Shares issued		8,978	11,370
Dividends paid		(3,897)	(3,538)
Share issue costs		(48)	(58)
Net cash inflow/(outflow) from financing activities		<u>5,033</u>	<u>7,774</u>
Net increase/(decrease) in cash held		9,074	(17,020)
Cash at the beginning of the year		4,955	21,975
Cash at the end of the year	6	<u>14,029</u>	<u>4,955</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

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

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

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities
Cash	Cash & Cash Equivalents
Share Capital	Contributed Equity
Hybrids	Equity instruments that are not ordinary securities
Options	Derivatives written over equity instruments that are valued at fair value through Profit & Loss

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS). The Company is a 'for profit' entity.

The Company has not 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 2011 ("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 at which their adoption becomes mandatory.

a) Basis of accounting

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

b) Holdings of securities

(i) Balance sheet classification

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

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

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

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

Securities within the investment portfolio (with the exception of puttable instruments) are classified as 'financial assets measured at fair value through other comprehensive income', and are designated as such upon initial recognition, whereas puttable instruments and securities held within the trading portfolio are classified as 'mandatorily measured at fair value through profit or loss in accordance with AASB 9'.

The designation of securities within the investment portfolio as 'financial assets measured at fair value through other comprehensive income' is consistent with the Directors' view of these assets as being held for the long-term for both capital growth and for the provision to the Company of dividends and distribution income rather than to make a profit from the sale of such securities, which is the purpose of securities held within the trading portfolio. Puttable instruments are required to be classified at "fair value through profit or loss" although the Directors also view these assets as being held for the long-term for both capital growth and for the provision to the Company of distribution income and their being managed as part of the investment portfolio.

(ii) Valuation of investment portfolio

Securities, including listed and unlisted shares and hybrids, are initially brought to account at market value, which is the cost of acquisition, and are revalued to market values continuously or fair value if there is no active market. Increments and decrements on equity instruments are recognised as Other Comprehensive Income and taken to the Revaluation Reserve.

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

Gains and losses on puttable instruments are recognised in profit or loss. However, they are subsequently transferred from Retained Earnings to the Revaluation Reserve.

(iii) Valuation of trading portfolio

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

Increments and decrements on the value of securities in the trading portfolio are taken to Profit or Loss through the Income Statement.

(iv) Valuation of options written portfolio

Options written are initially brought to account at the amount received upfront for entering into the contract (the premium) and subsequently revalued to current market value.

(v) Income from holdings of securities

Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis and distributions relating to unlisted securities are recognised as income when received, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the relevant portion is treated as proceeds from a sale. If the distributions are capital returns on ordinary shares the amount of the distribution is treated as an adjustment to the carrying value of the shares.

The gain or loss on options written is not recognised as a realised gain/loss until the option expires, is exercised or is closed out. All unrealised gains or losses which represent movements in the Market Value of the options are recognised through the Income Statement.

c) Taxation

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

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

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

d) Cash flows

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

e) Fair value of financial assets and liabilities

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

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

f) Directors' retirement allowances

The Company recognises as 'amounts payable' Directors' retirement allowances that have been crystallised as at 31 December 2003. No further amounts have been, or will be, expensed as retirement allowances.

g) Rounding of amounts

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

h) Split between Revenue and Capital in Other Comprehensive Income

'Capital' relates to realised or unrealised gains (and the tax thereon) on securities within the Investment Portfolio and excludes income in the form of distributions and dividends which are recorded as 'Revenue'. All other items, including expenses, are recorded as Net Operating Profit, which is equivalent to 'Revenue'.

i) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board, through its sub-committees, has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

2. Critical Accounting Estimates and Judgements

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

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB112 Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax (CGT) on the unrealised gain in the Investment Portfolio at current tax rates. The Company currently has capital losses brought forward to cover part of the unrealised gain in the investment portfolio. This has been done on the assumption that the Company will continue to meet the Continuity of Ownership test (COT) or, should it fail this test, continue to meet the same business test (SBT). The Company's tax advisers believe that in the absence of a significant change in the Company's shareholder base or the Company's activities, the ATO will not move to disallow the use of these losses to offset future capital gains.

As the Directors do not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in Note 13. In addition, the tax liability that arises on disposal of these 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 key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

3. Financial Reporting by segments

(a) Description of segments

The Board makes the strategic resource allocations for the Company. The Company has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

The Board is responsible for the Company's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

The Company invests in equity securities and other instruments to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested.

(b) Segment information provided to the Board

The internal reporting provided to the Board for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards, except that net assets are reviewed both before and after the effects of capital gains tax on investments (as reported in the Company's Net Tangible Asset announcements to the ASX).

The Board considers the Company's Net Operating Profit after tax to be a key measure of the Company's performance. This amount excludes the impact of unrealised gains/losses on options and any gains or losses on the Company's investment portfolio and reconciles to the Company's profit before tax as follows:

	2011 \$'000	2010 \$'000
Operating profit after income tax expense	7,104	4,918
Add back income tax expense	279	194
Net gains on securities sold from the investment portfolio before 7 December 2009	-	526
Net gains on puttable instruments	1,819	2,208
Net gains/(losses) on open options positions	(11)	11
Profit for the year before tax	9,191	7,857

In addition, the Investment Committee regularly reviews the net asset value per share both before and after provision for deferred tax on the unrealised gains in the Company's long term investment portfolio. Deferred tax is calculated as set out in notes 1(c) and 2. The relevant amounts as at 30 June 2011 and 30 June 2010 were as follows:

	2011 cents	2010 cents
Net tangible asset backing per share		
Before Tax	78	70
After Tax	75	69

(c) Other segment information

(i) Segment Revenue

Revenues from external parties are derived from the receipt of dividend, distribution and interest income, and income arising on the trading portfolio and realised income from the options portfolio.

The Company is domiciled in Australia and all of the Company's income is derived from Australian entities or entities that have a listing on the Australian Securities Exchange. The Company has a diversified portfolio of investments, with only the following investments comprising more than 10% of the Company's income, including realised income from the options written portfolio (2010 : Hastings Diversified Utilities Fund : 11%)

% of Income

BHP Billiton Ltd 13.5%
(includes \$1.0 million of income from the Company's participation in the off-market buy-back)

4. Operating profit before income tax expense

	2011 \$'000	2010 \$'000
Dividends and distributions		
• securities held in investment portfolio	7,830	5,336
• securities held in trading portfolio	251	206
	<u>8,081</u>	<u>5,542</u>
Interest income		
• income from cash investments	337	615
	<u>337</u>	<u>615</u>
Net gains/(losses) and write downs		
• net realised gains/(losses) from trading portfolio	291	351
• realised gains/(losses) on options written portfolio	20	(30)
• unrealised losses from trading portfolio	(39)	(229)
	<u>272</u>	<u>92</u>
Other income	20	54
Income from operating activities	<u>8,710</u>	<u>6,303</u>
Finance costs	(88)	(14)
Administration fees paid to AICS	(553)	(514)
Other administration expenses	(686)	(663)
Operating profit before income tax expense	<u>7,383</u>	<u>5,112</u>

Further information relating to remuneration of auditors is set out in Note 23, Directors and Executives in Note 21.

5. Tax expense

(a) Reconciliation of income tax expense to prima facie tax payable

	2011	2010
	\$'000	\$'000
Operating profit before income tax expense	7,383	5,112
Tax at the Australian tax rate of 30% (2010 – 30%)	2,215	1,534
Tax offset for franked dividends	(1,666)	(1,115)
Tax effect of sundry items not taxable in calculating taxable income	97	12
	646	431
Under (over) provision in prior years	(367)	(237)
Income tax expense on operating profit before net gains on investments	279	194
Net gains on investments	1,808	2,745
Tax at the Australian tax rate of 30% (2010 – 30%)	543	824
Tax effect of amounts which are not deductible (taxable) in calculating taxable income :		
Capital gains set-off against bought-forward losses	-	(159)
Under (over) provision in prior years	-	-
Tax credit on net gains on investments	543	665
Total tax expense/(credit)	822	859

(b) Tax expense composition

Charge for tax payable relating to the current year	570	559
Under (over) provision in prior years	(367)	(237)
Tax on change in fair value of puttable instruments	546	662
(Increase)/ decrease in deferred tax assets	73	(125)
	822	859

(c) Amounts recognised directly through Other Comprehensive Income

Increase (decrease) in deferred tax liabilities relating to capital gains tax on the movement in unrealised gains in the investment portfolio	3,461	1,321
	3,461	1,321

6. Current assets – cash

	2011	2010
	\$'000	\$'000
Cash at bank and in hand	31	8
Fixed Term Deposits	13,998	4,947
	14,029	4,955

Cash holdings yielded an average floating interest rate of 5.4% (2010: 4.4%).

(a) Credit risk exposure

All cash investments not held in a transactional account are invested in short-term deposits with Australia's "Big 4" commercial banks or their wholly-owned subsidiaries, all rated 'AA' by S&P.

(b) Standby arrangements and credit facilities

The Company was party to agreements under which Commonwealth Bank of Australia had extended a cash advance facility.

	2011 \$'000	2010 \$'000
Commonwealth Bank of Australia –cash advance facility	10,000	10,000
Amount drawn down	-	-
Undrawn facilities	<u>10,000</u>	<u>10,000</u>

Repayment of facilities was done either through the use of cash received from distributions or the sale of securities, or by rolling existing facilities into new ones. Facilities where utilised would not usually be drawn down for more than three months.

7. Current assets – receivables

	2011 \$'000	2010 \$'000
Dividends and distributions receivable	1,154	977
Interest receivable/pre-paid	44	38
Sales from investment portfolio	-	28
Other receivables/pre-payments	3	3
	<u>1,201</u>	<u>1,046</u>

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

8. Current assets – trading portfolio

Listed securities at market value :

- shares and trust units	3,760	5,160
- Options sold by the Company		
• Calls	-	(65)
• Puts	-	-
	<u>3,760</u>	<u>5,095</u>

(a) Options sold

The Company enters into option contracts in the trading portfolio as part of its trading activities to generate profits on dealing in securities. Where the Company sells a call option it is obligated to deliver securities at an agreed price if the taker exercises the option. Whereas if the Company sells a put option it is obligated to buy the underlying shares at an agreed price if the taker exercises the option. Options are valued at a theoretical price which is obtained from an independent third-party data provider.

As at balance date there were no call options outstanding (2010: \$3.4 million potential exposure) held by the Company in its trading portfolio. As at the previous balance date all of these contracts were exchange-traded options and were entered into within the constraints and controls imposed by the Australian Securities Exchange. Dealing and administrative (including settlement) functions are separated. The total exposure position is determined daily. The Investment Committee meets

regularly (normally fortnightly) to consider, review and approve the investment, trading and sub-underwriting transactions of the Company and related matters.

9. Non-current assets – investment portfolio

	2011 \$'000	2010 \$'000
Equity instruments		
- shares/trust and stapled securities at market value	133,128	118,905
- unlisted securities at fair value	1,767	-
Puttable instruments	9,191	7,579
	<u>144,086</u>	<u>126,484</u>

For a detailed list of the fair value of the securities in the investment portfolio measured at fair value through Other Comprehensive Income, see Note 26.

10. Deferred tax assets

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

(a) The difference in the value of the trading portfolio for tax and accounting purposes	51	69
(b) Tax on unrealised (gains)/losses in the options written portfolio	-	(3)
(c) Tax paid up front on sold option premiums which are not included as accounting income until they lapse, are exercised or closed out	-	60
(d) Provisions and expenses charged to the accounting profit which are not yet tax deductible	152	152
(e) Interest and dividend income receivable which is not assessable for tax until receipt	(12)	(14)
	<u>191</u>	<u>264</u>

Movements:

Opening asset balance at 1 July	264	139
Credited/(charged) to Income statement	(73)	125
	<u>191</u>	<u>264</u>

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

The portion of deferred tax asset likely to be reversed within the next 12 months is \$39,000 (2010: \$43,000). This relates primarily to items described in items (a), (b), (c) and (e) above.

11. Current liabilities – payables

	2011 \$'000	2010 \$'000
Outstanding settlements – Investment portfolio	-	327
Outstanding settlements – Trading portfolio	300	-
Directors' retirement benefits	503	503
Other payables	26	21
	<u>829</u>	<u>851</u>

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

12. Options written portfolio

The Company enters into option contracts in the options written portfolio for the purpose of enhancing returns via the premiums that it earns from the writing of these contracts. It is separate from both the trading portfolio and the investment portfolio, and the options are held as “liabilities measured at fair value through profit or loss”. Where the Company sells a call option it is obligated to deliver securities at an agreed price if the taker exercises the option. Whereas if the Company sells a put option it is obligated to buy the underlying shares at an agreed price if the taker exercises the option. Options are valued at a theoretical price which is obtained via an independent third-party data provider.

As at balance date there were no call options outstanding (2010: \$1.1 million potential exposure). The total income for the year of \$20,000 (2010 : \$(30,000)) less the loss on the reversal of previous unrealised gains on open options positions of \$11,000 (2010 : \$11,000 gain), both before tax, resulted in a net pre-tax gain of \$9,000 (2010 : \$19,000 loss).

As at the previous balance date all of these contracts were exchange-traded options and were entered into within the constraints and controls imposed by the Australian Securities Exchange Limited. Dealing and administrative (including settlement) functions are separated. The total exposure position is determined daily. The Investment Committee meets regularly (normally fortnightly) to consider, review and approve the transactions of the Company and related matters. \$2.9 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2010: \$3.3 million). These shares are lodged with ASX Clear under the terms of ASX Clear Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Company's investment portfolio.

13. Deferred tax liabilities – investment portfolio

	2011 \$'000	2010 \$'000
Deferred tax liabilities on unrealised gains in the investment portfolio	<u>5,990</u>	<u>1,983</u>

Refer Note 2 for further detail on the nature of the deferred tax liabilities on the investment portfolio.

At balance date, the Company had unused losses on the sale of investments available to set-off against future capital gains of \$4.1 million (2010 : \$7.3 million). During the year, \$3.2 million of brought forward losses were applied to realised capital gains.

The deferred tax liability shown above is after the application of the unused losses available for set-off against any potential gains (see Note 2).

Opening balance at 1 July	1,983	-
Charged to Profit for tax on puttable instruments	546	662
Charged to OCI for ordinary securities	<u>3,461</u>	<u>1,321</u>
	<u>5,990</u>	<u>1,983</u>

14. Shareholders' equity – share capital

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

Date	Details	Notes	Number of shares '000	Issue price \$	Paid-up Capital \$'000
1/07/2009	Balance		176,910		109,135
27/08/2009	Dividend Reinvestment Plan	i	2,500	0.59	1,475
11/12/2009	Share Purchase Plan	iii	15,460	0.64	9,895
Various	Costs of issue		-		(58)
30/06/2010	Balance		194,870		120,447
27/08/2010	Dividend Reinvestment Plan	i	3,054	0.60	1,833
5/01/2011	Share Purchase Plan	iv	11,164	0.64	7,145
Various	Costs of issue				(48)
			<u>209,088</u>		<u>129,377</u>

- i. The Company has a Dividend Reinvestment Plan (DRP) under which shareholders elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares is based on the average selling price of shares traded on the Australian Securities Exchange in the five days after the shares begin trading on an ex-dividend basis, subject to any discount decided by the Board, if any.
- ii. The Company has an on-market buy-back programme which remains active. During the year ended 30 June 2011 no shares were bought back (2010: Nil).

- iii. During the year ended 30 June 2010 the Company had a Share Purchase Plan under which eligible shareholders were invited to apply for up to \$15,000 of new shares in the Company at a price of 64 cents which represented a 5% discount to the volume-weighted average price of the Company's shares in the 10 days prior to the date of the offer, being 5 November 2009. 15,460,470 shares were issued which raised an additional \$9.9 million of capital.
- iv. During the year ended 30 June 2011 the Company had a Share Purchase Plan under which eligible shareholders were invited to apply for up to \$15,000 of new shares in the Company at a fixed price of 64 cents (being the lower of 64 cents or a 2.5% discount to the volume-weighted average price of the Company's shares in the 5 days prior to the closing date of the offer, being 23 December 2010). 11,163,583 shares were issued which raised an additional \$7.1 million of capital.

15. Capital Management

The Company's objectives in managing capital is to continue to provide shareholders with attractive investment returns through access to a steady stream of fully-franked dividends and enhancement of capital invested, with goals of paying dividends which utilise the Company's available franking credits and providing attractive total returns over the medium to long term.

The Company recognises that its capital will fluctuate in accordance with market conditions, and may adjust the amount of dividends paid, issue new shares from time to time or buy-back its own shares or sell assets to reduce debt.

The Company's capital consists of its shareholders equity plus any net borrowings. The change in this capital is as noted in notes 14, 16 and 17.

16. Revaluation Reserve

	2011 \$'000	2010 \$'000
Opening balance at 1 July	11,500	(3,116)
Cumulative gains/(losses) on equity instruments in investment portfolio	7,891	13,357
Transfer from Retained Profits – net gain on puttable instruments	1,273	1,546
Transfer to Retained Profits for realised gains	(3,440)	(287)
	<u>17,224</u>	<u>11,500</u>

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy note 1 b)(ii). As no gains or losses have been realised on these investments, this reserve is not available for distribution.

17. Retained Profits

Opening balance at 1 July	2,835	634
Dividends paid	(3,897)	(3,538)
Profit for the year	8,369	6,998
Transfer from Revaluation Reserve for realised gains post 7 December	3,440	287
Transfer to Revaluation Reserve – fair value movement on puttable instruments	(1,273)	(1,546)
	<u>9,474</u>	<u>2,835</u>

This reserve relates to past profits and may be distributed as cash dividends at the discretion of Directors.

	Retained Losses	Retained Profits	Total
	\$'000	\$'000	\$'000
1/07/04	(19,822)	705	(19,117)
30/06/05	(19,822)	3,342	(16,480)
30/06/06	(19,822)	4,927	(14,895)
30/06/07	(19,822)	12,165	(7,657)
30/06/08	(19,822)	15,938	(3,884)
30/06/09	(19,822)	20,456	634
30/06/10	(19,822)	22,657	2,835
30/06/11	(19,822)	29,296	9,474

18. Financial Instruments

(a) Financial Risk Management

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

Credit risk

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

Credit risk is managed as set out below with respect to cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are over-due.

Cash & Cash Equivalents

All cash investments not held in a transactional account are invested in short-term deposits with Australia's "Big 4" commercial banks or their wholly-owned subsidiaries, all rated 'AA' by S&P. The credit risk exposure of the Company in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

Receivables

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

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

Trading & Investment Portfolios

Credit risk exposures of the Company arise in relation to converting and convertible notes and other interest-bearing securities that are not equity securities (currently none in the portfolio) to the extent of their carrying values, in the event of a shortfall on winding-up of the issuing companies.

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

Liquidity risk

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

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

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

The Company's inward operating cash-flows depend upon the level of distributions received. Should these drop by a material amount, the Company would amend its outward cash-flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is manageable by the Board and management. Furthermore, the assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary. The current financial liabilities are shown in Notes 6 b) & 11. The table below analyses the Company's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

30 June 2011	Less than 6 months	6-12 months	Greater than 1 year	Total contractual cash flows	Carrying Amount (assets) / liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Payables	829	-	-	829	829
Derivatives					
Options written *	-	-	-	-	-
	<u>829</u>	<u>-</u>	<u>-</u>	<u>829</u>	<u>829</u>

30 June 2010

Non-derivatives					
Payables	851	-	-	851	851
Derivatives					
Options written *	-	-	-	-	69
	<u>851</u>	<u>-</u>	<u>-</u>	<u>851</u>	<u>920</u>

* In the case of call options written there are no contractual cash flows, as if the option is exercised the contract will be settled in the securities over which the option is written. The contractual cash flows for put options written are the cash sums the Company will pay to acquire securities over which

the options have been written, and it is assumed for purpose of the above disclosure that all options will be exercised (i.e. maximum cash outflow).

Market risk

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

By its nature as a Listed Investment Company that invests in tradeable securities, the Company can never be free of market risk as it invests its capital in securities which are not risk free – the market price of these securities will fluctuate.

A general fall in market prices of 5% and 10%, if spread equally over all assets in the investment portfolio would lead to a reduction in the Company's other comprehensive income of \$4.7 million and \$9.4 million respectively, at a tax rate of 30% (2010 : \$4.2 million & \$8.3 million) and a reduction in profit after tax of \$0.3 million and \$0.6 million respectively, at a tax rate of 30% (2010 : \$0.3 million & \$0.5 million). A market fall of 5% and 10% across the Trading Portfolio & Options Written Portfolio would lead to a reduction in profit after-tax of \$0.1 million and \$0.3 million respectively (2010 : \$0.2 million & \$0.4 million). The Revaluation Reserve at 30 June 2011 was \$17.2 million (2010 : \$11.5 million). It would require a fall in the value of the Investment Portfolio of 17% after tax to fully deplete this (2010 : 13%).

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

The Company's investment by sector is as below:

	2011	2010
Energy	6.72%	5.57%
Materials	14.45%	12.27%
Industrials	19.35%	17.73%
Consumer Discretionary	4.61%	7.33%
Consumer Staples	3.70%	5.13%
Banks	18.21%	18.90%
Other financials, including Real Estate	12.92%	15.10%
Telecommunications	3.04%	4.89%
Other – Healthcare, IT, Utilities	8.33%	9.45%
Cash	8.67%	3.63%

Securities representing over 5% of the combined investment and trading portfolio at 30 June 2011 were :

	2011
Commonwealth Bank	6.24%
Hastings Diversified Utilities Fund	6.22%
Westpac	5.53%
BHP Billiton	5.08%

At 30 June 2010 securities representing over 5% of the combined investment and trading portfolio were :

	2010
Commonwealth Bank	6.15%
Hastings Diversified Utilities Fund	5.76%
Westpac	5.93%
BHP Billiton	5.73%
Telstra	5.07%

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

The Company is not currently materially exposed to interest rate risk as all its cash investments are short-term for a fixed interest rate.

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

The writing of call options provides some protection against a fall in market prices as it generates income to partially compensate for a fall in capital values. Options are only written against securities that are held in the trading or investment portfolio.

Under Accounting Standards, movements in the market value of the trading portfolio are reflected directly through the Income Statement. However, the trading portfolio is only a minor proportion of the Company's investments. As at 30 June 2011, it was 2.3% of the total invested including cash (2010: 3.7%). This reduces the risk to the Company's earnings of a short-term fall in the value of securities held in the trading portfolio.

(b) Fair Value measurements

The Company has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through other comprehensive income				
Investment Portfolio (Equity)	133,128	1,767	-	134,895
Financial assets at fair value through profit or loss				
Trading Portfolio	3,760	-	-	3,760
Investment Portfolio (Puttables)	9,191	-	-	9,191
Financial liabilities at fair value through profit or loss				
Options written	-	-	-	-
Total	146,079	1,767	-	147,846

30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through other comprehensive income				
Investment Portfolio (Equity)	118,905	-	-	118,905
Financial assets at fair value through profit or loss				
Trading Portfolio	5,095	-	-	5,095
Investment Portfolio (Puttables)	7,579	-	-	7,579
Financial liabilities at fair value through profit or loss				
Options written	-	(69)	-	(69)
Total	131,579	(69)	-	131,510

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over the counter derivatives or unlisted securities) is determined using valuation techniques. The Company uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each reporting period. These instruments are included in level 2 and comprise call and put options written by the Company and the Company's investments in iSelect & Hexima. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3 (currently none).

(c) Numerical disclosures – Investment Portfolio

The fair value of each investment held at fair value through other comprehensive income (investment portfolio) is disclosed in note 26.

Dividend income for the period on those investments held at period end was \$6.8 million (2010 : \$5.5 million), and dividend income for those investments sold during the period was \$1.3 million (2010 : \$33,000).

Certain securities within the investment portfolio were disposed of during the period, whether during the normal course of the Company's activities as a Listed Investment Company or as the result of take-overs or acquisitions. The fair value of the investments sold during this period was \$13.7m (2010 : \$3.1 million). The cumulative gain on these disposals was \$3.4m for the period after tax (2010 : \$0.3 million), which has been transferred from the revaluation reserve to the realisation reserve (refer to statement of changes in equity). \$206,000 worth of puttable instruments were also sold during the period. The gain of \$71,500 on this disposal has been accounted for through profit.

The Company has two classes of investments in the investment portfolio - i) assets defined under AASB 9 as 'equity investments', the fair value of which is valued through other comprehensive income and at 30 June 2011 was \$134.9 million (30 June 2010 \$118.9 million) and ii) puttable instruments that cannot be classified as equity instruments under AASB 9 and are consequently accounted for at fair value through profit or loss. The fair value of these at 30 June 2011 was \$9.2 million (30 June 2010 : \$7.6 million).

19. Dividends

	2011 \$'000	2010 \$'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2010 of 2 cents fully franked at 30% paid on 27 August 2010 (2010: 2 cents fully franked at 30% paid on 27 August 2009).	3,897	3,538
	<u>3,897</u>	<u>3,538</u>
b) Franking credits		
Balance on the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables	3,536	2,058
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(3,136)	(1,670)
Net available	400	388
These franking account balances would allow the Company to frank additional dividend payments up to an amount of:	933	905

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the trading and investment portfolios and the Company paying tax.

(c) Dividends declared after balance date**\$'000**

Since the end of the year Directors have declared a final dividend of 3.5 cents per share fully franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2011 to be paid on 26 August 2011, but not recognised as a liability at the end of the financial year

 7,318
20. Earnings per share**Basic Earnings per Share**

	2011 Number	2010 Number
Weighted average number of ordinary shares used as the denominator	202,822,338	187,526,146
	\$'000	\$'000
Profit for the year	8,369	6,998
	Cents	Cents
Basic earnings per share	4.13	3.73
Basic Net Operating Profit per Share	\$'000	\$'000
Net Operating Profit	7,104	4,918
	2011	2010
	Cents	Cents
Basic Net Operating Profit per share	3.50	2.62

Dilution

As there are no options, convertible notes or other dilutive instruments on issue, diluted earnings per share is the same as basic earnings per share. This similarly applies to diluted Net Operating Profit before net gains on investment and options written portfolios per share.

21. Directors and Executives

The Remuneration for the Directors was as follows :

	Short Term Benefits \$	Post- Employment Benefits \$	Total \$
2011 Directors	381,649	34,351	416,000
2010 Directors	366,976	33,024	400,000

Shareholdings

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

2011	Opening balance	Net changes	Closing balance
BB Teele	32,848,688	1,212,145	34,060,833
RE Barker	4,265,789	57,715	4,323,504
PC Barnett	550,351	23,438	573,789
TA Campbell	4,715,200	180,611	4,895,811
RH Myer	570,270	65,885	636,155
RB Santamaria	143,003	102,005	245,008
SDM Wallis	2,217,239	23,438	2,240,677
RM Freeman	364,697	58,699	423,396
GN Driver	163,913	28,902	192,815
2010			
BB Teele	31,723,913	1,124,775	32,848,688
RE Barker	4,231,691	34,098	4,265,789
PC Barnett	526,914	23,437	550,351
TA Campbell	4,537,935	177,265	4,715,200
RH Myer	483,567	86,703	570,270
RB Santamaria	115,646	27,357	143,003
SDM Wallis	2,170,365	46,874	2,217,239
RM Freeman	320,398	44,299	364,697
GN Driver	135,870	28,043	163,913

22. Related parties

All transactions with deemed related parties were made on normal commercial terms and conditions and approved by independent Directors.

Director TA Campbell had or has an interest in the following transactions as a Director or former Director, employee and shareholder of Goldman Sachs & Partners Australia Pty Ltd, Goldman Sachs JBWere Company Holdings Pty Ltd, Goldman Sachs JBWere Pty Ltd, Goldman Sachs JBWere Services Pty Ltd and Goldman Sachs JBWere Capital Markets Limited.

	2011 \$'000	2010 \$'000
The Company buys and sells securities through Goldman Sachs amongst other brokers		
- Brokerage expenses paid or payable	2	6

23. Remuneration of auditors

During the year the auditor earned the following remuneration:

PricewaterhouseCoopers

	2011	2010
	\$	\$
Audit or review of financial reports	77,660	78,815
<u>Non-Audit Services</u>		
Taxation compliance services	21,508	21,738
Total remuneration	<u>99,168</u>	<u>100,553</u>

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit related tax compliance services provided by the audit firm to ensure they do not compromise independence. Other non-audit services would not normally be provided by the external audit firm. However, if for special reasons such services were to be proposed, the Audit Committee would review the proposal to also ensure they did not affect the independence of the external audit function. The Company also conforms to legal requirements regarding audit partner rotation every 5 years.

24. Reconciliation of net cash flows from operating activities to profit

	2011 \$'000	2010 \$'000
Profit for the year	8,369	6,998
- Net decrease (increase) in trading portfolio	1,335	(5,095)
- Net fair value movement for puttable instruments	(1,273)	(1,546)
- Net capital gains before tax	-	(526)
- Dividends received under off-market share buy-back not accounted for as income	776	-
- Increase (decrease) in options written portfolio	(69)	69
- Dividends received as securities under DRP investments	(1,588)	(1,359)
- Decrease (increase) in current receivables	(155)	(378)
- Less increase (decrease) in receivables for investment portfolio	(28)	28
- (Increase) decrease in deferred tax assets	4,080	1,858
- Less (increase) decrease in deferred tax liability on investment portfolio	(4,007)	(1,983)
- Increase (decrease) in current payables	(22)	328
- Less decrease (increase) in payables for investment portfolio	327	(327)
- Increase (decrease) in provision for tax payable	214	159
Net cash flows from operating activities	<u>7,959</u>	<u>(1,774)</u>

25. Contingencies

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

26. Securities at Fair Value through other Comprehensive Income at 30 June 2011

The below list are those of securities held in the investment portfolio at 30 June that are valued at fair value through Other Comprehensive Income. They do not include securities in the trading portfolio or the options written portfolio.

Individual holdings in the portfolio may change during the course of the year. In addition, holdings may be subject to call options or sale commitments by which they may be sold at a price significantly different from the market price prevailing at the time of the exercise or sale.

	2011	2010
	\$'000	\$'000
Commonwealth Bank	8,700	8,092
Westpac	8,171	7,793
BHP Billiton	7,509	7,530
National Australia Bank	6,846	6,019
Transurban	6,454	4,876
Bradken	5,781	5,416
QBE Insurance Group	5,034	4,666
Iluka Resources	5,034	2,000
Telstra	4,920	5,532
Tox Free Solutions	4,669	4,940
Australian Infrastructure Fund	4,276	3,192
ANZ	4,126	2,848
Amcor	4,077	3,613
Oil Search	4,062	3,368
Coca-Cola Amatil	3,997	4,186
Brambles	3,971	3,003
AMP	3,968	3,507
ASG Group	3,401	4,966
Campbell Brothers	3,381	1,854
Peet	3,321	4,361
Senex (prev. Victoria Petroleum)	3,031	960
REA Group	2,975	3,567
Equity Trustees	2,905	2,836
Trust Company	2,202	1,326
Fleetwood Corporation	1,876	1,752
Alumina	1,794	1,296
Perpetual	1,719	1,833
Wellcom Group	1,719	1,286
Eastern Star Gas	1,706	1,650
Panaust	1,617	1,210

	2011	2010
	\$'000	\$'000
Incitec Pivot	1,544	1,092
iSelect	1,500	-
Tassal	1,140	1,128
Mermaid Marine	1,084	711
Origin Energy	900	523
Engenco	724	-
Amalgamated Holdings	667	-
Atlas Iron	560	-
Boral	556	-
Lycopodium	518	-
Blackmores	503	-
PrimeAg	487	1,050
Asciano	467	-
Select Harvests	358	346
Hexima	267	193
ARB Corporation	227	-
Orocobre	153	-
Mitchell Communications	-	3,167
Axa Asia Pacific	-	894
IAG	-	171
Geodynamics	-	152
Total	134,895	118,905

27. Post Balance Sheet Events

The Company has converted its current one year debt facility with the Commonwealth Bank into a three year facility. The amount of the facility, \$10 million, remains unchanged and has not been drawn down upon at the date of this report.

Independent auditor's report to the members of AMCIL Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

**Independent auditor's report to the members of
AMCIL Limited (continued)**

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of AMCIL Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

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

Auditor's opinion

In our opinion, the remuneration report of AMCIL Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


David Coogan
Partner

Melbourne
20 July 2011