



# **AMCIL LIMITED**

ABN 57 073 990 735

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## **APPENDIX 4E STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

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### **CONTENTS**

- Results for announcement to the market
- Media Release
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- Independent Audit Report

These documents comprise the preliminary final report given to ASX under Listing Rule 4.3A

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

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The reporting period is the year ended 30 June 2012 with the previous corresponding period being the year ended 30 June 2011.

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 an increase of 4.0% whereas the broader Australian equity market decreased 6.7% over the same period. The return of the portfolio since recapitalisation in January 2004 was 11.9% per annum whereas the Index return was 7.2% per annum.
- Net Profit attributable to members (including capital gains) was \$8.9 million, up 6.6% from the previous corresponding period. This includes \$3.3m (after tax) from the movement in the 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 Result after tax was \$5.7 million, 20.2% down from the previous corresponding period. In the previous corresponding period there was a large increase in fully franked income of \$1.0 million as the Company participated in the off market buy back by BHP Billiton.
- Revenue from ordinary activities (excluding capital gains) was \$7.54 million, down 10.6% from the previous corresponding period.
- Net tangible assets at 30 June 2012 were 77 cents per share, down from 78 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 2011.
- AMCIL's policy is to maximise the distribution of available franking credits. In accordance with this policy, a final dividend of 2.5 cents per share, fully-franked, will be paid on 28 August 2012 to ordinary shareholders on the register on 15 August 2012. Last year's final dividend was 3.5 cents. Shares are expected to trade ex-dividend from 9 August 2012.
- The dividend reinvestment plan remains suspended.
- The 2012 AGM will be held at the Hilton on the Park, East Melbourne, at 2.30 PM on Wednesday 10 October.



**MEDIA RELEASE - FULL YEAR RESULT TO 30 JUNE 2012**

**AMCIL OUTPERFORMS VOLATILE MARKET**

25 July 2012

AMCIL's portfolio delivered a positive return in a market that was dominated by negative global economic and financial conditions. For the twelve months to 30 June 2012 AMCIL's portfolio return, including dividend paid, was positive 4.0%. The S&P/ASX 200 Accumulation Index return over the corresponding period was negative 6.7%. The return of the portfolio since recapitalisation in January 2004 was 11.9% per annum whereas the Index return was 7.2% per annum.

With a small concentrated investment portfolio, AMCIL's approach is to focus on where it sees the best medium to long term value in either small or large quality companies. Major contributors to the positive performance of the portfolio for the year were gains in Hastings Diversified Utilities Fund, Senex Energy, Telstra, Australian Infrastructure Fund and Tox Free Solutions. The volatile environment provided opportunities for AMCIL to add some new holdings to the portfolio, the largest of these were Woodside Petroleum, Ansell, Wesfarmers, Orica and CSL.

Reported Profit for the year was \$8.9 million, up on last year's figure of \$8.4 million.

The Net Operating Result, which represents the income generated from the investment and trading portfolios, was \$5.7 million versus \$7.1 million last year. In the previous year there was a large increase of \$1.0 million in fully franked income as the Company participated in the off market buy back by BHP Billiton.

A fully franked final dividend of 2.5 cents per share has been determined by Directors. This is in line with the Company's dividend policy of maximising the distribution of available franking credits. The dividend reinvestment plan remains suspended.

The market is expected to remain difficult for some time as events in Europe play out and sentiment in Australia remains cautious. However, we remain positive about the medium to long term returns for Australian equities. As such, this environment will continue to provide opportunities for AMCIL given its focussed investment approach.

Please direct any enquiries to:

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## MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

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| <b>Acquisitions (above \$1 million)</b>  | <b>Cost<br/>\$'000</b>         |
|------------------------------------------|--------------------------------|
| Woodside Petroleum*                      | 3,214                          |
| Ansell*                                  | 2,946                          |
| Origin Energy                            | 2,847                          |
| Oil Search                               | 2,846                          |
| Wesfarmers*                              | 2,536                          |
| Incitec Pivot                            | 2,337                          |
| Engenco                                  | 1,925                          |
| Orica*                                   | 1,872                          |
| CSL*                                     | 1,508                          |
| BHP Billiton                             | 1,206                          |
| AMP                                      | 1,107                          |
| <br><b>Disposals (above \$1 million)</b> | <br><b>Proceeds<br/>\$'000</b> |
| Hastings Diversified Utilities Fund      | 3,541                          |
| ASG Group <sup>#</sup>                   | 2,984                          |
| Senex Energy                             | 2,873                          |
| Iluka Resources                          | 2,686                          |
| Eastern Star Gas <sup>#</sup> (a)        | 2,322                          |
| Trust Company <sup>#</sup>               | 2,213                          |
| Peet <sup>#</sup>                        | 1,744                          |
| Perpetual <sup>#</sup>                   | 1,605                          |
| QBE Insurance Group                      | 1,586                          |
| Alumina <sup>#</sup>                     | 1,408                          |

(a) Sold while under takeover offer from Santos Limited.

\*New stock in the investment portfolio

<sup>#</sup>Complete disposal from the investment portfolio

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## TOP INVESTMENTS AS AT 30 JUNE 2012

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*Includes investments held in both the Investment and Trading Portfolios*

Valued at closing prices at 29 June 2012

|                                         | Total Value<br>\$ '000 |
|-----------------------------------------|------------------------|
| 1 Hastings Diversified Utilities Fund   | 10,800                 |
| 2 Commonwealth Bank of Australia        | 9,789                  |
| 3 Transurban Group                      | 7,822                  |
| 4 Westpac Banking Corporation           | 7,545                  |
| 5 Oil Search                            | 6,750                  |
| 6 National Australia Bank               | 6,628                  |
| 7 Tox Free Solutions                    | 6,627                  |
| 8 BHP Billiton                          | 6,430                  |
| 9 Australia & New Zealand Banking Group | 6,301                  |
| 10 Telstra Corporation                  | 6,281                  |
| 11 Australian Infrastructure Fund       | 5,712                  |
| 12 Senex Energy                         | 5,375                  |
| 13 Coca-Cola Amatil                     | 4,904                  |
| 14 Origin Energy                        | 4,250                  |
| 15 AMP                                  | 4,192                  |
| 16 Brambles                             | 4,046                  |
| 17 Amcor                                | 4,015                  |
| 18 Campbell Brothers                    | 4,009                  |
| 19 Bradken                              | 3,458                  |
| 20 REA Group                            | 3,332                  |
|                                         | <hr/>                  |
|                                         | 118,265                |
|                                         | <hr/>                  |
|                                         | 77.3%                  |




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## PORTFOLIO PERFORMANCE TO 30 JUNE 2012

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| PERFORMANCE MEASURES                                  | ANNUALISED RETURNS |              |             |                                              |
|-------------------------------------------------------|--------------------|--------------|-------------|----------------------------------------------|
|                                                       | 1 YEAR             | 3 YEARS      | 5 YEARS     | SINCE<br>RECAPITALISATION<br>IN JANUARY 2004 |
| <i>PORTFOLIO RETURN*</i>                              | <b>4.0%</b>        | <b>12.3%</b> | <b>2.8%</b> | <b>11.9 %</b>                                |
| <b>S&amp;P/ASX 200 ACCUMULATION INDEX</b>             | -6.7%              | 5.7%         | -4.0%       | 7.2%                                         |
| <b>S&amp;P/ASX 200 INDUSTRIALS ACCUMULATION INDEX</b> | 3.6%               | 9.1%         | -3.9%       | 6.1%                                         |
| <b>S&amp;P/ASX 200 RESOURCES ACCUMULATION INDEX</b>   | -28.2%             | -2.5%        | -3.8%       | 11.3%                                        |

\* 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.



# INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

|                                                       | Note      | 2012<br>\$'000         | 2011<br>\$'000         |
|-------------------------------------------------------|-----------|------------------------|------------------------|
| Dividends and distributions                           |           | 7,101                  | 8,081                  |
| Revenue from deposits and bank bills                  |           | 433                    | 337                    |
| Other revenue                                         |           | 7                      | 20                     |
| <b>Total revenue</b>                                  |           | <b>7,541</b>           | <b>8,438</b>           |
| Net gains/(losses) on trading portfolio               |           | (531)                  | 252                    |
| Income from options written portfolio                 |           | -                      | 20                     |
| <b>Income from operating activities</b>               |           | <b>7,010</b>           | <b>8,710</b>           |
| Finance costs                                         |           | (73)                   | (88)                   |
| Administration expenses                               |           | (1,334)                | (1,239)                |
| <b>Operating result before income tax expense</b>     | <b>4</b>  | <b>5,603</b>           | <b>7,383</b>           |
| Income tax credit/(expense)*                          | <b>5</b>  | 63                     | (279)                  |
| <b>Net Operating Result for the year</b>              |           | <b>5,666</b>           | <b>7,104</b>           |
| <b>Net gains/(losses) on investments</b>              |           |                        |                        |
| Net losses on open options positions                  |           | -                      | (11)                   |
| Deferred tax on net losses on open options positions* | <b>5</b>  | -                      | 3                      |
| Net gains on puttable instruments                     |           | 4,651                  | 1,819                  |
| Tax on net gains/(losses) on puttable instruments*    | <b>5</b>  | (1,395)                | (546)                  |
|                                                       |           | 3,256                  | 1,265                  |
| <b>Profit for the year</b>                            |           | <b>8,922</b>           | <b>8,369</b>           |
|                                                       |           | <b>Cents</b>           | <b>Cents</b>           |
| Basic earnings per share                              | <b>20</b> | 4.27                   | 4.13                   |
|                                                       |           | <b>2012<br/>\$'000</b> | <b>2011<br/>\$'000</b> |
| <b>* Total Tax Expense</b>                            | <b>5</b>  | 1,332                  | 822                    |

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

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                    | Year to 30 June 2012 |                   |                 | Year to 30 June 2011 |                   |                 |
|------------------------------------------------------------------------------------|----------------------|-------------------|-----------------|----------------------|-------------------|-----------------|
|                                                                                    | Revenue<br>\$'000    | Capital<br>\$'000 | Total<br>\$'000 | Revenue<br>\$'000    | Capital<br>\$'000 | Total<br>\$'000 |
| <b>Profit for the Year</b>                                                         | <b>5,666</b>         | <b>3,256</b>      | <b>8,922</b>    | <b>7,104</b>         | <b>1,265</b>      | <b>8,369</b>    |
| <b>Other Comprehensive Income</b>                                                  |                      |                   |                 |                      |                   |                 |
| Unrealised gains/(losses) for the period on securities in the portfolio at 30 June | -                    | (2,772)           | <b>(2,772)</b>  | -                    | 8,524             | <b>8,524</b>    |
| Deferred tax expense on above                                                      | -                    | 1,074             | <b>1,074</b>    | -                    | (3,461)           | <b>(3,461)</b>  |
| Plus realised gains/(losses) for the period on securities                          | -                    | (1,553)           | <b>(1,553)</b>  | -                    | 2,828             | <b>2,828</b>    |
| <b>Total Other Comprehensive Income<sup>1</sup></b>                                | <b>-</b>             | <b>(3,251)</b>    | <b>(3,251)</b>  | <b>-</b>             | <b>7,891</b>      | <b>7,891</b>    |
| <b>Total comprehensive income<sup>2</sup></b>                                      | <b>5,666</b>         | <b>5</b>          | <b>5,671</b>    | <b>7,104</b>         | <b>9,156</b>      | <b>16,260</b>   |

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

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

<sup>2</sup> This is the company's Net Return for the year, which includes the Net Operating Result 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 2012

|                                                 | Note | 2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------------|------|----------------|----------------|
| <b>Current assets</b>                           |      |                |                |
| Cash                                            | 6    | 6,827          | 14,029         |
| Receivables                                     | 7    | 1,414          | 1,201          |
| Trading portfolio                               | 8    | 2,655          | 3,760          |
| <b>Total current assets</b>                     |      | <b>10,896</b>  | <b>18,990</b>  |
| <b>Non-current assets</b>                       |      |                |                |
| Investment portfolio                            | 9    | 150,262        | 144,086        |
| Deferred tax assets                             | 10   | 208            | 191            |
| <b>Total non-current assets</b>                 |      | <b>150,470</b> | <b>144,277</b> |
| <b>Total assets</b>                             |      | <b>161,366</b> | <b>163,267</b> |
| <b>Current liabilities</b>                      |      |                |                |
| Payables                                        | 11   | 527            | 829            |
| Tax payable                                     |      | 100            | 373            |
| Options written portfolio                       | 12   | -              | -              |
| <b>Total current liabilities</b>                |      | <b>627</b>     | <b>1,202</b>   |
| <b>Non-current liabilities</b>                  |      |                |                |
| Deferred tax liabilities - investment portfolio | 13   | 6,311          | 5,990          |
| <b>Total non-current liabilities</b>            |      | <b>6,311</b>   | <b>5,990</b>   |
| <b>Total liabilities</b>                        |      | <b>6,938</b>   | <b>7,192</b>   |
| <b>Net Assets</b>                               |      | <b>154,428</b> | <b>156,075</b> |
| <b>Shareholders' equity</b>                     |      |                |                |
| Share Capital                                   | 14   | 129,377        | 129,377        |
| Revaluation Reserve                             | 16   | 16,209         | 17,224         |
| Retained Profits                                | 17   | 8,842          | 9,474          |
| <b>Total shareholders' equity</b>               |      | <b>154,428</b> | <b>156,075</b> |

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

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

| Year Ended 30 June 2012                                                  | Note | Share<br>Capital<br>\$'000 | Revaluation<br>Reserve<br>\$'000 | Retained<br>Profits<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------------------------------|------|----------------------------|----------------------------------|-------------------------------|-----------------|
| Total equity at the beginning of the year                                |      | 129,377                    | 17,224                           | 9,474                         | 156,075         |
| Dividends paid                                                           | 19   | -                          | -                                | (7,318)                       | (7,318)         |
| Total transactions with share-holders                                    |      | -                          | -                                | (7,318)                       | (7,318)         |
| Profit for the year                                                      |      | -                          | 3,256                            | 5,666                         | 8,922           |
| <b>Other Comprehensive Income (net of tax)</b>                           |      |                            |                                  |                               |                 |
| Net unrealised losses for the period for stocks held at 30 June          |      | -                          | (1,698)                          | -                             | (1,698)         |
| Net losses for the period on securities realised                         |      | -                          | (1,553)                          | -                             | (1,553)         |
| Transfer to Retained Profits of cumulative gains on investments realised |      | -                          | (1,020)                          | 1,020                         | -               |
| Other Comprehensive Income for the year                                  |      | -                          | (4,271)                          | 1,020                         | (3,251)         |
| <b>Total equity at the end of the year</b>                               |      | <b>129,377</b>             | <b>16,209</b>                    | <b>8,842</b>                  | <b>154,428</b>  |

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 2012 (CONT)

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

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

|                                                            |           | 2012<br>\$'000         | 2011<br>\$'000         |
|------------------------------------------------------------|-----------|------------------------|------------------------|
|                                                            | Note      | INFLOWS/<br>(OUTFLOWS) | INFLOWS/<br>(OUTFLOWS) |
| <b>Cash flows from operating activities</b>                |           |                        |                        |
| Sales from trading portfolio                               |           | 1,491                  | 4,586                  |
| Purchases for trading portfolio                            |           | (309)                  | (2,364)                |
| Interest received                                          |           | 452                    | 318                    |
| Payment to close out options in options written portfolio  |           | -                      | (60)                   |
| Dividends and distributions received                       |           | 4,979                  | 6,758                  |
|                                                            |           | 6,613                  | 9,238                  |
| Other receipts                                             |           | 7                      | 20                     |
| Administration expenses                                    |           | (1,332)                | (1,236)                |
| Finance costs paid                                         |           | (92)                   | (72)                   |
| Income tax credits received/(expense paid)                 |           | (227)                  | 9                      |
| <b>Net cash inflow/(outflow) from operating activities</b> | <b>24</b> | <b>4,969</b>           | <b>7,959</b>           |
| <b>Cash flows from investing activities</b>                |           |                        |                        |
| Sales from investment portfolio                            |           | 27,367                 | 11,532                 |
| Purchases for investment portfolio                         |           | (32,220)               | (15,450)               |
| <b>Net cash inflow/(outflow) from investing activities</b> |           | <b>(4,853)</b>         | <b>(3,918)</b>         |
| <b>Cash flows from financing activities</b>                |           |                        |                        |
| Proceeds from borrowing                                    |           | -                      | 1,500                  |
| Repayment of borrowing                                     |           | -                      | (1,500)                |
| Shares issued                                              |           | -                      | 8,978                  |
| Dividends paid                                             |           | (7,318)                | (3,897)                |
| Share issue costs                                          |           | -                      | (48)                   |
| <b>Net cash inflow/(outflow) from financing activities</b> |           | <b>(7,318)</b>         | <b>5,033</b>           |
| Net increase/(decrease) in cash held                       |           | (7,202)                | 9,074                  |
| Cash at the beginning of the year                          |           | 14,029                 | 4,955                  |
| <b>Cash at the end of the year</b>                         | <b>6</b>  | <b>6,827</b>           | <b>14,029</b>          |

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

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# NOTES TO THE FINANCIAL STATEMENTS

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## 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 AASB interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2012 ("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 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 Result, 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 Result 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:

|                                                    | 2012<br>\$'000 | 2011<br>\$'000 |
|----------------------------------------------------|----------------|----------------|
| <b>Operating result after income tax</b>           | <b>5,666</b>   | <b>7,104</b>   |
| Add back income tax expense/Less income tax credit | (63)           | 279            |
| Net gains on puttable instruments                  | 4,651          | 1,819          |
| Net gains/(losses) on open options positions       | -              | (11)           |
| <b>Profit for the year before tax</b>              | <b>10,254</b>  | <b>9,191</b>   |

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 2012 and 30 June 2011 were as follows:

|                                             | 2012<br>cents | 2011<br>cents |
|---------------------------------------------|---------------|---------------|
| <b>Net tangible asset backing per share</b> |               |               |
| Before Tax                                  | 77            | 78            |
| After Tax                                   | 74            | 75            |

### **(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 no investments comprising more than 10% of the Company's income, including realised income from the options written portfolio (2011 : BHP Billiton Ltd (included \$1.0 million of income from the Company's participation in the off-market buy-back) : 13.5%)

#### 4. Operating result before income tax expense

|                                                        | 2012<br>\$'000      | 2011<br>\$'000      |
|--------------------------------------------------------|---------------------|---------------------|
| Dividends and distributions                            |                     |                     |
| • securities held in investment portfolio              | 6,946               | 7,830               |
| • securities held in trading portfolio                 | 155                 | 251                 |
|                                                        | <u>7,101</u>        | <u>8,081</u>        |
| Interest income                                        |                     |                     |
| • income from cash investments                         | 433                 | 337                 |
|                                                        | <u>433</u>          | <u>337</u>          |
| Net gains/(losses) and write downs                     |                     |                     |
| • net realised gains/(losses) from trading portfolio   | (277)               | 291                 |
| • realised gains/(losses) on options written portfolio | -                   | 20                  |
| • unrealised losses from trading portfolio             | (254)               | (39)                |
|                                                        | <u>(531)</u>        | <u>272</u>          |
| Other income                                           | 7                   | 20                  |
| <b>Income from operating activities</b>                | <b><u>7,010</u></b> | <b><u>8,710</u></b> |
| Finance costs                                          | (73)                | (88)                |
| Administration fees paid to AICS                       | (646)               | (553)               |
| Other administration expenses                          | (688)               | (686)               |
| <b>Operating result before income tax expense</b>      | <b><u>5,603</u></b> | <b><u>7,383</u></b> |

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

|                                                                        | 2012         | 2011         |
|------------------------------------------------------------------------|--------------|--------------|
|                                                                        | \$'000       | \$'000       |
| <b>Operating result before income tax expense</b>                      | <b>5,603</b> | <b>7,383</b> |
| Tax at the Australian tax rate of 30% (2011 – 30%)                     | 1,681        | 2,215        |
| Tax offset for franked dividends                                       | (1,486)      | (1,666)      |
| Tax effect of sundry items not taxable in calculating taxable income   | (46)         | 97           |
|                                                                        | <b>149</b>   | <b>646</b>   |
| Under (over) provision in prior years                                  | (212)        | (367)        |
| Income tax expense on operating result before net gains on investments | <b>(63)</b>  | <b>279</b>   |
| <b>Net gains on investments</b>                                        | <b>4,651</b> | <b>1,808</b> |
| Tax at the Australian tax rate of 30% (2011 – 30%)                     | 1,395        | 543          |
| Tax expense on net gains on investments                                | <b>1,395</b> | <b>543</b>   |
| <b>Total tax expense/(credit)</b>                                      | <b>1,332</b> | <b>822</b>   |

### (b) Tax expense composition

|                                                     |              |            |
|-----------------------------------------------------|--------------|------------|
| Charge for tax payable relating to the current year | 166          | 570        |
| Under (over) provision in prior years               | (212)        | (367)      |
| Tax on change in fair value of puttable instruments | 1,395        | 546        |
| (Increase)/ decrease in deferred tax assets         | (17)         | 73         |
|                                                     | <b>1,332</b> | <b>822</b> |

### (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 | (1,074)        | 3,461        |
|                                                                                                                                               | <b>(1,074)</b> | <b>3,461</b> |

## 6. Current assets – cash

|                          | 2012         | 2011          |
|--------------------------|--------------|---------------|
|                          | \$'000       | \$'000        |
| Cash at bank and in hand | 15           | 31            |
| Fixed Term Deposits      | 6,812        | 13,998        |
|                          | <b>6,827</b> | <b>14,029</b> |

Cash holdings yielded an average floating interest rate of 5.4% (2011: 5.4%).

### (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.

|                                                       | <b>2012</b><br><b>\$'000</b> | <b>2011</b><br><b>\$'000</b> |
|-------------------------------------------------------|------------------------------|------------------------------|
| 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**

|                                        | <b>2012</b><br><b>\$'000</b> | <b>2011</b><br><b>\$'000</b> |
|----------------------------------------|------------------------------|------------------------------|
| Dividends and distributions receivable | 1,373                        | 1,154                        |
| Interest receivable/pre-paid           | 41                           | 44                           |
| Sales from investment portfolio        | -                            | -                            |
| Other receivables/pre-payments         | -                            | 3                            |
|                                        | <u>1,414</u>                 | <u>1,201</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 | <u>2,655</u> | <u>3,760</u> |
|                          | <u>2,655</u> | <u>3,760</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. Exchange Traded Options are valued at a theoretical price using observable market data which is obtained from an independent third-party data provider.

As at balance date, there were no call options outstanding (2011: \$nil potential exposure) held by the Company in its trading portfolio. When held, 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

|                                                       | 2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------------------|----------------|----------------|
| Equity instruments                                    |                |                |
| - shares/trust and stapled securities at market value | 137,804        | 133,128        |
| - unlisted securities at fair value                   | 1,658          | 1,767          |
| Puttable instruments                                  | 10,800         | 9,191          |
|                                                       | <u>150,262</u> | <u>144,086</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      | 90         | 51         |
| (b) Provisions and expenses charged to the accounting profit which are not yet tax deductible | 152        | 152        |
| (c) Interest and dividend income receivable which is not assessable for tax until receipt     | (34)       | (12)       |
|                                                                                               | <u>208</u> | <u>191</u> |

### Movements:

|                                        |            |            |
|----------------------------------------|------------|------------|
| Opening asset balance at 1 July        | 191        | 264        |
| Credited/(charged) to Income statement | 17         | (73)       |
|                                        | <u>208</u> | <u>191</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 \$56,000 (2011: \$39,000). This relates primarily to items described in items (a) and (c) above.

## 11. Current liabilities – payables

|                                                | 2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------------------------|----------------|----------------|
| Outstanding settlements – Investment portfolio | -              | -              |
| Outstanding settlements – Trading portfolio    | -              | 300            |
| Directors' retirement benefits                 | 503            | 503            |
| Other payables                                 | 24             | 26             |
|                                                | <u>527</u>     | <u>829</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. Exchange Traded Options are valued at a theoretical price using observable market data which is obtained via an independent third-party data provider.

As at balance date, there were no call options outstanding (2011: \$nil potential exposure). There was no option income for the year (2011 : \$20,000 less the loss on the reversal of previous unrealised \$11,000, both before tax, resulted in a net pre-tax gain of: \$9,000 gain).

When held, 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 (2011: \$2.9 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 and trading portfolios.

### 13. Deferred tax liabilities – investment portfolio

|                                                                          | 2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------------------------------------------------|----------------|----------------|
| Deferred tax liabilities on unrealised gains in the investment portfolio | <u>6,311</u>   | <u>5,990</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 \$3.4 million (2011 : \$4.1 million). During the year, \$0.7 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                         | 5,990          | 1,983        |
| Charged to Profit for tax on puttable instruments | 1,395          | 546          |
| Charged/(credited) to OCI for ordinary securities | <u>(1,074)</u> | <u>3,461</u> |
|                                                   | <u>6,311</u>   | <u>5,990</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<br>of shares<br>'000 | Issue<br>price<br>\$ | Paid-up<br>Capital<br>\$'000 |
|------------|----------------------------|-------|-----------------------------|----------------------|------------------------------|
| 1/07/2010  | Balance                    |       | 194,870                     |                      | 120,447                      |
| 27/08/2010 | Dividend Reinvestment Plan | i     | 3,054                       | 0.60                 | 1,833                        |
| 5/01/2011  | Share Purchase Plan        | iii   | 11,164                      | 0.64                 | 7,145                        |
| Various    | Costs of issue             |       | -                           |                      | (48)                         |
| 30/06/2011 | Balance                    |       | <u>209,088</u>              |                      | <u>129,377</u>               |
| 30/06/2012 | Balance                    |       | <u>209,088</u>              |                      | <u>129,377</u>               |

- 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. The DRP was suspended for the dividend for the year ended 30 June 2011, and remains suspended.
- The Company has an on-market buy-back programme which remains active. During the year ended 30 June 2012 no shares were bought back (2011: Nil).
- 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 2011). 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

|                                                                           | <b>2012</b>    | <b>2011</b>    |
|---------------------------------------------------------------------------|----------------|----------------|
|                                                                           | <b>\$'000</b>  | <b>\$'000</b>  |
| Opening balance at 1 July                                                 | 17,224         | 11,500         |
| Gains/(losses) for the year on equity instruments in investment portfolio | (3,251)        | 7,891          |
| Transfer from Retained Profits – net gain on puttable instruments         | 3,256          | 1,273          |
| Transfer to Retained Profits for realised gains                           | <u>(1,020)</u> | <u>(3,440)</u> |
|                                                                           | <u>16,209</u>  | <u>17,224</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                                                     | 9,474          | 2,835          |
| Dividends paid                                                                | (7,318)        | (3,897)        |
| Profit for the year                                                           | 8,922          | 8,369          |
| Transfer from Revaluation Reserve for realised gains                          | 1,020          | 3,440          |
| Transfer to Revaluation Reserve – fair value movement on puttable instruments | <u>(3,256)</u> | <u>(1,273)</u> |
|                                                                               | <u>8,842</u>   | <u>9,474</u>   |

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

|          | <b>Retained Losses</b> | <b>Retained Profits</b> | <b>Total</b>  |
|----------|------------------------|-------------------------|---------------|
|          | <b>\$'000</b>          | <b>\$'000</b>           | <b>\$'000</b> |
| 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         |
| 30/06/12 | (19,822)               | 28,664                  | 8,842         |

## **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 Company currently has no borrowings, but even if it were to fully utilise its debt facilities, the relatively low level of gearing would ensure 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.

| <b>30 June 2012</b>    | Less than<br>6 months | 6-12<br>months | Greater<br>than 1<br>year | Total<br>contractual<br>cash flows | Carrying<br>Amount<br>(assets) /<br>liabilities |
|------------------------|-----------------------|----------------|---------------------------|------------------------------------|-------------------------------------------------|
|                        | \$'000                | \$'000         | \$'000                    | \$'000                             | \$'000                                          |
| <b>Non-derivatives</b> |                       |                |                           |                                    |                                                 |
| Payables               | 527                   | -              | -                         | 527                                | 527                                             |
| <b>Derivatives</b>     |                       |                |                           |                                    |                                                 |
| Options written *      | -                     | -              | -                         | -                                  | -                                               |
|                        | 527                   | -              | -                         | 527                                | 527                                             |

## **30 June 2011**

|                        |     |   |   |     |     |
|------------------------|-----|---|---|-----|-----|
| <b>Non-derivatives</b> |     |   |   |     |     |
| Payables               | 829 | - | - | 829 | 829 |
| <b>Derivatives</b>     |     |   |   |     |     |
| Options written *      | -   | - | - | -   | -   |
|                        | 829 | - | - | 829 | 829 |

\* 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 \$4.9 million and \$9.8 million respectively, at a tax rate of 30% (2011 : \$4.7 million & \$9.4 million) and a reduction in profit after tax of \$0.4 million and \$0.8 million respectively, at a tax rate of 30% (2011 : \$0.3 million & \$0.6 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 \$0.2 million respectively (2011 : \$0.1 million & \$0.3 million). The Revaluation Reserve at 30 June 2012 was \$16.2 million (2011 : \$17.2 million). It would require a fall in the value of the Investment Portfolio of 15.4% after tax to fully deplete this (2011 : 17%).

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:

|                                         | <b>2012</b> | <b>2011</b> |
|-----------------------------------------|-------------|-------------|
| Energy                                  | 12.14%      | 6.72%       |
| Materials                               | 11.80%      | 14.45%      |
| Industrials                             | 22.33%      | 19.35%      |
| Consumer Discretionary                  | 5.28%       | 4.61%       |
| Consumer Staples                        | 5.27%       | 3.70%       |
| Banks                                   | 18.95%      | 18.21%      |
| Other financials, including Real Estate | 6.31%       | 12.92%      |
| Telecommunications                      | 3.93%       | 3.04%       |
| Other – Healthcare, IT, Utilities       | 9.71%       | 8.33%       |
| Cash                                    | 4.28%       | 8.67%       |

Securities representing over 5% of the combined investment and trading portfolio at 30 June 2012 were :

**2012**

|                                     |       |
|-------------------------------------|-------|
| Hastings Diversified Utilities Fund | 7.06% |
| Commonwealth Bank                   | 6.40% |
| Transurban                          | 5.12% |

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

**2011**

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

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 2012, it was 1.7% of the total invested including cash (2011: 2.3%). 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).

| <b>30 June 2012</b>                                                      | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Financial assets at fair value through other comprehensive income</b> |                           |                           |                           |                         |
| Investment Portfolio (Equity)                                            | 137,804                   | 1,658                     | -                         | 139,462                 |
| <b>Financial assets at fair value through profit or loss</b>             |                           |                           |                           |                         |
| Trading Portfolio                                                        | 2,655                     | -                         | -                         | 2,655                   |
| Investment Portfolio (Puttables)                                         | 10,800                    | -                         | -                         | 10,800                  |
| <b>Financial liabilities at fair value through profit or loss</b>        |                           |                           |                           |                         |
| Options written                                                          | -                         | -                         | -                         | -                       |
| <b>Total</b>                                                             | <b>151,259</b>            | <b>1,658</b>              | <b>-</b>                  | <b>152,917</b>          |

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

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 and distribution income for the period on those investments held at period end was \$5.9 million (2011 : \$6.8 million), and dividend and distribution income for those investments sold during the period was \$0.5 million (2011 : \$1.3 million).

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 \$23.9m (2011 : \$13.7 million). The cumulative loss on these disposals was \$1.1m for the period after tax (2011 : \$3.4 million gain), which has been transferred from the revaluation reserve to retained profits (refer to Statement of Changes in Equity). \$3.5 million worth of puttable instruments were also sold during the period (2011 : \$206,000). The cumulative gain of \$2.1 million (2011 : \$71,500) on this disposal has been transferred from the revaluation reserve to retained profits. The total cumulative realised gain on investments held at fair value through other comprehensive income and puttable instruments was \$1.0 million.

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 2012 was \$139.5 million (30 June 2011 \$134.9 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 2012 was \$10.8 million (30 June 2011 : \$9.2 million).

#### 19. Dividends

|                                                                                                                                                                      | 2012<br>\$'000 | 2011<br>\$'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>(a) Dividends paid during the year</b>                                                                                                                            |                |                |
| Final dividend for the year ended 30 June 2011 of 3.5 cents fully franked at 30% paid on 26 August 2011 (2011: 2 cents fully franked at 30% paid on 27 August 2010). | 7,318          | 3,897          |
|                                                                                                                                                                      | <u>7,318</u>   | <u>3,897</u>   |
| <b>b) Franking credits</b>                                                                                                                                           |                |                |
| 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       | 2,460          | 3,536          |
| Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:                                             | (2,240)        | (3,136)        |
| <b>Net available</b>                                                                                                                                                 | <b>220</b>     | <b>400</b>     |
| These franking account balances would allow the Company to frank additional dividend payments up to an amount of:                                                    | 513            | 933            |

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 2.5 cents per share fully franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2012 to be paid on 28 August 2012, but not recognised as a liability at the end of the financial year

5,227

**20. Earnings per share**

**Basic Earnings per Share**

|                                                                    | <b>2012</b>   | <b>2011</b>   |
|--------------------------------------------------------------------|---------------|---------------|
|                                                                    | <b>Number</b> | <b>Number</b> |
| Weighted average number of ordinary shares used as the denominator | 209,088,358   | 202,822,338   |

**\$'000**

**\$'000**

Profit for the year

8,922

8,369

**Cents**

**Cents**

Basic earnings per share

4.27

4.13

**Basic Net Operating Result per Share**

**\$'000**

**\$'000**

Net Operating Result

5,666

7,104

**2012**

**2012**

**Cents**

**Cents**

Basic Net Operating Result per share

2.71

3.50

**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 Result 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<br>Benefits \$ | Post-<br>Employment<br>Benefits \$ | Total \$ |
|-------------------|---------------------------|------------------------------------|----------|
| 2012<br>Directors | 381,649                   | 34,351                             | 416,000  |
| 2011<br>Directors | 381,649                   | 34,351                             | 416,000  |

## 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:

| <b>2012</b>   | <b>Opening<br/>balance</b> | <b>Net changes</b> | <b>Closing balance</b> |
|---------------|----------------------------|--------------------|------------------------|
| BB Teele      | 34,060,833                 | 340,000            | 34,400,833             |
| RE Barker     | 4,323,504                  | 85,000             | 4,408,504              |
| PC Barnett    | 573,789                    | -                  | 573,789                |
| TA Campbell   | 4,895,811                  | -                  | 4,895,811              |
| RH Myer       | 636,155                    | -                  | 636,155                |
| RB Santamaria | 245,008                    | -                  | 245,008                |
| SDM Wallis    | 2,240,677                  | -                  | 2,240,677              |
| RM Freeman    | 423,396                    | 42,849             | 466,245                |
| GN Driver     | 192,815                    | -                  | 192,815                |
| <b>2011</b>   |                            |                    |                        |
| 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                |

## 22. Related parties

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

The day-to-day management of the Company's investments and its operation, including financial reporting and administration, have been delegated to Australian Investment Company Services Limited ("AICS"). Details of the amounts paid to AICS are disclosed in Note 4.

## 23. Remuneration of auditors

During the year the auditor earned the following remuneration:

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|                                      | 2012          | 2011          |
|--------------------------------------|---------------|---------------|
|                                      | \$            | \$            |
| Audit or review of financial reports | 79,200        | 77,660        |
| <u>Non-Audit Services</u>            |               |               |
| Taxation compliance services         | 19,250        | 21,508        |
| Total remuneration                   | <u>98,450</u> | <u>99,168</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

|                                                                                  | 2012         | 2011         |
|----------------------------------------------------------------------------------|--------------|--------------|
|                                                                                  | \$'000       | \$'000       |
| Profit for the year                                                              | 8,922        | 8,369        |
| - Net decrease (increase) in trading portfolio                                   | 1,105        | 1,335        |
| - Net fair value movement for puttable instruments                               | (3,256)      | (1,273)      |
| - Dividends received under off-market share buy-back not accounted for as income | -            | 776          |
| - Increase (decrease) in options written portfolio                               | -            | (69)         |
| - Dividends received as securities under DRP investments                         | (997)        | (1,588)      |
| - Decrease (increase) in current receivables                                     | (213)        | (155)        |
| - Less increase (decrease) in receivables for investment portfolio               | -            | (28)         |
| - Increase (decrease) in deferred tax liabilities                                | 304          | 4,080        |
| - Less (increase) decrease in deferred tax liability on investment portfolio     | (321)        | (4,007)      |
| - Increase (decrease) in current payables                                        | (302)        | (22)         |
| - Less decrease (increase) in payables for investment portfolio                  | -            | 327          |
| - Increase (decrease) in provision for tax payable                               | (273)        | 214          |
| Net cash flows from operating activities                                         | <u>4,969</u> | <u>7,959</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 2012

The below list are those of securities held in the investment portfolio that are valued at fair value through Other Comprehensive Income. They do not include securities in the trading portfolio or puttable instruments in the investment portfolio (which are held at 'fair value through profit or loss') 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.

|                                | <b>2012</b>   | <b>2011</b>   |
|--------------------------------|---------------|---------------|
|                                | <b>\$'000</b> | <b>\$'000</b> |
| Commonwealth Bank              | 9,258         | 8,700         |
| Transurban                     | 7,822         | 6,454         |
| Westpac                        | 7,545         | 8,171         |
| Oil Search                     | 6,750         | 4,062         |
| National Australia Bank        | 6,628         | 6,846         |
| Tox Free Solutions             | 6,627         | 4,669         |
| BHP Billiton                   | 6,430         | 7,509         |
| Telstra                        | 6,281         | 4,920         |
| Australian Infrastructure Fund | 5,712         | 4,276         |
| Senex                          | 5,375         | 3,031         |
| ANZ                            | 5,110         | 4,126         |
| Coca-Cola Amatil               | 4,904         | 3,997         |
| AMP                            | 4,192         | 3,968         |
| Brambles                       | 4,046         | 3,971         |
| Amcor                          | 4,015         | 4,077         |
| Campbell Brothers              | 4,009         | 3,381         |
| Bradken                        | 3,458         | 5,781         |
| REA Group                      | 3,332         | 2,975         |
| Origin Energy                  | 3,317         | 900           |
| Incitec Pivot                  | 3,184         | 1,544         |
| Woodside Petroleum             | 3,024         | -             |
| Ansell                         | 2,825         | -             |
| Wesfarmers                     | 2,504         | -             |
| Equity Trustees                | 2,389         | 2,905         |
| QBE Insurance Group            | 2,007         | 5,034         |
| Orica                          | 1,951         | -             |
| Fleetwood Corporation          | 1,944         | 1,876         |
| Wellcom Group                  | 1,761         | 1,719         |
| Mermaid Marine                 | 1,747         | 1,084         |
| CSL                            | 1,735         | -             |

|                      | <b>2012</b>    | <b>2011</b>    |
|----------------------|----------------|----------------|
|                      | <b>\$'000</b>  | <b>\$'000</b>  |
| Iluka Resources      | 1,641          | 5,034          |
| iSelect              | 1,500          | 1,500          |
| ARB Corporation      | 1,404          | 227            |
| Engenco              | 1,330          | 724            |
| Panaust              | 1,037          | 1,617          |
| Tassal               | 1,013          | 1,140          |
| Lycopodium           | 900            | 518            |
| James Hardie         | 597            | -              |
| Hexima               | 158            | 267            |
| ASG Group            | -              | 3,401          |
| Peet                 | -              | 3,321          |
| Trust Company        | -              | 2,202          |
| Alumina              | -              | 1,794          |
| Perpetual            | -              | 1,719          |
| Eastern Star Gas     | -              | 1,706          |
| Amalgamated Holdings | -              | 667            |
| Atlas Iron           | -              | 560            |
| Boral                | -              | 556            |
| Blackmores           | -              | 503            |
| PrimeAg              | -              | 487            |
| Asciano              | -              | 467            |
| Select Harvests      | -              | 358            |
| Orocobre             | -              | 153            |
| <b>Total</b>         | <b>139,462</b> | <b>134,895</b> |



## **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 2012, 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.

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *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 2012 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 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

  
PricewaterhouseCoopers

  
David Coogan  
Partner

25 July 2012