



AMCIL LIMITED

ABN 57 073 990 735

APPENDIX 4E STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2013 with the previous corresponding period being the year ended 30 June 2012.

This report is based on audited financial statements. A copy of the audit report can be found on page 40.

Results for announcement to the market

- Net Profit attributable to members (including capital gains) was \$7.6 million, down 15.0% from the previous corresponding period. This includes \$1.1 million (after tax) from the movement in the value of the Company's investment in Hastings Diversified Utilities Fund (compared to an equivalent figure of \$3.3 million last year), which under the current accounting standards must be accounted for as part of profit. This holding has now been sold as a result of the takeover by APA Group.
- Net Operating Result after tax was \$6.5 million, 14.9% up from the previous corresponding period.
- Revenue from ordinary activities (excluding capital gains) was \$7.3 million, down 2.8% from the previous corresponding period.
- Net tangible assets at 30 June 2013 were 90 cents per share, up from 77 cents at the end of the previous corresponding period, in both cases before allowing for any final or special dividend.
- No interim dividend was paid to shareholders in respect of the half year ended 31 December 2012.
- AMCIL's policy is to maximise the distribution of available franking credits. In accordance with this policy, a final dividend of 3.0 cents per share, fully-franked, plus a special dividend of 5.0 cents per share, also fully-franked, will be paid on 27 August 2013 to ordinary shareholders on the register on 19 August 2013. Last year's final dividend was 2.5 cents. Shares are expected to trade ex-dividend from 13 August 2013.
- The entire 5 cent special dividend is sourced from capital gains, on which the Company will pay tax. The amount of the pre-tax attributable gain, known as an "LIC capital gain", is therefore 7.1 cents. This enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.
- The Company's Dividend Reinvestment Plan has been reinstated for the final and special dividends. Under this Plan shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be based at a **5% discount** on the average selling price of shares traded on the Australian Securities Exchange in the five days from the day the shares begin trading on an ex-dividend basis. The last day for the receipt of an election notice for participation in the plan is 19 August 2013.
- A Share Purchase Plan ("SPP") has also been announced – please see the accompanying Media Release for more details.
- The 2013 AGM will be held at the RACV City Club, Melbourne, at 1.30 PM on Wednesday 9 October.



MEDIA RELEASE – FULL YEAR RESULT TO 30 JUNE 2013

STRONG MARKETS BENEFIT AMCIL

Profit

Profit for the year was \$7.6 million, down on last year's result of \$8.9 million. This was primarily due to differing movements in the market value of Hastings Diversified Utilities Fund in the respective years. The Net Operating Result, which represents the income generated from the investment and trading portfolios, was \$6.5 million, up from \$5.7 million last year.

Dividend

In line with the Company's dividend policy of maximising the distribution of available franking credits each year AMCIL will pay a final dividend of 3.0 cents per share fully franked and an additional special dividend of 5.0 cents per share fully franked. The special dividend is sourced from realised taxable gains from the portfolio during the year, including those from the sale of Hastings Diversified Utilities Fund and Australian Infrastructure Fund because of takeovers. The total dividends for the year are 8 cents per share fully franked, up from 2.5 cents last year.

The dividend reinvestment plan has been reactivated with a 5.0% discount.

Portfolio

AMCIL's portfolio delivered a return of 21.1% over the year whereas the S&P/ASX 200 Accumulation Index return was 22.8%. AMCIL's return is after expenses and a large tax component from the significant realised gains this year. The 5 year return of the portfolio to 30 June 2013, which reflects AMCIL's medium to long term investment time frame, was 9.2% per annum whereas the Index return was 2.9% per annum.

In addition to sales because of takeovers, AMCIL also responded to changes in the investment climate by exiting a number of positions including those in Bradken, Origin Energy and Mermaid Marine. It also trimmed positions in Commonwealth Bank, Ansell, REA Group, Westpac and Transurban.

As part of this rebalancing, new companies were added to the portfolio. These included Santos, Rio Tinto, Computershare, Brickworks and BigAir Group. Existing holdings added to included Oil Search, QBE Insurance, BHP Billiton, Brambles and National Australia Bank.

Share Purchase Plan

AMCIL has initiated a share purchase plan which is due to close on 26 September 2013. This along with the dividend reinvestment plan will provide AMCIL with the necessary flexibility to pursue further opportunities as they arise. This will be particularly relevant as the Australian market is expected to continue its recent volatility as the economy adjusts to a slowdown of investment in the mining sector and the uncertainty about whether other sectors of the economy are in a position to pick up some of this slack given business and consumer confidence remains low.

Please direct any enquiries to:

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24 July 2013

MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions (above \$1 million)	Cost \$'000
Santos	8,110
Oil Search	5,722
QBE Insurance Group	4,793
BHP Billiton	4,778
Rio Tinto	4,690
Brambles	3,278
Computershare	2,755
National Australia Bank	2,739
Ansell	2,313
Brickworks	2,051
Tassal Group	2,004
AMP	1,498
BigAir Group	1,414
Coca-Cola Amatil	1,315
Iluka Resources	1,231
Commonwealth Bank of Australia	1,153
Bega Cheese	1,149
Tap Oil	1,072
Australia and New Zealand Banking Group	1,015
Woodside Petroleum	1,004
Disposals (above \$1 million)	Proceeds \$'000
Hastings Diversified Utilities Fund ^(a)	12,337
Australian Infrastructure Fund ^(b)	7,435
Commonwealth Bank of Australia	4,976
Bradken	4,049
Ansell	3,463
REA Group	3,374
Origin Energy	3,186
Westpac Banking Corporation	3,013
Transurban Group	2,635
Mermaid Marine Australia	2,440
Senex Energy	2,162
Orica	2,032
Wellcom Group	2,001
National Australia Bank	1,909
Fleetwood Corporation	1,613
Tox Free Solutions	1,570
Amtcor	1,115
Telstra Corporation	1,092
PanAust	1,050

(a) Sold while under takeover offer from APT Pipelines Limited

(b) Assets acquired by the Future Fund

TOP INVESTMENTS AS AT 30 JUNE 2013

Includes investments held in both the Investment and Trading Portfolios

Valued at closing prices at 28 June 2013

	Total Value \$ '000
1 Oil Search	13,742
2 BHP Billiton	10,744
3 Brambles	9,945
4 National Australia Bank	9,396
5 Commonwealth Bank of Australia	8,499
6 Tox Free Solutions	8,366
7 Santos	8,145
8 QBE Insurance Group	7,992
9 Australia & New Zealand Banking Group	7,145
10 Telstra Corporation	6,998
11 Westpac Banking Corporation	6,989
12 Transurban Group	6,659
13 AMP	5,860
14 Coca-Cola Amatil	5,529
15 Amcor	4,627
16 Rio Tinto	4,451
17 Tassal Group	4,413
18 Woodside Petroleum	3,606
19 ALS	3,353
20 Equity Trustees	3,347
	139,804
As % of Total Portfolio (excludes Cash)	81.2%



PORTFOLIO PERFORMANCE TO 30 JUNE 2013

PERFORMANCE MEASURES	ANNUALISED RETURNS			
	1 YEAR	3 YEARS	5 YEARS	SINCE RECAPITALISATION IN JANUARY 2004
<i>PORTFOLIO RETURN*</i>	21.1%	12.7%	9.2%	12.9%
S&P/ASX 200 ACCUMULATION INDEX	22.8%	8.6%	2.9%	8.7%

* Note: 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.

AMCIL's portfolio return is calculated after management fees, income tax and capital gains tax on realised sales of investments and does not reflect the value of franking credits or LIC credits attached to the dividends. It should also be noted that Index returns for the market do not include the impact of management expenses and tax on their performance.

HOLDINGS OF SECURITIES AS AT 30 JUNE 2013

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

Code	Company	Principal activities	Number held 2012 '000	Number held 2013 '000	Market Value 2013 \$'000
ALQ	ALS Limited (formerly Campbell Brothers)	Provider of analytical services and distributor of consumer and industrial goods and hospitality supplies	74	350	3,353
AMC	Amcor	Global packaging company	566	456	4,627
AMP	AMP	Major Australasian financial services organisation	1,089	1,379	5,860
ANN	Ansell	Designs, manufactures and markets a wide range of industrial, surgical and examination gloves and other protective products	214	140	2,468
ANZ	Australia & New Zealand Banking Group	Banking and wealth management services	286	250	7,145
ARP	ARB Corporation	Manufacturer and distributor of four-wheel drive vehicle accessories in Australia and internationally	154	154	1,759
BGA	Bega Cheese	Integrated manufacturer and distributor of cheeses and related dairy products for Australia's domestic retail market and several export destinations	0	426	1,099
BGL	BigAir Group	Provider of wireless broadband solutions for business and university campus environments	0	2,479	1,487
BHP	BHP Billiton	Diversified international resources company	204	343	10,744
BKW	Brickworks	Australia's largest manufacturer of bricks and pavers, with other investments in property development and listed equities	0	165	2,095
BXB	Brambles	Global provider of supply chain management and storage solutions	657	1,065	9,945
CBA	Commonwealth Bank of Australia	Banking and wealth management services	184	123	8,499
CCL	Coca-Cola Amatil	Manufactures and distributes a range of carbonated soft drinks, fruit products and functional beverages, many of which are trademarks of The Coca-Cola Company	367	435	5,529
CPU	Computershare	Share registry services	0	300	3,081
CSL	CSL	Biopharmaceutical company that researches, develops, manufactures and markets products to treat and prevent serious human medical conditions	44	40	2,463

Code	Company	Principal activities	Number held 2012 '000	Number held 2013 '000	Market Value 2013 \$'000
EQT	Equity Trustees	Provider of private client, trustee, estate administration and funds management services	216	225	3,347
#	Hexima	Agricultural-biotech company engaged in the research and development of technology for the genetic modification of crops	875	875	149
ILU	Iluka Resources	Miner of zircon and titanium based mineral sands products with an additional iron ore production royalty	145	280	2,797
IPL	Incitec Pivot	Manufacturer and supplier of nitrogen based fertiliser and industrial explosives	1,117	1,117	3,194
ISU	iSelect	Online comparison tool that matches consumers with the most appropriate insurance policy and other financial products	968	761	1,295
JHX	James Hardie Industries	Building materials company focused on fibre cement products, predominantly in the USA	75	118	1,108
MML	Medusa Mining	Minerals explorer, developer and miner producing copper-gold concentrate in Philippines	0	175	270
NAB	National Australia Bank	Banking and wealth management services	282	316	9,396
OSH	Oil Search	Oil and gas explorer, developer and producer with assets predominantly in PNG	1,026	1,778	13,742
QBE	QBE Insurance Group	General insurance and reinsurance services provider	150	529	7,992
REA	REA Group	Operator of residential and commercial real estate advertising websites in Australia and Italy	243	90	2,478
RIO	Rio Tinto	Diversified international resources company	0	85	4,451
STO	Santos	Leading Australian oil & gas producer, with a major position in the Cooper Basin and stakes in several key development projects, including PNG & Gladstone LNG	0	650	8,145
SXY	Senex Energy	Oil and gas explorer and developer with assets in South Australia and Queensland	7,570	4,400	2,596
TAP	Tap Oil	Oil and gas exploration and production company with interests in Australia, Africa and South East Asia	0	2,000	940
TCL	Transurban Group	Developer and operator of electronic toll roads in Australia and overseas	1,375	985	6,659
TGR	Tassal Group	Producer and exporter of Atlantic Salmon from Tasmania	762	1,801	4,413
TLS	Telstra Corporation	Telecommunications operator and information services provider	1,702	1,467	6,998
TOX	Tox Free Solutions	Integrated waste management and environmental service business	2,651	2,425	8,366

Code	Company	Principal activities	Number held 2012 '000	Number held 2013 '000	Market Value \$2013 '000
WBC	Westpac Banking Corporation	Banking and wealth management services	357	242	6,989
WES	Wesfarmers	Diversified conglomerate with retailing operations in supermarkets, department stores, home improvement and office supplies. The Group also operates businesses involved in coal mining, energy, insurance, chemicals, fertilisers, and industrial and safety products	84	76	3,019
WPL	Woodside Petroleum	Producer of liquefied natural gas, domestic gas, condensate, crude oil and liquefied petroleum gas, primarily in West Australia	98	103	3,606
TOTAL					172,104

Unlisted security

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Dividends and distributions		6,961	7,101
Revenue from deposits and bank bills		361	433
Other revenue		11	7
Total revenue		7,333	7,541
Net gains/(losses) on trading portfolio		651	(531)
Income from options written portfolio	12	48	-
Income from operating activities		8,032	7,010
Finance costs		(73)	(73)
Administration expenses		(1,380)	(1,334)
Operating result before income tax expense	4	6,579	5,603
Income tax credit/(expense)*	5	(71)	63
Net Operating Result for the year		6,508	5,666
Net gains/(losses) on investments			
Net gains on puttable instruments		1,537	4,651
Tax on net gains/(losses) on puttable instruments*	5	(461)	(1,395)
		1,076	3,256
Profit for the year		7,584	8,922
		Cents	Cents
Basic earnings per share	21	3.63	4.27
		2013 \$'000	2012 \$'000
* Total Tax Expense	5	532	1,332

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Year to 30 June 2013			Year to 30 June 2012		
	Revenue \$'000	Capital \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
Profit for the Year	6,508	1,076	7,584	5,666	3,256	8,922
Other Comprehensive Income						
Unrealised gains/(losses) for the period on securities in the portfolio at 30 June	-	22,702	22,702	-	(2,772)	(2,772)
Deferred tax expense on above	-	(7,020)	(7,020)	-	1,074	1,074
Realised gains/(losses) for the period on securities	-	7,525	7,525	-	(1,553)	(1,553)
Tax expense on above		(2,327)	(2,327)	-	-	-
Total Other Comprehensive Income^{1,3}	-	20,880	20,880	-	(3,251)	(3,251)
Total comprehensive income²	6,508	21,956	28,464	5,666	5	5,671

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

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

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

³ Total tax movement in other comprehensive income – 2013 : \$(9.3)m, 2012 : \$1.1m

Note that none of the items included in Other Comprehensive Income will be recycled through the Income Statement.

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

BALANCE SHEET AS AT 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash	6	19,419	6,827
Receivables	7	2,887	1,414
Trading portfolio	8	-	2,655
Total current assets		22,306	10,896
Non-current assets			
Investment portfolio	9	172,104	150,262
Deferred tax assets	10	121	208
Total non-current assets		172,225	150,470
Total assets		194,531	161,366
Current liabilities			
Payables	11	520	527
Tax payable		5,278	100
Total current liabilities		5,798	627
Non-current liabilities			
Deferred tax liabilities - investment portfolio	13	11,068	6,311
Total non-current liabilities		11,068	6,311
Total liabilities		16,866	6,938
Net Assets		177,665	154,428
Shareholders' equity			
Share Capital	14	129,377	129,377
Revaluation Reserve	16	21,446	16,209
Realised Capital Gains Reserve	17	13,430	-
Retained Profits	18	13,412	8,842
Total shareholders' equity		177,665	154,428

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains Reserve \$'000	Retained Profits \$'000	Total \$'000
Year Ended 30 June 2013						
Total equity at the beginning of the year		129,377	16,209	-	8,842	154,428
Dividends paid	20	-	-		(5,227)	(5,227)
Total transactions with share-holders		-	-	-	(5,227)	(5,227)
Profit for the year		-	1,076	-	6,508	7,584
Other Comprehensive Income (net of tax)						
Net unrealised gains for the period for stocks held at 30 June		-	15,682	-	-	15,682
Net gains for the period on securities realised		-	5,198	-	-	5,198
Transfer to Retained Profits of cumulative gains on investments realised		-	(3,289)	-	3,289	-
Transfer to Realised Capital Gains Reserve of cumulative taxable gains on investments realised (after brought forward losses utilised)		-	(13,430)	13,430	-	-
Other Comprehensive Income for the year		-	4,161	13,430	3,289	20,880
Total equity at the end of the year		129,377	21,446	13,430	13,412	177,665

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 2013 (CONT)

Year Ended 30 June 2012	Note	Share Capital \$'000	Revaluation Reserve \$'000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year		129,377	17,224	9,474	156,075
Dividends paid	20	-	-	(7,318)	(7,318)
Total transactions with share-holders		-	-	(7,318)	(7,318)
Profit for the year		-	3,256	5,666	8,922
<i>Other Comprehensive Income (net of tax)</i>					
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)
Total equity at the end of the year		129,377	16,209	8,842	154,428

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

		2013 \$'000	2012 \$'000
		INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
Sales from trading portfolio		4,974	1,491
Purchases for trading portfolio		(994)	(309)
Interest received		338	452
Proceeds from entering into options in options written portfolio		48	-
Dividends and distributions received		6,175	4,979
		<u>10,541</u>	<u>6,613</u>
Other receipts		11	7
Administration expenses		(1,388)	(1,332)
Finance costs paid		(65)	(92)
Income tax credits received/(expense paid)		138	(227)
Net cash inflow/(outflow) from operating activities	25	<u>9,237</u>	<u>4,969</u>
Cash flows from investing activities			
Sales from investment portfolio		64,973	27,367
Purchases for investment portfolio		(56,391)	(32,220)
Net cash inflow/(outflow) from investing activities		<u>8,582</u>	<u>(4,853)</u>
Cash flows from financing activities			
Proceeds from borrowing		100	-
Repayment of borrowing		(100)	-
Shares issued		-	-
Dividends paid		(5,227)	(7,318)
Net cash inflow/(outflow) from financing activities		<u>(5,227)</u>	<u>(7,318)</u>
Net increase/(decrease) in cash held		12,592	(7,202)
Cash at the beginning of the year		6,827	14,029
Cash at the end of the year	6	<u>19,419</u>	<u>6,827</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board 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 2013 ("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 using a variety of relevant methodologies 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 Profits or, once the brought-forward losses have been utilised, to the Realised Capital Gains Reserve.

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. At 30 June 2012 the Company had capital losses brought forward to cover part of the unrealised gain in the investment portfolio. This was 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 believed 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 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:

	2013	2012
	\$'000	\$'000
Operating result after income tax	6,508	5,666
Add back income tax expense/Less income tax credit	71	(63)
Net gains on puttable instruments	1,537	4,651
Profit for the year before tax	8,116	10,254

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 2013 and 30 June 2012 were as follows:

	2013	2012
	cents	cents
Net tangible asset backing per share		
Before Tax	90	77
After Tax	85	74

(c) Other segment information

(i) Segment Revenue

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

The Company is domiciled in Australia and all of the Company's income is derived from Australian entities or entities that have a listing on the Australian Securities Exchange. The Company has a diversified portfolio of investments, with only two investments comprising more than 10% of the Company's income, including income from trading and realised income from the options written portfolio – Commonwealth Bank (11.2%) & ANZ Bank (10.3%) (2012 : Nil).

4. Operating result before income tax expense

	2013 \$'000	2012 \$'000
Dividends and distributions		
• securities held in investment portfolio	6,824	6,946
• securities held in trading portfolio	137	155
	<u>6,961</u>	<u>7,101</u>
Interest income		
• income from cash investments	361	433
	<u>361</u>	<u>433</u>
Net gains/(losses) and write downs		
• net realised gains/(losses) from trading portfolio	651	(277)
• realised gains/(losses) on options written portfolio	48	-
• unrealised losses from trading portfolio	-	(254)
	<u>699</u>	<u>(531)</u>
Other income	11	7
Income from operating activities	<u>8,032</u>	<u>7,010</u>
Finance costs	(73)	(73)
Administration fees paid to AICS	(717)	(646)
Other administration expenses	<u>(663)</u>	<u>(688)</u>
Operating result before income tax expense	<u>6,579</u>	<u>5,603</u>

Further information relating to remuneration of auditors is set out in Note 24, Directors and Executives in Note 22.

5. Tax expense

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

	2013	2012
	\$'000	\$'000
Operating result before income tax expense	6,579	5,603
Tax at the Australian tax rate of 30% (2012 – 30%)	1,974	1,681
Tax offset for franked dividends	(1,617)	(1,486)
Tax effect of sundry items not taxable in calculating taxable income	(9)	(46)
	348	149
Under (over) provision in prior years	(277)	(212)
Income tax expense on operating result before net gains on investments	71	(63)
Net gains on investments	1,537	4,651
Tax at the Australian tax rate of 30% (2012 – 30%)	461	1,395
Tax expense on net gains on investments	461	1,395
Total tax expense/(credit)	532	1,332

(b) Tax expense composition

Charge for tax payable relating to the current year	261	166
Under (over) provision in prior years	(277)	(212)
Tax on change in fair value of puttable instruments	461	1,395
(Increase)/ decrease in deferred tax assets	87	(17)
	532	1,332

(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	9,347	(1,074)
	9,347	(1,074)

6. Current assets – cash

	2013	2012
	\$'000	\$'000
Cash at bank and in hand	21	15
Fixed Term Deposits	19,398	6,812
	19,419	6,827

Cash holdings yielded an average floating interest rate of 4.2% (2012: 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.

	2013 \$'000	2012 \$'000
Commonwealth Bank of Australia –cash advance facility	10,000	10,000
Amount drawn down	-	-
Undrawn facilities	<u>10,000</u>	<u>10,000</u>

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

7. Current assets – receivables

	2013 \$'000	2012 \$'000
Dividends and distributions receivable	1,081	1,373
Interest receivable/pre-paid	49	41
Sales from investment portfolio	1,748	-
Other receivables/pre-payments	9	-
	<u>2,887</u>	<u>1,414</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	-	2,655
	<u>-</u>	<u>2,655</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 (2012: \$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

	2013 \$'000	2012 \$'000
Equity instruments		
- shares/trust and stapled securities at market value	171,955	137,804
- unlisted securities at fair value	149	1,658
Puttable instruments	-	10,800
	<u>172,104</u>	<u>150,262</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 27.

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
(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	(31)	(34)
	<u>121</u>	<u>208</u>

Movements:

Opening asset balance at 1 July	208	191
Credited/(charged) to Income statement	(87)	17
	<u>121</u>	<u>208</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 liability likely to be reversed within the next 12 months is \$31,000 (2012: \$56,000 asset). This relates primarily to items described in items (a) and (c) above.

11. Current liabilities – payables

	2013	2012
	\$'000	\$'000
Directors' retirement benefits	503	503
Other payables	17	24
	<u>520</u>	<u>527</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 (2012: \$nil potential exposure). There was no option income for the year (2012 : \$Nil).

The total option 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 (2012: \$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

	2013 \$'000	2012 \$'000
Deferred tax liabilities on unrealised gains in the investment portfolio	<u>11,068</u>	<u>6,311</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 fully utilised the brought-forward losses on the sale of investments (2012 : \$3.4 million available to set-off against future capital gains).

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

Opening balance at 1 July	6,311	5,990
Charged to Profit for tax on puttable instruments	461	1,395
Tax on realised capital gains	(5,051)	-
Charged/(credited) to OCI for ordinary securities	<u>9,347</u>	<u>(1,074)</u>
	<u>11,068</u>	<u>6,311</u>

14. Shareholders' equity – share capital

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

Date	Details	Notes	Number of shares '000	Paid-up Capital \$'000
1/07/2011	Balance		209,088	129,377
30/06/2012	Balance		209,088	129,377
30/06/2013	Balance		<u>209,088</u>	<u>129,377</u>

- i. The Company has an on-market buy-back programme which remains active. During the year ended 30 June 2013 no shares were bought back (2012: Nil).

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, 17 and 18.

16. Revaluation Reserve

	2013 \$'000	2012 \$'000
Opening balance at 1 July	16,209	17,224
Gains/(losses) for the year on equity instruments in investment portfolio (net of tax)	20,880	(3,251)
Transfer from Retained Profits – net gain on puttable instruments	1,076	3,256
Transfer to Retained Profits for realised gains	(3,289)	(1,020)
Transfer to Realised Capital Gains Reserve	<u>(13,430)</u>	<u>-</u>
	<u>21,446</u>	<u>16,209</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).

17. Realised Capital Gains Reserve

	2013 \$'000	2012 \$'000
Opening balance at 1 July	-	-
Cumulative taxable realised gains (net of tax)	<u>13,430</u>	<u>-</u>
	<u>13,430</u>	<u>-</u>

This reserve is used to record capital gains (or losses). Any dividends paid out of this reserve may be paid out as LIC capital gains, which enable some shareholders to claim a discount on their tax return.

18. Retained Profits

Opening balance at 1 July	8,842	9,474
Dividends paid	(5,227)	(7,318)
Profit for the year	7,584	8,922
Transfer from Revaluation Reserve for realised gains	3,289	1,020
Transfer to Revaluation Reserve – fair value movement on puttable instruments	<u>(1,076)</u>	<u>(3,256)</u>
	<u>13,412</u>	<u>8,842</u>

This reserve relates to past profits.

19. 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 overdue.

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. 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.

30 June 2013	Less than 6 months	6-12 months	Greater than 1 year	Total contractual cash flows	Carrying Amount (assets) / liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Payables	520	-	-	520	520
Derivatives					
Options written *	-	-	-	-	-
	<u>520</u>	<u>-</u>	<u>-</u>	<u>520</u>	<u>520</u>

30 June 2012

Non-derivatives					
Payables	527	-	-	527	527
Derivatives					
Options written *	-	-	-	-	-
	<u>527</u>	<u>-</u>	<u>-</u>	<u>527</u>	<u>527</u>

* In the case of call options written there are no contractual cash flows, as if the option is exercised the contract will be settled in the securities over which the option is written. The contractual cash flows for put options written are the cash sums the Company will pay to acquire securities over which the options have been written, and it is assumed for purpose of the above disclosure that all options will be exercised (i.e. maximum cash outflow).

Market risk

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

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

A general fall in market prices of 5% and 10%, if spread equally over all assets in the investment portfolio would lead to a reduction in the Company's other comprehensive income of \$6.0 million and \$12.0 million respectively, at a tax rate of 30% (2012 : \$4.9 million & \$9.8 million) and no reduction in profit after tax at a tax rate of 30% (2012 : \$0.4 million & \$0.8 million). The Revaluation Reserve at 30 June 2013 was \$21.4 million (2012 : \$16.2 million). It would require a fall in the value of the Investment Portfolio of 17.8% after tax to fully deplete this (2012 : 15.4%).

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:

	2013	2012
Energy	15.16%	12.14%
Materials	15.29%	11.80%
Industrials	14.79%	22.33%
Consumer Discretionary	2.89%	5.28%
Consumer Staples	7.34%	5.27%
Banks	16.72%	18.95%
Other financials, including Real Estate	8.98%	6.31%
Telecommunications	4.43%	3.93%
Other – Healthcare, IT, Utilities	4.26%	9.71%
Cash	10.14%	4.28%

Securities representing over 5% of the investment portfolio at 30 June 2013 were :

	2013
Oil Search	7.98%
BHP Billiton	6.24%
Brambles	5.78%
National Australia Bank	5.46%

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

	2012
Commonwealth Bank	7.06%
Hastings Diversified Utilities Fund	6.40%
Westpac	5.12%

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, when utilised, is only a minor proportion of the Company's investments. As at 30 June 2013, it was 0% of the total invested including cash (2012: 1.7%). This reduces the risk to the Company's earnings of a short-term fall in the value of securities held in the trading portfolio.

(b) Fair Value measurements

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

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

30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through other comprehensive income				
Investment Portfolio (Equity)	171,955	149	-	172,104
Financial assets at fair value through profit or loss				
Trading Portfolio	-	-	-	-
Investment Portfolio (Puttables)	-	-	-	-
Financial liabilities at fair value through profit or loss				
Options written	-	-	-	-
Total	171,955	149	-	172,104

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

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 (when written) and the Company's investment in 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 27.

Dividend and distribution income for the period on those investments held at period end was \$5.0 million (2012 : \$5.9 million), and dividend and distribution income for those investments sold during the period was \$1.7 million (2012 : \$0.5 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 \$54.4 million (2012 : \$23.9 million), excluding puttable instruments. The cumulative gain on these disposals was \$11.5 million for the period after tax (2012 : \$1.1 million loss), which has been transferred from the revaluation reserve to retained profits and realised gains (refer to Statement of Changes in Equity). \$12.3 million worth of puttable instruments were also sold during the period (2012 : \$3.5 million). The cumulative gain of \$5.2 million after tax (2012 : \$2.1 million) on this disposal has been transferred from the revaluation reserve to realised gain and retained profits. The total cumulative realised gain (after tax) on investments held at fair value through other comprehensive income plus puttable instruments was \$16.7 million (2012 : \$1.0 million).

The Company has one class of investments in the investment portfolio - assets defined under AASB 9 as 'equity investments', the fair value of which is valued through other comprehensive income and at 30 June 2013 was \$172.1 million (30 June 2012 \$139.5 million). For the year ended 30 June 2012, it also had another, puttable instruments that could not 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.

20. Dividends

	2013 \$'000	2012 \$'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2012 of 2.5 cents fully franked at 30% paid on 28 August 2012 (2012: 3.5 cents fully franked at 30% paid on 26 August 2011).	5,227	7,318
	<u>5,227</u>	<u>7,318</u>

(b) Franking credits	2013 \$'000	2012 \$'000
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	7,679	2,460
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(7,169)	(2,240)
Net available	510	220

These franking account balances would allow the Company to frank additional dividend payments up to an amount of:

	1,190	513
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The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the trading and investment portfolios and the Company paying tax.

(c) Dividends declared after balance date	\$'000
Since the end of the year Directors have declared a final dividend of 3.0 cents and a special dividend of 5.0 cent per share, both fully franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2013 to be paid on 27 August 2013, but not recognised as a liability at the end of the financial year	16,727

(d) Listed Investment Company capital gain account	2013 \$'000	2012 \$'000
Balance of the Listed Investment Company (LIC) capital gain account	11,788	-
This would equate to an attributable amount of	16,840	-

Distributed LIC capital gains may entitle certain shareholders to a special deduction in their taxation return, as set out in the dividend statement. LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains or the receipt of LIC distributions from LIC securities held in the portfolios. \$10.5 million of the capital gain (\$14.9 million of the attributable amount) will be paid out as a special dividend on 27 August 2013.

21. Earnings per share

Basic Earnings per Share	2013 Number	2012 Number
Weighted average number of ordinary shares used as the denominator	209,088,358	209,088,358
	\$'000	\$'000
Profit for the year	7,584	8,922

	2013 Cents	2012 Cents
Basic earnings per share	3.63	4.27
Basic Net Operating Result per Share	\$'000	\$'000
Net Operating Result	6,508	5,666
	Cents	Cents
Basic Net Operating Result per share	3.11	2.71

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.

22. Directors and Executives

The Remuneration for the Directors was as follows :

	Short Term Benefits \$	Post- Employment Benefits \$	Total \$
2013			
Directors	361,836	23,164	385,000
2012			
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:

2013	Opening balance	Net changes	Closing balance
BB Teele	34,400,833	(289,588)	34,111,245
RE Barker	4,408,504	5,000	4,413,504
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	466,245	27,500	493,745
GN Driver	192,815	2,075	194,890
SM Pordage	-	1,467	1,467
AJB Porter	-	2,701	2,701

2012	Opening balance	Net changes	Closing balance
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

23. 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.

24. Remuneration of auditors

During the year the auditor earned the following remuneration:

PricewaterhouseCoopers

	2013	2012
	\$	\$
Audit or review of financial reports	81,180	79,200
<u>Non-Audit Services</u>		
Taxation compliance services	30,470	19,250
Total remuneration	<u>111,650</u>	<u>98,450</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.

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

	2013	2012
	\$'000	\$'000
Profit for the year	7,584	8,922
- Net decrease (increase) in trading portfolio	2,655	1,105
- Net fair value movement for puttable instruments	(1,076)	(3,256)
- Dividends received as securities under DRP investments	(408)	(997)
- Decrease (increase) in current receivables	(1,473)	(213)
- Less increase (decrease) in receivables for investment portfolio	1,748	-
- Increase (decrease) in deferred tax liabilities	4,844	304
- Less (increase) decrease in deferred tax liability on investment portfolio	(4,757)	(321)
- Increase (decrease) in current payables	(7)	(302)
- Increase (decrease) in provision for tax payable	5,178	(273)
- Less increase in tax payable on capital gains	(5,051)	-
Net cash flows from operating activities	<u>9,237</u>	<u>4,969</u>

26. 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.

27. Securities at Fair Value through Other Comprehensive Income at 30 June 2013

The below list are those 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.

	2013	2012
	\$'000	\$'000
Oil Search	13,742	6,750
BHP Billiton	10,744	6,430
Brambles	9,945	4,046
National Australia Bank	9,396	6,628
Commonwealth Bank	8,499	9,258
Tox Free Solutions	8,366	6,627
Santos	8,145	-
QBE Insurance Group	7,992	2,007
ANZ	7,145	5,110
Telstra	6,998	6,281
Westpac	6,989	7,545
Transurban	6,659	7,822
AMP	5,860	4,192
Coca-Cola Amatil	5,529	4,904
Amcor	4,627	4,015
Rio Tinto	4,451	-
Tassal	4,413	1,013
Woodside Petroleum	3,606	3,024
ALS (formerly Campbell Brothers)	3,353	4,009
Equity Trustees	3,347	2,389
Incitec Pivot	3,194	3,184
Computershare	3,081	-
Wesfarmers	3,019	2,504
Iluka Resources	2,797	1,641
Senex	2,596	5,375
REA Group	2,478	3,332
Ansell	2,468	2,825
CSL	2,463	1,735
Brickworks	2,095	-
ARB Corporation	1,759	1,404
BigAir Group	1,487	-
iSelect	1,295	1,500
James Hardie	1,108	597
Bega Cheese	1,099	-
Tap Oil	940	-
Medusa Mining	270	-
Hexima	149	158
Australian Infrastructure Fund	-	5,712

	2013	2012
	\$'000	\$'000
Bradken	-	3,458
Origin Energy	-	3,317
Orica	-	1,951
Fleetwood Corporation	-	1,944
Wellcom Group	-	1,761
Mermaid Marine	-	1,747
Engenco	-	1,330
Panaust	-	1,037
Lycopodium	-	900
Total	172,104	139,462



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 2013, 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*.

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 2013 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'Charles Christie', written in a cursive style.

Charles Christie
Partner

Melbourne
24 July 2013