

Annual Review 2009

AMCIL



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The Statutory Annual Report for 2009 is available on AMCIL's website www.amcil.com.au or by contacting the Company on (03) 9650 9911.

Summary of Results

Net Operating Profit

Net operating profit before net gains on investments was \$3.8 million (last year \$3.2 million). This operating profit is primarily made up of dividends received from the investment portfolio and the result from the trading portfolio. It does not include realised gains.

Profit After Tax

Profit after tax was \$4.6 million (last year was a profit of \$13.9 million). The figure includes net gains on investments sold and for this year a charge of \$5.1 million for unrealised losses transferred from the revaluation reserve for 'impairment' required by the accounting standards. Excluding this charge, the profit would have been \$9.7 million.

A Fully Franked Final Dividend

A fully franked final dividend of 2.0 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.

Total Portfolio Return

Total portfolio return over the 12 month period (measured by change in net asset backing per share plus dividends reinvested) was negative 9.4 per cent. The S&P/ASX 200 Accumulation Index was down 20.1 per cent over this period.

Total Shareholder Return

Total shareholder return measured by change in share price plus dividends over the 12 month period was down 15.7 per cent, as the share price moved to a discount to net asset backing by the end of the financial year.

Total Portfolio

Total portfolio value at 30 June 2009 including cash was \$106.4 million.

Cash Available for Investment

Cash available for investment of \$22.0 million at balance date.

Management Expense Ratio

Management expense ratio was 1.1 per cent, compared with 0.89 per cent for the corresponding period last year. This increase was as a result of the fall in value of the portfolio.

Review of Operations

Chairman's Comments

The concentrated portfolio approach AMCIL takes to its investments meant the Company substantially outperformed in very difficult market conditions. The broader Australian equity market was down 20.1 per cent over the year, whereas AMCIL's portfolio was down 9.4 per cent.

The net operating profit, which Directors believe is the best indicator of the underlying income performance of the Company from its investments, was up 19.1 per cent, from \$3.2 million last year to \$3.8 million.

A final dividend of 2.0 cents fully franked per share has been determined. This amount is in line with the Company's dividend policy of maximising the distribution of available franking credits in any given year. Last year's final dividend was 3.0 cents per share.

Profit after tax was \$4.6 million, down from \$13.9 million. Directors have been required by the Accounting Standards to take an impairment charge against certain stocks where there is a significant or prolonged fall in share market price below their original cost base. In such cases, any previously unrealised losses included in the revaluation reserve for these holdings must be taken to profit.

As a consequence, profit for the current year included an after tax charge of \$5.1 million for some stocks classified as 'impaired'. It should be noted this charge does not change the value of AMCIL's portfolio or its net asset backing.

Portfolio

In managing the investments during these turbulent times the Company made a number of adjustments to its portfolio throughout the year as well as deliberately maintaining a healthy cash position.

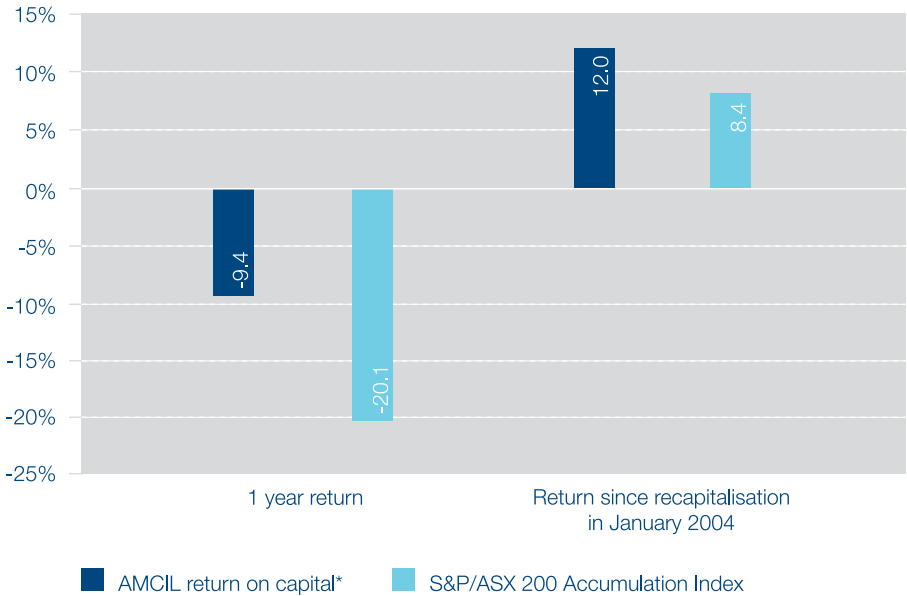
The Company's cash position benefited strongly from the Queensland Gas takeover by British Gas, with other major sales including the exiting of positions in ConnectEast, News Corporation, Toll Holdings and the remaining holding in Rio Tinto. The Company also reduced its position in BHP Billiton during the period.

On the other hand, the Company has been an active participant in the large number of capital raisings that were a feature of the market particularly in the second half of the year. The larger investments added to the portfolio through these issues were Commonwealth Bank, Iluka Resources, National Australia Bank, QBE Insurance and Westpac.

The key positive contributors in the investment portfolio over the 12 month period were the strong returns generated by AMCIL's holdings in

Commonwealth Bank, Westpac Banking Group, Queensland Gas, Tox Free Solutions and REA Group (realestate.com.au).

Portfolio Return



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

Review of Operations continued

The Company added quite a number of new stocks to the portfolio during the year as valuations became more attractive:

Australia and New Zealand Banking Group	This position was acquired through the attractively priced placement that occurred in May 2009. We remain confident about the long term prospects for the banking sector, albeit we expect further pressure on profits from bad debts as the economy moves through a period of difficulty.
AXA Asia Pacific	A small holding was acquired through their discounted placement in March 2009. AXA has a strong insurance and wealth management franchise with operations in Australasia and Asia. The company is likely to benefit from any improvement in equity and financial market conditions over the medium term.
Campbell Brothers	This business provides analytical laboratory and technical services globally to a number of industries, including the mining sector. Its share price was under pressure during the year because of concerns about the declining strength of the resources sector on the back of a slowing global economy. This weakness provided a good entry point to a company we feel still has good long term growth prospects.
Diversified United Investment	DUI is a listed investment company with a good quality portfolio and well credentialed investment history. AMCIL was offered a line of stock at a price which represented an attractive discount to net asset backing and that provides a good fully franked dividend yield to AMCIL's portfolio.
Iluka Resources	Iluka is a major participant in the global mineral sands industry, producing zircon and titanium dioxide minerals, as used in the manufacture of ceramics and paints. The group has refocused its operations under new management and has two world-class assets coming on-stream in Australia over the next 12 months. We felt the unique nature of these assets, and the company's improved focus on returns represented an attractive combination.

Incitec Pivot	As a major player in fertiliser and explosives manufacturing, both domestically and in the US, the company's plants and access to raw materials provides it with a sound footprint to grow. We felt the share price represented an attractive entry point.
PrimeAg Australia	PrimeAg is a small agricultural company that employs a corporate farming model. The group listed in 2007, and manages a range of dryland and irrigated cropping and livestock properties in the reliable rainfall areas of northern New South Wales and Queensland. We have patiently built a position at a discount of almost 50 per cent to the group's stated net tangible asset backing.

Outlook

Cash held at 30 June 2009 was just on \$22 million, which is approximately 21 per cent of the total portfolio. We expect market conditions to remain uncertain in the near term as companies continue to work their way through the impacts of very difficult economic conditions. Under this scenario we will continue to invest when value is on offer, but we expect this will be a gradual process.

Directors' Fees

In light of the present difficult economic environment for shareholders and the community in general, Directors have implemented a freeze on any increase in Directors' fees for the next 12 months. This policy also applies to senior executives employed by Australian Investment Company Services Limited, who provide administration and investment management services to AMCIL's Board and Investment Committee.

Top Investments

As at 30 June 2009

Includes investments held in both the investment and trading portfolios.

Valued at Closing Prices at 30 June 2009

Investments	Total Value \$'000
1 Westpac Banking Corporation	7,214
2 BHP Billiton	6,944
3 Commonwealth Bank of Australia	6,488
4 Telstra Corporation	5,771
5 National Australia Bank	5,610
6 QBE Insurance Group	4,478
7 Tox Free Solutions	3,614
8 Peet	3,286
9 Bradken	3,242
10 AMP	3,212
11 Equity Trustees	2,562
12 Coca-Cola Amatil	2,368
13 Brambles	2,287
14 Amcor	2,246
15 Oil Search	2,209
16 Mitchell Communication Group	2,102
17 ASG Group	2,001
18 REA Group	1,989
19 Oakton	1,819
20 Eastern Star Gas	1,600
Total	71,041

As a percentage of total portfolio (excludes cash and bank bills)

84.2%

Income Statement

For the Year Ended 30 June 2009

	2009 \$'000	2008 \$'000
Dividends and distributions	3,963	3,810
Revenue from deposits and bank bills	1,125	1,197
Net gains/(losses) on trading portfolio	(123)	(981)
Realised gains/(losses) from options written portfolio	471	280
Other revenue	-	3
Total income	5,436	4,309
Finance costs	(27)	(37)
Administration expenses	(1,169)	(1,177)
Operating profit before income tax	4,240	3,095
Income tax credit/(expense)	(435)	101
Net operating profit	3,805	3,196
Net capital gains/(losses) on investments		
Net gains on ordinary securities sold from the investment portfolio	6,066	10,498
Net gains/(losses) on open options positions	(214)	223
Tax credit/(expense) on above	64	(67)
AASB 139 'impairment' revaluation charge on investment portfolio	(7,265)	-
Tax credit on deemed 'impairment' charge	2,180	-
	831	10,654
Profit for the year (including capital gains and 'impairment' revaluation charge)	4,636	13,850
	Cents	Cents
Net operating profit per share	2.16	1.85
Profit/(loss) for the year (including capital gains and 'impairment' revaluation charge) per share	2.63	8.03

Balance Sheet

As at 30 June 2009

	2009 \$'000	2008 \$'000
Current assets		
Cash	21,975	17,984
Receivables	668	196
Trading portfolio	-	8,087
Total current assets	22,643	26,267
Non-current assets		
Investment portfolio	84,394	95,474
Deferred tax assets	139	650
Total non-current assets	84,533	96,124
Total assets	107,176	122,391
Current liabilities		
Payables	523	946
Tax payable	-	474
Options written portfolio	-	221
Total current liabilities	523	1,641
Non-current liabilities		
Deferred tax liabilities – investment portfolio	-	1,221
Total non-current liabilities	-	1,221
Total liabilities	523	2,862
Net assets	106,653	119,529
Shareholders' equity		
Share capital	109,135	106,970
Revaluation reserve	1,969	16,443
'Impairment' revaluation charge reserve	(5,085)	-
Accumulated losses/retained profits	634	(3,884)
Total shareholders' equity	106,653	119,529

Statement of Changes in Equity

For the Year Ended 30 June 2009

	2009 \$'000	2008 \$'000
Total equity at the beginning of the year	119,529	134,467
Dividends paid	(5,203)	(10,077)
Shares issued under Dividend Reinvestment Plan	2,167	4,107
On-market share buy-backs	(2)	(2)
Cost of share issues	-	(14)
Total transactions with shareholders	(3,038)	(5,986)
Revaluation of investment portfolio	(20,780)	(27,946)
Provision for tax on unrealised gains	1,221	5,144
Transfer to income statement for AASB 139 'impairment' revaluation charge	7,265	-
Tax credit on above	(2,180)	-
Net unrealised gains/(losses) on investment portfolio	(14,474)	(22,802)
Net capital gains/(losses) for the year (including 'impairment' revaluation charge)	831	10,654
Operating profit for the year	3,805	3,196
Total equity at the end of the financial year	106,653	119,529

Holdings of Securities

As at 30 June 2009

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 2008 '000	Number Held 2009 '000	Market Value 2009 \$'000
AMC	Amcor	Global packaging company	600	450	2,246
AMP	AMP	Major Australasian financial services organisation	555	658	3,212
ANZ	ANZ	Banking and wealth management services	0	70	1,154
ASZ	ASG Group	Provision of computer infrastructure, application development, systems integration and specialist technical services	3,153	3,335	2,001
AWC	Alumina	Mining, refining and smelting of aluminium	579	850	1,228
AXA	AXA Asia Pacific	Life insurance and wealth management services	0	160	622
BHP	BHP Billiton	Diversified international resources company	285	200	6,944
BKN	Bradken	Manufacturer and supplier of differentiated consumable products to the resources and freight rail industries	700	752	3,242
BXB	Brambles	Global support services group	371	384	2,287
CBA	Commonwealth Bank of Australia	Banking and wealth management services	45	166	6,488

Code	Company	Principal Activities	Number Held 2008 '000	Number Held 2009 '000	Market Value 2009 \$'000
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	275	275	2,368
CPB	Campbell Brothers	Provider of analytical services and distributor of consumer and industrial goods and hospitality supplies	0	42	875
DUI	Diversified United	Investment company that structures its portfolio to provide a mixture of current income and long term capital gain within an acceptable level of risk	0	500	1,300
EQT	Equity Trustees	Financial services company that provides client, trustee, estate administration and funds management services	145	177	2,562
ESG	Eastern Star Gas	Integrated coal seam gas and electricity production company	2,000	2,000	1,600
FWD	Fleetwood Corporation	Provider of manufactured accommodation for the resources and retirement sectors	100	182	1,072

Holdings of Securities continued

Code	Company	Principal Activities	Number Held 2008 '000	Number Held 2009 '000	Market Value 2009 \$'000
GDY	Geodynamics	A renewable energy company involved in the development of geothermal energy generation from hot fractured rocks (HFR) in Australia	460	460	400
GDYO	Geodynamics Options	As above	0	115	7
HXL	Hexima	Agricultural-biotech company engaged in the research and development of technology for the genetic modification of crops	875	875	306
ILU	Iluka Resources	Mining and sale of titanium based products and zircon	0	430	1,230
IPL	Incitec Pivot	Fertiliser manufacturer and supplier	0	400	952
MCU	Mitchell Communication Group	Australia's largest independent communications group	3,250	3,391	2,102
MRM	Mermaid Marine Australia	Marine services provider to the offshore oil and gas industry	417	479	876
NAB	National Australia Bank	Banking and wealth management services	175	250	5,610
OKN	Oakton	IT services company providing the planning, delivery and operation of IT solutions for customers	850	850	1,819

Code	Company	Principal Activities	Number Held 2008 '000	Number Held 2009 '000	Market Value 2009 \$'000
OSH	Oil Search	Exploration, development and production of oil and gas, predominantly in PNG	400	405	2,209
PAG	PrimeAg Australia	Agricultural products	0	434	453
PNA	PanAust	Minerals explorer, developer and miner producing copper-gold concentrate at its operations in Laos	950	2,444	880
PPC	Peet	Involved in the acquisition, management, development, marketing and sales of broadacre residential land estates	1,550	2,067	3,286
QBE	QBE Insurance Group	General insurance and reinsurance services provider	65	225	4,478
REA	REA Group	Provider of online advertising and technology to the real estate industry in Australia and several overseas markets	223	334	1,989
TLS	Telstra Corporation	Telecommunications operator and information services provider	1,902	1,702	5,771
TOX	Tox Free Solutions	Integrated waste management and environmental service business	1,562	2,002	3,614

Holdings of Securities continued

Code	Company	Principal Activities	Number Held 2008 '000	Number Held 2009 '000	Market Value 2009 \$'000
VIR	Viridis Clean Energy Group	Owns a geographically diversified portfolio of operating clean energy assets	560	1,345	363
VPE	Victoria Petroleum NL	Primarily engaged in the exploration and development of oil and gas in Australia and United States	1,000	2,350	917
WBC	Westpac Banking Corporation	Banking and wealth management services	60	356	7,214
WLL	Wellcom Group	Production based solutions company providing specialist services to advertisers, retailers and corporate organisations	417	421	717
Total					84,394

Major Changes to the Investment Portfolio

Acquisitions (Above \$1 Million)	Cost \$'000
Westpac Banking Corporation	4,854
Commonwealth Bank of Australia	3,468
QBE Insurance Group	3,280
Iluka Resources	1,636
National Australia Bank	1,480
Diversified United Investment	1,078
ANZ Banking Group	1,008
Incitec Pivot	1,000

Disposals (Above \$1 Million)	Proceeds \$'000
Queensland Gas ^(a)	11,500
ConnectEast Group	3,784
Rio Tinto	3,479
BHP Billiton	2,664
News Corporation	1,356
Toll Holdings	1,290

(a) Sold on market into British Gas takeover.

Company Particulars

AMCIL Limited ('AMH')
ABN 57 073 990 735

Directors

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

Company Secretaries

Simon M Pordage
Andrew JB Porter

Auditor

PricewaterhouseCoopers
Chartered Accountants

Country of Incorporation

Australia

Registered Office

Level 21, 101 Collins Street
Melbourne Victoria 3000

Mail Address

GPO Box 2114
Melbourne Victoria 3001

Contact Details

Telephone (03) 9650 9911
Facsimile (03) 9650 9100
Email invest@amcil.com.au
Website www.amcil.com.au

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

Telephone 1800 780 784 (toll free)

Share Registrar

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067

Shareholder

Enquiry Lines 1300 653 916
+613 9415 4224 (from overseas)
Facsimile (03) 9473 2500
Email web.queries@computershare.com.au
Website www.computershare.com.au

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

Securities Exchange Code

AMH Ordinary shares

Annual General Meeting

Time 10.00am
Date Monday 28 September 2009
Venue Hilton on the Park
Location 192 Wellington Parade
East Melbourne Victoria

Adelaide Shareholder Meeting

Time 1.00pm
Date Friday 16 October 2009
Venue Adelaide Festival Centre
Location King William Road Adelaide

Sydney Shareholder Meeting

Time 1.00pm
Date Monday 19 October 2009
Venue Four Seasons Hotel
Location 199 George Street Sydney

