

STATUTORY ANNUAL REPORT 2008



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## SUMMARY OF RESULTS

### Reported Profit After Tax

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Reported profit after tax including net gains on investments sold was \$13.9 million (last year \$9.3 million).

### Net Operating Profit

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Net operating profit before net gains on investments was \$3.2 million (last year \$4.2 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.

### A Fully Franked Final Dividend

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A fully franked final dividend of 3.0 cents per share has been declared by Directors. This is in line with the Company's dividend policy of maximising the distribution of available franking credits.

### Total Portfolio Return

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Total portfolio return over the 12 month period (measured by change in net asset backing per share plus dividends reinvested) was negative 10.4 per cent.

### Total Shareholder Return

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Total shareholder return measured by change in share price plus dividends over the 12 month period was down 3.8 per cent.

### Total Portfolio

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Total portfolio value at 30 June 2008 was \$121.3 million.

### Cash Available for Investment

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Cash available for investment of \$18.0 million at balance date. In addition, the company also has available an undrawn cash advance facility of \$10 million.

### Management Expense Ratio

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Management expense ratio was 0.89 per cent, compared to 0.92 per cent for the corresponding period last year.

## DIRECTORS' REPORT

We are pleased to report to the shareholders of AMCIL Limited ("AMCIL" or "the Company") in relation to the financial year to 30 June 2008 as follows.

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### ABOUT THE COMPANY

AMCIL was established in 1996 as a thematic investor focused particularly on the media and telecommunications sectors in Australia and New Zealand. During 2002 the Board came to the view that structural changes had occurred in the media and telecommunications industries since 1996 which affected the viability and vitality of a specialist investor concentrating only on the themes of media and telecommunications. At that point, the Board recommended to shareholders that the Company's investments be progressively sold and the capital returned to shareholders. One of the key aims of this was to unlock for shareholders the value in the Company's portfolio which was not then being reflected in the Company's share price. Shareholders approved this initiative and the Board proceeded to sell down the portfolio.

As this process was nearing completion in late 2003, the Board developed a new proposal to shareholders to recapitalise the Company. This recapitalisation took place at a point at which all of the Company's previous capital had been repaid to shareholders with the exception of approximately \$2.9 million. The recapitalisation successfully raised \$41 million, with the new shares being allotted in late January 2004. In addition, 81.5 million options exercisable for ordinary shares at 50 cents per share were issued, expiring on 28 February 2007.

The Company aims to provide shareholders with attractive returns through strong capital growth in the portfolio over the medium to long term with the generation of dividend income as a subordinate, but nevertheless important, objective.

#### Dividend Policy

Depending on the profit, from year to year the dividends paid by the Company will maximise the distribution of franking credits. It would not be our normal practice to distribute realised capital gains unless franking credits have been generated. As a result, AMCIL's dividends may vary over time.

#### Investing in the Company

As a listed investment company, the Company's shares can be bought or sold through the stock market (ASX Code: AMH). The Company does not charge entry or exit fees when shareholders acquire or dispose of their holdings although transaction costs will be borne when buying or selling through a stockbroker. There are no trailing commissions.

#### Transparency

We take an active approach to keeping shareholders informed about the Company's activities and performance including yearly and half yearly profit announcements, regular shareholder briefings and access to all Company announcements, including monthly net tangible asset announcements, through the Australian Securities Exchange and the website [www.amcil.com.au](http://www.amcil.com.au)

## REVIEW OF OPERATIONS

### Chairman's Comments

After four years of 20 per cent plus growth per annum in the Australian equity market it seemed almost inevitable that sooner or later there would be a year of retracement. The financial year just ended proved to be that year. After reaching record highs in November 2007 equity markets faced turbulent conditions driven by ongoing dislocation in credit markets, fear of recession in the developed world and the recent relentless rises in commodities and fuel. Whilst the Company's portfolio had a higher weighting to the resources and energy sectors and had a high level of cash throughout this period the portfolio was not immune from the significant decline in equity values that occurred during the year.

We adopted a relatively conservative approach through the year and were active in re-balancing the portfolio where necessary. Total portfolio return (measured by the change in net asset backing plus reinvested dividends) decreased 10.4 per cent over the 12 months to 30 June 2008 compared to the overall decline in the S&P/ASX 200 of 13.4 per cent. It should be noted that our performance figures are after expenses whereas the index performance is before these costs.

The final dividend of 3 cents per share is in line with the Company's policy of maximising the distribution of available franking credits having regard to the level of operating profit and realised capital gains for the year.

### Portfolio

The key positive contributors in the investment portfolio over the 12 month period were the strong returns generated by AMCIL's holdings in Queensland Gas, Rio Tinto, BHP Billiton, Oil Search and Metex Resources.

With the sharp decline in the market we took the opportunity to selectively add new positions to the portfolio at times where valuations started to look attractive for companies that have inherently strong franchises. In this regard we added National Australia Bank, Commonwealth Bank and QBE Insurance to the long term investment portfolio. At the other end of the spectrum, Hexima Limited, which is an agriculture-biotech company, was also added to this portfolio.

The other major additions to existing holdings in the investment portfolio during the year were BHP Billiton, Brambles Limited, Mitchell Communications, Tox Free Solutions and Bradken Limited. We also took up our T3 Instalment Receipt entitlement.

In such an unpredictable year we took the opportunity to sell holdings which we believed faced difficult issues in the new economic environment. We sold out of our entire holdings in Transpacific Industries, Asciano Group and Transurban Group during the first half of the financial year given concerns we had at the time about the impact of the tightening credit markets on companies seeking to refinance high levels of debt.

Given the strength in the resources and energy sectors and its impact on AMCIL's portfolio we decided to remove some of the concentration risk within the portfolio. As a result we scaled back our holdings in Rio Tinto, Queensland Gas and Alumina during the year. Other major sales have seen AMCIL exit its entire holdings in St. George Bank, Santos Limited and Patties Foods.

## Outlook

AMCIL, in seeking to follow attractive investment themes, has the capacity to look across a broad range of companies of both small and large market capitalisation. As a medium to long term investor we are seeking to invest in companies with strong business footprints and/or strategic positions which tap into those investment themes and represent good value.

While the present environment has thrown up many interesting opportunities, we have been adopting a cautious approach to reinvestment of the Company's funds. We remain concerned about inflation, the higher price of debt and the impact of rising input cost pressures on corporate profitability. In the immediate term, the resources, energy and agricultural sectors are likely to remain positive while there is the background of strong demand from developing countries but the outlook is less clear for other sectors of the market in Australia.

We enter the new financial year with a relatively high level of cash available to invest. We intend to remain patient given the Company's current portfolio settings and the uncertainty that is likely to persist for some time.

## Financial Condition

The Company's financing consists predominantly of shareholders' funds. The Company also has a cash advance facility with its bankers of up to a total of \$10 million.

## Dividends

Directors have declared a fully franked final dividend of 3.0 cents per share (6.0 cents fully franked last year).

The dividends paid during the year ended 30 June 2008 were as follows:

	2008 \$'000
Final dividend for the year ended 30 June 2007 of 6 cents per share fully franked at 30 per cent, paid on 27 August 2007	10,077
	<u>10,077</u>

## Significant Changes in the State of Affairs

Directors are not aware of any other significant changes in the operations of the Company, or the environment in which it operates, that will adversely affect the results in subsequent years.

## Events Since Balance Date

The Directors are not aware of any other matters or circumstance not otherwise disclosed in the Financial Report or the Directors' Report which has arisen since the end of the financial year that has affected or may affect the operations, or the results of those operations, or the state of affairs of the Company in subsequent financial years.

## Environmental Regulations

The Company's operations are such that they are not directly affected by environmental regulations.

## Rounding of Amounts

The Company is of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Unless specifically stated otherwise, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

## BOARD AND MANAGEMENT

### Directors

**Bruce B Teele** BSc BCom (Melb), Chairman. Chairman of the Investment Committee.

Mr Teele was elected to the Board in 2003 and appointed Chairman in 2004. He is Chairman of Australian Foundation Investment Company Limited (AFIC) and Djerriwarrh Investments Limited. He was formerly the Executive Chairman of the JBWere Group.

**Ross E Barker** BSc (Hons) MBA (Melb) F Fin Managing Director. Member of the Investment Committee.

Mr Barker was appointed Managing Director in February 2001. He was appointed a Director of the Company in 1996. He is also Managing Director of AFIC, Djerriwarrh Investments Limited and Mirrabooka Investments Limited.

**Peter C Barnett** FCPA. Chairman of the Audit Committee and member of the Investment Committee.

Mr Barnett is a company Director who was appointed a Director in 1996. He is a Director of Djerriwarrh Investments Limited. He is a former Director of Mayne Group Ltd and Santos Ltd and a former member of the advisory council of ABN AMRO Australasia Ltd.

**Terrence A Campbell** AO BCom (Melb). Member of the Investment Committee.

Mr Campbell has been a Director since 1996. He was Chairman of the Company from February 2000 until February 2004. He is Chairman of Mirrabooka Investments Limited; a Director of AFIC and Djerriwarrh Investments Limited; and Senior Chairman and former Chief Executive of Goldman Sachs JBWere.

**Rupert Myer AM** BCom (Hons) (Melb) MA (Cantab). Member of the Audit Committee and the Investment Committee.

Mr Myer is a company Director and was appointed a Director in 2000. He is Chairman of The Myer Family Company Pty Ltd, a Director of Diversified United Investment Ltd and Myer Pty Ltd, and Chairman of the National Gallery of Australia.

**Richard B (Bob) Santamaria** BCom LLB (Hons) (Melb). Member of the Audit Committee and the Investment Committee.

Mr Santamaria was appointed a Director in 1996. He was appointed Group General Counsel and Company Secretary of Australia and New Zealand Banking Group Limited in August 2007 and was formerly a partner of Allens Arthur Robinson, Solicitors.

**Stan DM Wallis AC** BCom (Melb). Member of the Investment Committee.

Mr Wallis is a company Director who has been a Director of the Company since 2004. He is Chairman of Rubicon Systems (Holdings) Pty Ltd and Sane Australia and a Director of AFIC. He was formerly Chairman of Amcor Limited, AMP Limited, Santos Limited and Coles Myer Limited.

### Senior Managers

**Sue E Crook** LLB BA MBA (Melb) SF Fin FCIS. Company Secretary and General Counsel.

Ms Crook joined the Company in June 2005. Former Associate Company Secretary and Head of Australian Secretariat, National Australia Bank Ltd for five years. A past National President of Chartered Secretaries Australia. She has more than 25 years experience mainly with large corporates in the financial sector.

**Geoffrey N Driver** B Ec Grad Dip Finance. General Manager Business Development and Investor Relations.

Mr Driver joined the Company in January 2003. Prior to joining the Company, he was with National Australia Bank Ltd for 18 years in various roles covering business strategy, marketing, distribution, investor relations and business operations.

**Andrew JB Porter** MA (Hons) (St And) FCA, Chief Financial Officer.

Mr Porter joined the Company in January 2005. He is a Chartered Accountant and has had over 16 years experience in accounting and financial management both in the United Kingdom with Andersen Consulting and Credit Suisse First Boston and in Australia where he was Regional Chief Operating Officer for the Corporate and Investment Banking Division of CSFB. He is a member of the User Focus Group of the Australian Accounting Standards Board.

**R Mark Freeman** BE, MBA, G Dip App Fin (Sec Inst), Chief Investment Officer.

Mr Freeman joined the Company in February 2007. He was a Partner with Goldman Sachs JBWere for five of the 12 years he was employed by them. His primary role during that time was assisting investment companies with their investment and dealing activities. As such he has a depth of knowledge and experience of the Company's investment approaches, policies and processes.

## Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2008 and the numbers of meetings attended by each Director were:

	Board		Investment		Audit	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
BB Teele	12	12	23	23	-	-
RE Barker	12	12	23	23	-	3 <sup>#</sup>
PC Barnett	12	12	23	23	3	3
TA Campbell	12	9	23	17	-	-
RH Myer	12	9	23	18	3	3
RB Santamaria	12	12	23	22	3	3
SDM Wallis	12	11	23	21	-	-

# Attended meetings by invitation.

## Retirement, Election and Continuation in Office of Directors

Messrs BB Teele and RB Santamaria are the Directors retiring by rotation who, being eligible, offer themselves for re-election.

## Insurance of Directors and Officers

During the financial year, the Company paid insurance premiums to insure the Directors and officers named in this report. Directors contributed towards the total insurance premium. The terms of the insurance contract preclude disclosure of further details.

## REMUNERATION REPORT

### (a) Principles Used to Determine Nature and Amount of Remuneration

The constitution of AMCIL requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Australian corporate Directors. The amount of remuneration excludes amounts that were owing to them when the Directors retirement allowances were frozen at 31 December 2003. Shareholders approved an aggregate maximum amount of \$500,000 for the remuneration of Directors at the AGM in September 2007.

Directors hold office until such time as they retire by rotation, resign or are removed from office under the terms set out in the constitution of the Company.

AMCIL does not pay any performance-based remuneration.

Mr Barker serves as Managing Director of AMCIL pursuant to an agreement with Australian Investment Company Services ("AICS"). The fees to which he is entitled as a Director of the Company are paid directly to AICS pursuant to his remuneration arrangements with them. Also as part of these remuneration arrangements with AICS, Mr Barker receives an 'at risk' component which is based on performance, as do the other executives of AICS. The performance criteria includes quantitative and qualitative assessments which include, amongst other things, the services that they have provided to AMCIL and for which AICS is paid.

The Directors and the Company have agreed to freeze Directors retirement benefits at the 31 December 2003 level. This frozen amount will be paid to the respective Directors when they ultimately retire, without further adjustment. The Company continues to pay superannuation guarantee contributions (SGC) on Directors' fees.

### (b) Remuneration of Directors

Directors of the Company determine the fees of Directors within the aggregate limit established by shareholders in general meeting.

Details of the nature and amounts of each Director's remuneration in respect of the year to 30 June 2008 were as follows:

	Short Term Fee/Base Salary \$	Post Employment Superannuation \$	Total Remuneration \$
BB Teele – Chairman (Non-Executive)			
2008	84,404	7,596	92,000
2007	5,000	37,000	42,000
RE Barker – Managing Director (Executive)*			
2008	42,202	3,798	46,000
2007	38,532	3,468	42,000
PC Barnett – Director (Non-Executive)			
2008	1,000	45,000	46,000
2007	38,532	3,468	42,000
TA Campbell - Director (Non-Executive)			
2008	42,202	3,798	46,000
2007	1,000	41,000	42,000
RH Myer – Director (Non-Executive)			
2008	42,202	3,798	46,000
2007	1,000	41,000	42,000
RB Santamaria – Director (Non-Executive)			
2008	42,202	3,798	46,000
2007	1,000	41,000	42,000
SDM Wallis – Director (Non-Executive)			
2008	42,202	3,798	46,000
2007	38,532	3,468	42,000
Total Remuneration: Directors			
2008	296,414	71,586	368,000
2007	123,596	170,404	294,000

\* Director's fees for RE Barker are paid across to AICS as part of his employment arrangements.

### (c) Directors' Retirement Allowances

The Board has proposed and shareholders have approved discontinuing the practice of paying Directors' retirement allowances.

The Director's retirement allowance provided in past years was equal to the total emoluments that the Director received in the three years immediately preceding retirement, where a Director had held office for five or more years and a proportionate part for less than five years service.

For Directors in office at 31 December 2003, the amounts accrued as at that date will be paid to them upon their ultimate retirement. No further accruals of Directors retiring allowances will be made after 31 December 2003. New Directors appointed to the Company after that date, including Mr Wallis who was appointed on 24 March 2004 and Mr Teele who was re-appointed on 19 December 2003, will not be entitled to any Directors' Retirement Allowance.

The amounts payable to the respective current Directors who were in office at 31 December 2003, which will be paid when they retire, are set out below. These amounts were expensed in prior years as the retirement allowances accrued. It is not expected that any of these Directors will retire within the next 12 months. The Company continues to pay SGC on Directors' fees.

	Amount Payable on Retirement \$
RE Barker	87,000
PC Barnett	87,000
TA Campbell	174,000
RH Myer	68,150
RB Santamaria	87,000
	<hr/> 503,150

### Directors' Holdings of Securities Issued by the Company

As at the date of this report, Directors who hold shares issued by the Company for their own benefit or who have an interest in holdings in the name of another party, and the total number of such securities, are as follows:

	Shares
BB Teele	30,352,041
RE Barker	4,217,175
PC Barnett	526,914
TA Campbell	4,328,492
RH Myer	461,250
RB Santamaria	110,309
SDM Wallis	<hr/> 2,070,194

It is the Company's policy that no AMCIL shares owned by Directors are held subject to margin loans.

### (d) Executives

The Company has five executives, RE Barker, Managing Director, GN Driver, General Manager Business Development and Investor Relations, RM Freeman, Chief Investment Officer, AJB Porter, Chief Financial Officer and SE Crook who is Company Secretary and General Counsel (2007: five executives).

Other than the Managing Director whose Directors' fees are paid directly to AICS, no remuneration is paid to the executives as their services are provided pursuant to the arrangements with AICS outlined in the Notes to the Financial Statements.

## NON-AUDIT SERVICES

Details of non-audit services performed by the auditors may be found in Note 23 of the Financial Report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the Corporations Act 2001 including reviewing or auditing the auditor's own work, acting in management or a decision-making capacity for the Company, acting as advocate for the Company, or jointly sharing economic risk and rewards.

A copy of the Auditor's Independence Declaration is set out on page 11.

This report in relation to the financial year to 30 June 2008 is presented by the Directors of the Company in accordance with a resolution of Directors.



Bruce Teele  
Chairman

Melbourne  
22 July 2008



**Auditor's Independence Declaration**

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

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2 Southbank Boulevard  
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As lead auditor for the audit of AMCIL Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AMCIL Limited during the period.

  
David Coogan  
Partner  
PricewaterhouseCoopers

Melbourne  
22 July 2008

# CORPORATE GOVERNANCE STATEMENT

The Board of AMCIL is committed to high standards of ethical behaviour and corporate governance.

In accordance with ASX Listing Rule 4.10.3 set out below is the ASX Corporate Governance Council's 10 principles of good corporate governance and outlined accordingly how the Board has sought to comply with the best practice recommendations for each.

## Principle 1: Laying Solid Foundations for Management and Oversight

The first Principle requires the Company to recognise and publish the respective roles and responsibilities of both the Board and Management.

The role of the Board of Directors is to set goals and policies for the operation of the Company, to oversee the Company's management, to regularly review performance and to generally monitor the Company's affairs in the best interests of shareholders. For these responsibilities the Board is accountable to its shareholders.

All Directors have entered into an Agreement with the Company covering the terms of their appointment, access to documents, Director's indemnity against liability, and Directors' and Officers insurance.

The Company's primary investment aim is to deliver strong capital growth in the portfolio over the medium to long term with the generation of dividend income as a subordinate, but nevertheless important, objective.

The Company's investments are subject to the oversight of the Investment Committee. The Directors of the Company are all members of this Committee which meets around every two weeks.

For day-to-day administrative, investment support and dealing activities, AMCIL uses the services of Australian Investment Company Services Limited ("AICS"). AICS' staff are provided to AMCIL on a non-exclusive basis to take responsibility for the conduct of the Company's operations in accordance with the Board's objectives, policies and directions. They also provide investment research information and implement decisions of the Investment Committee. AICS is paid a fee based on its costs in providing these services. The Managing Director is responsible and accountable to the Board for the Company's management.

The Board believes that the Company is fully compliant with Principle 1.

## Principle 2: Structuring the Board to Add Value

The Principle requires the Company to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

See the Directors' Report for details of the skills, experience, and expertise of each Director. The number of meetings held during the year and attendance by Directors are set out on page 7. The Directors meet formally as a Board at least 11 times a year.

The Board is comprised of a Chairman (BB Teele), Managing Director (RE Barker) and five Non-Executive Directors (PC Barnett, TA Campbell, RH Myer, RB Santamaria, and SDM Wallis), all of whom have a personal financial interest in the Company. Four of the five Non-Executive Directors are regarded as independent, that is, PC Barnett, RH Myer, RB Santamaria and SDM Wallis, so that the Board is comprised of a majority of independent Non-Executive Directors.

## Independence of Directors

BB Teele, the Chairman, was a Director of the Company from the original commencement of activities in 1996 up to February 2000 and again since December 2003. He and his related interests together have a substantial shareholding in the Company and therefore he is not considered to be an independent Director. Given that AMCIL is a Listed Investment Company, it is of great assistance to have a Chairman with a depth of experience and skills in the securities industry and who is also involved in the investment decisions of the Company. Accordingly, an independent Chairman is not regarded as necessary.

Given the relationship between AMCIL and Goldman Sachs JBWere, with whom the Company maintains a strong relationship, TA Campbell, Senior Chairman, former Chief Executive and a shareholder of Goldman Sachs JBWere, is also not regarded as independent.

RB Santamaria was a Partner of the law firm Allens Arthur Robinson until late August 2007 when he joined Australia and New Zealand Banking Group Ltd as Group General Counsel and Company Secretary. Allens Arthur Robinson received fees for services rendered during the year of \$54,000. He was not involved in the selection of the firm to undertake the work and the Board is of the view that this does not compromise his independence.

Non-Executive Directors PC Barnett, RH Myer, RB Santamaria and SDM Wallis are regarded as independent. Accordingly, the Board consists of a majority of independent Non-Executive Directors.

Details of the term of office held by each Director in office as at the date of this report are as follows:

BB Teele	– 5 years
RE Barker	– 12 years
PC Barnett	– 12 years
TA Campbell	– 12 years
RH Myer	– 8 years
RB Santamaria	– 12 years
SDM Wallis	– 4 years

The Board strongly endorses the importance of maintaining an orderly process of self-renewal. The Board needs to continue to identify, attract and retain candidates of a high calibre who provide the required skills and experience and who are able to bring an independent and fresh approach to the Board deliberations. It is regarded as important that tenure should not interfere with the continual renewal and refreshment of the Board.

Due to the size of the Company, it has not established a formal Nomination Committee and the functions of a Nomination Committee are undertaken by the full Board.

To assist Directors to fully meet their responsibilities to bring an independent view to matters coming before them, the Board has agreed a procedure in appropriate situations for Directors to take independent professional advice, at the expense of the Company, after advising the Chairman of their intention to do so. Consideration is also given to the issue of Director independence in any situation where an individual Director may be a partner in, controlling shareholder of, or executive of an entity which has a material commercial relationship with the Company. The Board would consider whether the relevant Director remained independent in any situation where, as a result of the commercial relationship with the Company, an amount in excess of \$200,000 is paid or received and the Director had a direct or indirect material interest. The threshold is considered by the Board on an annual basis.

The Board believes that the Company is fully compliant with Principle 2 but acknowledges that for the reasons stated above it does not comply with Recommendation 2.2 that the Chairman should be an independent Director or Recommendation 2.4 that a separate Nomination Committee be established.

### **Principle 3: Promotion of Ethical and Responsible Decision-making**

The Principle requires that the Board should actively promote ethical and responsible decision-making.

The Company, including its Directors and key executives, is committed to maintaining the highest standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness. The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect the shareholders' interests.

The Company has published a Corporate Principles of Conduct Statement and a Trading Policy for Directors which are available on the website together with the Company's Trading Policy that the Company has for dealing in its own shares by its officers or those working on the Company's behalf. In accordance with the Company's policy, no AMCIL shares held by Directors are held subject to margin loans. These documents are provided to management and new Directors as they join the Company and any updates are provided to all employees and Directors.

The Board believes that the Company is fully compliant with Principle 3.

### **Principle 4: Safeguarding Integrity in Financial Reporting**

The Principle requires that the Company has a structure to independently verify and safeguard the integrity of the Company's reporting.

The Company has established an Audit Committee to oversee the integrity of the financial reporting process and which reports to the Board. The Audit Committee has three members all of whom are independent Directors: PC Barnett (Chairman), RH Myer and RB Santamaria. Details of their qualifications, number of meetings and attendance are set out in the Directors' Report. All members of the Audit Committee have the requisite financial experience and understanding to effectively discharge its mandate.

The Board has obtained from the Managing Director and the Chief Financial Officer written affirmation concerning the Company's financial statements as set out in the Directors' Declaration.

The Company has a process to ensure the independence and competence of the Company's external auditors including the Audit Committee reviewing any non-audit work to ensure that it does not conflict with audit independence. Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners is set out on the website. Policies relating to rotating external audit engagement partners are set by the external audit firm in accordance with Corporations Act requirements.

The Board believes that the Company is fully compliant with Principle 4.

### **Principle 5: Timely and Balanced Disclosure**

The Principle requires that the Company promotes timely and balanced disclosure of all material matters concerning the Company.

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market in its securities. Accordingly, the Company keeps the market advised of all information required to be disclosed under the Listing Rules which the Company believes would or may have a material effect on the price or value of the Company's securities.

The Company has a written policy and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The policy is publicly available on the Company's website.

The Board believes that the Company is fully compliant with Principle 5.

### **Principle 6: Respecting the Rights of Shareholders**

The Principle requires that the Company respect the rights of shareholders and facilitate the effective exercise of those rights.

The Company is owned by its shareholders and the Board's primary responsibility to them is to do its utmost to meet the Company's objectives and so increase the Company's value for all shareholders. The Board maintains active communication with shareholders as owners of the Company.

In addition to the Annual and Half Year Reports, the Company holds an Annual General Meeting of shareholders to fulfil statutory requirements, to provide shareholders with the opportunity to meet with representatives of the Board and Management, to learn more about the Company's activities and, particularly, to provide an opportunity to question the Board and Management about any aspect of the Company's activities. This year the Company held its Annual General Meeting in Melbourne and shareholder meetings in Perth, Sydney, Adelaide, Canberra and Brisbane. An internet website is maintained on which all ASX announcements, Annual Reports, Half Year Reports, details of corporate governance practices, presentations to shareholders, and related material are posted and available for shareholders and investors.

The Board believes that the Company is fully compliant with Principle 6.

### **Principle 7: Recognising and Managing Risk**

The Principle requires that the Board establish a sound system of risk oversight, management and internal control.

The Company has established and maintains a sound system of risk oversight, management and internal control.

## Investment Risk

The Board Investment Committee is primarily responsible for dealing with issues arising from investment risk. By its nature as a Listed Investment Company, the Company will always carry investment risk because it must invest its capital in securities which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market.

## Other Risks

The Company's management is primarily responsible for recognising and managing all other risk issues such as operational risk, disaster recovery, operational health and safety, credit and counter-party risk. This is in the context that most of AMCIL's administrative functions have been outsourced to AICS using its systems and staff. Accordingly, risk issues associated with these activities are handled in accordance with the policies and procedures adopted by AICS for dealing with them. The Audit Committee has specific oversight of management's role in identifying and responding to risk issues.

The Company has received a report from AICS outlining the control objectives for AICS and the specific policies and procedures established to meet these procedures. AICS has stated that these have been in place throughout the period, and have been effective in meeting the control objectives. This statement and verification have been confirmed by AICS's internal auditors, Ernst & Young, under the requirements of Auditing Guidance Standard 1026.

The Risk Management Framework adopted by the Board is available on the Company's website.

The Board has obtained from the Managing Director and the Chief Financial Officer written affirmation that, to the best of their knowledge and belief, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects insofar as they relate to the financial reporting risks.

The Board believes that the Company is fully compliant with Principle 7.

## Principle 8: Encouraging Enhanced Performance

The Principle requires that the Board fairly review and actively encourage board and management effectiveness.

The Company has not established a formal performance review procedure and performance of the Board and management is the subject of continuous oversight by the Chairman and the Board as a whole.

Each Director of the Company is encouraged to have a financial interest in the Company and each current Director has a meaningful financial interest in the Company. In this way, the Directors participate in improving shareholder value on the same basis as all other shareholders.

The Board believes that the Company is fully compliant with Principle 8.

## Principle 9: Remunerating Fairly and Responsibly

The Principle requires that the level and composition of remuneration be sufficient and reasonable and that its relationship to corporate and individual performance be defined.

The Board does not have a separate Remuneration Committee. The Board deals with matters relating to the remuneration of Directors itself and a separate Remuneration Committee is not regarded as necessary. The Company has no employees as most of AMCIL's administrative functions have been outsourced to AICS using its systems and staff.

## Directors' Remuneration

The Constitution of AMCIL requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors together with such factors as the general level of fees paid to Australian corporate Directors.

### **Management Remuneration Approach**

The Company does not pay any performance-based remuneration.

R Barker serves as Managing Director of AMCIL pursuant to an agreement with AICS. The fees to which he is entitled as a Director of the Company are paid directly to AICS pursuant to his remuneration arrangements with them. Also as part of these remuneration arrangements with AICS, R Barker receives an 'at risk' component determined by AICS which is based on performance. The performance criteria include quantitative and qualitative assessments which include, among other things, the services that he has provided to AMCIL and for which AICS is paid.

Further information on Directors' and Executives' remuneration is set out in the Financial Report.

The Board believes that the Company is fully compliant with Principle 9 but acknowledges that, for the reasons given above, it does not comply with Recommendation 9.2 that a separate Remuneration Committee be established.

### **Principle 10: Recognising Legitimate Interests of Stakeholders**

The Principle requires that the Company recognises legal and other obligations to all legitimate stakeholders.

Because of AMCIL's operation as a Listed Investment Company, its key stakeholders are its shareholders, agents and the small number of creditors connected with the administration of the Company's affairs. As noted above, the Company has published its Corporate Principles of Conduct which are intended to guide the activities of Directors, senior executives and agents and are designed to ensure that the legal requirements and the obligations to stakeholders are complied with at all times.

The Board believes that the Company is fully compliant with Principle 10.

# FINANCIAL REPORT

## INCOME STATEMENT

For the Year Ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
Dividends and distributions		3,810	3,211
Revenue from deposits and bank bills		1,197	684
Other revenue		3	37
<b>Total revenue</b>		<b>5,010</b>	<b>3,932</b>
Income/(loss) from options written		280	(54)
Net gains/(losses) on trading portfolio		(981)	1,806
<b>Income from operating activities before net gains on investments</b>		<b>4,309</b>	<b>5,684</b>
Finance costs		(37)	(115)
Administration expenses		(1,177)	(952)
<b>Operating profit before income tax expense and net gains on investments</b>	4	<b>3,095</b>	<b>4,617</b>
Income tax credit/(expense)*	5	101	(431)
<b>Net operating profit before net gains on investments</b>		<b>3,196</b>	<b>4,186</b>
<b>Net gains on investments</b>			
Net gains on ordinary securities sold from the investment portfolio		10,498	5,116
Net gains/(losses) on open options positions		223	(8)
Tax (expense)/credit on net gains on investments*	5	(67)	2
<b>Profit for the year</b>		<b>13,850</b>	<b>9,296</b>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share		8.03	7.29

Information on earnings per share, including net operating profit before net gains on investments per share, can be found in Note 20.

	2008 \$'000	2007 \$'000
* Total tax expense/(credit)	(34)	429

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

# BALANCE SHEET

As at 30 June 2008

	Note	2008 \$'000	2007 \$'000
<b>Current assets</b>			
Cash	6	17,984	16,558
Receivables	7	196	651
Trading portfolio	8	8,087	9,926
<b>Total current assets</b>		<b>26,267</b>	<b>27,135</b>
<b>Non-current assets</b>			
Investment portfolio	9	95,474	114,864
Deferred tax assets	10	650	202
<b>Total non-current assets</b>		<b>96,124</b>	<b>115,066</b>
<b>Total assets</b>		<b>122,391</b>	<b>142,201</b>
<b>Current liabilities</b>			
Payables	11	946	957
Tax payable		474	199
Options written portfolio	13	221	213
<b>Total current liabilities</b>		<b>1,641</b>	<b>1,369</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities – investment portfolio	12	1,221	6,365
<b>Total non-current liabilities</b>		<b>1,221</b>	<b>6,365</b>
<b>Total liabilities</b>		<b>2,862</b>	<b>7,734</b>
<b>Net assets</b>		<b>119,529</b>	<b>134,467</b>
<b>Shareholders' equity</b>			
Share capital	15	106,970	102,879
Revaluation reserve	16	16,443	39,245
Accumulated losses	17	(3,884)	(7,657)
<b>Total shareholders' equity</b>		<b>119,529</b>	<b>134,467</b>

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

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
Total equity at the beginning of the year		134,467	71,069
Dividends paid	19	(10,077)	(2,058)
Exercise of options	15	-	39,053
Shares issued under Dividend Reinvestment Plan	15	4,107	-
On-market share buy-backs	15	(2)	-
Cost of share issues	15	(14)	(6)
<b>Total transactions with shareholders</b>		<b>(5,986)</b>	<b>36,989</b>
Revaluation of investment portfolio		(27,946)	23,478
Provision for tax on unrealised gains		5,144	(6,365)
Net unrealised gains/(losses) recognised directly in equity	16	(22,802)	17,113
Profit for the year		13,850	9,296
<b>Total recognised income/(loss) (including unrealised gains) and expense for the year</b>		<b>(8,952)</b>	<b>26,409</b>
<b>Total equity at the end of the financial year</b>		<b>119,529</b>	<b>134,467</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 2008

	Note	2008 \$'000 Inflows/ (Outflows)	2007 \$'000 Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Sales from trading portfolio		6,501	14,489
Purchases for trading portfolio		(5,642)	(18,738)
Proceeds from entering into options in options written portfolio		1,268	611
Payment to settle options in options written portfolio		(757)	(461)
Interest received		1,197	684
Dividends and distributions received		3,233	2,719
		5,800	(696)
Other receipts		3	41
Administration expenses		(1,091)	(951)
Finance costs paid		(35)	(105)
Income taxes paid		(142)	(10)
<b>Net cash inflow/(outflow) from operating activities</b>	24	4,535	(1,721)
<b>Cash flows from investing activities</b>			
Sales from investment portfolio		30,855	12,138
Purchases for investment portfolio		(27,978)	(28,936)
<b>Net cash inflow/(outflow) from investing activities</b>		2,877	(16,798)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	7,000
Repayment of borrowings		-	(9,000)
Share issues		-	39,046
Dividends paid		(5,986)	(2,058)
<b>Net cash inflow/(outflow) from financing activities</b>		(5,986)	34,988
Net increase/(decrease) in cash held		1,426	16,469
Cash at the beginning of the financial year		16,558	89
<b>Cash at the end of the financial year</b>	6	17,984	16,558

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting Policies

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

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

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities
Cash	Cash and Cash Equivalents
Share Capital	Contributed Equity
Trading Portfolio	Assets Held for Trading
Investment Portfolio	Assets Available for Sale

This Financial Report has been prepared in accordance with AIFRS (Australian equivalents to International Financial Reporting Standards).

Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS).

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 2008 ("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 the 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 trading portfolio and the options written 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 trading portfolio comprises securities held for short term trading purposes, including exchange traded options contracts that are entered into, as described in Note 8.

The options written portfolio contains exchange traded options contracts that are entered into as described in Note 13.

Ordinary securities within the investment portfolio are classified as 'assets available for sale', whereas securities that contain a derivative element (e.g. Convertible Notes) and the trading portfolio are classified as 'assets measured at fair value through the Income Statement'.

#### (ii) Valuation of Investment Portfolio

Securities, including listed and unlisted shares and notes, are initially brought to account at market value, which is the cost of acquisition including transaction costs, and are revalued to market values continuously. Increments and decrements on Ordinary Securities are 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 the Income Statement.

Increments and decrements on the value of the securities that contain a derivative element (known as 'Hybrids') are taken directly through the Income Statement.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### (iii) Valuation of Trading Portfolio

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

Increments and decrements on the value of securities in the trading portfolio are taken directly through the Income Statement.

### (iv) Valuation of Options Written Portfolio

Options written are initially brought to account at the amount received upfront for entering the contract (the premium) and subsequently revalued to current market value. Increments and decrements are taken through the Income Statement.

### (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 distributions are capital returns on ordinary shares in which case the amount of the distribution is treated as an adjustment to the carrying value of the shares.

The realised gain or loss on options written is not recognised until the option expires, is exercised or is repurchased from the holder. 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 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 and to the unused tax losses. Deferred tax assets and liabilities 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. Hybrids and the trading and options written portfolios.

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

### (d) Cash Flows

For the purpose of the cash flow statement, 'cash' includes cash and deposits held at call in a cash fund.

### (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 AASB 139 as 'last bid price'.

### (f) Directors' Retirement Allowances

The Company recognises as 'amounts payable' Directors' retirement allowances that have been crystallised. No further amounts 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 Investment 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.

## 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 need to be 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 sufficient to cover a substantial part of the current unrealised gain in the investment portfolio, and therefore only a partial provision has been made. 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.

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

The Company operates as a Listed Investment Company in Australia. It has no reportable business or geographic segments.

## 4. Operating Profit Before Income Tax Expense and Net Gains on Investments

	2008 \$'000	2007 \$'000
Dividends and distributions (excluding interest)		
- securities held in investment portfolio	3,393	2,911
- securities held in trading portfolio	417	300
	3,810	3,211
Interest income		
- deposits and income from cash investments	1,197	684
	1,197	684
Net gains/(losses) and write downs		
- net gains from trading portfolio sales	498	1,292
- realised gains/(losses) on options written portfolio	280	(54)
- unrealised gains/(losses) in trading portfolio	(1,479)	514
	(701)	1,752
Other income	3	37
Income from operating activities before net gains on investments	4,309	5,684
Finance costs	(37)	(115)
Administration fees paid to Australian Investment Company Services Limited (AICS)	(438)	(348)
Other administration expenses	(739)	(604)
<b>Operating profit before income tax expense and net gains on investments</b>	<b>3,095</b>	<b>4,617</b>

Further information relating to remuneration of auditors is set out in Note 23, Directors and Executives in Note 21. The administration fees paid to AICS are pursuant to an arrangement covering the Company's day-to-day management and administration.

**5. Income Tax Expense**

	2008 \$'000	2007 \$'000
<b>(a) Reconciliation of Income Tax Expense to Prima Facie Tax Payable</b>		
Operating profit before income tax expense and net gains on investments	3,095	4,617
Tax at the Australian tax rate of 30 per cent (2007 – 30 per cent)	929	1,385
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(916)	(717)
Sundry items	72	(159)
	85	509
Under (over) provision in prior years	(186)	(78)
Income tax expense/(credit) on operating profit before net gains on investments	(101)	431
<b>Net gains/(losses) from investments</b>	<b>10,721</b>	<b>5,108</b>
Tax at the Australian tax rate of 30 per cent (2007 – 30 per cent)	3,216	1,533
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impact of parcel selection for capital gains purposes	-	72
Accounting gains rolled-over for taxation purposes	(287)	(275)
Capital gains set-off against brought-forward losses	(2,862)	(1,332)
Income tax expense/(credit) on net gains on investments	67	(2)
<b>Total income tax expense/(credit)</b>	<b>(34)</b>	<b>429</b>

**(b) Income Tax Expense Composition**

Charge for tax payable relating to the current year	600	378
Under (over) provision in prior years	(186)	(78)
(Increase) decrease in deferred tax assets – other	(448)	129
	(34)	429

**6. Current Assets – Cash**

Cash at bank and in hand	5	11
Deposits at call	17,979	16,547
	17,984	16,558

Deposits at call yield an average floating interest rate of 7.3 per cent (2007: 6.2 per cent) after fees.

**(a) Credit Risk Exposure**

The credit risk exposure of the Company in relation to cash and deposits is the carrying amount and any accrued unpaid interest. Cash investments are made with Goldman Sachs JBWere's Australian Dollar Cash Reserves Fund – Institutional Class which is rated AAAM by Standard & Poor's and Aaa/MR1+ by Moody's.

**(b) Standby Arrangements and Credit Facilities**

The Company has a cash advance facility with the Commonwealth Bank of Australia. Previously, this was a floating rate bill facility with the National Australia Bank under which the lender agreed to accept or accept, and discount, bills of exchange.

	2008 \$'000	2007 \$'000
Cash advance facility	10,000	10,000
Amount drawn down	-	-
Undrawn facilities	10,000	10,000

The above borrowings are unsecured. Repayment of facilities is done either through the use of cash received from distributions or the sale of securities, or by rolling existing facilities into new ones. Facilities are normally drawn down for no more than 90 days.

## 7. Current Assets – Receivables

	2008 \$'000	2007 \$'000
Dividends and distributions receivable	191	303
Interest receivable/pre-paid	3	5
Outstanding settlements – investment portfolio	-	343
Prepayments	2	-
	<b>196</b>	<b>651</b>

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.

## 8. Current Assets – Trading Portfolio

	2008 \$'000	2007 \$'000
Listed securities at market value		
- shares and trust units	8,238	10,510
- options written by the Company		
- Calls	(53)	(578)
- Puts	(98)	(6)
	<b>8,087</b>	<b>9,926</b>

## Credit Risk Exposure

Credit risk exposures of the Company arise in relation to converting and convertible notes and other interest-bearing securities 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.

The Company enters into option contracts in the trading portfolio as part of its trading activities to generate profits on dealing in securities, under the same conditions as in the options written portfolio (Note 13). Options are valued at a theoretical value which is obtained via an independent third party data provider.

As at balance date the Company had sold put options which at the option of the purchaser may require the Company to buy prior to the respective expiry dates if they were exercised, certain securities at prices which in aggregate totalled \$0.6 million (2007: \$2.0 million). As at balance date there were call options outstanding which potentially required the Company if they were exercised to deliver securities to the value of \$1.3 million (2007: \$9.1 million).

As at balance date all of these contracts are exchange-traded options and are 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 investment, trading and sub-underwriting transactions of the Company and related matters.

\$1.27 million of shares are held by the Australian Clearing House (ACH) as collateral for sold option positions written by the Company (2007: \$1.8 million) in the trading portfolio. These shares are held by ACH under the terms of ACH Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Company's trading portfolio.

## 9. Non-current Assets – Investment Portfolio

	2008 \$'000	2007 \$'000
Listed securities		
- shares at market value	95,474	114,864

### 10. Non-current Assets – Deferred Tax

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

	2008 \$'000	2007 \$'000
The key components are:		
(a) Unrealised positions in the trading portfolio	381	(149)
(b) Tax paid up front on sold option premiums which are not included as accounting income until they lapse, are exercised or closed out	159	199
(c) Provisions and expenses charged to the accounting profit which are not yet tax deductible	174	153
(d) Interest and dividend income receivable which is not assessable for tax until receipt	-	(1)
(e) Tax on unrealised gains in options written portfolio	(64)	-
	650	202
<b>Movements</b>		
Opening balance at 1 July	202	331
(Credited)/charged to Income Statement	448	(129)
	650	202

The net DTA 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 DTA likely to be reversed within the next 12 months is \$64,000 (2007: \$47,000). This relates primarily to items described in Notes (a), (b) and (e) above.

### 11. Current Liabilities – Payables

	2008 \$'000	2007 \$'000
Outstanding settlements – investment portfolio	354	453
Director retirement benefits	503	503
Other payables	89	1
	946	957

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. Non-current Liabilities – Deferred Tax

	2008 \$'000	2007 \$'000
Deferred tax liability – investment portfolio	1,221	6,365

At balance date, the Company had unused losses on the sale of investments available to set-off against future capital gains of \$16.0 million (2007: \$25.5 million). During the year, \$9.5 million worth 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).

### 13. Options Written Portfolio

The Company enters into option contracts in the options written portfolio for the purpose of enhancing returns from the premiums received. Where the Company sells a call option it is obligated to deliver securities at an agreed price if the taker exercises the option. Whereas if the Company sells a put option it is obligated to buy the underlying shares at an agreed price if the taker exercises the option. Options are valued at a theoretical value which is obtained via an independent third party data provider.

As at balance date all of these contracts are exchange-traded options and are 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 investment, trading and sub-underwriting transactions of the Company and related matters.

As at balance date there were call options outstanding which potentially required the Company if they were exercised to deliver securities to the value of \$4.52 million (2007: \$2.95 million).

\$3.5 million of shares are held by the Australian Clearing House (ACH) as collateral for sold option positions written by the Company (2007: \$0.8 million) in its options written portfolio. These shares are held by ACH under the terms of ACH Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Company's investment portfolio.

### 14. Capital Management

The Company's objectives in managing capital is to continue to provide shareholders with attractive returns through strong capital growth in its portfolios over the medium to long term with the generation of dividend income as a subordinate, but nevertheless important, objective, in accordance with its stated aims.

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 sell assets to reduce debt.

The Company's capital consists of its shareholders' equity, plus any net borrowings (currently nil). The change in this capital is as noted in Notes 6, 15, 16 and 17.

### 15. Shareholders' Equity – Share Capital

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

Date	Details	Note	Number of Shares '000	Issue Price \$	Paid-up Capital \$'000
1/07/2006	Balance		89,839		63,832
Various	Exercise of options	(i)	78,106	0.50	39,053
			-		(6)
30/06/2007	Balance		167,945		102,879
Various	On-market share buy-backs	(iii)	(3)		(2)
27/08/2007	Dividend Reinvestment Plan	(ii)	5,476	0.75	4,107
	Cost of share issue		-		(14)
30/06/2008	Balance		173,418		106,970

- (i) The Company issued a prospectus, dated 28 November 2003, inviting the public to subscribe for shares and options in the Company for an issue price of 50 cents per share and option. Under this public offer each applicant as well as being issued ordinary shares also received an identical number of options entitling the holder, upon exercise before the expiry date of 28 February 2007, to receive one share in the Company for an exercise price of 50 cents for each option.
- (ii) During the year, the Company commenced a Dividend Reinvestment Plan. 5,475,944 shares were issued at 75 cents, which was a 5 per cent discount to the calculated Volume Weighted Average Price of the shares traded in the five days after the shares traded ex-dividend.
- (iii) The Company introduced an on-market Buy-Back Program during the year. 3,000 shares were bought back for an average price of 71 cents.

## 16. Revaluation Reserve

	2008 \$'000	2007 \$'000
Opening balance at 1 July	39,245	22,132
Revaluation of investment portfolio	(27,946)	23,478
Provision for tax on unrealised gains	5,144	(6,365)
	<b>16,443</b>	<b>39,245</b>

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. Accumulated Losses

	Retained Losses \$'000	Retained Profits \$'000	Total \$'000
1/07/04	(19,822)	705	(19,117)
30/06/05	(19,822)	3,342	(16,480)
30/06/06	(19,822)	4,927	(14,895)
30/06/07	(19,822)	12,165	(7,657)
30/06/08	(19,822)	15,938	(3,884)
		<b>2008 \$'000</b>	<b>2007 \$'000</b>
Opening balance at 1 July		(7,657)	(14,895)
Dividends paid		(10,077)	(2,058)
Profit for the year		13,850	9,296
		<b>(3,884)</b>	<b>(7,657)</b>

## 18. Financial Risk Management

AASB 7 *Financial Instruments: Disclosures* 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 noted in Notes 6(a), 7 and 8 with respect to cash, receivables and securities in the trading portfolio. None of these assets are overdue or considered to be impaired.

### 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 fortnightly basis by reference to known sales and purchases of securities, dividends and distributions to be paid or received, put options that may require the Company to purchase securities and facilities that need to be repaid. The Company ensures that it has either cash or access to short term borrowing facilities sufficient to meet these contingent payments.

The relatively low level of gearing that the Company has ensures that covenant levels associated with facilities are 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 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.

Any borrowing facilities are normally drawn for a period no longer than 90 days.

## 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, 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 can fluctuate.

A general fall in market prices of 5 per cent and 10 per cent, if spread equally over all assets in the trading and investment portfolios, would lead to a reduction in the Company's equity of \$3.6 million and \$7.2 million respectively, assuming a flat tax rate of 30 per cent.

A fall in the market value of the trading portfolio of 5 per cent and 10 per cent equally across all securities held within the portfolio, would lead to a reduction in the trading result of \$0.3 million and \$0.6 million respectively.

The Revaluation Reserve at 30 June 2008 was \$16.4 million. It would require a fall in the value of the investment portfolio of 19 per cent to fully deplete this. In accordance with Accounting Standards, any further falls in value would continue to be recognised in equity as unrealised losses, thereby impacting the shareholders' equity of the Company.

The Company seeks to minimise 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:

	2008 %	2007 %
Energy	13.44	8.90
Materials	19.55	19.32
Industrials	14.43	18.11
Consumer discretionary	5.99	5.84
Consumer staples	1.59	2.49
Banks	6.27	7.23
Other financials (including property trusts)	10.97	13.15
Telecommunications	6.65	4.79
Other – healthcare, information technology, utilities	6.29	8.44
Cash	14.82	11.73

Securities representing over 5 per cent of the combined investment and trading portfolio at 30 June 2008 were:

	Percentage of Portfolio
BHP Billiton	11.9%
Queensland Gas Company	10.4%
Telstra	7.8%
Bradken	5.8%

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

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

Under Accounting Standards, movements in the market value of the trading portfolio are reflected directly through the Income Statement. As at 30 June 2008, it was 6.7 per cent of the total invested including cash (2007: 7.0 per cent). This relatively low level reduces the risk to the Company's earnings of a short term fall in the value of securities held in the trading portfolio.

The Company has no hedges or hedging instruments.

### 19. Dividends

	2008 \$'000	2007 \$'000
<b>(a) Dividends Paid During the Year</b>		
Final dividend for the year ended 30 June 2007 of 6.0 cents fully franked at 30 per cent paid on 27 August 2007 (2007: 2.0 cents paid on 29 August 2006)	10,077	2,058
	<u>10,077</u>	<u>2,058</u>

### (b) Franking Credits

Balance on the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables.

2,603      5,243

Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:

(2,230)      (4,319)

Net available

373      924

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

870      2,156

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

Since the end of the year Directors have declared a final dividend of 3 cents per share fully franked at 30 per cent. The aggregate amount of the final dividend for the year to 30 June 2008 to be paid but not recognised as a liability at the end of the financial year

5,203

### 20. Earnings Per Share

	2008	2007
<b>Basic Earnings Per Share</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	172,552,526	127,478,915
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	13,850	9,296
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	8.03	7.29

	2008	2007
<b>Basic Net Operating Profit Before Net Gains on Investments Per Share</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	172,552,526	127,478,915
	<b>\$'000</b>	<b>\$'000</b>
Net operating profit before net gains on investments	3,196	4,186
	<b>Cents</b>	<b>Cents</b>
Basic net operating profit before net gains on investments per share	1.85	3.28

## Dilution

As there are no options, convertible notes or other dilutive instruments on issue, diluted earning per share is the same as basic earnings per share. This similarly applies to diluted net operating profit per share.

## 21. Directors and Executives

Persons who were Directors of AMCIL Limited for part or all of the financial year ended 30 June 2008 were:

BB Teele  
PC Barnett  
RE Barker  
TA Campbell  
RH Myer  
RB Santamaria  
SDM Wallis

Persons who were executives with authority for the strategic direction and management of the Company for part or all of the financial year ended 30 June 2008 were:

RE Barker – Managing Director  
GN Driver – General Manager Business Development and Investor Relations  
RM Freeman – Chief Investment Officer  
AJB Porter – Chief Financial Officer  
SE Crook – Company Secretary and General Counsel

Other than the Managing Director whose Director's fees are paid directly to AICS no remuneration is paid to the executives as their services are provided pursuant to an arrangement with AICS.

Sub-totals for the amount of remuneration paid during the year are as follows:

	Short Term Benefits \$	Post-employment Benefits \$	Total \$
<b>2008</b>			
<b>Directors</b>	<b>296,414</b>	<b>71,586</b>	<b>368,000</b>
<b>2007</b>			
<b>Directors</b>	<b>123,596</b>	<b>170,404</b>	<b>294,000</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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:

	Opening Balance	Net Changes	Closing Balance
BB Teele	28,251,890	2,100,151	30,352,041
RE Barker	4,053,175	164,000	4,217,175
PC Barnett	526,914	-	526,914
TA Campbell	4,007,863	320,629	4,328,492
RH Myer	461,250	-	461,250
RB Santamaria	102,138	8,171	110,309
SDM Wallis	1,916,847	153,347	2,070,194
GN Driver	120,000	9,600	129,600
SE Crook	68,100	30,448	98,548
RM Freeman	282,974	22,637	305,611

### 22. Related Parties

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

	2008 \$'000	2007 \$'000
Director TA Campbell had or has an interest in the following transactions as Director, employee and shareholder of Goldman Sachs JBWere Group Holdings Pty Ltd, Goldman Sachs JBWere Pty Ltd, Goldman Sachs JBWere Services Pty Ltd and Goldman Sachs JBWere Capital Markets Limited:		
(a) The Company invests surplus funds in deposits at call with Goldman Sachs JBWere Capital Markets Limited and bills of exchange		
- interest revenue received or receivable	1,197	684
- expense paid or payable for management of the cash and bill portfolio	-	5
- investments in Goldman Sachs JBWere's Australian Dollar Cash Reserves Fund	17,979	16,547
(b) The Company buys and sells securities through Goldman Sachs JBWere Pty Ltd amongst other brokers		
- brokerage expenses paid or payable	41	60
RB Santamaria was a partner of Allens Arthur Robinson, Solicitors for part of the year, which provided general legal services to the Company during the year for total fees of:	54	53

### 23. Remuneration of Auditors

	2008 \$	2007 \$
During the year the auditor earned the following remuneration:		
<b>PricewaterhouseCoopers</b>		
Audit or review of financial reports	74,690	72,655
<b>Non-audit services</b>		
Taxation compliance services	8,525	8,690
<b>Total remuneration</b>	<b>83,215</b>	<b>81,345</b>

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 five years.

### 24. Reconciliation of Net Cash Flows from Operating Activities to Profit

	2008 \$'000	2007 \$'000
Profit for the year	13,850	9,296
- Decrease (increase) in the trading portfolio	1,839	(7,394)
- Net capital (gains) losses before tax	(10,498)	(5,108)
- Dividends received as securities under DRP investments	(691)	(404)
- Decrease (increase) in current receivables	455	925
- Less increase (decrease) in receivables for investment portfolio	(343)	343
- Decrease (increase) in deferred tax assets	(5,592)	6,494
- Less (increase) decrease in deferred tax liability on investment portfolio	5,144	(6,365)
- Increase (decrease) in options written	8	213
- Increase (decrease) in current payables	(11)	447
- Less decrease (increase) in payables for investment portfolio	99	(453)
- Increase (decrease) in tax payable	275	199
- Increase (decrease) in other provisions	-	86
<b>Net cash flows from operating activities</b>	<b>4,535</b>	<b>(1,721)</b>

### 25. Contingencies

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

## DIRECTORS' DECLARATION

In the Directors' opinion:

- (1) the financial statements and notes set out on pages 17 to 33 are in accordance with the Corporations Act 2001 including:
  - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

This declaration has been made after receiving the declarations required to be made to the Directors by the Managing Director and the Chief Financial Officer regarding the financial statements in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2008. The declarations received were that, in the opinion of the Managing Director and the Chief Financial Officer and to the best of their knowledge, the financial records of the Company have been properly maintained, that the financial statements comply with accounting standards and that they give a true and fair view.



Bruce Teele  
Chairman

Melbourne  
22 July 2008



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

**PricewaterhouseCoopers  
ABN 52 780 433 757**

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
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MELBOURNE VIC 3001  
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**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 2008, and the income statement, statement of changes in equity and cash flow statement 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Liability limited by a scheme approved under Professional Standards Legislation



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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

*Independence*

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

*Auditor's opinion*

In our opinion:

- (a) the financial report of AMCIL Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2008 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 2008. 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 2008, complies with section 300A of the *Corporations Act 2001*.

  
PricewaterhouseCoopers

  
David Coogan  
Partner

Melbourne  
22 July 2008

## OTHER INFORMATION

### INFORMATION ABOUT SHAREHOLDERS

At 10 July 2008 there were 2,652 holdings of shares. These holdings were distributed in the following categories:

Size of Holding	Shareholdings Number
1 to 1,000	454
1,001 to 5,000	406
5,001 to 10,000	250
10,001 to 100,000	1,276
100,000 and over	266
	2,652

Percentage held by the 20 largest holders	44.66%
Average shareholding	65,391

There were 408 shareholdings of less than a marketable parcel of \$500 (770 shares).

#### Major Shareholders

The 20 largest registered shareholders of the Company's ordinary shares as at 10 July 2008 are noted below:

Holder	Shares Held	% Total
Mr BB Teele	30,352,041	17.50
Djerriwarrh Investments Limited	12,277,343	7.08
M F Custodians Ltd	8,089,201	4.66
Mr TA Campbell	4,328,492	2.50
Mrs CJ Campbell	4,320,000	2.49
Mr RE Barker	4,217,175	2.43
Mr SDM Wallis	2,070,194	1.19
Fobsha Pty Ltd	2,052,000	1.18
UBS Wealth Management Australia Nominees Pty Ltd	1,104,008	0.64
Yelgarn Pty Ltd	1,050,000	0.61
HSBC Custody Nominees (Australia) Limited	1,000,313	0.58
Mr Robert Tasman Warne Permezel and Mrs Elizabeth Dorothy Permezel	900,000	0.52
Mrs Lyndis Ann Flynn and Mr Aidan John Flynn	892,207	0.51
Colangie Nominees Pty Ltd	865,877	0.50
Austymca Nominees Pty Ltd	791,932	0.46
Mr Ainslie Robert Telford	700,000	0.40
Ms Diana Eirene Angliss Gibson and Mr John Digby Norris and Mr Graeme William Ballard	653,750	0.38
Baker Custodian Corporation C/- ANZ Trustees Limited	650,000	0.37
Scottsvale Pty Ltd	600,000	0.35
Turions Pty Ltd	541,731	0.31

## SUBSTANTIAL SHAREHOLDERS

The Company has been notified of substantial shareholdings as follows:

Holder	Number of Shares	Date Notified
Bruce B Teele	28,251,890	06/03/07
Djerriwarrh Investments Limited	12,471,530	05/03/07

## TRANSACTIONS IN SECURITIES

During the year ended 30 June 2008, the Company recorded 363 transactions in securities. \$237,132 in brokerage (including GST) was paid or accrued for the year.

## HOLDINGS OF SECURITIES

As at 30 June 2008

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 2007 '000	Number Held 2008 '000	Market Value 2008 \$'000
AGK*	AGL Energy	Leading Australian integrated energy company	30	30	378
AMC*	Ancor	Global packaging company	450	600	2,931
AMP	AMP	Major Australasian financial services organisation	555	555	3,715
ASZ	ASG Group	Provision of computer infrastructure, application development, systems integration and specialist technical services	3,042	3,153	2,838
AWC*	Alumina	Mining, refining and smelting of aluminium	879	579	2,744
BHP*	BHP Billiton	Diversified international resources company	270	285	12,275
BKN	Bradken	Manufacturer and supplier of differentiated consumable products to the resources and freight rail industries	500	700	6,020
BXB	Brambles	Global support services group	200	371	3,239
CBA	Commonwealth Bank of Australia	Banking and wealth management services	0	45	1,808
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	250	275	1,928
CCQ	Contango Capital Partners	Investor in a diversified range of unlisted and listed investments in the financial services sector	450	828	431
CEU	ConnectEast Group	Investment vehicle set up for investment in the Mitcham-Frankston Freeway Project	4,149	4,664	4,011
EQT	Equity Trustees	Financial services company that provides client, trustee, estate administration and funds management services	130	145	3,155
ESG	Eastern Star Gas	Integrated natural gas and electricity production company	1,000	2,000	1,460
FWD	Fleetwood Corporation	Provider of manufactured accommodation for the resources and retirement sectors	0	100	925
GDY	Geodynamics	A renewable energy company involved in the development of geothermal energy generation from hot fractured rocks (HFR) in Australia	0	460	690
HXL	Hexima	Agricultural-biotech company engaged in the research and development of technology for the genetic modification of crops	0	875	613
MCU	Mitchell Communication Group	Australia's largest independent communications group	1,756	3,250	1,983
MEE	Metex Resources	Energy company focusing on new technology in coal energy and liquid fuels projects	0	890	730
MPO	Molopo Australia	Developing coalbed methane and other gas projects in Australia and overseas	0	533	1,099
MRM	Mermaid Marine Australia	Marine services provider to the offshore oil and gas industry	0	417	646
NAB*	National Australia Bank	Financial services group	40	175	4,597
NWS	News Corporation	International media company	138	138	2,262
NWSLV	News Corporation Non-Voting	As above	20	20	323
OKN	Oakton	IT services company providing the planning, delivery and operation of IT solutions for customers	850	850	2,746
OSH	Oil Search	Exploration, development and production of oil and gas, predominantly in PNG	200	400	2,720

## HOLDINGS OF SECURITIES CONTINUED

Code	Company	Principal Activities	Number Held 2007 '000	Number Held 2008 '000	Market Value 2008 \$'000
PNA	PanAust	Minerals explorer, developer and miner producing copper-gold concentrate at its operations in Laos	0	950	969
PPC	Peet	Involved in the acquisition, management, development, marketing and sales of broadacre residential land estates	1,500	1,550	3,224
QBE	QBE Insurance Group	General insurance and reinsurance services provider	0	65	1,456
QGC	Queensland Gas Company	Integrated energy supplier developing its coal seam gas resources	2,447	2,000	10,740
REA	realestate.com.au	Provider of online advertising and technology to the Australian and several overseas real estate industries	223	223	977
RIO	Rio Tinto	Diversified international resources company	80	30	4,065
SUN	Suncorp-Metway	Queensland based financial services conglomerate	102	102	1,326
TLS	Telstra Corporation	Telecommunications operator and information services provider	801	1,902	8,066
TOL	Toll Holdings	Transport and logistics group operating in the Asia Pacific region	202	200	1,204
TOX	Tox Free Solutions	Integrated waste management and environmental service business	600	1,562	2,390
VIR	Viridis Clean Energy Group	Owns a geographically diversified portfolio of operating clean energy assets	500	560	383
VPE	Victoria Petroleum NL	Primarily engaged in the exploration and development of oil and gas in Australia and United States	0	1,000	285
WBC	Westpac Banking Corporation	Banking and wealth management services	60	60	1,200
WLL	Wellcom Group	Production based solutions company providing specialist services to advertisers, retailers and corporate organisations	132	417	793
<b>Total</b>					<b>103,340</b>

\* Investments marked with an asterisk were the subject of options, either for the whole holding or part of it.

## MAJOR CHANGES TO THE INVESTMENT PORTFOLIO

Acquisitions (Above \$1 Million)	Cost \$'000
National Australia Bank	4,202
BHP Billiton	2,855
Commonwealth Bank of Australia	2,181
Brambles	1,937
Mitchell Communication Group	1,585
Tox Free Solutions	1,574
Bradken	1,380
QBE Insurance Group	1,322
Telstra 3 Instalment Receipt – final payment	1,282
Amcor	1,063
Hexima	1,052

Disposals (Above \$1 Million)	Proceeds \$'000
Rio Tinto	6,726
St. George Bank	6,720
Santos	3,745
Transpacific Industries Group	2,687
Queensland Gas Company	2,359
Alumina	1,846
Asciano Group	1,769
BHP Billiton	1,707
Patties Foods	1,042

## SUB-UNDERWRITING

During the year the Company participated as a sub-underwriter of issues of securities. The principal underwriter and securities involved were:

<u>Company</u>	<u>Underwritten By</u>	<u>Description</u>	<u>Amount Underwritten</u>
Equity Trustees Limited	ABN AMRO Morgans Corporate Limited	Dividend Reinvestment Plan	\$275,000

## SHARE CAPITAL CHANGES

Date	Type	Price/Amount
18 October 1996	Initial issue	\$2.00
12 September 1997	DRP	\$1.95
27 March 1998	DRP	\$2.17
17 June 1998	1 for 2 Rights Issue	\$2.00
16 September 1998	DRP	\$2.14
15 March 1999	DRP	\$2.38
2 June 1999	1 for 3 Rights Issue	\$2.40
10 September 1999	DRP	\$2.54
24 January 2000	Exercise of JBWere Option	\$2.00
7 April 2000	1 for 5 Rights Issue	\$2.00
18 November 2002	Capital return	\$0.33
17 January 2003	Capital return	\$0.32
11 March 2003	Capital return	\$0.40
23 May 2003	Capital return	\$0.40
15 August 2003	Capital return	\$0.40
19 December 2003	Capital consolidation 1 for 16	
23 January 2004	Share issue	\$0.50
Various	Exercise of options	\$0.50
27 August 2007	DRP	\$0.75

## KEY STATISTICS

	2008	2007	2006	2005	2004
Profit After Tax (\$ Million) <sup>(a)</sup>	13.85	9.30	3.34	2.64	0.61
Net Operating Profit After Tax (\$ Million)	3.20	4.19	1.77	1.62	0.61
Investments at Market Value (\$ Million) <sup>(b)</sup>	103.34	124.58	71.49	43.90	19.02
Net Operating Profit Per Share (Cents) <sup>(c)</sup>	1.85	3.28	2.01	1.86	1.48
Dividends Per share (Cents)	3	6	2	2	-
Net Asset Backing (Cents) <sup>(d)</sup>	70	84	65	55	50
Number of Shareholders (30 June)	2,653	2,910	2,716	3,067	3,818

### Notes

(a) Profit After Tax includes the amount of net realised gains in 2004.

(b) Excludes cash.

(c) This figure is the reported earnings per share under Australian Generally Accepted Accounting Principles in 2004.

(d) Net asset per share based on year-end data before the provision for the final dividend and diluted for outstanding options for 2006 and prior. The figures do not include a provision for capital gains tax that would apply if all securities held as non current investments had been sold at balance date as directors do not intend to dispose of the portfolio.

## COMPANY PARTICULARS

**AMCIL Limited**  
ABN 57 073 990 735

### Directors

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

### Company Secretaries

Sue E Crook  
Andrew JB Porter

### Auditor

PricewaterhouseCoopers  
Chartered Accountants

### Country of Incorporation

Australia

### Registered Office

Level 21, 101 Collins Street  
Melbourne Victoria 3000

### Mailing Address

GPO Box 2114  
Melbourne Victoria 3001

### Contact Details

Telephone (03) 9650 9911  
Facsimile (03) 9650 9100  
Email [invest@amcil.com.au](mailto:invest@amcil.com.au)  
Website [www.amcil.com.au](http://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 Line 1300 653 916  
+613 9415 4224 (from overseas)

Facsimile (03) 9473 2500

Email [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

Website [www.computershare.com.au](http://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 2.30pm  
Date Monday 22 September 2008  
Venue Hilton on the Park  
Location 192 Wellington Parade  
East Melbourne Victoria

### Canberra Shareholder Meeting

Time 1.00pm  
Date Tuesday 30 September 2008  
Venue The Hyatt Hotel  
Location Commonwealth Avenue  
Yarralumla Canberra

### Sydney Shareholder Meeting

Time 1.00pm  
Date Wednesday 1 October 2008  
Venue Sydney Convention & Exhibition Centre  
Location Darling Drive  
Darling Harbour Sydney

### Adelaide Shareholder Meeting

Time 1.00pm  
Date Tuesday 7 October 2008  
Venue Adelaide Festival Centre  
Location King William Road Adelaide

