

AMCIL

Annual Report 2007





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SUMMARY OF RESULTS

Total Assets

Total assets at market value at 30 June 2007 were \$142 million, up from \$74 million last year.

Net Operating Profit

Net operating profit after tax was \$4.2 million (last year \$1.8 million). This operating profit is made up primarily of dividends received from the investment portfolio and revenue from the trading portfolio, which was up significantly. It does not include realised gains.

Reported Profit After Tax

Reported profit after tax was \$9.3 million (last year \$3.3 million). This includes realised gains on sale of investments.

Earnings Per Share

Earnings per share based on net operating profit were 3.3 cents compared with 2.0 cents last year.

New Capital

New capital of \$39.1 million was raised during the year from the conversion of outstanding options which had an expiry date of 28 February 2007.

A Fully Franked Final Dividend

A fully franked final dividend of 6.0 cents per share has been declared by Directors. This allows for the distribution of the majority of the balance of the franking account. Last year's final dividend was 2.0 cents per share.

Dividend Reinvestment Plan

A Dividend Reinvestment Plan has been introduced at a discount of 5 per cent to the ex-dividend market price, as defined by the Plan.

Total Portfolio Return

Total portfolio return over the 12 months to 30 June 2007 was 36.4 per cent (this return is based on the increase in the value of the Investment Portfolio plus the net profit for the year, after tax and expenses. This return also allows for the time weighted impact of the additional cash received during the year from option conversions). The 12 month accumulated return based on the net asset backing diluted for these options with dividends reinvested was 32.1 per cent.

Total Shareholder Return

Total shareholder return measured by change in share price plus dividends over the 12 month period was 31.3 per cent.

Management Expense Ratio

Management expense ratio was 0.92 per cent, compared to 1.28 per cent for the previous year.

Net Asset Backing

Net asset backing at 30 June 2007 was 84 cents (before providing for the 6.0 cent final dividend).

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 2007 as follows.

ABOUT THE COMPANY

AMCIL was established in 1996 as a thematic investor focussed 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 an important objective.

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 stock exchange and the website www.amcil.com.au



REVIEW OF OPERATIONS

Chairman's Comments

It was another very successful year for AMCIL with operating profit after tax increasing 137 per cent to \$4.2 million. Whilst part of this increase is due to the investment of its additional capital during the year, the Company also enjoyed a strong underlying increase in distributions received from the companies it invests in as well as a strong lift in revenue from the trading portfolio.

It also has been a significant year for the Company as the vast majority of outstanding options were exercised by the expiry date of 28 February 2007 raising \$39.1 million of new capital. This completes the final part of this stage of the recapitalisation of the Company which began in January 2004.

In addition to the attractive investment opportunities the Board considered were available at the time of recapitalising the Company, there were two other key objectives the Board thought were important for shareholders. The first was to be in a position to utilise the carry forward capital losses in the portfolio over time and secondly to be able to access the existing franking account balance.

In the context of the objective of accessing these franking credits we are pleased to advise that AMCIL has increased its final dividend to 6.0 cents per share. This dividend is funded from profits and allows for the distribution of the majority of the balance of the franking account. The Company has also introduced a Dividend Reinvestment Plan.

Dividend Policy

As noted earlier, 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 an important objective.

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.

Portfolio

Total portfolio return (measured by the change in net asset backing plus reinvested dividends and adjusting for the additional cash received during the period from the exercise of options) increased 36.4 per cent over the year with significant increases across a large number of stocks with the portfolio.

The key factors driving this out-performance were:

- The strong returns in the investment portfolio generated by AMCIL's holdings in Bradken, ASG Group, Oakton, ConnectEast Group, Rio Tinto and BHP Billiton.
- Net gains in the trading portfolio. The major contributors to this return were positions in Queensland Gas, Rinker Group and Transpacific Industries.
- The major net acquisitions in the investment portfolio during the 12 month period that enjoyed very good share price returns over the year. In particular, Queensland Gas, Transpacific Industries (which took over Baxter Group via a scrip offer), Santos, and the Telstra Instalment Receipts (under the institutional entitlement).

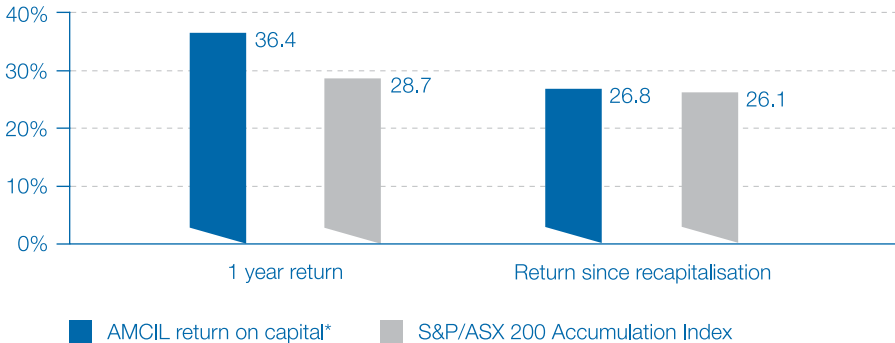
Other major new additions to the investment portfolio during the year included:

Amcor Limited	A packaging company undergoing significant restructuring in a competitive environment.
Mitchell Communication Group	A media planning and buying agency with a specialist division focusing on interactive and online media.
Energy Developments	Provider of renewable energy and low green house gas emission energy.
Asciano	A transport infrastructure business. (As a result of its demerger from Toll Holdings).
Tox Free Solutions	A Perth-based waste management company.

The total portfolio now comprises 40 companies and \$16.6 million of cash whereas at the end of last year there were 23 stocks in the portfolio and \$0.1 million of cash.

REVIEW OF OPERATIONS CONTINUED

Total Portfolio Return – Percentage Per Year




* Return on capital is measured by the change in net asset backing plus reinvested dividends and adjusting for the additional cash received during the period from the exercise of options.

Outlook

Market conditions remain generally positive as strong company profits and significant flow of funds into equity investments have provided solid support to current valuation levels. This performance has been against a background of a strong domestic economy and positive offshore markets. However, recently we have noticed an increase in volatility as investors have remembered that there are risks as well as rewards in the market.

We will be looking with interest to the upcoming release of company results to substantiate the positive expectations which are currently supporting the market. Of particular focus is whether the strong profit margins have been maintained in light of cost pressures such as wages, material and energy prices and, in some instances, the impact of the stronger Australian Dollar.



Without further significant uplift in profitability we are not expecting a repeat of the extraordinary returns that have been evident over recent years. We will continue to look for companies which are temporarily out of favour with the market but which have strong business footprints and/or have strategic positions in selected sectors of the economy.

Share Sale Facility

Since the recapitalisation of the Company some shareholders with a small number of shares have asked how they can sell these holdings without incurring substantial sale costs relative to the dollar amount of their investment. The Company has therefore arranged a facility through Goldman Sachs JBWere for shareholders wanting to sell their small parcels of shares (holdings of 1,000 shares or less) without incurring brokerage. Those shareholders who are eligible to use this facility received a separate letter in early August. The facility is open to eligible shareholders from 20 August to 9 November 2007.

Share Price Performance

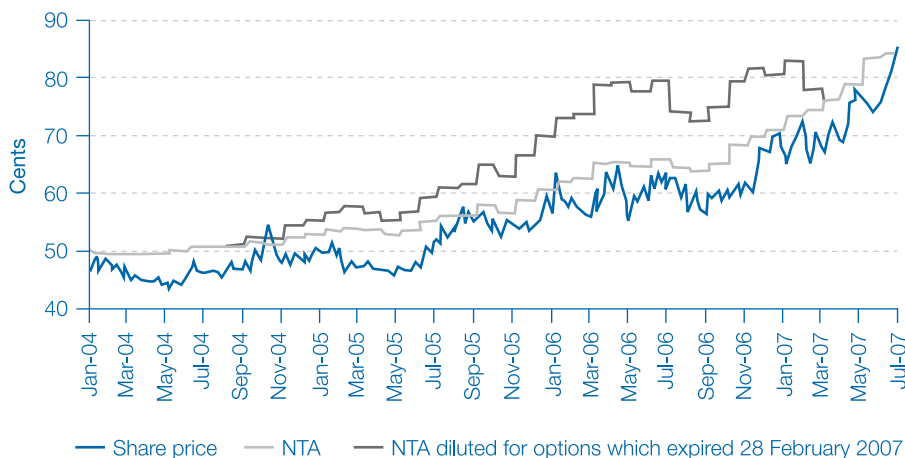
Total shareholder return measured by change in share price plus fully-franked dividend over the 12 month period was 31.3 per cent.

The Company's share price at 24 July 2007 of 85 cents is trading in line with the June 2007 pre capital gains tax net asset backing figure of 84 cents (cum the 6 cent final dividend). Prior to the conversion of outstanding options the share price had been tracking closer to the net asset backing diluted for outstanding options.

Of the 81.5 million 50 cent options that were exercisable by 28 February 2007, 80.5 million were converted to ordinary shares and 1.0 million lapsed unexercised.

REVIEW OF OPERATIONS CONTINUED

Share Price Relative to Net Asset Backing



Financial Condition

The Company's financing consists predominantly of shareholders' funds. The Company also has an agreement with its bankers to accept and discount bills of exchange up to a total of \$10 million.

Dividends

Directors have declared a fully franked final dividend of 6.0 cents per share (2.0 cents fully franked last year).

The dividends paid during the year ended 30 June 2007 were as follows:

	2007 \$'000
Final dividend for the year ended 30 June 2006 of 2 cents per share fully franked at 30 per cent, paid on 9 August 2006	2,058
	2,058



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 Investments 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 on 19 December 2003 and appointed Chairman on 25 February 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 on 14 February 2001. He was appointed a Director of the Company in May 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 on 1 August 1996. He is a member of the advisory council of ABN Amro Australasia Ltd. He is a former Director of Mayne Group Ltd and Santos Ltd.

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

Mr Campbell is a stockbroker and has been a Director since 30 May 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; a Council member of the Business Council of Australia; and the Chairman of the Goldman Sachs JBWere Group.

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

Mr Myer is a company Director and was appointed a Director on 25 January 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 Investment Committee.

Mr Santamaria is a solicitor who was appointed a Director on 1 August 1996. At the date of this report he was a partner of Allens Arthur Robinson, Solicitors. He has been appointed General Counsel and Company Secretary of ANZ Banking Group Ltd which position he will assume in late August 2007.

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 a Director of AFIC, the Walter and Eliza Hall Institute of Medical Research and Sane Australia. 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 AFIC, 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

BOARD AND MANAGEMENT CONTINUED

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, Grad Dip Applied Finance and Investment,
Chief Investment Officer

Mr Freeman joined the Company in February 2007. Mr Freeman has a Degree in Engineering, a Master of Business Administration and a Graduate Diploma in Applied Finance and Investment. 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 2007 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	11	11	23	23	-	-
RE Barker	11	11	23	22	-	3 [#]
PC Barnett	11	11	23	21	3	3
TA Campbell	11	10	23	19	-	-
RH Myer	11	10	23	18	3	2
RB Santamaria	11	9	23	19	3	3
SDM Wallis	11	11	23	21	-	-

Attended meetings by invitation.



Retirement, Election and Continuation in Office of Directors

Messrs Myer and Wallis 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 1 per cent 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 \$350,000 for the remuneration of Directors at the AGM in September 2006.

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. The performance criteria includes quantitative and qualitative assessments which include, amongst other things, the services that he has 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 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 2007 were as follows:

	Short Term	Post Employment	Total
	Fee/Base Salary \$	Superannuation \$	Remuneration \$
BB Teele – Chairman (Non-Executive)			
2007	5,000	37,000	42,000
2006	35,000	3,150	38,150
RE Barker – Managing Director (Executive)*			
2007	38,532	3,468	42,000
2006	35,000	3,150	38,150
PC Barnett – Director (Non-Executive)			
2007	38,532	3,468	42,000
2006	35,000	3,150	38,150
TA Campbell – Director (Non-Executive)			
2007	1,000	41,000	42,000
2006	35,000	3,150	38,150
RH Myer – Director (Non-Executive)			
2007	1,000	41,000	42,000
2006	1,000	37,150	38,150
RB Santamaria – Director (Non-Executive)			
2007	1,000	41,000	42,000
2006	35,000	3,150	38,150
SDM Wallis – Director (Non-Executive)			
2007	38,532	3,468	42,000
2006	35,000	3,150	38,150
Total Remuneration: Directors			
2007	123,596	170,404	294,000
2006	211,000	56,050	267,050

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

REMUNERATION REPORT CONTINUED

(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 Superannuation Guarantee Contributions 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
	<u>503,150</u>

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	28,251,890
RE Barker	4,053,175
PC Barnett	526,914
TA Campbell	4,007,863
RH Myer	461,250
RB Santamaria	102,138
SDM Wallis	1,916,847

(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 (2006: four 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 22 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 a 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 Auditors' Independence Declaration is set out on page 21.

This report in relation to the financial year to 30 June 2007 is presented by the Directors of the Company in accordance with a resolution of Directors.



Bruce Teele
Chairman

Melbourne
30 July 2007

AUDITORS' INDEPENDENCE DECLARATION



PricewaterhouseCoopers
ABN 52 780 433 757

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2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the audit of AMCIL Limited for the year ended 30 June 2007, 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.

A handwritten signature in black ink, appearing to read 'Simon Gray'.

Simon Gray
Partner
PricewaterhouseCoopers

Melbourne

30 July 2007

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

In accordance with ASX Listing Rule 4.10.3 we have set out below 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. It commenced operations during the 2006-07 financial year.



The Managing Director is responsible and accountable to the Board for the Company's management.

At the Company's last AGM, shareholders approved the adoption of a new updated Constitution for the Company.

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 14. 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.



CORPORATE GOVERNANCE STATEMENT CONTINUED

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

RB Santamaria is a partner of the law firm, Allens Arthur Robinson, which firm received fees for services rendered during the year of \$53,000. 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 and SDM Wallis are also 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	– 4 years
RE Barker	– 11 years
PC Barnett	– 11 years
TA Campbell	– 11 years
RH Myer	– 7 years
RB Santamaria	– 11 years
SDM Wallis	– 3 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. These documents are provided to management and new Directors as they join the Company and any updates are provided to all employees and Directors.

During the year the Trading Policy for Directors and officers of the Company and those working on the Company's behalf was amended to reduce the time during which they are not allowed to deal in the Company's shares in relation to the regular



CORPORATE GOVERNANCE STATEMENT CONTINUED

month-end Net Tangible Asset announcements. The restrictions on dealing in the Company's securities is now from the last day of each month up to and including the day of such announcement and the day after such announcement.

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 and in line with that policy, we confirm that the Company's external auditor has appointed a new audit engagement partner effective for the financial year to June 2008.

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, we keep the market advised of all information required to be disclosed under the Listing Rules which we believe 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.

Our shareholders own the Company 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 held half yearly shareholder meetings for the first time in Perth, Sydney and Brisbane in March and April 2007. An internet website is maintained on which all ASX announcements,



CORPORATE GOVERNANCE STATEMENT CONTINUED

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 and 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 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.



CORPORATE GOVERNANCE STATEMENT CONTINUED

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 our 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 2007

	Note	2007 \$'000	2006 \$'000
Dividends and distributions		3,211	2,537
Revenue from deposits and bank bills		684	141
Other revenue		37	-
Total revenue		3,932	2,678
Income/(loss) from options written		(54)	-
Net gains/(losses) on trading portfolio		1,806	(282)
Income from operating activities before net gains on investments		5,684	2,396
Finance costs		(115)	(53)
Administration expenses		(952)	(789)
Operating profit before income tax expense and net gains on investments	4	4,617	1,554
Income tax credit/(expense)*	5	(431)	211
Net operating profit before net gains on investments		4,186	1,765
Net gains on investments			
Net gains on ordinary securities sold from the investment portfolio		5,116	1,570
Net losses on open options positions		(8)	-
Tax credit on net gains on investments*	5	2	-
Profit for the year		9,296	3,335
		Cents	Cents
Basic earnings per share		7.29	3.79
Diluted earnings per share		7.29	1.97

Information on earnings per share, including net operating profit before net gains on investments per share, can be found in Note 19.

	2007 \$'000	2006 \$'000
* Total tax expense/(credit)	429	(211)

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

BALANCE SHEET

As at 30 June 2007

	Note	2007 \$'000	2006 \$'000
Current assets			
Cash	6	16,558	89
Receivables	7	651	1,576
Tax credit receivable		-	94
Trading portfolio	8	9,926	2,532
Total current assets		27,135	4,291
Non-current assets			
Investment portfolio	9	114,864	68,957
Deferred tax assets	10	202	331
Total non-current assets		115,066	69,288
Total assets		142,201	73,579
Current liabilities			
Payables	11	957	510
Borrowings	6	-	2,000
Tax payable		199	-
Options written portfolio	13	213	-
Total current liabilities		1,369	2,510
Non-current liabilities			
Deferred tax liabilities – investment portfolio	12	6,365	-
Total non-current liabilities		6,365	-
Total liabilities		7,734	2,510
Net assets		134,467	71,069
Shareholders' equity			
Share capital	14	102,879	63,832
Revaluation reserve	15	39,245	22,132
Accumulated losses	16	(7,657)	(14,895)
Total shareholders' equity		134,467	71,069

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Total equity at the beginning of the year		71,069	51,446
Dividends paid	18	(2,058)	(1,750)
Exercise of options	14	39,053	1,161
Cost of share issues		(6)	-
Total transactions with shareholders		36,989	(589)
Revaluation of investment portfolio		23,478	16,877
Provision for tax on unrealised gains		(6,365)	-
Net unrealised gains recognised directly in equity	15	17,113	16,877
Profit for the year		9,296	3,335
Total recognised income (including unrealised gains) and expense for the year		26,409	20,212
Total equity at the end of the financial year		134,467	71,069

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

CASH FLOW STATEMENT

For the Year Ended 30 June 2007

		2007 \$'000	2006 \$'000
	Note	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Sales from trading portfolio		14,489	2,064
Purchases for trading portfolio		(18,738)	(3,254)
Proceeds from entering into options in options written portfolio		611	-
Payment to settle options in options written portfolio		(461)	-
Interest received		684	165
Dividends and distributions received		2,719	2,310
		(696)	1,285
Other receipts		41	-
Administration expenses		(951)	(818)
Finance costs paid		(105)	(68)
Income taxes paid		(10)	(153)
Net cash inflow/(outflow) from operating activities	23	(1,721)	246
Cash flows from investing activities			
Sales from investment portfolio		12,138	9,002
Purchases for investment portfolio		(28,936)	(18,989)
Net cash inflow/(outflow) from investing activities		(16,798)	(9,987)
Cash flows from financing activities			
Proceeds from borrowings		7,000	4,100
Repayment of borrowings		(9,000)	(2,100)
Share issues		39,046	1,057
Dividends paid		(2,058)	(1,750)
Net cash inflow/(outflow) from financing activities		34,988	1,307
Net increase/(decrease) in cash held		16,469	(8,434)
Cash at the beginning of the financial year		89	8,523
Cash at the end of the financial year	6	16,558	89

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

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 elected to adopt AASB 7 Financial Instruments: Disclosures early when preparing the financial statements. The Company has not applied any other 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 2007 ("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.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(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'.


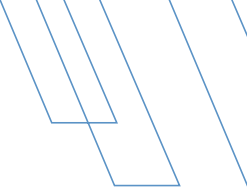
(ii) Valuation of Investment Portfolio

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.

(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.

No taxation charge is taken through the Income Statement for transactions or distributions that have a tax deferred status. This includes where scrip-for-scrip rollover relief is elected for realised gains, tax-deferred distributions from trusts and on the conversion of convertible securities to ordinary shares. In all cases, the tax charge is taken through the revaluation reserve on the relevant underlying securities and in most cases becomes payable when those securities are sold.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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, deposits held at call, investment grade promissory notes and discounted bills of exchange.

(e) Bills of Exchange

Bills of exchange and investment grade promissory notes, which have been purchased in the market at a discount to face value, are carried at an amount representing amortised cost using the effective interest rate method, and the amortised interest is accounted for as interest received.

(f) 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'.

(g) 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.

(h) Rounding of Amounts

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

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

	2007 \$'000	2006 \$'000
Dividends and distributions (excluding interest)		
- securities held in investment portfolio	2,911	2,288
- securities held in trading portfolio	300	249
	3,211	2,537
Interest income		
- deposits and income from bank bills	684	141
	684	141
Net gains/(losses) and write downs		
- net gains from trading portfolio sales	1,292	330
- realised losses on options written portfolio	(54)	-
- unrealised gains/(losses) in trading portfolio	514	(612)
	1,752	(282)
Other income	37	-
Income from operating activities before net gains on investments	5,684	2,396
Finance costs	(115)	(53)
Administration fees paid to Australian Investment Company Services Limited (AICS) (2006: AFIC)	(348)	(224)
Other administration expenses	(604)	(565)
Operating profit before income tax expense and net gains on investments	4,617	1,554

Further information relating to remuneration of auditors is set out in Note 22, Directors and Executives in Note 20. The administration fees paid to AICS are pursuant to an arrangement covering the Company's day-to-day management and administration. In 2006, this arrangement was with Australian Foundation Investment Company ("AFIC").

5. Income Tax Expense

	2007 \$'000	2006 \$'000
(a) Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Operating profit before income tax expense and net gains on investments	4,617	1,554
Tax at the Australian tax rate of 30 per cent (2006: 30 per cent)	1,385	466
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(717)	(657)
Sundry items	(159)	(14)
	509	(205)
Under (over) provision in prior years	(78)	(6)
Income tax expense on operating profit before net gains on investments	431	(211)
Net gains/(losses) from investments	5,108	1,570
Tax at the Australian tax rate of 30 per cent (2006: 30 per cent)	1,533	471
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	(275)	-
Capital gains set-off against bought-forward losses	(1,332)	(471)
Income tax expense/(credit) on net gains on investments	(2)	-
Total income tax expense	429	(211)
(b) Income Tax Expense Composition		
Charge for tax payable relating to the current year	378	(5)
Under (over) provision in prior years	(78)	(6)
(Increase) decrease in deferred tax assets – other	129	(200)
	429	(211)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Current Assets – Cash

	2007 \$'000	2006 \$'000
Cash at bank and in hand	11	10
Deposits at call	16,547	79
	16,558	89

Deposits at call yield an average floating interest rate of 6.16 per cent (2006: 5.46 per cent). Discounted bills of exchange and investment grade promissory notes yielded an average fixed return of 6.25 per cent (2006: 5.65 per cent) and had a fixed term of up to three months.

(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. Purchased bills of exchange were carried on the balance sheet at an amount less than the amount realisable at maturity. The credit risk exposure of the Company regarding purchased bills of exchange was the carrying value, which comprised the cost of the bank bills and any income accrued.

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 is party to agreements under which the National Australia Bank have agreed to accept or accept and discount bills of exchange.

	2007 \$'000	2006 \$'000
National Australia Bank – floating rate bill facility	10,000	10,000
Amount drawn down	-	2,000
Undrawn facilities	10,000	8,000

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

	2007 \$'000	2006 \$'000
Dividends and distributions receivable	303	212
Interest receivable/pre-paid	5	15
Outstanding settlements – trading portfolio	-	1,338
Outstanding settlements – investment portfolio	343	-
Prepayments	-	11
	651	1,576

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

	2007 \$'000	2006 \$'000
Listed securities at market value		
- shares and trust units	10,510	2,602
- options written by the Company		
- Calls	(578)	(70)
- Puts	(6)	-
	9,926	2,532

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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).

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 \$2.0 million (2006: \$Nil). 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 \$9.1 million (2006: \$0.7 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.

\$1.8 million of shares are held by the Australian Clearing House (ACH) as collateral for sold option positions written by the Company (2006: \$Nil) 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

	2007 \$'000	2006 \$'000
Listed securities		
- shares at market value	114,864	68,957

10. Non-current Assets – Deferred Tax

	2007 \$'000	2006 \$'000
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). The key components are:		
(a) Unrealised positions in the trading portfolio	(149)	161
(b) Tax paid up front on sold option premiums which are not included as accounting income until they lapse, are exercised or closed out	199	14
(c) Provisions and expenses charged to the accounting profit which are not yet tax deductible	153	156
(d) Interest and dividend income receivable which is not assessable for tax until receipt	(1)	-
	202	331
Movements		
Opening balance at 1 July	331	131
(Credited)/charged to Income Statement	(129)	200
	202	331

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 \$47,000 (2006: \$176,000). This relates primarily to items described in Notes (a), (b) and (d) above.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Current Liabilities – Payables

	2007 \$'000	2006 \$'000
Outstanding settlements – investment portfolio	453	-
Director retirement benefits	503	503
Other payables	1	7
	<u>957</u>	<u>510</u>

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

12. Non-current Liabilities – Deferred Tax

	2007 \$'000	2006 \$'000
Deferred tax liability – investment portfolio	6,365	-

At balance date, the Company had unused losses on the sale of investments available to set-off against future capital gains of \$25.5 million (2006: \$30.0 million). During the year, \$4.5 million worth of bought 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.

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 \$2.95 million (2006: \$Nil).

\$0.8 million of shares are held by the Australian Clearing House (ACH) as collateral for sold option positions written by the Company (2006: \$1.29 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. Shareholders' Equity – Share Capital

Movements in Share Capital of the Company During the Past Two Years were as Follows:

Date	Details	Notes	Number of Shares '000	Price	Paid-up Capital \$'000
1/07/2005	Balance		87,516		62,671
Various	Exercise of options	(i)	2,323	0.50	1,161
30/06/2006	Balance		89,839		63,832
Various	Exercise of options	(i)	78,106	0.50	39,053
	Cost of share issue		-		(6)
30/06/2007	Balance		167,945		102,879

(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. During the year, 78,105,916 options were exercised at 50 cents per option, and 78,105,916 new shares were issued.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Revaluation Reserve

	2007 \$'000	2006 \$'000
Opening balance at 1 July	22,132	5,255
Revaluation of investment portfolio	23,478	16,877
Provision for tax on unrealised gains	(6,365)	-
	<u>39,245</u>	<u>22,132</u>

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy Note 1(b)(ii).

16. 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)

	2007 \$'000	2006 \$'000
Opening balance at 1 July	(14,895)	(16,480)
Dividends paid	(2,058)	(1,750)
Profit for the year	9,296	3,335
	<u>(7,657)</u>	<u>(14,895)</u>

17. 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 over-due 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.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 investment portfolio would lead to a reduction in the Company's equity of \$4.0 million and \$8.0 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 an after tax reduction in the trading result of \$0.3 million and \$0.7 million respectively.

The Revaluation Reserve at 30 June 2007 was \$39.2 million. It would require a fall in the value of the investment portfolio of 40 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 as at 30 June is as below:

	2007 %	2006 %
Energy	8.90	1.15
Materials	19.32	26.54
Industrials	18.11	20.74
Consumer discretionary	5.84	12.26
Consumer staples	2.49	1.98
Banks	7.23	8.21
Other financials (including property trusts)	13.15	18.85
Telecommunications	4.79	4.13
Other – healthcare, information technology, utilities	8.44	6.14
Cash	11.73	-

Securities representing over 5 per cent of the combined investment and trading portfolio at 30 June 2007 were:

	Percentage of Portfolio
BHP Billiton	7.43%
Rio Tinto	6.33%
St George Bank	5.68%
Queensland Gas Company	5.49%
Telstra (including instalment receipts)	5.42%
Alumina	5.42%
ConnectEast	5.29%

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.

The Company is not directly exposed to material interest rate risk as all its cash investments are short term.

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 2007, it was 7.0 per

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

cent of the total invested including cash (2006: 3.4 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.

18. Dividends

	2007 \$'000	2006 \$'000
(a) Dividends Paid During the Year		
Final dividend for the year ended 30 June 2006 of 2 cents fully franked at 30 per cent paid on 29 August 2006 (2006: 2.0 cents).	2,058	1,750
	<u>2,058</u>	<u>1,750</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.	5,243	4,762
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(4,319)	(882)
Net available	<u>924</u>	<u>3,880</u>
These franking account balances would allow the Company to frank additional dividend payments up to an amount of:	2,156	9,053

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 6 cents per share fully franked at 30 per cent. The aggregate amount of the final dividend for the year to 30 June 2007 to be paid but not recognised as a liability at the end of the financial year	<u>10,077</u>
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19. Earnings Per Share

	2007 Number	2006 Number
Basic earnings per share		
Weighted average number of ordinary shares used as the denominator	127,478,915	87,975,481
	\$'000	\$'000
Profit for the year	9,296	3,335
	Cents	Cents
Basic earnings per share	7.29	3.79
Diluted earnings per share		
	Number	Number
Weighted average number of ordinary shares used as the denominator (as above)	127,478,915	87,975,481
Weighted average number of options used as the denominator (see below)	-	80,981,083
	127,478,915	168,956,564
	2007 \$'000	2006 \$'000
Profit for the year	9,296	3,335
	Cents	Cents
Diluted earnings per share	7.29	1.97
Basic net operating profit before net gains on investments per share		
	Number	Number
Weighted average number of ordinary shares used as the denominator	127,478,915	87,975,481
	\$'000	\$'000
Net operating profit before net gains on investments	4,186	1,765

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2007	2006
	Cents	Cents
Basic net operating profit before net gains on investments per share	3.28	2.01
Diluted net operating profit before net gains on investments per share	Number	Number
Weighted average number of ordinary shares used as the denominator	127,478,915	87,975,481
Weighted average number of options used as the denominator (see below)	-	80,981,083
	127,478,915	168,956,564
	\$'000	\$'000
Net operating profit before net gains on investments	4,186	1,765
	Cents	Cents
Diluted net operating profit per share before net gains on investments	3.28	1.04

All options that had not been converted expired on 28 February 2007.

20. Directors and Executives

Persons who were Directors of AMCIL Limited for part or all of the financial year ended 30 June 2007 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 2007 were:

RE Barker – Managing Director

GN Driver – General Manager – Business Development and Investor Relations

RM Freeman – Chief Investment Officer (appointed 5 February 2007)

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 \$
2007			
Directors	123,596	170,404	294,000
2006			
Directors	211,000	56,050	267,050

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Share and Option Holdings

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	14,251,890	14,000,000	28,251,890
RE Barker	2,053,175	2,000,000	4,053,175
PC Barnett	305,314	221,600	526,914
TA Campbell	2,007,863	2,000,000	4,007,863
RH Myer	181,250	280,000	461,250
RB Santamaria	52,138	50,000	102,138
SDM Wallis	1,716,847	200,000	1,916,847
GN Driver	50,000	70,000	120,000
SE Crook	18,100	50,000	68,100
RM Freeman	N/A	120,000	282,974

At balance date, options 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	14,000,000	(14,000,000)	-
RE Barker	2,000,000	(2,000,000)	-
PC Barnett	221,600	(221,600)	-
TA Campbell	2,000,000	(2,000,000)	-
RH Myer	180,000	(180,000)	-
RB Santamaria	50,000	(50,000)	-
SDM Wallis	200,000	(200,000)	-
GN Driver	60,000	(60,000)	-

21. Related Parties

Director TA Campbell has an interest in the following transactions as Director, employee and shareholder of Goldman Sachs JBWere Pty Ltd, Goldman Sachs JBWere Services Pty Ltd and Goldman Sachs JBWere Capital Markets Limited. All transactions with deemed related parties were made on normal commercial terms and conditions and approved by independent Directors.

	2007 \$'000	2006 \$'000
(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	684	138
- expense paid or payable for management of the cash and bill portfolio	5	11
- deposits at call (at balance date)	-	79
- investments in Goldman Sachs JBWere Australian Dollar Cash Reserves Fund	16,547	-
(b) The Company buys and sells securities through Goldman Sachs JBWere Pty Ltd amongst other brokers		
- brokerage expenses paid or payable	60	33
(c) RB Santamaria was a partner of Allens Arthur Robinson, Solicitors during the year, which provided general legal services to the Company during the year for total fees of	53	23

22. Remuneration of Auditors

	2007 \$	2006 \$
During the year the auditor earned the following remuneration:		
PricewaterhouseCoopers		
Audit or review of financial reports	72,655	64,240
Non-audit services		
Taxation compliance services	8,690	9,900
Other taxation services	-	1,760
Total remuneration	81,345	75,900

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

23. Reconciliation of Net Cash Flows From Operating Activities to Profit

	2007 \$'000	2006 \$'000
Profit for the year	9,296	3,335
- Decrease (increase) in the trading portfolio	(7,394)	428
- Net capital (gains)/losses on investments before tax	(5,108)	(1,570)
- Dividends received as securities under DRP investments	(404)	(329)
- Decrease (increase) in current receivables	925	(1,234)
- less increase (decrease) in receivables for investment portfolio	343	-
- Decrease (increase) in deferred tax assets	6,494	(200)
- less (increase) decrease in deferred tax liability on investment portfolio	(6,365)	-
- Increase (decrease) in options written	213	-
- Increase (decrease) in current payables	447	(872)
- less decrease (increase) in payables for investment portfolio	(453)	748
- less decrease (increase) in capital returns payable	-	100
- Increase (decrease) in tax payable	199	(160)
- Increase (decrease) in other provisions	86	-
Net cash flows from operating activities	(1,721)	246

24. 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 31 to 58 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 entity's financial position as at 30 June 2007 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; and
- (3) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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 2007. 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
30 July 2007

INDEPENDENT AUDIT REPORT



PricewaterhouseCoopers
ABN 52 780 433 757

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Independent auditor's report to the members of

AMCIL Limited

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of AMCIL Limited (the company), which comprises the balance sheet as at 30 June 2007, 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.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' 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 control 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.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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>.

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 on the financial report

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 2007 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.

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

Price Waterhouse Coopers

PriceWaterhouseCoopers

Simon Gray

Simon Gray
Partner

Melbourne
30 July 2007

OTHER INFORMATION

INFORMATION ABOUT SHAREHOLDERS

At 20 July 2007 there were 2,907 holdings of shares. These holdings were distributed in the following categories:

Size of Holding	Shareholdings Number
1 to 1,000	928
1,001 to 5,000	347
5,001 to 10,000	197
10,001 to 100,000	1,188
100,000 and over	246
	<hr/> 2,907

Percentage held by the 20 largest holders	45.03%
Average shareholding	57,773

There were 770 shareholdings of less than a marketable parcel of \$500 (599 shares).

Major Shareholders

The 20 largest registered shareholders of the Company's ordinary shares as at 30 June 2007 are noted below:

Holder	Shares Held	%
Mr BB Teele and Mrs HP Teele (Teele Super Fund A/C)	15,800,000	9.41
Djerriwarrh Investments Limited	12,000,000	7.15
M F Custodians Ltd	8,500,451	5.06
Mr BB Teele	8,251,890	4.91
Mr TA Campbell	4,007,863	2.39
Mr RE Barker	4,003,175	2.38
Mrs CJ Campbell	4,000,000	2.38
Mr B Teele (The Teele Family A/C)	2,000,000	1.19
Teele Family Foundation Pty Ltd (Teele Family Foundation A/C)	2,000,000	1.19
Fobsha Pty Ltd	1,900,000	1.13
HSBC Custody Nominees (Australia) Limited – A/C 2	1,753,883	1.04
UBS Wealth Management Australia Nominees Pty Ltd	1,065,850	0.63
Yelgarn Pty Ltd	1,050,000	0.63
HSBC Custody Nominees (Australia) Limited	1,000,313	0.60
Bromyard Investments Pty Ltd (Wallis Super Fund A/C)	1,000,000	0.60
Bromyard Investments Pty Ltd (Pension A/C)	916,847	0.55
Colangie Nominees Pty Ltd (Carter Super Fund A/C)	801,738	0.48
Mr RTW Permezel and Mrs ED Permezel (Robert Permezel S/Fund A/C)	800,000	0.48
Austymca Nominees Pty Ltd (YMCA Super Fund A/C)	791,932	0.47
Ms DEA Gibson and Mr JD Norris and Mr GW Ballard (WC Angliss VCF A/C)	653,750	0.39



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 2007, the Company recorded 237 transactions in securities. \$221,411 in brokerage (including GST) was paid or accrued for the year.

HOLDINGS OF SECURITIES

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 2006 '000	Number Held 2007 '000	Market Value 2007 \$'000
ADT	Advent	Investor of funds in development capital opportunities	55	55	36
AGK	AGL Energy	Leading Australian integrated energy company	0	30	455
AIO	Asciano Group	Transport infrastructure business owning and operating port facilities and rail operations	0	257	2,600
AMC*	Arcor	Global packaging company	0	450	3,339
AMP	AMP	Major Australasian financial services organisation	500	555	5,620
ASZ	ASG Group	Provision of computer infrastructure	1,650	3,042	4,517
AWC*	Alumina	Mining, refining, and smelting of aluminium	729	879	6,759
BHP*	BHP Billiton	Diversified international resources company	270	270	9,270
BKN	Bradken	Supplier to resources and rail freight industries	578	500	5,350
BXB*	Brambles	Global support services group	100	200	2,412
CCL	Coca-Cola Amatil	Manufactures, sells and distributes Coca-Cola products in Asia Pacific	200	250	2,385
CCQ	Contango Capital Partners	Investor in a diversified range of unlisted and listed investments in the financial services sector	0	450	430

HOLDINGS OF SECURITIES CONTINUED

Code	Company	Principal Activities	Number Held 2006 '000	Number Held 2007 '000	Market Value 2007 \$'000
CEU	ConnectEast Group	Single-purpose vehicle investing in the Mitcham-Frankston toll road	3,956	4,149	6,597
ENE	Energy Developments	International provider of renewable energy and low greenhouse gas emission energy	0	350	1,575
EQT	Equity Trustees	Financial services company	66	130	4,037
ESG	Eastern Star Gas	Integrated natural gas and electricity production company	0	1,000	660
FXL	FlexiGroup	Provider of point-of-sale lease and rental finance for the retail market	0	100	296
MCU	Mitchell Communication Group	Australia's largest independent communications group	0	1,756	2,151
NAB*	National Australia Bank	Financial services group	0	40	1,598
NWS	News Corporation	International media company	138	138	3,733
NWSLV	News Corporation Non-Voting	As Above	20	20	502
OAK	Oakton	Provider of IT solutions for customers	1,000	850	4,786
OSH	Oil Search	Exploration and production of oil and gas in PNG and Australia	200	200	840
PBD	Port Bouvard	Developer of large urban projects in Australia	0	115	258
PFL	Patties Foods	Manufacturer and distributor of frozen savoury and dessert products	0	700	1,134

Code	Company	Principal Activities	Number Held 2006 '000	Number Held 2007 '000	Market Value 2007 \$'000
PPC	Peet	Acquisition, development and sales of broadacre residential estates	1,900	1,500	6,180
OGC	Queensland Gas Company	Exploration and appraisal for coal seam gas	0	2,447	6,850
REA	realestate.com.au	Provider of online advertising to the Australian real estate industry	0	223	1,325
RIO	Rio Tinto	Diversified international resources company	80	80	7,903
RPX	RP Data	Provider of property information in Australia and New Zealand	0	50	115
SGB	St George Bank	Banking and wealth management services provider	200	200	7,086
STO*	Santos	Australian oil and gas exploration and production company	0	313	4,206
SUN*	Suncorp-Metway	Queensland based financial services conglomerate	0	102	2,037
TCL	Transurban Group	Development and operation of toll roads	255	100	801
TLS	Telstra Corporation	Telecommunications operator and information services provider	803	801	3,675
TLSCA*	Telstra Corporation	Instalment Receipts As Above	0	1,002	3,091
TOL*	Toll Holdings	Transport and logistics in the Asia-Pacific region	100	202	2,695
TOX	Tox Free Solutions	Perth based waste management company	0	600	1,440

HOLDINGS OF SECURITIES CONTINUED

Code	Company	Principal Activities	Number Held 2006 '000	Number Held 2007 '000	Market Value 2007 \$'000
TPI	Transpacific Industries Group	Industrial cleaning and waste management solutions	0	250	3,340
VIR	Viridis Clean Energy Group	Owns a portfolio of clean energy assets	0	500	550
WBC*	Wespac Banking Corporation	Banking and wealth management services	0	60	1,524
WLL	Wellcom Group	Production based services provider to advertising and retail sectors	0	132	422
Total					124,578

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

MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions (Above \$1 million)	Cost \$'000
Transpacific Industries Group (Takeover of Baxter Group)	5,546
Queensland Gas Company	3,637
Santos	2,581
Amcor	2,197
Mitchell Communication Group	1,771
Telstra Corporation Instalment Receipts	1,749
Energy Developments	1,600
Asciano Group (Spin-off from Toll Holdings)	1,451
Telstra Corporation	1,440
Tox Free Solutions	1,428
Baxter Group	1,399
Equity Trustees	1,353
Patties Foods	1,236
Brambles	1,162
ASG Group	1,136
Suncorp-Metway	1,040
realestate.com.au	1,003

Disposals (Above \$1 million)	Proceeds \$'000
Baxter Group (Takeover by Transpacific Industries Group)	5,546
Transpacific Industries Group	3,928
ABC Learning Centres	3,239
Domino's Pizza Enterprises	1,648
Peet	1,614

SUB-UNDERWRITING

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

Company	Underwritten By	Description	Quantity Underwritten
emitch	Goldman Sachs JBWere	Two for nine renounceable rights issue at \$1.05 per share	4,761,905
Port Bouvard	Euroz Securities	Four for five renounceable rights issue at \$1.60 per share	220,000
Viridis Clean Energy Group	ABN AMRO Rothschild	Four for nine renounceable rights issue at \$0.90 per security	1,025,000

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	1-for-3 rights issue	\$2.54
24 January 2000	DRP	\$2.00
7 April 2000	Exercise of Were Option	\$2.00
18 November 2002	1-for-5 rights issue	\$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

KEY STATISTICS

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

Notes

- (a) Profit After Tax includes the amount of net realised gains prior to 2005.
- (b) This figure is the reported earnings per share under Australian Generally Accepted Accounting Principles prior to 2005, and is on an undiluted basis.
- (c) Excludes cash.
- (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 ("AMCIL")
ABN 57 073 990 735

Directors

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

Company Secretary

Sue E Crook

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
Website www.amcil.com.au
Email invest@amcil.com.au

For inquiries regarding net asset
backing 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

Inquiry Line 1300 653 916
+61 3 9415 4224 (from overseas)

Facsimile (03) 9473 2500

Email web.queries@computershare.com.au

Website www.computershare.com

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

Securities Exchange Code

AMH Ordinary shares

Annual General Meeting

Time 10.00am
Date Thursday 27 September 2007
Venue Hilton on the Park
Location 192 Wellington Parade
East Melbourne, Victoria

Adelaide Shareholder Meeting

Time 1.00pm
Date Wednesday 3 October 2007
Venue Adelaide Festival Centre
Location King William Road, Adelaide

Canberra Shareholder Meeting

Time 1.00pm
Date Monday 8 October 2007
Venue Hyatt Hotel Canberra
Location Commonwealth Avenue,
Yarralumla, Canberra

Sydney Shareholder Meeting

Time 1.00pm
Date Wednesday 10 October 2007
Venue Four Seasons Hotel
Location 199 George Street, Sydney

Dividend Timetable

Next payment (expected dates only)
Record Date 25 February 2008
Payment Date 12 March 2008

