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These documents comprise the preliminary final report given to ASX under listing rule 4.3A

This announcement was authorised for release by the Board of AMCIL Limited  
ABN 57 073 990 735

## Appendix 4E Statement for the Full-Year ending 30 June 2020



A Focused Portfolio  
of Australian Equities

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

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The reporting period is the year ended 30 June 2020 with the previous corresponding period being the year ended 30 June 2019.

This report is based on financial statements that are in the process of being audited.

### Results for announcement to the market

- Net Profit attributable to members was \$6.0 million, down 15.0% from the previous corresponding period.
- Revenue from ordinary activities (excluding capital gains) was \$7.2 million, down 21.3% from the previous corresponding period.
- Net tangible assets at 30 June 2020 were \$1.00 per share, up from 98 cents at the end of the previous corresponding period, in both cases before allowing for any final dividend.
- AMCIL's policy is to maximise the distribution of available franking credits. In accordance with this policy, a final dividend of 2.5 cents per share, fully-franked at 30%, will be paid on 27 August 2020 to ordinary shareholders on the register on 5 August 2020. Last year's final dividend was 3.5 cents. Shares are expected to trade ex-dividend from 4 August 2020. There is no conduit foreign income component of the dividend.
- None of the dividend this year will be sourced from capital gains, and therefore there is no LIC attributable amount.
- The Company's Dividend Reinvestment Plan (DRP) is in operation for the final dividend, the price for which will be set at a nil discount to the Volume Weighted Average Price of the Company's shares traded on the ASX and Chi-X automated trading systems over the five trading days after the shares trade ex-dividend. The last date for receipt of an election notice for participation in the plan is 6 August 2020. All shares issued under the DRP will rank equally with existing shares.
- A Dividend Substitution Share Plan (DSSP) has also been introduced. More details are available on the Company's website, including the DSSP rules and a Class Ruling from the ATO which indicates that for many Australian taxpayers, receipt of shares under the DSSP does not result in any taxable income. However, it should be noted that participants in the scheme will not be able to receive franking credits as part of this distribution. Shareholders should seek their own taxation advice as to whether participation under the DSSP is in their best interests. Pricing of shares issued under the DSSP is the same as for the DRP. The last date for receipt of an election notice for participation in the plan is 6 August 2020. All shares issued under the DSSP will rank equally with existing shares.
- No interim dividend was paid in the current year. Last year a special dividend of 1.5 cents per share fully franked and an ordinary dividend of 2.0 cents per share, also fully franked, were paid as an interim dividend.
- The 2020 AGM will be held electronically via the internet and telephone conference call at 1.30 pm on Thursday 8 October 2020. Further details on how to participate will be sent to shareholders.

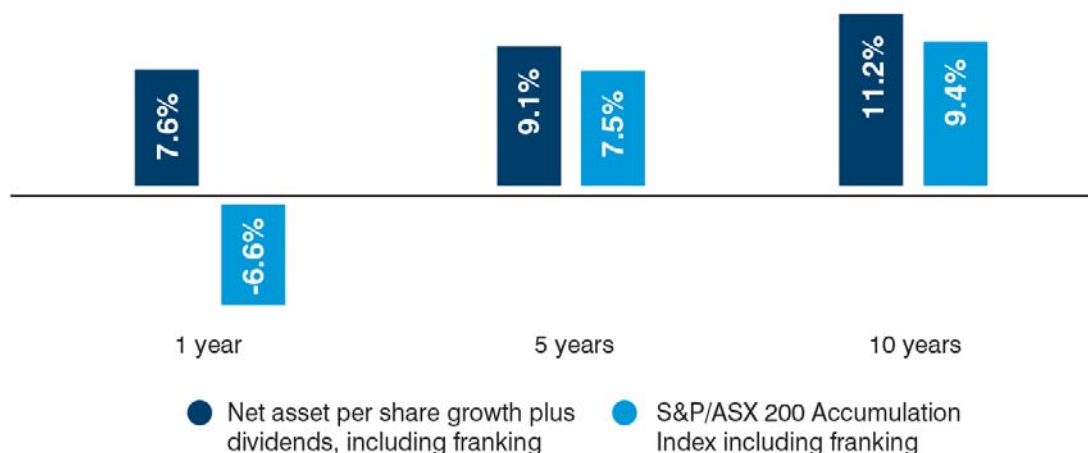


## AMCIL delivers outperformance

### Full Year Report to 30 June 2020

- AMCIL's investment approach is to have a focused portfolio of high quality companies which is expected to deliver above market growth over the long term. As a concentrated portfolio, large, mid and small companies can have an equally important impact on portfolio returns.
- The societal and business environments in Australia and across the world have been dominated by the COVID-19 pandemic. This produced a volatile investment market in the second half of the financial year.
- AMCIL's 12-month portfolio return of positive 7.6%, including franking, was ahead of the S&P/ASX 200 Accumulation Index, which returned negative 6.6%, including franking, over this period.
- This outperformance reinforces our investment approach, in what has been a challenging period. The constant focus on quality has seen further adjustment to the portfolio, with the number of holdings reduced from 38 to 33 over the financial year.
- The recent market volatility provided some attractive investment opportunities for AMCIL in high-quality companies. Funds were deployed into selected discounted capital raisings undertaken in response to the COVID-19 crisis, as well as adding to existing holdings.
- Full Year Profit was \$6.0 million, down from \$7.0 million in the previous corresponding period. Investment income fell as adjustments were made to the portfolio and some companies deferred or reduced dividends in these uncertain conditions. The corresponding period last year also included a special dividend from BHP. Partially offsetting this decline was a positive contribution from the Options and Trading Portfolios as the Company took advantage of increased volatility.
- This year's dividend was 2.5 cents per share fully franked. Last financial year, dividends were 7 cents per share. This included a special dividend of 1.5 cents per share fully franked and an interim dividend of 2.0 cents per share fully franked. No special or interim dividend has been paid or declared for this financial year.
- The management expense ratio for AMCIL is 0.66%. There are no performance fees.

**Portfolio Performance (including the full benefit of franking credits and after costs) – per annum to 30 June 2020**



## **Portfolio Performance**

In the face of the market disruption that occurred because of the onset of the COVID-19 pandemic at the start of the 2020 calendar year, AMCIL delivered a positive portfolio return of 7.6%, including franking, over the 12 months to 30 June 2020. In contrast, the return from the S&P/ASX 200 Accumulation Index, including franking, over this period was negative 6.6%.

The outperformance can be attributed to the healthy exposure of the portfolio to large companies such as CSL, James Hardie Industries, Wesfarmers and Xero. Smaller companies that also contributed to performance were Objective Corporation, Macquarie Telecom Group (which is a new holding in the portfolio this year), Carsales.com, NEXTDC, Breville Group and Wellcom Group (which was taken over during the year). In particular, Objective Corporation and Macquarie Telecom Group (both of which are not included in an Index), more than doubled their share prices over the past 12 months as investors became attracted to these companies given their long term growth potential. AMCIL's performance was also assisted by its relatively small exposure to the major banks and real estate companies, which were down heavily over the financial year.

The long term performance of the portfolio, which is more in line with the Company's investment timeframes, was 11.2% per annum for the 10 years to 30 June 2020, ahead of the Index return of 9.4% per annum (these returns include the full benefit of franking).

## **Adjustments to the Portfolio**

AMCIL has continued its focus on strengthening the quality of the portfolio over the financial year and having more concentrated exposures to companies that fit its investment criteria. This has been an ongoing process which has meant the number of holdings in the portfolio has been reduced from 46 to the current number of 33 over the last two years.

The focus on quality has been particularly aimed at ensuring the business models of the companies AMCIL invests in have a long term sustainable competitive advantage and financial risk is low given their strong balance sheets. In this context, we increased our holding in Wesfarmers and reintroduced Woolworths Group back into the portfolio. A number of new companies were also added to the portfolio throughout the financial year. This included, Goodman Group, Macquarie Telecom Group, Cleanaway Waste Management, APA Group, REA Group and ASX. Recent market volatility also produced opportunities to participate in attractively priced equity raisings in Cochlear, Auckland International Airport, Reece, Ramsay Health Care, Oil Search and Qube Holdings.

Major sales over the financial year included Westpac, Reliance Worldwide Corporation, Sonic Healthcare, AUB Group and Lifestyle Communities.

## **Moving Forward**

Business conditions are very likely to remain subdued as the pathway out of the economic environment brought on by the COVID-19 pandemic continues to be very unclear. However, with other asset classes delivering low returns, Australian equities are likely to remain attractive, even though valuations are high.

From AMCIL's perspective, we are pleased with the composition of the portfolio, with holdings across a diversified range of industries and with attractive medium to long term growth prospects. Given this, we believe we can be patient, selectively adding to investments should value opportunities present themselves in quality companies during any further market dislocation.

Please direct any enquiries to:

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**28 July 2020**

## MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions	Cost \$'000
Wesfarmers	8,291
Goodman Group	8,178
Woolworths Group	6,006
Macquarie Telecom Group	5,373
Cleanaway Waste Management	5,172

Disposals	Proceeds \$'000
Westpac #	10,336
Wellcom Group (takeover by Innocean Worldwide)#	7,605
Reliance Worldwide Corporation#	5,476
Sonic Healthcare#	5,321
AUB Group#	4,726
Lifestyle Communities#	4,561

# Complete disposals from the portfolio

### New Companies Added to the Portfolio

Woolworths Group (re-entered)	APA Group
Goodman Group	Cochlear
Macquarie Telecom Group	REA Group
Cleanaway Waste Management	Auckland International Airport
	ASX

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## TOP INVESTMENTS AS AT 30 JUNE 2020

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

Valued at closing prices at 30 June 2020

		Total Value \$ million	% of Portfolio
1	CSL	25.5	9.5%
2	BHP	16.5	6.1%
3	Wesfarmers	15.9	5.9%
4	Mainfreight	12.5	4.6%
5	Macquarie Group	12.1	4.5%
6	Transurban Group	12.0	4.4%
7	Macquarie Telecom Group	10.4	3.9%
8	National Australia Bank	10.2	3.8%
9	Carsales.com	9.0	3.3%
10	Woolworths Group	8.9	3.3%
11	Ramsay Health Care	8.9	3.3%
12	James Hardie Industries	8.5	3.2%
13	Goodman Group	8.5	3.1%
14	ARB Corporation	7.5	2.8%
15	Qube Holdings	7.1	2.6%
16	Sydney Airport	7.0	2.6%
17	Objective Corporation	6.8	2.5%
18	Reece	6.4	2.4%
19	Oil Search	6.4	2.4%
20	Xero	6.3	2.3%
		206.3	
	As % of Total Portfolio Value (excludes Cash)	76.5%	



## PORTFOLIO PERFORMANCE TO 30 JUNE 2020

PERFORMANCE MEASURES AT 30 JUNE 2020	1 YEAR	5 YEARS %PA	10 YEARS %PA
<b><i>PORTFOLIO RETURN – NET ASSET BACKING RETURN INCLUDING DIVIDENDS REINVESTED</i></b>	<b>6.0%</b>	<b>6.9%</b>	<b>8.9%</b>
<b>S&amp;P/ASX 200 ACCUMULATION INDEX</b>	-7.7%	6.0%	7.8%
<b><i>PORTFOLIO RETURN – NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS REINVESTED*</i></b>	<b>7.6%</b>	<b>9.1%</b>	<b>11.2%</b>
<b>S&amp;P/ASX 200 ACCUMULATION INDEX *</b>	-6.6%	7.5%	9.4%

Note: AMCIL's net asset per share growth plus dividend series is calculated after management expenses, income tax and capital gains tax on realised sales of investments. It should also be noted that Index returns for the market do not include the impact of management expenses and tax on their performance.

\* Incorporates the benefit of franking credits for those who can fully utilise them.

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# ***AMCIL Ltd***

## ***Annual Financial Statements***

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*30 June 2020*



## Financial statements

### Income Statement for the Year Ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Dividends and distributions	A3	7,074	8,984
Revenue from deposits and bank bills		104	199
Other revenue		54	10
<b>Total revenue</b>		<b>7,232</b>	<b>9,193</b>
Net gains/(losses) on trading portfolio	A3	393	(376)
Income/(losses) from options written portfolio	A3	857	251
<b>Income from operating activities</b>		<b>8,482</b>	<b>9,068</b>
Finance Costs		(98)	(63)
Administration expenses	B1	(1,797)	(1,846)
<b>Profit before income tax expense</b>		<b>6,587</b>	<b>7,159</b>
Income tax expense	B2, E2	(624)	(144)
<b>Profit for the year</b>		<b>5,963</b>	<b>7,015</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	A5	2.15	2.60

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

## Statement of Comprehensive Income for the Year Ended 30 June 2020

	Year to 30 June 2020			Year to 30 June 2019		
	Revenue <sup>1</sup> \$'000	Capital <sup>1</sup> \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
<b>Profit for the year</b>	<b>5,963</b>	<b>-</b>	<b>5,963</b>	<b>7,015</b>	<b>-</b>	<b>7,015</b>
<b>Other Comprehensive Income</b>						
Gains for the period	-	10,893	<b>10,893</b>	-	5,651	<b>5,651</b>
Tax on above	-	(3,317)	<b>(3,317)</b>	-	(1,298)	<b>(1,298)</b>
<b>Total Other Comprehensive Income</b>	<b>-</b>	<b>7,576</b>	<b>7,576</b>	<b>-</b>	<b>4,353</b>	<b>4,353</b>
<b>Total Comprehensive Income</b>	<b>5,963</b>	<b>7,576</b>	<b>13,539</b>	<b>7,015</b>	<b>4,353</b>	<b>11,368</b>

<sup>1</sup> 'Capital' includes realised or unrealised gains or losses (and the tax on those) on securities in the investment portfolio. Income in the form of distributions and dividends is recorded as 'Revenue'. All other items, including expenses, are included in Profit for the Year, which is categorised under 'Revenue'.

**None of the items included in other comprehensive income will be recycled through the Income Statement.**

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

## Balance Sheet as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash	D1	9,190	13,988
Receivables		719	2,993
<b>Total current assets</b>		<b>9,909</b>	<b>16,981</b>
<b>Non-current assets</b>			
Deferred tax assets	E2	14	137
Investment portfolio	A2	269,617	253,395
<b>Total non-current assets</b>		<b>269,631</b>	<b>253,532</b>
<b>Total assets</b>		<b>279,540</b>	<b>270,513</b>
<b>Current liabilities</b>			
Payables		175	173
Tax payable		1,107	851
Options Sold	A2	-	1,217
<b>Total current liabilities</b>		<b>1,282</b>	<b>2,241</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities – investment portfolio	B2	23,363	20,718
<b>Total non-current liabilities</b>		<b>23,363</b>	<b>20,718</b>
<b>Total liabilities</b>		<b>24,645</b>	<b>22,959</b>
<b>Net Assets</b>		<b>254,895</b>	<b>247,554</b>
<b>Shareholders' equity</b>			
Share capital	A1, D6	189,581	186,168
Revaluation reserve	A1, D3	40,075	36,784
Realised capital gains reserve	A1, D4	15,684	19,637
Retained profits	A1, D5	9,555	4,965
<b>Total shareholders' equity</b>		<b>254,895</b>	<b>247,554</b>

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

## Statement of Changes in Equity for the Year Ended 30 June 2020

Year Ended 30 June 2020						
	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains Reserve \$'000	Retained Profits \$'000	Total \$'000
<b>Total equity at the beginning of the year</b>		<b>186,168</b>	<b>36,784</b>	<b>19,637</b>	<b>4,965</b>	<b>247,554</b>
Dividends paid	A4	-	-	(8,238)	(1,373)	<b>(9,611)</b>
Shares issued under Dividend Reinvestment Plan	D6	3,426	-	-	-	<b>3,426</b>
Other share capital adjustments		(13)	-	-	-	<b>(13)</b>
<b>Total transactions with shareholders</b>		<b>3,413</b>	<b>-</b>	<b>(8,238)</b>	<b>(1,373)</b>	<b>(6,198)</b>
Profit for the year		-	-	-	5,963	<b>5,963</b>
<b>Other Comprehensive Income (net of tax)</b>						
Net gain for the period on investments		-	7,576	-	-	<b>7,576</b>
Other Comprehensive Income for the year		-	7,576	-	-	<b>7,576</b>
Transfer to Realised Capital Gains Reserve of realised gains on investments sold		-	(4,285)	4,285	-	<b>-</b>
<b>Total equity at the end of the year</b>		<b>189,581</b>	<b>40,075</b>	<b>15,684</b>	<b>9,555</b>	<b>254,895</b>

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

## Statement of Changes in Equity for the Year Ended 30 June 2020 (continued)

### Year Ended 30 June 2019

	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	Retained Profits \$'000	Total \$'000
<b>Total equity at the beginning of the year</b>		<b>174,748</b>	<b>39,285</b>	<b>20,721</b>	<b>10,604</b>	<b>245,358</b>
Dividends paid	A4	-	-	(7,938)	(12,654)	<b>(20,592)</b>
Shares issued under Dividend Reinvestment Plan	D6	7,149	-	-	-	<b>7,149</b>
Share issued under Share Purchase Plan	D6	4,319				<b>4,319</b>
Other share capital adjustments		(48)	-	-	-	<b>(48)</b>
<b>Total transactions with shareholders</b>		<b>11,420</b>	<b>-</b>	<b>(7,938)</b>	<b>(12,654)</b>	<b>(9,172)</b>
Profit for the year		-	-	-	7,015	<b>7,015</b>
<b>Other Comprehensive Income (net of tax)</b>						
Net gain for the period on investments		-	4,353	-	-	<b>4,353</b>
Other Comprehensive Income for the year		-	4,353	-	-	<b>4,353</b>
Transfer to Realised Capital Gains Reserve of realised gains on investments sold		-	(6,854)	6,854	-	<b>-</b>
<b>Total equity at the end of the year</b>		<b>186,168</b>	<b>36,784</b>	<b>19,637</b>	<b>4,965</b>	<b>247,554</b>

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

## Cash Flow Statement for the Year Ended 30 June 2020

		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>Note</b>	<b>Inflows/ (Outflows)</b>	<b>Inflows/ (Outflows)</b>
<b>Cash flows from operating activities</b>			
Sales from trading portfolio		3,599	9,373
Purchases for trading portfolio		(2,560)	(10,596)
Interest received		104	199
Proceeds from entering into options in options written portfolio		1,154	1,621
Payment to close out options in options written portfolio		(1,514)	(1,214)
Dividends and distributions received		6,508	8,473
		7,291	7,856
Other receipts		54	10
Administration expenses		(1,797)	(1,923)
Finance costs paid		(98)	(64)
Income taxes paid		-	(1,435)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>E1</b>	<b>5,450</b>	<b>4,444</b>
<b>Cash flows from investing activities</b>			
Sales from investment portfolio		117,527	79,836
Purchases for investment portfolio		(120,662)	(60,028)
Tax paid on capital gains		(915)	(2,243)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(4,050)</b>	<b>17,565</b>
<b>Cash flows from financing activities</b>			
Shares issued		3,426	11,469
Share issue transaction costs		(13)	(48)
Net borrowings		-	(1,000)
Dividends paid		(9,611)	(20,592)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(6,198)</b>	<b>(10,171)</b>
Net increase/(decrease) in cash held		(4,798)	11,838
Cash at the beginning of the year		13,988	2,150
<b>Cash at the end of the year</b>	<b>D1</b>	<b>9,190</b>	<b>13,988</b>

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

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

## Notes to the financial statements

### A. Understanding AMCIL's financial performance

#### A1. How AMCIL manages its capital

AMCIL's objective is to provide shareholders with attractive total returns including strong capital growth over the medium to long term and to pay fully franked dividends.

AMCIL recognises that its capital will fluctuate with market conditions. In order to manage those fluctuations, the Board may adjust the amount of dividends paid, issue new shares, buy back the Company's shares or sell assets to settle any debt.

AMCIL's capital consists of its shareholders' equity plus any net borrowings. A summary of the balances in equity is provided below:

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Share capital	189,581	186,168
Revaluation reserve	40,075	36,784
Realised capital gains reserve	15,684	19,637
Retained profits	9,555	4,965
	<b>254,895</b>	<b>247,554</b>

Refer to notes D3-D6 for a reconciliation of movement for each equity account from period to period.

#### A2. Investments held and how they are measured

AMCIL has three portfolios of securities: the investment portfolio, the options written portfolio and the trading portfolio. Details of all holdings (except for specific option holdings) as at the end of the reporting period can be found at the end of the Annual Report.

The investment portfolio holds securities which the company intends to retain on a long-term basis. The options written portfolio and trading portfolio are held for short-term trading only. The latter is relatively small in size when utilised. The options written portfolio can contain both call and put options and call options are only written over securities held in the investment portfolio.

The balance and composition of the investment portfolio was:

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Equity instruments (at market value)	269,617	253,395
	<b>269,617</b>	<b>253,395</b>

The fair value (the price at which the option may be bought) at 30 June of the securities in the options written portfolio was:

Call options	-	1,216
Put options	-	1
	-	<b>1,217</b>

There were no call or put options outstanding at the year end (2019: \$23.4 million call option exposure and \$0.5 million put option exposure).

\$7.7 million of shares are lodged with ASX Clear Pty Ltd as collateral for potential sold option positions written by the Company (2019: \$10.4 million). These shares are lodged with ASX Clear under the terms of ASX Clear Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Company's investment portfolio.

### How investments are shown in the financial statements

The accounting standards set out the following hierarchy for fair value measurement:

**Level 1:** quoted prices in active markets for identical assets or liabilities

**Level 2:** inputs other than quoted prices, which can be observed either directly (as prices) or indirectly (derived from prices)

**Level 3:** inputs for the asset or liabilities that are not based on observable market data

All financial instruments held by AMCIL are classified as Level 1 (other than an immaterial amount of call or put options when written). Their fair values are initially measured at the costs of acquisition and then remeasured based on quoted market prices at the end of the reporting period.

### Net tangible asset backing per share

The Board regularly reviews the net asset backing per share both before and after provision for deferred tax on the unrealised gains in AMCIL's long-term investment portfolio. Deferred tax is calculated as set out in note B2. The relevant amounts as at 30 June 2020 and 30 June 2019 were as follows:

	30 June 2020	30 June 2019
<b>Net tangible asset backing per share</b>	<b>\$</b>	<b>\$</b>
Before tax	<b>1.00</b>	<b>0.98</b>
After tax	0.92	0.90

### Equity investments

The shares in the investment portfolio are designated under the accounting standards as financial assets measured at fair value through 'other comprehensive income' ("OCI"), because they are equity instruments held for long-term capital growth and dividend income, rather than to make a profit from their sale. This means that changes in the value of these shares during the reporting period are included in OCI in the [Statement of Comprehensive Income](#). The cumulative change in value of the shares over time is then recorded in the [Revaluation Reserve](#). On disposal, the amounts recorded in the revaluation reserve are transferred to the realised capital gains reserve.

### Options

Options are classified as financial assets or liabilities at fair value through profit and loss and usually have an expiry date within twelve months from the date that they are sold. Options written are initially brought to account at the amount received upfront for entering into the contract (the premium) and subsequently revalued to current market value.

### Securities sold and how they are measured

Where securities are sold, any difference between the sale price and the cost is transferred from the Revaluation Reserve to the Realised Capital Gains Reserve and the amounts noted in the Statement of Changes in Equity. This means the Company is able to identify the realised gains out of which it can pay a



'Listed Investment Company' (LIC) gain as part of the dividend, which conveys certain taxation benefits to many of AMCIL's shareholders.

The realised gain or loss on options written is not recognised until the option expires, is exercised or is closed out. All unrealised gains or losses which represent movements in the Market Value of the options are recognised through the Income Statement

During the period \$115.4 million (2019 : \$75.7 million) of equity securities were sold. The cumulative gain on the sale of securities from the investment portfolio was \$4.3 million for the period after tax (2019: \$6.9 million). This has been transferred from the revaluation reserve to the realised capital gains reserve (See Statement of Changes in Equity). These sales were accounted for at the date of trade.

### A3. Operating income

The total income received from AMCIL's investments in 2020 is set out below.

Dividends and distributions	2020 \$'000	2019 \$'000
Dividends from securities held in investment portfolio at 30 June	5,148	7,668
Dividends from investment securities sold during the year	1,926	1,197
Dividends from trading securities sold during the year	-	119
	7,074	8,984

Dividends from listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis. Dividends from unlisted securities are recognised as income when they are received. Capital returns on ordinary shares are treated as an adjustment to the carrying value of the shares.

### Trading income & non-equity investments

Net gains (before tax) on the trading and options portfolio are set out below.

Net gains		
Net realised gains/(losses) from securities in trading portfolio	393	(471)
Net realised gains from options in trading portfolio	-	95
Realised gains on options written portfolio	857	863
Unrealised gains/(losses) on options written portfolio	-	(612)
	1,250	(125)

#### A4. Dividends paid

The dividends paid and payable for the year ended 30 June 2020 are shown below:

	2020 \$'000	2019 \$'000
<b>(a) Dividends paid during the year</b>		
Final dividend for the year ended 30 June 2019 of 3.5 cents fully franked at 30%, paid 23 August 2019 (2019: 4.25 cents fully franked at 30%, paid on 24 August 2018).	9,611	11,114
No interim dividend for the year ended 30 June 2020 was paid (2019 : Interim dividend of 2.0 cents plus a special dividend of 1.5 cents, both fully franked at 30%, paid 22 February 2019)	-	9,478
	9,611	20,592

#### (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	3,391	4,535
Impact on the franking account of dividends declared but not recognised as a liability at the end of the current financial year:	(2,984)	(4,119)
<b>Net available</b>	407	416

These franking account balances would allow AMCIL to frank additional dividend payments at a rate of 30% (30 June 2019 : 30%) up to an amount of:

950 971

AMCIL's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the trading and investment portfolios and on AMCIL paying tax.

#### (c) Dividends declared after balance date

Since the end of the year Directors have declared a final dividend of 2.5 cents per share fully franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2020 to be paid on 27 August 2020, but not recognised as a liability at the end of the financial year is:

6,963

#### (d) Listed Investment Company capital gain account

	2020 \$'000	2019 \$'000
Balance of the Listed Investment Company (LIC) capital gain account	2,600	8,738
This equates to an attributable gain of	3,714	12,483

Distributed LIC capital gains may entitle certain shareholders to a deduction in their tax return, as set out in the dividend statement. LIC capital gains available for distribution are dependent on the disposal of investment portfolio holdings that qualify for LIC capital gains, or the receipt of LIC distributions from LIC securities held in the portfolios. None of the attributable gain is being paid out as part of the final dividend.

## A5. Earnings per share

The table below shows the earnings per share based on the profit for the year:

Basic Earnings per share	2020 Number	2019 Number
Weighted average number of ordinary shares used as the denominator	277,943,049	269,697,832
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	5,963	7,015
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	2.15	2.60

## Dilution

As there are no options, convertible notes or other dilutive instruments on issue, diluted earnings per share is the same as basic earnings per share.

## B. Costs, Tax and Risk

### B1. Management Costs

The total management expenses for the period are as follows:

	2020 \$'000	2019 \$'000
Administration fees paid to AICS	(839)	(906)
Other administration expenses	(958)	(940)
	<u>(1,797)</u>	<u>(1,846)</u>

#### Administration fees paid to AICS

Australian Investment Company Services Limited ("AICS") undertakes the day-to-day administration of AMCIL's investments and its operations, including financial reporting.

#### Other administration expenses

A major component of other administration expenses is Directors' remuneration. This has been summarised below:

	Short Term Benefits \$	Post- Employment Benefits \$	Total \$
<b>2020</b>			
Directors	467,577	44,423	512,000
<b>2019</b>			
Directors	449,892	42,743	492,635

AMCIL recognises Directors' retirement allowances that have been crystallised as 'amounts payable'. There are no further retirement allowances that will need to be expensed.

Detailed remuneration disclosures are provided in the Remuneration Report.

The Company does not make loans to Directors.

### B2. Tax

AMCIL's tax position, and how it accounts for tax, is explained here. Detailed reconciliations of tax accounting to the financial statements can be found in note E2.

The income tax expense for the period is the tax payable on this financial year's taxable income, adjusted for any changes in deferred tax assets and liabilities attributable to temporary differences and for any unused tax losses. Deferred tax assets and liabilities (except for those related to the unrealised gains or losses in the investment portfolio) are offset, as all current and deferred taxes relate to the Australian Taxation Office and can legally be settled on a net basis. Deferred tax balances are calculated at the rate of 30% (2019 : 30%).

A provision has been made for taxes on any unrealised gains or losses on securities valued at fair value through the Income Statement – i.e. the trading portfolio and the options written portfolio.

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

## Tax expense

The income tax expense for the period is shown below:

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

	2020 \$'000	2019 \$'000
<b>Profit before income tax expense</b>	<b>6,587</b>	<b>7,159</b>
Tax at the Australian company tax rate of 30% (2019 – 30%)	1,976	2,148
Tax offset for franked dividends received	(1,365)	(2,024)
Tax effect of sundry items either taxable in current year but not included in income or non-taxable	52	51
	<b>663</b>	<b>175</b>
Over provision in prior years	(39)	(31)
<b>Total tax expense</b>	<b>624</b>	<b>144</b>

### Deferred tax liabilities – investment portfolio

The accounting standards require us to recognise a deferred tax liability for the potential capital gains tax on the unrealised gain in the investment portfolio. This amount is shown in the Balance Sheet. However, the Board does not intend to sell the investment portfolio, so this tax liability is unlikely to arise at this amount. Any sale of securities would also be affected by any changes in capital gains tax legislation or tax rate applicable to such gains when they are sold.

	2020 \$'000	2019 \$'000
Deferred tax liabilities on unrealised gains in the investment portfolio	23,363	20,718
Opening balance at 1 July	20,718	22,290
Tax on realised gains (at 30%)	(672)	(2,870)
Charged to OCI for ordinary securities on gains or losses for the period	3,317	1,298
	<b>23,363</b>	<b>20,718</b>

## B3. Risk

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

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

A general fall in market prices of 5% and 10%, if spread equally over all assets in the investment portfolio, would have led to a reduction in AMCIL's comprehensive income of \$9.4 million and \$18.9 million respectively, at a tax rate of 30% (2019 : \$8.9 million & \$17.7 million at a tax rate of 30%).

AMCIL seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Investment Committee and risk can be managed by reducing exposure where necessary. AMCIL does not have a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

AMCIL's investment exposure by sector is as below:

	2020	2019
	%	%
Energy	2.28%	4.62%
Materials	8.97%	13.18%
Industrials	23.85%	25.47%
Consumer Discretionary	10.42%	5.58%
Consumer Staples	3.21%	1.04%
Banks	5.58%	12.39%
Other Financials (incl. property trusts)	9.77%	10.32%
Telecommunications	8.54%	2.58%
Healthcare	14.31%	11.34%
Info Technology	8.07%	8.22%
Utilities	1.70%	0.00%
Cash	3.30%	5.26%

There were three securities representing over 5% of the combined investment and trading portfolio (including options) at 30 June 2020 – CSL (9.5%), BHP (6.1%) and Wesfarmers (5.9%) (2019 : CSL (6.7%), BHP (5.7%) and Mainfreight (5.1%)).

AMCIL is not currently materially exposed to interest rate risk as the majority of its cash investments are in an over-night 'at call' account invested in cash management trusts which invest predominantly in securities with an A1+ rating and which are for fixed rates for short-term duration. AMCIL is also not directly materially exposed to currency risk as most of its investments are quoted in Australian dollars.

The writing of call options provides some protection against a fall in market prices as it generates income to partially compensate for a fall in capital values. Options are only written against securities that are held in the trading or investment portfolios although stock may be purchased on-market to meet call obligations.

## Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. AMCIL is exposed to credit risk from cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are overdue. The risk in relation to each of these items is set out below.

## Cash

All cash investments not held in a transactional account are invested in short-term deposits with Australia's "Big 4" commercial banks or in cash management trusts which invest predominantly in securities with an A1+ rating. In the unlikely event of a bank default or default on the underlying securities in the cash trust, there is a risk of losing the cash deposits and any accrued unpaid interest.

## Receivables

Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within two days of the date of a transaction. Receivables are non-interest bearing and unsecured. In the event of a payment default, there is a risk of losing any difference between the price of the securities sold and the price of the recovered securities from the discontinued sale. Receivables also include dividends from securities that have passed the record date for the distribution but have not paid as at the current date.

## Trading and investment portfolios

Converting and convertible notes or other interest-bearing securities that are not equity securities carry credit risk to the extent of their carrying value. This risk will be realised in the event of a shortfall on winding-up of the issuing companies.

## Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial liabilities.

AMCIL monitors its cash-flow requirements daily. The Investment Committee also monitors the level of contingent payments on a regular basis by reference to known sales and purchases of securities, dividends and distributions to be paid or received, put options that may require AMCIL to purchase securities, and facilities that need to be repaid. AMCIL ensures that it has either cash or access to short-term borrowing facilities sufficient to meet these contingent payments.

AMCIL's inward cash flows depend upon the dividends received. Should these drop by a material amount, AMCIL would amend its outward cash-flows accordingly. AMCIL's major cash outflows are the purchase of securities and dividends paid to shareholders, and both of these can be adjusted by the Board and management. Furthermore, the assets of AMCIL are largely in the form of readily tradeable securities which can be sold on-market if necessary.

The table below analyses AMCIL's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.



	Less than 6 months	6-12 months	Greater than 1 year	Total contractual cash flows	Carrying amount
30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	175	-	-	175	175
	175	-	-	175	175
<b>30 June 2019</b>					
Payables	173	-	-	173	173
Options written*	499	-	-	499	1,217
	672	-	-	672	1,390

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

## **C. Unrecognised items**

Unrecognised items, such as contingencies, do not appear in the financial statements, usually because they do not meet the requirements for recognition. However, they have the potential to have a significant impact on the Company's financial position and performance.

### **C1. Contingencies**

Directors are not aware of any material contingent liabilities or contingent assets other than those already disclosed elsewhere in the financial report.

Further notes to the financial statements are included here. It is grouped into three sections:

- D Balance sheet reconciliations
- E Income statement reconciliations
- F Further information

## D. Balance sheet reconciliations

This section provides further information about the basis of calculation of line items in the financial statements.

### D1. Current assets – cash

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Cash at bank and in hand (including on-call)	9,190	13,988

Cash holdings yielded an average floating interest rate of 0.99% (2019: 2.10%). All cash investments are held in a transactional account or an over-night 'at call' account invested in cash management trusts which invest predominantly in short-term securities with an A1+ rating.

### D2. Credit Facilities

The Company was party to agreements under which Commonwealth Bank of Australia would extend cash advance facilities.

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Commonwealth Bank of Australia –cash advance facility	10,000	10,000
Amount drawn down at 30 June	-	-
Undrawn facilities at 30 June	10,000	10,000

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 when utilised are usually drawn down for no more than three months.

### D3. Revaluation reserve

	2020 \$'000	2019 \$'000
Opening Balance at 1 July 2019	36,784	39,285
Gains on investment portfolio	10,893	5,651
Deferred tax on above	(3,317)	(1,298)
Transfer to realised capital gains reserve for realised gains	(4,285)	(6,854)
	40,075	36,784

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy note A2.

### D4. Realised capital gains reserve

	2020 \$'000			2019 \$'000		
	Taxable realised gains (net of tax)	Difference between tax and accounting costs	Total	Taxable realised gains (net of tax)	Difference between tax and accounting costs	Total
Opening balance at 1 July	7,357	12,280	19,637	8,600	12,121	20,721
Dividends paid	(8,238)	-	(8,238)	(7,938)	-	(7,938)
Cumulative taxable realised (losses)/gains for period	2,240	2,717	4,957	9,565	159	9,724
Tax on realised gains/(losses)	(672)	-	(672)	(2,870)	-	(2,870)
	687	14,997	15,684	7,357	12,280	19,637

This reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio as described in A2. The difference between tax and accounting costs is a result of realised gains or losses being accounted for on an average cost basis, whilst taxable gains or losses are made based on the specific cost of the actual stock sold – i.e. on a parcel selection basis. These differences also include non-taxable realised gains or losses, e.g. losses under off-market buy-backs.

## D5. Retained profits

	2020 \$'000	2019 \$'000
Opening balance at 1 July	4,965	10,604
Dividends paid	(1,373)	(12,654)
Profit for the year	5,963	7,015
	9,555	4,965

This reserve relates to past profits.

## D6. Share capital

Date	Details	Notes	Number of shares '000	Issue price \$	Paid-up Capital \$'000
30/6/2018	Balance		261,500		174,748
24/8/2018	Dividend Reinvestment Plan	i	4,284	0.91	3,899
7/11/2018	Share Purchase Plan	ii	5,023	0.86	4,319
22/2/2019	Dividend Reinvestment Plan	i	3,779	0.86	3,250
Various	Costs of issue		-		(48)
30/6/2019	Balance		274,586		186,168
23/8/2019	Dividend Reinvestment Plan	i	3,938	0.87	3,426
Various	Costs of issue		-		(13)
30/6/2020	Balance		278,524		189,581

- i. *Shareholders elect to have all or part of their dividend payment reinvested in new ordinary shares under the Dividend Reinvestment Plan (DRP). The price of the new DRP shares is based on the average selling price of shares traded on the Australian Securities Exchange (ASX) & Chi-X in the five days after the shares begin trading ex-dividend.*
- ii. *During the year ended 30 June 2019 the Company announced a Share Purchase Plan (SPP). The SPP issue price was set at a nil discount to the volume-weighted average price of AMCIL shares traded on the Australian Securities Exchange (ASX) & Chi-X over the 5 trading days up to, and including, the day on which the SPP offer was scheduled to close*

All shares have been fully paid, rank pari passu and have no par value.

## E . Income statement reconciliations

### E1. Reconciliation of net cash flows from operating activities to profit

	2020 \$'000	2019 \$'000
<b>Profit for the year</b>	<b>5,963</b>	<b>7,015</b>
Sale from trading portfolio to investment portfolio	-	(847)
Increase/(decrease) in options written portfolio	(1,217)	157
Dividends received as securities under DRP investments	(368)	(492)
Decrease/(increase) in current receivables	2,274	4,077
- Less increase/(decrease) in receivables for investment portfolio	(1,826)	(4,095)
Increase/(decrease) in deferred tax liabilities	2,768	(1,621)
- Less (increase)/decrease in deferred tax liability on investment portfolio	(2,645)	1,572
Increase/(decrease) in current payables	2	(80)
Increase/(decrease) in provision for tax payable	256	(614)
- Less CGT provision	(672)	(2,870)
- Add taxes paid on capital gains	915	2,242
<b>Net cash flows from operating activities</b>	<b>5,450</b>	<b>4,444</b>

### E2. Tax reconciliations

#### Tax expense composition

Charge for tax payable relating to the current year	540	224
Over provision in prior years	(39)	(31)
(Increase)/decrease in deferred tax assets	123	(49)
	<b>624</b>	<b>144</b>

#### Amounts recognised directly through Other Comprehensive Income

Net movement in tax liabilities relating to capital gains tax on the movement in gains in the investment portfolio	3,317	1,298
	<b>3,317</b>	<b>1,298</b>

## Deferred tax assets & liabilities

The deferred tax balances are attributable to:

	2020 \$'000	2019 \$'000
(a) Tax on unrealised gains or losses in the options written portfolio	-	184
(b) Provisions and expenses charged to the accounting profit which are not yet tax deductible	47	46
(c) Interest and dividend income receivable which is not assessable for tax until receipt	(33)	(93)
	14	137

Movements:

Opening asset/(liability) balance at 1 July	137	88
Credited/(charged) to Income statement	(123)	49
	14	137

Deferred tax assets arise when provisions and expenses have been charged but are not yet tax deductible. These assets are realised when the relevant items become tax deductible, as long as enough taxable income has been generated to claim the assets against, and as long as there are no changes to the tax legislation that affect AMCIL's ability to claim the deduction. As noted in B2, deferred tax assets and liabilities have been calculated at a rate of 30% (2019 : 30%).

## F. Further information

This section covers information that is not directly related to specific line items in the financial statements, including information about related party transactions, assets pledged as security and other statutory information.

### F1. Related parties

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

### F2. Remuneration of auditors

During the year the auditor earned the following remuneration:

	2020 \$	2019 \$
<b>PricewaterhouseCoopers</b>		
Audit or review of financial reports	104,678	89,752
<u>Non-Audit Services</u>		
Taxation compliance services	9,264	9,039
Total remuneration	113,942	98,791

### F3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board, through its sub-committees, has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

#### Description of segments

The Board makes the strategic resource allocations for AMCIL. AMCIL has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

The Board is responsible for AMCIL's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and AMCIL's performance is evaluated on an overall basis.

#### Segment information provided to the Board

The internal reporting provided to the Board for AMCIL's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards, except that net assets are reviewed both before and after the effects of capital gains tax on investments (as reported in AMCIL's Net Tangible Asset announcements to the ASX).

#### Other segment information

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

AMCIL is domiciled in Australia and most of AMCIL's income is derived from Australian entities or entities that maintain a listing in Australia. AMCIL has a diversified portfolio of investments, with no investment comprising more than 10% of AMCIL's income, including realised income from the trading and options written portfolios (2019 : Two - BHP (13.8%) and Westpac (10.2%)).



#### F4. Summary of other accounting policies

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. This financial report has been authorised for issue on 28 July 2020 in accordance with a resolution of the Board and is presented in the Australian currency. The directors of AMCIL have the power to amend and reissue the financial report.

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

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities
Cash	Cash & Cash Equivalents
Share Capital	Contributed Equity
Options	Derivatives written over equity instruments that are valued at fair value through Profit or Loss

AMCIL complies with International Financial Reporting Standards (IFRS). AMCIL is a 'for profit' entity.

AMCIL has not applied any Australian Accounting Standards or AASB Interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2020 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. AMCIL only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

#### Basis of accounting

The financial statements are prepared using the valuation methods described in A2. All other items have been treated in accordance with the historical cost convention.

#### 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 AMCIL approximates their carrying value.

#### Rounding of amounts

AMCIL is a company of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument, to the nearest thousand dollars, or in certain cases, to the nearest dollar.