

24 August 2018

The Manager  
ASX Market Announcements  
Australian Securities Exchange  
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**Electronic Lodgement**

**AMCIL Limited  
Statutory Annual Report, Annual Shareholder Review,  
Notice of Meeting and Proxy Form**

Dear Sir / Madam

Please find attached the 2018 Statutory Annual Report, Annual Shareholder Review, Notice of Meeting and Proxy Form being sent to shareholders.

Yours faithfully

A handwritten signature in grey ink, appearing to read 'M. Rowe'.

Matthew Rowe  
Company Secretary



**Annual Report  
2018**

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A Focused Portfolio  
of Australian Equities

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AMCIL manages a focused portfolio covering large and small companies in the Australian equity market. As a result, small companies by market size can have an equally important impact on portfolio returns as larger companies in the Australian market.

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## Year in Summary

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### Profit for the Year

\$6.2m

Up 16.1% from 2017

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### Total Shareholder Return

9.1%

Share price plus dividend

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### Fully Franked Dividend

4.25¢

3.5 cents in 2017

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### Management Expense Ratio

0.69%

0.68% in 2017

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### Total Portfolio Return

13.9% Including  
Franking\*

S&P/ASX 200 Accumulation  
Index 14.6% including franking\*

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### Total Portfolio

\$263.2m

Including cash at 30 June  
\$245.9 million in 2017

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\* Assumes a shareholder can take full advantage of the franking credits.

# DIRECTORS' REPORT

## 5 Year Summary

Profit After Tax (\$ Million)



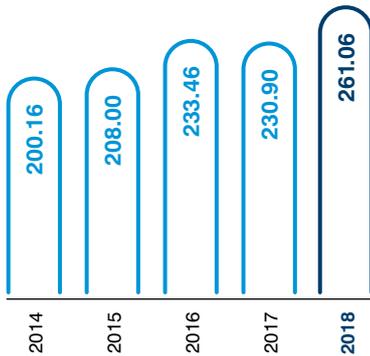
Net Profit Per Share (Cents)



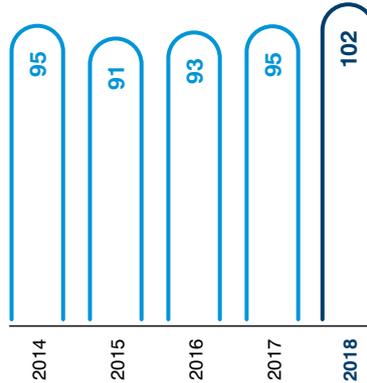
Dividends Per Share (Cents)<sup>(b)</sup>



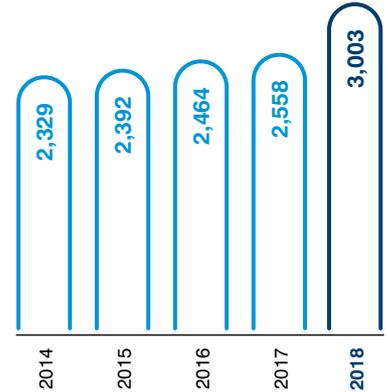
Investments at Market Value (\$ Million)<sup>(a)</sup>



Net Asset Backing Per Share (Cents)<sup>(c)</sup>



Number of Shareholders (30 June)



### Notes

(a) Excludes cash.

(b) 2018 carries 2.76 cents attributable 'LIC gain' per share, 2017: 2.1 cents, 2016: nil, 2015: 2.1 cents, 2014: 5.7 cents.

(c) Net asset backing per share based on year-end data before the provision for the final (and where applicable, special) dividend. 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.

# About the Company

## Investment Objectives

AMCIL is a medium to long-term investor in the Australian equity market. Its investment approach is to construct a focused portfolio in which large and small companies can have an equally important impact on investment returns.

The number of holdings in the portfolio depends on market conditions and investment opportunities. The Company aims to provide shareholders with:

- attractive returns through strong capital growth in the portfolio over the medium to long term; and
- the generation of fully franked dividend income.

## Approach to Investing

We seek to create a diversified portfolio of quality companies which are likely to sustainably grow their earnings and dividends over this medium to long-term timeframe.

Our assessment of quality includes criteria such as the board and management, financial position, margin creation as well as some key financial metrics such as the level of gearing in the balance sheet, product margins and cash flow. The structure of the industry and a company's competitive position in its industry are also important indicators of quality. Linked to this assessment of quality is the ability of companies to grow earnings over time, which ultimately should produce good dividend and capital growth.

Recognising value is also an important aspect of AMCIL's investment approach. Our assessment of value tries to reflect the opportunity a business has to prosper and thrive over the medium to long term.

Given the focused nature of the portfolio, AMCIL is more active in managing the holdings. Our preference is that positions will be held for the long term. However, in managing the risk in the portfolio, the Company is prepared to scale back or exit holdings completely if the investment case alters markedly, the position becomes too large in the portfolio or share prices become excessively high. In managing



the portfolio in this way, we believe AMCIL can offer investors returns in excess of the S&P/ASX 200 over the long term. Given the greater concentration of the portfolio, there may be periods when the performance of AMCIL can vary quite markedly from the Index. The objective is to deliver outperformance over the medium to long term.

From time to time, the Company also uses options written against some of its investments and a small trading portfolio to generate additional income.

The other important feature to note is AMCIL's dividend policy, of maximising the distribution of available franking credits each year. As a result, the amount of fully franked dividends are likely to fluctuate from year to year.

## How AMCIL Invests – What We Look For in Companies

Quality First



Growth  
Including dividends



Value



Portfolio of small and large companies that is actively managed to deliver superior returns

# Review of Operations and Activities

## Profit and Dividend

Profit for the year was \$6.2 million, up 16.1 per cent from \$5.4 million for the corresponding period last year. There were a number of adjustments to the portfolio through the year, which lifted investment income. This included adding to the holdings in BHP and Westpac, as well purchasing new positions in Macquarie Group and Rio Tinto. There was also a special dividend from Wellcom Group during the year.

Income from options was negative \$0.6 million, down from the positive contribution of \$0.9 million in the corresponding period last year. The major reason for the decline was an increase in unrealised losses from the marking to market of open call option positions given the strong rise in the market. On the other hand, the investment portfolio over which options are written increased by \$12.1 million. The other important feature to note with the options is that these accounting losses, which arise when prices on the underlying stocks increase in value, often reduce as options approach expiry, in this case in the 2018–19 financial year.

AMCIL will pay a final dividend of 4.25 cents per share fully franked, which is an increase on the 3.5 cents fully franked last year. Under changes to corporate tax legislation, the final dividend has been franked using the expected corporate tax rate for 2018–19 of 27.5 per cent.

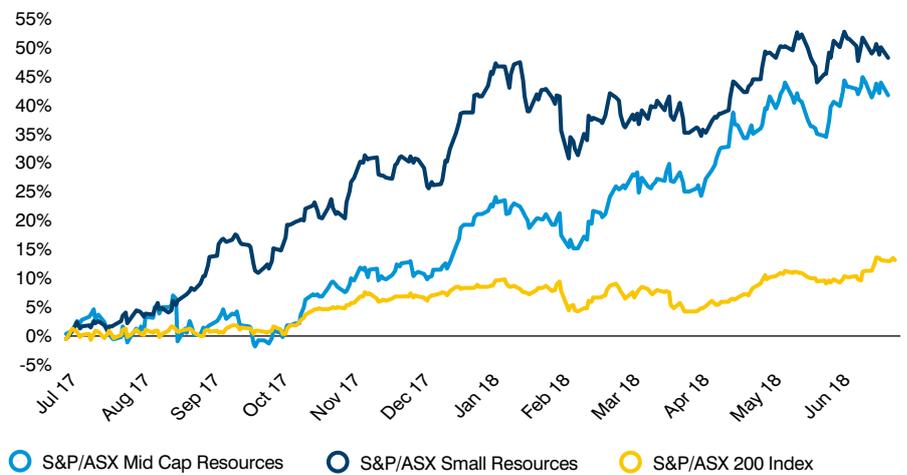
Part of the dividend has been sourced from capital gains on which the Company has paid or will pay tax. The amount of the pre-tax attributable gain on this portion of the dividend, known as an 'LIC capital gain', is 2.76 cents. This enables some shareholders to claim a tax deduction in their tax return.

## Management Expense Ratio

AMCIL's management expense ratio is 0.69 per cent. AMCIL's portfolio is managed internally and does not charge portfolio performance fees which leads to lower costs for shareholders.

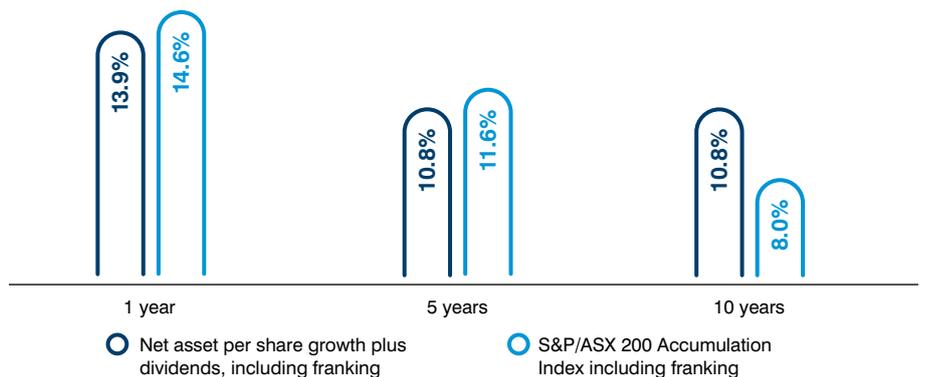
The management expense ratio compares very favourably with the average fees charged by managed funds with a similar investment focus and size as AMCIL. For retail investors, these fees can typically be in excess of 1 per cent and can also include additional performance fees.

**Figure 1: Performance of S&P/ASX 200 Index Relative to Small and Mid Cap Resources**



Source: FactSet

**Figure 2: Portfolio Performance – Per Annum Returns to 30 June 2018, Including Franking Credits\***



\* Assumes an investor can take full advantage of the franking credits. AMCIL's portfolio return is also calculated after management fees, income tax and capital gains tax on realised sales of investments. It should be noted that Index returns for the market do not include management expenses or tax.

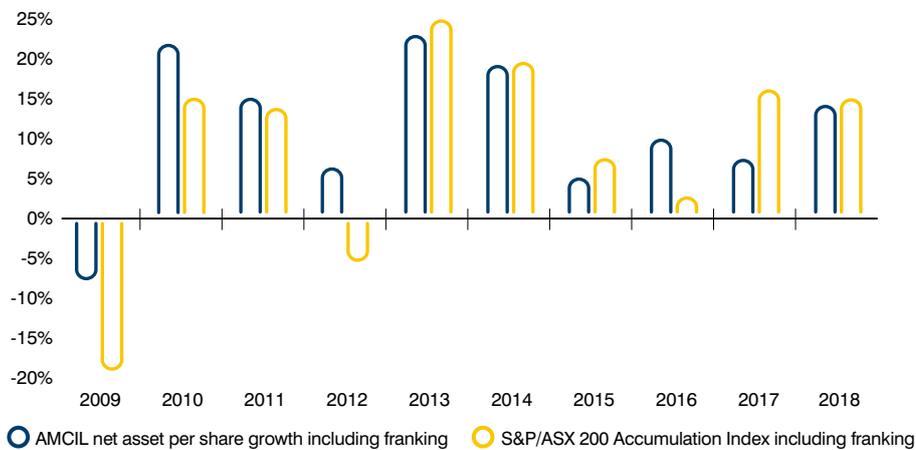
Past performance is not indicative of future performance.

## Portfolio Returns

Over the 12-month period, the resources market was very strong. Whilst AMCIL has some exposure to this sector, it does not have a large exposure to small and mid cap resource companies, which were up 49 per cent and 42 per cent respectively over the year (Figure 1). These companies tend to be at the more speculative end of the market and therefore do not fit with AMCIL's investment approach. In this context, the Company believes the portfolio performance for the year is very satisfactory.

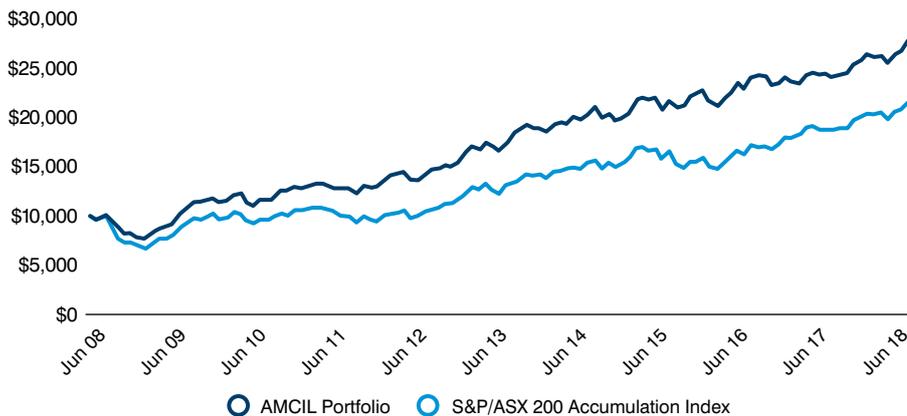
AMCIL's total portfolio return over the year was 12.3 per cent, with the S&P/ASX 200 Accumulation Index up 13.0 per cent. Assuming the full benefit of franking credits, AMCIL's portfolio delivered a return of 13.9 per cent, whereas the S&P/ASX 200 Accumulation Index return was 14.6 per cent on the same basis over the year (Figure 2). It is appropriate to add franking credits to total returns, given AMCIL's dividend policy seeks to maximise the distribution of franking credits, including those arising from taxable realised gains.

**Figure 3: Performance Each Financial Year of AMCIL Including Dividends and Franking Credits Versus the ASX 200 Accumulation Index With Franking\***



\* Assumes an investor can take full advantage of the franking credits.

**Figure 4: Ten Year Portfolio Performance of AMCIL (Including Benefit of Franking) – to 30 June 2018**



Note assumes an investor can take full advantage of the franking credits. This chart calculates the benefit of franking credits at the time dividends are paid for both AMCIL and the Index. In practice there is a timing difference between receipt of the dividend and the realisation of the franking benefit in the following tax year.

The unique features of AMCIL's portfolio are highlighted by the nature of the best performing stocks over the year, which are a mix of large and small companies, all of which contributed strongly to performance. In large companies, the more significant contributors to the portfolio were BHP, CSL and Macquarie Group. In smaller companies, strong contributions came from Lifestyle Communities, Freedom Foods and Objective Corporation.

The long term performance of the portfolio, which is more in line with the Company's investment timeframes, was 10.8 per cent per annum for the 10 years to 30 June 2018,

versus the Index return of 8.0 per cent per annum (these returns include the full benefit of franking).

Given the greater concentration of the portfolio, there will be periods when the performance of AMCIL can vary quite markedly from the Index. Figure 3 outlines the performance each financial year of the portfolio versus the S&P/ASX 200 Index over the past 10 years.

The investment objective is to deliver outperformance over the medium to long term. Figure 4 shows the cumulative return of the AMCIL portfolio over this 10-year period.

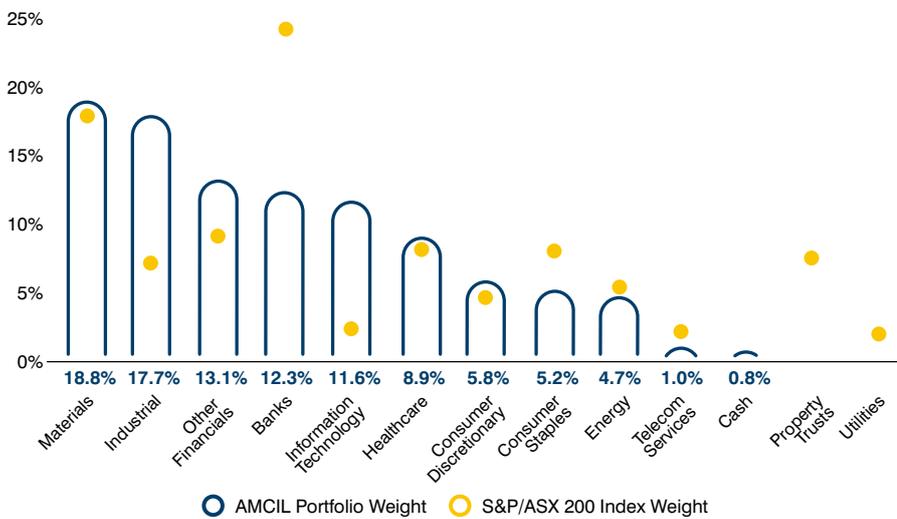
## Adjustments to the Portfolio

There were a number of adjustments to the portfolio over the year. Major purchases included new additions to the portfolio: Macquarie Group, Boral and Woolworths. There were additions to holdings in BHP and Westpac Bank, where it was also advantageous to generate additional returns by selling call options against these stocks. In smaller companies, a number of new holdings were added, including Carsales.com, as well as Reliance Worldwide and Reece, including participation in their respective capital raisings to fund offshore acquisitions.

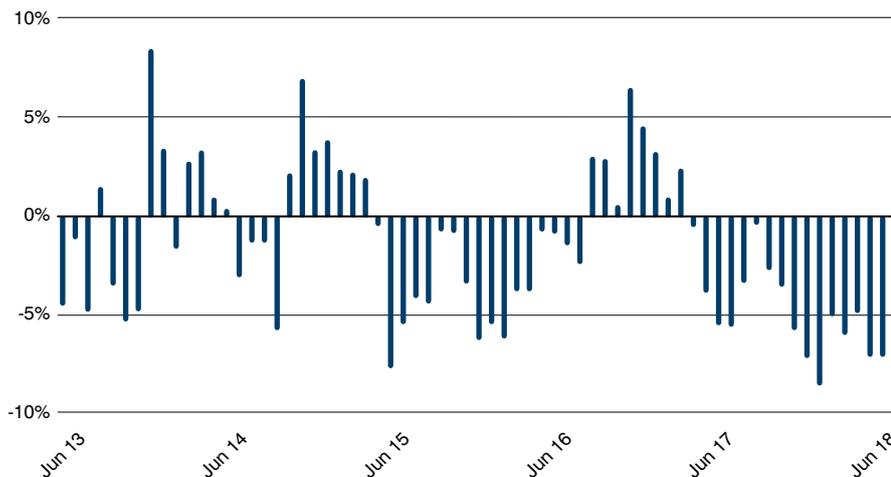
Details of some of the new companies added to the portfolio are:

- Carsales.com is the largest online automotive classifieds business in Australia. It also has interests in leading online automotive classified businesses in Brazil, South Korea, Malaysia, Indonesia, Thailand and Mexico.
- Reece is a leading distributor and retailer of plumbing, waterworks and HVAC-R products (specialised equipment, parts and supplies for the commercial heating, ventilation, air conditioning and refrigeration industries) to commercial and residential customers through 600 branches in Australia and New Zealand. The company recently completed the acquisition of MORSCO a leading United States distributor of plumbing, waterworks, heating and cooling (HVAC) products. The acquisition marks Reece's strategic entry into the United States plumbing market. MORSCO has 171 branches across 16 states throughout the United States Sun Belt region.
- Reliance Worldwide is the world's largest manufacturer of push to connect brass plumbing fittings and specialist water control valves. It operates across a number of markets, including Australia and the United States. The company recently acquired John Guest Holdings which is headquartered in the United Kingdom and is a global leader in plastic push to connect fittings with products distributed worldwide. The acquisition of John Guest is aligned with Reliance's strategy to add complementary products and expand its market presence, particularly in Europe.

**Figure 5: Investment by Sector as at 30 June 2018**



**Figure 6: Share Price Premium/Discount to Net Asset Backing**



The purchases of these smaller companies also continue a key theme within AMCIL's investment activities. They have board and management teams with large shareholdings, quite often arising from their beginnings as family owned or start-up businesses. Experience suggests that these 'Owner Driver' businesses, with their experience and high levels of focus, often perform very well over the long term. There is also a strong alignment of management's interests with shareholders which is an attribute AMCIL values highly. Other companies in this category, which AMCIL has sizeable investments in, include Mainfreight, Freedom Foods Group and Seek.

Major sales included the complete disposal of the positions in Treasury Wine Estates, which, given the strong run-up in its share price, meant it had become a very large position in the portfolio, Wesfarmers, Healthscope, Westfield Corporation (takeover by Unibail-Rodamco), QBE Insurance and Incitec Pivot.

Purchases in the investment portfolio totalled \$119.4 million for the year with total sales of \$113.7 million for the period.

AMCIL's portfolio is very different from that represented by the S&P/ASX 200 Index. Figure 5 highlights the profile of the total

portfolio by the various sectors of the market at the end of the financial year and the portfolio's variance from the S&P/ASX 200 Index.

The most notable variation is the position of banks in the portfolio. Whilst banks continue to supply sound dividend income, the outlook for growth relative to recent years, in our view, has diminished as credit for housing slows and competitive and regulatory pressures become greater. AMCIL also does not hold any property trusts given the observation that over the long term, industrial companies have tended to outperform property trusts and the distribution from these trusts do not carry franking credits.

## Share Price

The share price to the net asset backing (before tax on unrealised gains) was trading at a discount of 6.2 per cent at 30 June 2018, compared with a discount of 3.4 per cent at the end of the prior year. The share price return for the year of 9.1 per cent was below the portfolio return over this period given the widening of the discount.

Importantly, over the long term the share price return has performed in line with the longer term portfolio returns, with the share price up 8.7 per cent per annum versus the portfolio which was up 8.8 per cent (before franking).

Figure 7 (on the following page) outlines the benefit of compound returns and the value of AMCIL's investment approach. It shows the total share price return (including dividends and the full benefit of franking credits) from an investment of \$10,000 in AMCIL shares over a 10-year period relative to the return from the ASX 200 Accumulation Index, including franking credits.

## Outlook

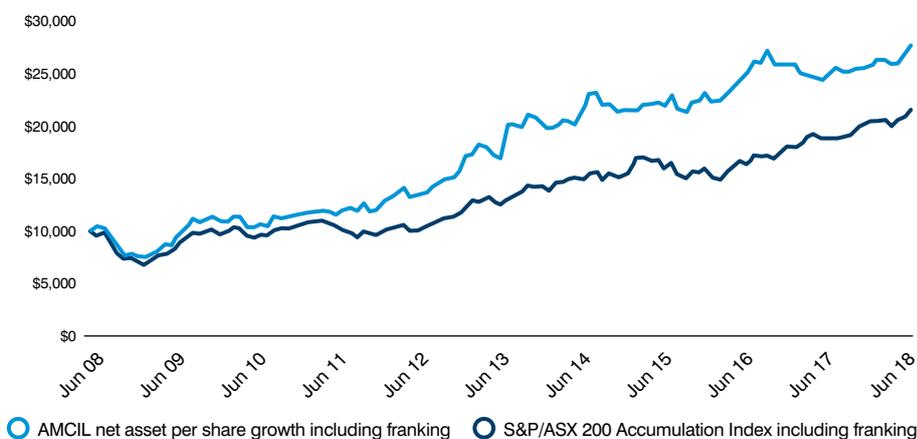
Given its portfolio size and investment approach, AMCIL has the flexibility to search for good quality investments across a broad range of companies in the Australian market. In the current environment, where investors are increasingly chasing earnings growth, which has led to very high prices for some stocks, AMCIL can afford to be patient. The upcoming company reporting season will provide a useful point of reference to consider further changes to the portfolio.

There are some companies that remain attractive for further investment should prices fall, with any increase in market volatility arising from geopolitical events or unexpected changes in interest rates, potentially providing attractive investment opportunities.

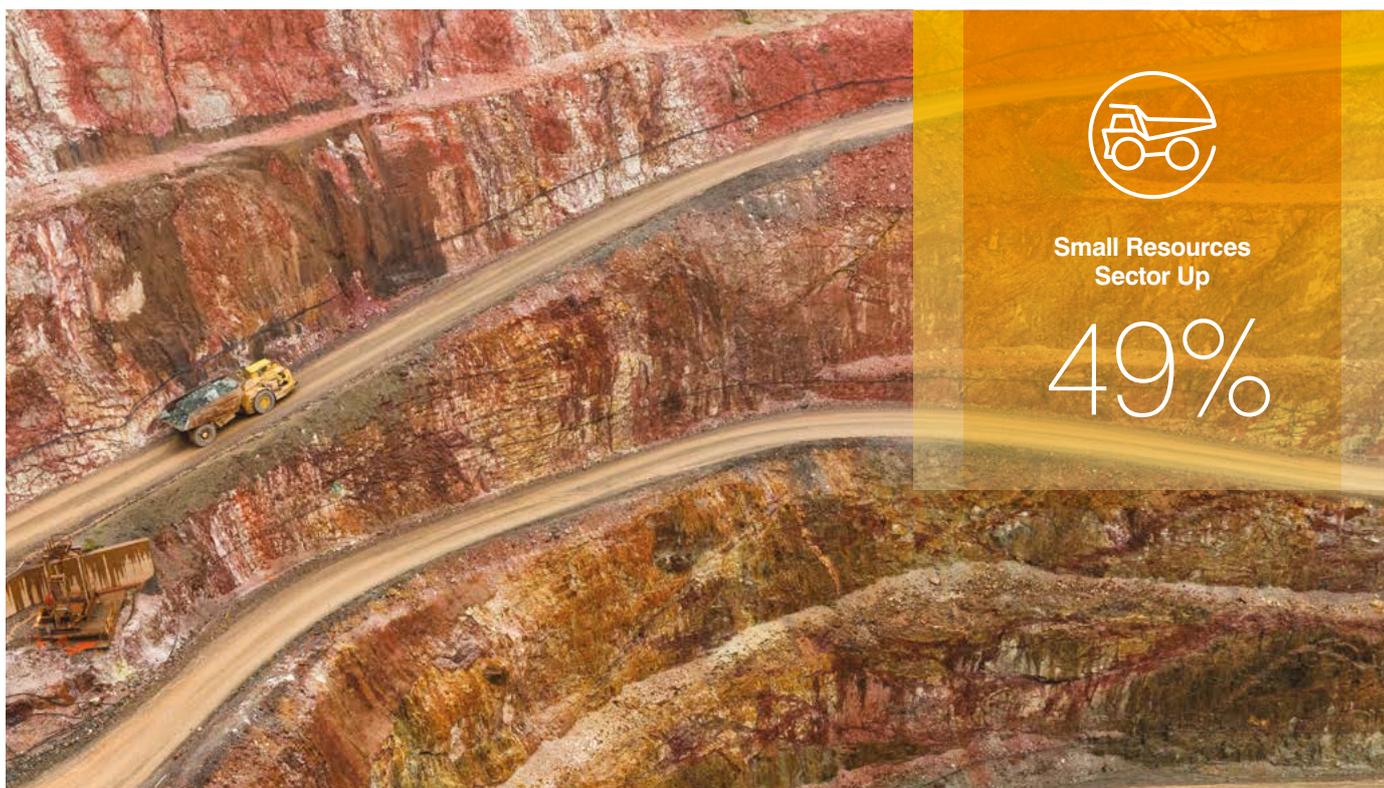
### Directorship Matters

As previously announced in September 2017 and detailed in the Company's December Half-Yearly Review, Ross Barker retired as Managing Director and Chief Executive Officer (CEO) on 31 December 2017. Mark Freeman, who was previously the Chief Investment Officer of AMCIL, became the Managing Director and CEO of AMCIL on 1 January 2018.

**Figure 7: Ten Year Share Price Return of AMCIL Including Dividends and the Full Benefit of Franking Credits**



\* Note assumes the reinvestment of dividends. This chart calculates the benefit of franking credits at the time dividends are paid for both AMCIL and the Index. In practice there is a timing difference between receipt of the dividend and the realisation of the franking benefit in the following tax year.



“

The unique features of AMCIL's portfolio are highlighted by the nature of the best performing stocks over the year, which are a mix of large and small companies, all of which contributed strongly to performance.

”

## Review of Operations and Activities continued

The Board wishes to record its deep appreciation to Ross Barker for his 16 years of outstanding service as Managing Director and Chief Executive Officer, during which time he made a significant contribution to the Company. Mr Barker remains on the Board of AMCIL as a Non-Executive Director.

### Financial Condition

The Company's financing consists predominantly of shareholders' funds.

### Likely Developments

The Company intends to continue its investment activities in future years as it has done since recapitalisation. The results of these investment activities depend upon the performance of the companies and securities in which we invest. Their performance in turn depends on many economic factors. These include economic growth rates, inflation, interest rates, exchange rates and taxation levels. There are also industry and company-specific issues such as management competence, capital strength, industry economics and competitive behaviour.

The Directors do not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of the Company's investments. Accordingly, Directors do not provide a forecast of the likely results of our activities. However, the Company's focus is on results over the medium to long term.

### Dividends

Directors have declared a fully franked final dividend of 4.25 cents per share (3.5 cents final dividend, also fully franked, last year).

The dividend paid during the year ended 30 June 2018 was as follows:

	\$'000
Final dividend for the year ended 30 June 2017 of 3.5 cents fully franked paid on 24 August 2017	9,029

### Listed Investment Company Capital Gains

Listed investment companies (LIC) which make capital gains upon which tax is payable on the sale of investments held for more than one year, are able to attach to their dividends a LIC capital gains amount, which some shareholders are able to use to claim a tax deduction. This is called an 'LIC capital gain attributable part'. The purpose of this is to put shareholders in listed investment companies on a similar footing with holders of managed investment trusts with respect to capital gains tax on the sale of underlying investments.

Tax legislation sets out the definition of a 'listed investment company' which AMCIL satisfies. Furthermore, from time to time the Company sells securities out of the investment portfolio held for more than one year, which may result in capital gains being made and tax being paid. The Company is therefore on occasion in a position to be able to make available to shareholders a LIC capital gain attributable part with our dividends. In respect of this year's final dividend of 4.25 cents per share for the year ended 30 June 2018, it carries with it a 2.76 cents per share LIC capital gain attributable part (2017: 2.14 cents). The amount which shareholders may be able to claim as a tax deduction depends on their individual situation. Further details are provided in the dividend statements.

### 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 any material environmental regulations.

### Rounding of Amounts

The Company is 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.

### Capital Changes

As a result of the Company's Dividend Reinvestment Plan 3,523,574 new shares were issued at \$0.88 per share in August 2017.

The Company's buy-back facility remains open although no shares were bought back during the year.

The Company's contributed equity rose by \$3.1 million to \$174.7 million from \$171.6 million. At the close of the year the Company had 261.5 million shares on issue.



Final dividend

4.25¢

Increase on the 3.5 cents  
fully franked last year

“

*Given its portfolio size and investment approach, AMCIL has the flexibility to search for good quality investments across a broad range of companies in the Australian market.*

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## Top 20 Investments

As at 30 June 2018

Includes investments held in both the investment and trading portfolios.

### Valued at Closing Prices at 29 June 2018

	Total Value \$'000	% of Portfolio
1 BHP	15,141	5.8
2 CSL	14,254	5.5
3 Lifestyle Communities	10,530	4.0
4 Westpac Banking Corporation*	10,333	4.0
5 Macquarie Group	8,965	3.4
6 Mainfreight	8,380	3.2
7 National Australia Bank*	8,107	3.1
8 Oil Search*	8,003	3.1
9 Commonwealth Bank of Australia*	7,724	3.0
10 Freedom Foods Group	7,559	2.9
11 Qube Holdings	7,296	2.8
12 Seek	6,543	2.5
13 Transurban Group	6,470	2.5
14 Amcor*	6,314	2.4
15 CYBG	6,249	2.4
16 James Hardie Industries	6,121	2.3
17 Woolworths Group	6,104	2.3
18 Reece	5,889	2.3
19 Computershare*	5,827	2.2
20 Challenger	5,738	2.2
<b>Total</b>	<b>161,547</b>	

As a percentage of total portfolio (excludes cash)

61.9%

\* Indicates that options were outstanding against part of the holding.

# **Board and Management**

## **Directors**

**Bruce B Teele** BSc, BCom (Melb). Chairman and Non-Executive Director. Chairman of the Investment Committee.

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

**R Mark Freeman** BE, MBA, Grad Dip App Fin (Sec Inst), AMP (INSEAD). Managing Director and Member of the Investment Committee.

Mr Freeman became Chief Executive Officer and Managing Director in January 2018, having been Chief Investment Officer since joining the Company in February 2007. Prior to this he was a Partner with Goldman Sachs JBWere where he spent 12 years advising the investment companies on their investment and dealing activities. He has a deep knowledge and experience of investments markets and the Company's approaches, policies and processes. He is also Managing Director of AFIC, Djerriwarrh Investments Limited and Mirrabooka Investments Limited.

**Ross E Barker** BSc (Hons), MBA (Melb), F Fin. Non-Executive Director. Member of the Investment Committee.

Mr Barker has been a Director of the Company since May 1996 and was Managing Director from February 2001 to December 2017. Mr Barker transitioned to a Non-Executive Director in January 2018. He is also a Non-Executive Director of AFIC and Mirrabooka Investments Limited. He is also Chairman of Melbourne Business School Ltd.

**Roger G Brown** B.Eng, MBA. Independent Non-Executive Director. Member of the Investment Committee.

Mr Brown was appointed to the Board on February 2014. He has been the Non-Executive Chairman of ARB Corporation Limited since 2016. Mr Brown also held the position of Executive Chairman of the company from 1987 to 2016.

Mr Brown has wide experience as a CEO and Director and brings to the Company a wealth of knowledge from ARB Corporation's involvement in the automotive industry in Australia and overseas.

**Siobhan L McKenna** B.Ec. (Hons), MPHIL. Independent Non-Executive Director. Member of the Audit Committee.

Ms McKenna joined the Board in March 2016. She is Chairman of Foxtel and Fox Sports (NXE Australia) and Australian News Channel, a Non-Executive Director of Woolworths Limited, a Director of Illyria Pty Ltd, a Director of Nova Entertainment and a Trustee of the MCG Trust.

Ms McKenna is a former partner of McKinsey & Company, a former Commissioner of the Australian Productivity Commission, and a former Chair of NBN Co Limited.

**Rupert Myer AO** BCom (Hons) (Melb), MA (Cantab). Independent Non-Executive Director. Chairman of the Audit Committee and Member of the Investment Committee.

Mr Myer is a company Director and was appointed a Director in January 2000. Currently, he is a Director of Healthscope Limited, eCargo Holdings Limited, Mutual Trust Pty Limited and Myer Family Investments Pty Ltd. Mr Myer was formerly Deputy Chairman of Myer Holdings Ltd and a Director of Diversified United Investments Limited.

**Richard B (Bob) Santamaria** BCom, LLB (Hons) (Melb). Independent Non-Executive Director. Member of the Audit Committee and the Investment Committee.

Mr Santamaria was appointed a Director in August 1996. He is Group General Counsel of Australia and New Zealand Banking Group Limited and was formerly a Partner and Executive Partner Corporate at the law firm Allens Arthur Robinson (now Allens). He is a former Director of ANZ Trustees Limited.

**Jon Webster** BCom, LLB (Hons) LLM. Independent Non-Executive Director.

Mr Webster was appointed to the Board in November 2016. Mr Webster is a consultant at Allens having been a partner of Allens practicing in the area of mergers and acquisitions for over 30 years and was a Board member of Allens for 12 years. He is a Trustee of the R E Ross Trust and a Director of Hillview Quarries Pty Ltd and of the Human Rights Law Centre. He is also Chairman of the Audit Committee of the Northern Land Council. He is a former Chairman of the Corporations Committee of the Law Council of Australia and a former member of the ASX's Listings Advisory Panel and of the Federal Government's Consultative Group to the Corporations Law Simplification Task Force.

## Board and Management continued

### Senior Executives

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

Mr Driver joined the Company in January 2003. Previously, he was with National Australia Bank Ltd for 18 years in various roles covering business strategy, marketing, distribution, investor relations and business operations. Mr Driver is Chairman of Trust for Nature (Victoria).

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

Mr Porter joined the Company in January 2005. He is a Chartered Accountant and has had over 20 years experience in accounting and financial management both in the United Kingdom with Andersen Consulting and Credit Suisse First Boston and in Australia where he was Regional Chief Operating Officer for the Corporate and Investment Banking Division of CSFB. He is currently President of the G100, the peak body for CFOs and a Director of Melbourne Anglican Foundation and was formerly a Non-Executive Director of the Royal Victorian Eye & Ear Hospital.

**Matthew Rowe** BA (Hons), MSc Corp Gov, FGIA, FCIS. Company Secretary.

Mr Rowe joined the Company in July 2016. He is a Chartered Secretary with over 12 years of experience in corporate governance with a particular focus in listed investment companies. He was previously a corporate governance advisor at a professional services firm which included acting as Company Secretary for three ASX listed companies. Prior to that Matthew was the Company Secretarial Manager for a Funds Management Company based in the United Kingdom.

### 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 2018 and the numbers of meetings attended by each Director were:

	Board		Investment Committee		Audit Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
BB Teele	12	10	18	16	-	-
RE Barker	12	12	18	17	-	3*
RG Brown	12	11	18	17	-	-
RM Freeman**	6	6	9	8	-	2*
SL McKenna	12	10	-	9*	3	3
RH Myer	12	12	18	17	3	3
RB Santamaria#	9	7	13	10	2	2
JJ Webster	12	12	-	9*	-	3*

\* Attended meetings by invitation.

\*\* RM Freeman appointed as Managing Director on 1 January 2018.

# RB Santamaria was granted a formal leave of absence from 19 April to 20 September 2018.

### Insurance of Directors and Officers

During the financial year, the Company paid insurance premiums to insure the Directors and Officers named in this report to the extent allowable by law. The terms of the insurance contract preclude disclosure of further details.

### Corporate Governance Statement

A copy of the Company's Corporate Governance Statement for the financial year ended 30 June 2018 can be found on the Company's website at:

[amcil.com.au/Corporate-Governance.aspx](http://amcil.com.au/Corporate-Governance.aspx)

# 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 \$600,000 for the remuneration of Directors at the AGM in October 2012.

Directors hold office until such time as they retire, 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 (until 31 December 2017) and Mr Freeman (from 1 January 2018) were made available as Managing Director of AMCIL by Australian Investment Company Services Ltd (AICS). As part of their remuneration arrangements with AICS, Mr Barker received and Mr Freeman receives an 'at risk' component which is based on performance, as do other Executives. The performance criteria include quantitative and qualitative assessments which include, amongst other things, the services that they have provided to AMCIL and for which AICS is paid.

The Directors and the Company have agreed to freeze Directors retirement benefits at the 31 December 2003 level. This frozen amount will be paid to the respective Directors when they ultimately retire, without further adjustment. The Company continues to pay SGC 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 2018 were as follows:

	Short Term Fee/Base Salary \$	Post-employment Superannuation \$	Total Remuneration \$
<b>BB Teele – Chairman (Non-Executive)</b>			
<b>2018</b>	<b>106,849</b>	<b>10,151</b>	<b>117,000</b>
2017	106,849	10,151	117,000
<b>RE Barker – Managing Director (Executive until 31 December 2017, Non-Executive from 1 January 2018)</b>			
<b>2018</b>	<b>26,712</b>	<b>2,538</b>	<b>29,250</b>
2017	-	-	-
<b>RG Brown – Director (Non-Executive)</b>			
<b>2018</b>	<b>53,425</b>	<b>5,075</b>	<b>58,500</b>
2017	53,425	5,075	58,500
<b>RM Freeman – Managing Director (Executive)(appointed 1 January 2018)</b>			
<b>2018</b>	-	-	-
<b>SL McKenna – Director (Non-Executive)(appointed 17 March 2016)</b>			
<b>2018</b>	<b>53,425</b>	<b>5,075</b>	<b>58,500</b>
2017	53,425	5,075	58,500
<b>RH Myer – Director (Non-Executive)</b>			
<b>2018</b>	<b>53,425</b>	<b>5,075</b>	<b>58,500</b>
2017	53,425	5,075	58,500
<b>RB Santamaria – Director (Non-Executive)</b>			
<b>2018</b>	<b>53,425</b>	<b>5,075</b>	<b>58,500</b>
2017	53,425	5,075	58,500
<b>JJ Webster – Director (Non-Executive)(appointed 22 November 2016)</b>			
<b>2018</b>	<b>53,425</b>	<b>5,075</b>	<b>58,500</b>
2017	32,623	3,099	35,722
<b>Total remuneration: Directors</b>			
<b>2018</b>	<b>400,686</b>	<b>38,064</b>	<b>438,750</b>
2017	353,172	33,550	386,722

## Remuneration Report continued

### (c) Directors' Retirement Allowances

The Board proposed and shareholders approved at the 2004 AGM discontinuing the practice of paying Directors' retirement allowances.

The Directors' 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 relevant 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, including 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.

	Amount Payable on Retirement \$
RE Barker	87,000
RH Myer	68,150
RB Santamaria	87,000
	<b>242,150</b>

### Holdings of Securities Issued by the Company

As at 30 June 2018, Directors and Executives who held 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:

2018	Balance at 1 July 2017	Net Changes	Balance at 30 June 2018
BB Teele	42,790,189	1,612,401	44,402,590
RE Barker	4,780,974	(28,891)	4,752,083
RG Brown	1,195,523	106,928	1,302,451
RM Freeman	730,522	22,655	753,177
SL McKenna	648,000	-	648,000
RH Myer	964,444	184,382	1,148,826
RB Santamaria	368,691	14,663	383,354
JJ Webster	342,538	-	342,538
GN Driver	329,435	13,102	342,537
AJB Porter	44,239	2,625	46,864
MJ Rowe	-	1,000	1,000

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

### (d) Executives

The Company has four Executives, RM Freeman, Managing Director; GN Driver, General Manager – Business Development and Investor Relations; AJB Porter, Chief Financial Officer; and MJ Rowe who is Company Secretary (and was appointed on 11 July 2016)(2017: five Executives, including RE Barker who retired as Managing Director with effect from 1 January 2018).

No remuneration is paid to the Executives directly by AMCIL as their services are provided pursuant to an arrangement with AICS as outlined in the Notes to the Financial Statements. However, the Managing Director, General Manager – Business Development and Investor Relations, the Chief Financial Officer and the Company Secretary are all required to purchase AMCIL shares as part of their Annual Incentive Plans. The General Manager – Business Development and Investor Relations, the Chief Financial Officer and the Company Secretary all purchased shares during the year under this Plan. The Managing Director was on a different Incentive Plan prior to 1 January 2018, when he served as Chief Investment Officer, but has purchased shares during the year independently.

## Non-audit Services

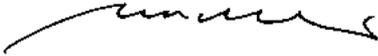
Details of non-audit services performed by the auditors may be found in Note F2 of the Financial Report.

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

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

A copy of the Auditor's Independence Declaration is set out on page 16.

This report in relation to the financial year to 30 June 2018 is presented by the Directors of the Company in accordance with a resolution of Directors.



R Myer  
Director

Melbourne  
24 July 2018

# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of AMCIL Limited for the year ended 30 June 2018, 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.

*Nadia Carlin*

Nadia Carlin  
Partner  
PricewaterhouseCoopers

Melbourne  
24 July 2018

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## Income Statement

For the Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Dividends and distributions	A3	8,243	6,278
Revenue from deposits and bank bills		205	345
Other revenue		-	6
<b>Total revenue</b>		<b>8,448</b>	<b>6,629</b>
Net gains/(losses) on trading portfolio	A3	129	(11)
Income/(losses) from options written portfolio	A3	(552)	876
<b>Income from operating activities</b>		<b>8,025</b>	<b>7,494</b>
Finance costs		(59)	(50)
Administration expenses	B1	(1,724)	(1,647)
<b>Profit before income tax expense</b>		<b>6,242</b>	<b>5,797</b>
Income tax (expense)/credit	B2, E2	5	(414)
<b>Profit for the year</b>		<b>6,247</b>	<b>5,383</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	A5	<b>2.39</b>	<b>2.09</b>

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

## Statement of Comprehensive Income

For the Year Ended 30 June 2018

	Year to 30 June 2018			Year to 30 June 2017		
	Revenue <sup>1</sup> \$'000	Capital <sup>1</sup> \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
Profit for the year	6,247	-	6,247	5,383	-	5,383
Other comprehensive income						
Gains for the period	-	25,323	25,323	-	9,395	9,395
Tax on above	-	(9,059)	(9,059)	-	(1,473)	(1,473)
Total other comprehensive income	-	16,264	16,264	-	7,922	7,922
Total comprehensive income	6,247	16,264	22,511	5,383	7,922	13,305

1. '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 2018

	Note	2018 \$'000	2017 \$'000
<b>Current assets</b>			
Cash	D1	2,150	14,991
Receivables		7,070	832
Trading portfolio		-	516
<b>Total current assets</b>		<b>9,220</b>	<b>16,339</b>
<b>Non-current assets</b>			
Deferred tax assets	E2	88	-
Investment portfolio	A2	262,118	231,024
<b>Total non-current assets</b>		<b>262,206</b>	<b>231,024</b>
<b>Total assets</b>		<b>271,426</b>	<b>247,363</b>
<b>Current liabilities</b>			
Payables		253	249
Tax payable		1,465	2,074
Borrowings – bank debt	D2	1,000	-
Options sold	A2	1,060	641
<b>Total current liabilities</b>		<b>3,778</b>	<b>2,964</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	E2	-	140
Deferred tax liabilities – investment portfolio	B2	22,290	15,473
<b>Total non-current liabilities</b>		<b>22,290</b>	<b>15,613</b>
<b>Total liabilities</b>		<b>26,068</b>	<b>18,577</b>
<b>Net assets</b>		<b>245,358</b>	<b>228,786</b>
<b>Shareholders' equity</b>			
Share capital	A1, D6	174,748	171,658
Revaluation reserve	A1, D3	39,285	27,120
Realised capital gains reserve	A1, D4	20,721	20,492
Retained profits	A1, D5	10,604	9,516
<b>Total shareholders' equity</b>		<b>245,358</b>	<b>228,786</b>

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

## Statement of Changes in Equity

For the Year Ended 30 June 2018

Year Ended 30 June 2018	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year		171,658	27,120	20,492	9,516	228,786
Dividends paid	A4	-	-	(3,870)	(5,159)	(9,029)
Shares issued under Dividend Reinvestment Plan	D6	3,101	-	-	-	3,101
Other share capital adjustments		(11)	-	-	-	(11)
<b>Total transactions with shareholders</b>		<b>3,090</b>	<b>-</b>	<b>(3,870)</b>	<b>(5,159)</b>	<b>(5,939)</b>
Profit for the year		-	-	-	6,247	6,247
<b>Other comprehensive income (net of tax)</b>						
Net gain for the period on investments		-	16,264	-	-	16,264
Other comprehensive income for the year		-	16,264	-	-	16,264
Transfer to realised capital gains reserve of realised gains on investments sold		-	(4,099)	4,099	-	-
<b>Total equity at the end of the year</b>		<b>174,748</b>	<b>39,285</b>	<b>20,721</b>	<b>10,604</b>	<b>245,358</b>

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

## Statement of Changes in Equity continued

For the Year Ended 30 June 2018

Year Ended 30 June 2017	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>		168,556	25,620	14,070	13,047	221,293
Dividends paid	A4	-	-	-	(8,914)	(8,914)
Shares issued under Dividend Reinvestment Plan	D6	3,113	-	-	-	3,113
Other share capital adjustments		(11)	-	-	-	(11)
<b>Total transactions with shareholders</b>		<b>3,102</b>	<b>-</b>	<b>-</b>	<b>(8,914)</b>	<b>(5,812)</b>
Profit for the year		-	-	-	5,383	5,383
<b>Other comprehensive income (net of tax)</b>						
Net gain for the period on investments		-	7,922	-	-	7,922
Other comprehensive income for the year		-	7,922	-	-	7,922
Transfer to realised capital gains reserve of realised gains on investments sold		-	(6,422)	6,422	-	-
<b>Total equity at the end of the year</b>		<b>171,658</b>	<b>27,120</b>	<b>20,492</b>	<b>9,516</b>	<b>228,786</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 2018

	Note	2018 \$'000 Inflows/ (Outflows)	2017 \$'000 Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Sales from trading portfolio		2,315	909
Purchases for trading portfolio		(715)	(1,048)
Interest received		205	345
Proceeds from entering into options in options written portfolio		4,633	2,921
Payment to close out options in options written portfolio		(4,765)	(1,634)
Dividends and distributions received		6,536	5,987
		<b>8,209</b>	<b>7,480</b>
Other receipts		-	6
Administration expenses		(1,722)	(1,655)
Finance costs paid		(58)	(50)
Income taxes paid		(956)	(1,132)
<b>Net cash inflow/(outflow) from operating activities</b>	E1	<b>5,473</b>	<b>4,649</b>
<b>Cash flows from investing activities</b>			
Sales from investment portfolio		107,810	88,083
Purchases for investment portfolio		(119,066)	(78,848)
Tax paid on capital gains		(2,119)	(455)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(13,375)</b>	<b>8,780</b>
<b>Cash flows from financing activities</b>			
Shares issued		3,101	3,112
Share issue transaction costs		(11)	(11)
Net borrowings		1,000	-
Dividends paid		(9,029)	(8,914)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(4,939)</b>	<b>(5,813)</b>
Net increase/(decrease) in cash held		(12,841)	7,616
Cash at the beginning of the year		14,991	7,375
Cash at the end of the year	D1	<b>2,150</b>	<b>14,991</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:

	2018 \$'000	2017 \$'000
Share capital	174,748	171,658
Revaluation reserve	39,285	27,120
Realised capital gains reserve	20,721	20,492
Retained profits	10,604	9,516
	<b>245,358</b>	<b>228,786</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:

	2018 \$'000	2017 \$'000
Equity instruments (at market value)	262,118	231,024
	<b>262,118</b>	<b>231,024</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:

	2018 \$'000	2017 \$'000
Call options	1,044	587
Put options	16	54
	<b>1,060</b>	<b>641</b>

If all call options were exercised, this would lead to the sale of \$39.6 million worth of securities at an agreed price – the 'exposure' (2017: \$36.0 million). If all the put options were exercised, this would require the Company to purchase \$1.7 million of stock (2017: \$3.2 million).

\$9.9 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2017: \$5.5 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 options). 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 2018 and 30 June 2017 were as follows:

	30 June 2018 \$	30 June 2017 \$
<b>Net Tangible Asset Backing Per Share</b>		
Before tax	1.02	0.95
After tax	0.94	0.89

### 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 12 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 \$113.7 million (2017: \$88.1 million) of equity securities were sold. The cumulative gain on the sale of securities was \$4.1 million for the period after tax (2017: \$6.4 million). This has been transferred from the revaluation reserve to retained profits and 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 2018 is set out below.

	2018 \$'000	2017 \$'000
<b>Dividends and distributions</b>		
Dividends from securities held in investment portfolio at 30 June	6,376	5,116
Investment securities sold during the year	1,867	1,159
Dividends from securities held in trading portfolio at 30 June	-	-
Trading securities sold during the year	-	3
	<b>8,243</b>	<b>6,278</b>

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.

## Notes to the Financial Statements continued

### Trading Income and Non-equity Investments

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

	2018 \$'000	2017 \$'000
<b>Net gains</b>		
Net realised gains/(losses) from trading portfolio	129	(19)
Realised gains on options written portfolio	257	576
Unrealised gains from trading portfolio	-	8
Unrealised gains/(losses) on options written portfolio	(809)	300
	<b>(423)</b>	<b>865</b>

### A4. Dividends Paid

The dividends paid and payable for the year ended 30 June 2018 are shown below:

	2018 \$'000	2017 \$'000
<b>(a) Dividends Paid During the Year</b>		
Final dividend for the year ended 30 June 2017 of 3.5 cents fully franked at 27.5 per cent, paid 24 August 2017 (2017: 3.5 cents fully franked at 30 per cent, paid on 25 August 2016)	9,029	8,914
	<b>9,029</b>	<b>8,914</b>

#### (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

6,007      4,180

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

(4,216)      (3,425)

#### Net available

**1,791**      **755**

These franking account balances would allow AMCIL to frank additional dividend payments at a rate of 27.5 per cent (30 June 2017: 27.5 per cent) up to an amount of:

4,722      1,990

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 4.25 cents per share fully franked at 27.5 per cent. The aggregate amount of the final dividend for the year to 30 June 2018 to be paid on 24 August 2018, but not recognised as a liability at the end of the financial year is:

11,114

#### (d) Listed Investment Company Capital Gain Account

Balance of the listed investment company (LIC) capital gain account

8,892      7,234

This equates to an attributable amount of

**12,703**      **10,334**

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. \$7.2 million of the attributable amount will be 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:

	2018	2017
Basic Earnings Per Share	Number	Number
Weighted average number of ordinary shares used as the denominator	260,968,824	257,473,533
	\$'000	\$'000
Profit for the year	6,247	5,383
	Cents	Cents
Basic earnings per share	2.39	2.09

### 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:

	2018	2017
	\$'000	\$'000
Administration fees paid to AICS	(899)	(918)
Other administration expenses	(825)	(729)
	<b>(1,724)</b>	<b>(1,647)</b>

### 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>2018</b>			
<b>Directors</b>	<b>400,686</b>	<b>38,064</b>	<b>438,750</b>
2017			
Directors	353,172	33,550	386,722

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.

## Notes to the Financial Statements continued

### 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 per cent (2017: 27.5 per cent). This rate has been chosen as the Government currently has legislation before Parliament to deny the lower company tax rate to investment companies such as AMCIL.

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:

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>(a) Reconciliation of Income Tax Expense to Prima Facie Tax Payable</b>		
Profit before income tax expense	<b>6,242</b>	5,797
Tax at the Australian company tax rate of 30 per cent (2017 – 30 per cent)	1,873	1,739
Tax offset for franked dividends received	(1,768)	(1,266)
Tax effect of sundry items either taxable in current year but not included in income or non-taxable	(76)	5
	<b>29</b>	478
Over provision in prior years	(34)	(64)
<b>Total tax expense/(credit)</b>	<b>(5)</b>	414

### 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.

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Deferred tax liabilities on unrealised gains in the investment portfolio	22,290	15,473
Opening balance at 1 July	15,473	16,119
Tax on realised gains (at 30 per cent)	(2,242)	(2,119)
Charged to OCI for ordinary securities on gains or losses for the period	9,059	1,473
	<b>22,290</b>	15,473

### 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 per cent and 10 per cent, if spread equally over all assets in the investment portfolio, would have led to a reduction in AMCIL's comprehensive income of \$9.2 million and \$18.3 million respectively, at a tax rate of 30 per cent (2017: \$8.1 million and \$16.2 million at a tax rate of 30 per cent). A market fall of 5 per cent and 10 per cent across the trading portfolio and options written portfolio would have led to an increase in profit after tax of \$37,000 and \$74,000 respectively (2017: \$4,000 and \$9,000).

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:

	2018 %	2017 %
Energy	4.67	3.58
Materials	18.79	14.85
Industrials	17.74	16.32
Consumer discretionary	5.81	6.22
Consumer staples	5.19	7.32
Banks	12.31	11.39
Other financials (including property trusts)	13.11	11.82
Telecommunications	1.03	2.51
Healthcare	8.89	12.78
Info technology	11.64	7.12
Cash	0.82	6.09

There were two securities representing over 5 per cent of the combined investment and trading portfolio (including options) at 30 June 2018 – BHP (5.8 per cent) and CSL (5.5 per cent) (2017: nil).

AMCIL is not currently materially exposed to interest rate risk as all its cash investments are short-term for a fixed interest rate. 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 four' 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.

#### *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.

## Notes to the Financial Statements continued

### 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.

	<b>Less than 6 Months \$'000</b>	<b>6-12 Months \$'000</b>	<b>Greater than 1 Year \$'000</b>	<b>Total Contractual Cash Flows \$'000</b>	<b>Carrying Amount \$'000</b>
<b>30 June 2018</b>					
Payables	253	-	-	253	253
Borrowings	1,000	-	-	1,000	1,000
Options written*	1,739	-	-	1,739	1,060
	<b>2,992</b>	<b>-</b>	<b>-</b>	<b>2,992</b>	<b>2,313</b>
<b>30 June 2017</b>					
Payables	249	-	-	249	249
Options written*	3,205	-	-	3,205	641
	<b>3,454</b>	<b>-</b>	<b>-</b>	<b>3,454</b>	<b>890</b>

\* 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.

## ADDITIONAL INFORMATION

Additional information that shareholders may find useful is included here. It is grouped into three sections:

- D. Balance Sheet Reconciliations
- E. Income Statement Reconciliations
- F. Other 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

	2018 \$'000	2017 \$'000
Cash at bank and in hand (including on-call)	2,150	14,991

Cash holdings yielded an average floating interest rate of 1.80 per cent (2017: 1.93 per cent). 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 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.

	2018 \$'000	2017 \$'000
Commonwealth Bank of Australia – cash advance facility	10,000	10,000
Amount drawn down at 30 June	(1,000)	-
Undrawn facilities at 30 June	9,000	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

	2018 \$'000	2017 \$'000
Opening balance at 1 July 2017	27,120	25,620
Gains on investment portfolio	25,323	9,395
Deferred tax on above	(9,059)	(1,473)
Transfer to realised capital gains reserve for realised gains	(4,099)	(6,422)
	<b>39,285</b>	<b>27,120</b>

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

	2018 \$'000			2017 \$'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	7,234	13,258	20,492	2,290	11,780	14,070
Dividends paid	(3,870)	-	(3,870)	-	-	-
Cumulative taxable realised (losses)/gains for period	7,478	(1,137)	6,341	7,063	1,478	8,541
Tax on realised gains/(losses)	(2,242)	-	(2,242)	(2,119)	-	(2,119)
	<b>8,600</b>	<b>12,121</b>	<b>20,721</b>	<b>7,234</b>	<b>13,258</b>	<b>20,492</b>

This reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio as described in A2.

## Additional Information continued

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

	2018 \$'000	2017 \$'000
Opening balance at 1 July	9,516	13,047
Dividends paid	(5,159)	(8,914)
Profit for the year	6,247	5,383
	<b>10,604</b>	<b>9,516</b>

This reserve relates to past profits.

### D6. Share Capital

Date	Details	Notes	Number of Shares '000	Issue Price \$	Paid-up Capital \$'000
1/7/2016	Balance		254,700		168,556
25/8/2016	Dividend Reinvestment Plan	(i)	3,276	0.95	3,113
Various	Costs of issue		-		(11)
30/6/2017	Balance		257,976		171,658
24/8/2017	Dividend Reinvestment Plan	(i)	3,524	0.88	3,101
Various	Costs of issue		-		(11)
30/6/2018	Balance		<b>261,500</b>		<b>174,748</b>

(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) and Chi-X in the five days after the shares begin trading ex-dividend.

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

	2018 \$'000	2017 \$'000
<b>Profit for the year</b>	<b>6,247</b>	<b>5,383</b>
Net decrease/(increase) in trading portfolio	516	(359)
Increase/(decrease) in options written portfolio	419	412
Dividends received as securities under DRP investments	(436)	(207)
Decrease/(increase) in current receivables	(6,238)	149
– Less increase/(decrease) in receivables for investment portfolio	5,921	-
Increase/(decrease) in deferred tax liabilities	6,589	(550)
– Less (increase)/decrease in deferred tax liability on investment portfolio	(6,817)	646
Increase/(decrease) in current payables	4	(2,890)
– Less decrease/(increase) in payables for investment portfolio	-	2,881
Increase/(decrease) in provision for tax payable	(609)	848
– Less CGT provision	(2,242)	(2,119)
– Add taxes paid on capital gains	2,119	455
<b>Net cash flows from operating activities</b>	<b>5,473</b>	<b>4,649</b>

## E2. Tax Reconciliations

### Tax Expense Composition

	2018 \$'000	2017 \$'000
Charge for tax payable relating to the current year	257	382
Over provision in prior years	(34)	(64)
Increase/(decrease) in deferred tax liabilities	(228)	96
	<b>(5)</b>	<b>414</b>

### Amounts Recognised Directly Through Other Comprehensive Income

	2018 \$'000	2017 \$'000
Net movement in tax liabilities relating to capital gains tax on the movement in gains in the investment portfolio	9,059	1,473
	<b>9,059</b>	<b>1,473</b>

### Deferred Tax Assets and Liabilities

The deferred tax balances are attributable to:

	2018 \$'000	2017 \$'000
(a) The difference in the value of the trading portfolio for tax and accounting purposes	-	(2)
(b) Tax on unrealised gains or losses in the options written portfolio	101	(130)
(c) Provisions and expenses charged to the accounting profit which are not yet tax deductible	71	65
(d) Interest and dividend income receivable which is not assessable for tax until receipt	(84)	(73)
	<b>88</b>	<b>(140)</b>
Movements:		
Opening asset/(liability) balance at 1 July	(140)	(44)
Credited/(charged) to Income statement	228	(96)
	<b>88</b>	<b>(140)</b>

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 per cent (2017: 27.5 per cent).

## F. Other Information

This section covers other 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:

	2018 \$	2017 \$
PricewaterhouseCoopers		
Audit or review of Financial Reports	104,895	113,599
<b>Non-audit services</b>		
Taxation compliance services	11,440	13,365
<b>Total remuneration</b>	<b>116,335</b>	<b>126,964</b>

## Additional Information continued

### 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 only two investments comprising more than 10 per cent of AMCIL's income, including realised income from the trading and options written portfolios – National Australia Bank (11.2 per cent) and Westpac (10.2 per cent)(2017: nil).

### 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 and is presented in the Australian currency. AMCIL has 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 and 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 2018 ('the inoperative standards') except for AASB 9 which was adopted on 7 December 2009. The impact of the inoperative standards has been assessed and the impact has been identified as not being material. AMCIL only intends to adopt other 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.

## DIRECTORS' DECLARATION

In the Directors' opinion:

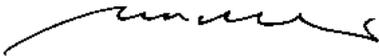
- (1) the financial statements and notes set out on pages 18 to 34 are in accordance with the *Corporations Act 2001* including:
  - (a) complying with the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the Company's financial position as at 30 June 2018 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.

Note F4 to the financial statements confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 2018.

The declarations received were that, in the opinion of the Managing Director and the Chief Financial Officer 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.



R Myer  
Director

Melbourne  
24 July 2018



## *Independent auditor's report*

To the members of AMCIL Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of AMCIL Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **What we have audited**

The financial report comprises:

- the balance sheet as at 30 June 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the cash flow statement for the year then ended
- the income statement for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

#### **Independence**

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

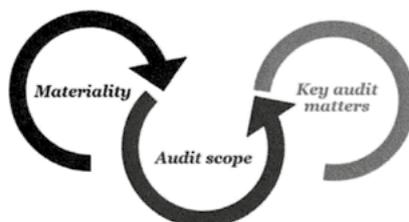
Liability limited by a scheme approved under Professional Standards Legislation.

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### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Company, the accounting processes and controls, and the industry in which the Company operates.



#### **Materiality**

- For the purpose of our audit we used overall group materiality of 1% of the Company's net assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose net assets as the benchmark because, in our view, net assets is;
  - the metric against which the performance of the group is most commonly measured; and
  - the key driver of the business and determinant of the Company's value.
- We selected 1% based on our professional judgement, noting that it is within the range of commonly acceptable net asset related thresholds.

#### **Audit scope**

- Our audit focused on where the Company made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Company operates entirely out of its Melbourne office and we perform our audit procedures predominantly at that office.
- The administration and investment operations for the Company are conducted by Australian Investment Company Services Limited. In addition to our audit procedures, we obtained a report from other auditors that the controls over administration and investment operations operating at Australia Investment Company Services Limited were suitably designed and operated effectively for the year. We assessed the report by considering the other auditor's independence, competency and results of procedures.

#### **Key Audit Matters**

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Existence and valuation of Investment Portfolio
- These are further described in the key audit matters section of our report.

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## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>Existence and valuation of Investment Portfolio</b> (Refer to note A2)</p> <p>\$262.1m</p> <p>The Investment Portfolio mostly consists of listed Australian equities which are valued by multiplying the quantity held by market price.</p> <p>Whilst there is no significant judgement in determining the valuation of the Company's investments, investments represent a key measure of the Company's performance and comprise a significant proportion of total assets in the balance sheet. The fluctuations in investment valuation will also impact the realised and unrealised gains/(losses) recognised in the statement of comprehensive income which also affects the deferred tax provisions. Given the pervasive nature investments have on the Company's key financial metrics, we determined the existence and valuation of investments to be a key audit matter.</p>	<p>1) Performed an investment reconciliation of the investments balance from the opening investment balance, addition/subtraction of purchases, sales and other relevant transactions and agreeing back to the 30 June 2018 balance.</p> <p>2) Obtained the 2018 purchases and sales listing and</p> <ul style="list-style-type: none"> <li>• agreed a sample of purchases and sales to original contracts; and</li> <li>• agreed a sample of original contracts to the purchases and sales listing.</li> </ul> <p>3) Agreed all the investment quantity holdings at 30 June 2018 to independent third party sources.</p> <p>4) Agreed all the listed equities investment prices to independent market pricing sources.</p> <p>5) Obtained a report on whether the controls over investment purchase and sales transactions were suitably designed and operated effectively for the year and assessed the report.</p>

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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Director's Report, Additional Information section and Other Information section included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

*Report on the remuneration report*

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*Our opinion on the remuneration report*

We have audited the remuneration report included in the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of AMCIL Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

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*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report of AMCIL Limited for the year ended 30 June 2018 included on AMCIL Limited's web site. The directors of the Company are responsible for the integrity of AMCIL Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.



PricewaterhouseCoopers



Nadia Carlin  
Partner

Melbourne  
24 July 2018

## OTHER INFORMATION

### Information About Shareholders

At 16 July 2018 there were 3,013 holdings of shares. These holdings were distributed in the following categories:

Size of Holding	Holdings
1 to 1,000	400
1,001 to 5,000	387
5,001 to 10,000	291
10,001 to 100,000	1,460
100,000 and over	475
<b>Total</b>	<b>3,013</b>

Percentage held by the 20 largest holders	36.52%
Average shareholding	86,790

There were 307 shareholdings of less than a marketable parcel of \$500 (538 shares).

### Voting Rights of Ordinary Shares

The Constitution provides for votes to be cast:

- (i) on a show of hands, 1 vote for each shareholder; and
- (ii) on a poll, 1 vote for each fully paid ordinary share

### Major Shareholders

The 20 largest registered shareholders of the Company's ordinary shares as at 16 July 2018 are noted below:

Name	Shares Held	%
Bruce Teele	44,402,590	16.98
Djerriwarrh Investments Ltd	10,599,254	4.05
Terrence Campbell	4,931,326	1.89
Christine Joy Campbell	4,921,815	1.88
Ross Barker	4,752,083	1.82
Fobsha Pty Limited	3,602,064	1.38
Ancona Valley Holdings Pty Ltd <Roswell Super Fund A/C>	3,282,241	1.26
HSBC Custody Nominees (Australia) Limited	2,583,934	0.99
Riga (Qld) Pty Ltd <Krohn Family S/F A/C>	1,865,166	0.71
National Nominees Limited	1,706,722	0.65
LIC Investments Pty Ltd <LIC Investments Unit A/C>	1,647,304	0.63
Netwealth Investments Limited <Wrap Services A/C>	1,588,715	0.61
S D M Wallis	1,458,750	0.56
Roger Brown	1,302,451	0.50
Somoke Pty Limited <Pulman Super Fund A/C>	1,221,209	0.47
JDB Services Pty Ltd <RAC & JD Brice Invest A/C>	1,213,851	0.46
Prof Peter Glow + Mrs Roslyn Ann Glow	1,175,038	0.45
Australian Executor Trustees Limited <No 1 Account>	1,173,809	0.45
FFSF Asset Management Pty Ltd <FF Super Fund A/C>	1,059,581	0.41
Annieandjohnpaterson Foundation Ltd <Paterson Foundation A/C>	1,018,073	0.39

## Substantial Shareholders

The Company has been notified of substantial shareholdings as follows:

Holder	Number of Shares	Date Notified
Bruce B Teele	32,848,688*	15/12/09

\* Shareholding as per last substantial shareholding notification. Current shareholding reflected on page 41.

## Transactions in Securities

During the year ended 30 June 2018, the Company recorded 1,038 transactions in securities. \$724,076 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	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
ALQ*	ALS	Provider of analytical laboratory services to mining, life sciences, energy and industrial clients	475	410	3,078
AMC*	Amcor	Global packaging company	304	441	6,314
ARB	ARB Corporation	Manufacturer and distributor of four-wheel drive vehicle accessories in Australia and internationally	150	150	3,425
AUB	AUB Group	Investor in a network of small to medium Australian insurance brokers	150	370	5,025
BHP	BHP	Diversified international resources company	405	447	15,141
BKW	Brickworks	Australia's largest manufacturer of bricks and pavers, with other investments in property development and listed equities	175	225	3,519
BLD	Boral	Engages in the provision of building and construction materials	0	500	3,265
BRG	Breville Group	Manufacturer and wholesaler of electrical consumer products	0	225	2,615
BXB	Brambles	Global provider of supply chain management and logistics solutions	827	445	3,952
CAR	Carsales.com	The largest online automotive classifieds business in Australia. It also has interests in leading online automotive classified businesses in Brazil, South Korea, Malaysia, Indonesia, Thailand and Mexico	0	373	5,634
CBA*	Commonwealth Bank of Australia	Banking and wealth management services	107	108	7,724
CGF	Challenger	Financial services company providing life insurance, annuities and funds management	200	485	5,738
CPU*	Computershare	Provides stock registration and transfer services to companies listed on various stock markets globally, as well as providing technology services for stock exchanges, investor services for shareholders and employee share plan management and the provision of bankruptcy, class action and mortgage servicing activities for various corporate clients globally	170	320	5,827
CSL	CSL	Biopharmaceutical company that researches, develops, manufactures and markets products to treat and prevent serious human medical conditions	60	74	14,254
CYB	CYBG PLC	A leading mid-sized United Kingdom retail and SME bank with long established operations across its core regions	650	1,110	6,249
DLX	DuluxGroup	Engages in the manufacture and marketing of paints, coatings, and home improvement products	0	413	3,156
EQT	EQT Holdings	Provider of private client, trustee, estate administration and funds management services	0	205	4,262

## Holdings of Securities continued

Code	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
EXP	Experience Co	Adventure tourism operator providing skydiving, rafting and reef cruising services in Australia and New Zealand	3,081	3,796	2,429
FNP	Freedom Foods Group	Engaged in the manufacture and sale of food products, specialising in healthy cereal, snacking and beverage products and the export of UHT dairy products	757	1,123	7,559
FPH	Fisher & Paykel Healthcare Corporation	Designs, manufactures and markets a range of medical devices used in respiratory care and the treatment of obstructive sleep apnoea	414	265	3,625
ILU*	Iluka Resources	Miner of zircon and titanium-based mineral sands products with an additional iron ore production royalty	500	225	2,453
IRE	IRESS	Provider of share market and wealth management information systems	500	350	4,214
IVC	InvoCare	Provider of services related to funerals, burials and cremations	0	175	2,405
JHX	James Hardie Industries	Building materials company focused on fibre cement products, predominantly in the United States	370	270	6,121
LIC	Lifestyle Communities	Develops, owns and manages independent living communities for elderly citizens. The company operates eight villages across Victoria, encompassing a full range of community and lifestyle-orientated facilities on-site	2,312	1,800	10,530
MFT (NZX)	Mainfreight	Provider of managed warehousing and international and domestic freight forwarding services	445	329	8,380
MQG	Macquarie Group	Diversified financial services business operating in banking, financial advisory, investment and funds management services	0	73	8,965
NAB*	National Australia Bank	Banking and wealth management services	298	298	8,107
NUF	Nufarm	Agricultural chemical company that manufactures and sells crop protection and seeds treatment products globally	320	440	3,898
NXT	NEXTDC	Owns and operates large scale data centres across Australia	0	625	4,725
OCL	Objective Corporation	Provider of information technology software and services	1,395	1,395	4,881
OSH*	Oil Search	Oil and gas explorer, developer and producer with assets predominantly in PNG	885	925	8,003
QUB	Qube Holdings	Provider of import and export logistics services with national operations	3,027	3,027	7,296
REH	Reece	Distributor and retailer of plumbing, building and hardware supplies	0	466	5,889
RIO	Rio Tinto	Diversified international resources company	0	67	5,585
RWC	Reliance Worldwide Corporation	Designs, manufactures and distributes products for the plumbing industry including fittings, pipes, valves and thermostatic products	0	950	5,092

Code	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
SEK	Seek	Operator of employment classifieds websites in Australia and offshore with interest in education and training	250	300	6,543
SHL	Sonic Healthcare	Specialist diagnostics company providing radiology and pathology services in Australia and overseas	138	225	5,519
TCL	Transurban Group	Developer and operator of electronic toll roads in Australia and overseas	500	541	6,470
TPM	TPG Telecom	Provider of a range of telecommunication services to residential users, small and medium enterprises, government and large corporates in Australia	800	523	2,701
VGL	Vista Group International	Market leading developer of software for the cinema industry with products targeting point of sales, ticketing, box office data and loyalty programs	0	494	1,733
WBC*	Westpac Banking Corporation	Banking and wealth management services	245	360	10,333
WLL	Wellcom Group	Production company providing pre-media, digital asset management and specialty printing services to advertisers, retailers and corporations	1,005	1,005	4,422
WOW	Woolworths Group	Operates general merchandise consumer stores and supermarkets in Australia and New Zealand	0	200	6,104
WPL*	Woodside Petroleum	Producer of liquefied natural gas, domestic gas, condensate, crude oil and liquefied petroleum gas, primarily in West Australia	93	128	4,276
XRO	Xero	Develops cloud-based accounting software for small and medium-sized businesses in New Zealand, Australia, the United Kingdom and the United States	0	81	3,623
<b>Total</b>					<b>261,058</b>

\* Indicates that options were outstanding against part or all of the holding.

## Major Transactions in the Investment Portfolio

Acquisitions	Cost \$'000
Macquarie Group	7,716
BHP	5,994
Boral	5,861
Woolworths Group	5,457
Westpac	5,237
Carsales.com	5,084

Disposals	Proceeds \$'000
Treasury Wine Estates	6,533
Wesfarmers	6,256
Healthscope	6,202
Westfield Corporation (takeover by Unibail-Rodamco)	5,803
QBE Insurance	5,711
Incitec Pivot	5,292

All were complete disposals from the portfolio.

### New Companies Added to the Portfolio

Macquarie Group  
Woolworths Group  
Carsales.com  
Rio Tinto  
Reliance Worldwide  
Reece  
NEXTDC  
Boral  
DuluxGroup  
EQT Holdings  
Xero  
Breville Group  
InvoCare  
Vista Group International

## Sub-underwriting

During the year the Company did not participate as a sub-underwriter of issues of securities.

## Share Capital Changes

Date	Type	Price/Amount
24 August 2017	Dividend Reinvestment Plan	\$0.88
25 August 2016	Dividend Reinvestment Plan	\$0.95
4 March 2016	Share Purchase Plan	\$0.83
25 August 2015	Dividend Reinvestment Plan	\$0.85
18 November 2014	Share Purchase Plan	\$0.86
26 August 2014	Dividend Reinvestment Plan	\$0.94
8 October 2013	Share Purchase Plan	\$0.85
27 August 2013	Dividend Reinvestment Plan	\$0.87
5 January 2011	Share Purchase Plan	\$0.64
27 August 2010	Dividend Reinvestment Plan	\$0.60
11 December 2009	Share Purchase Plan	\$0.64
27 August 2009	Dividend Reinvestment Plan	\$0.59
15 August 2008	Dividend Reinvestment Plan	\$0.62
27 August 2007	Dividend Reinvestment Plan	\$0.75
Various	Exercise of options	\$0.50
23 January 2004	Share issue	\$0.50
19 December 2003	Capital consolidation 1 for 16	
15 August 2003	Capital return	\$0.40
23 May 2003	Capital return	\$0.40
11 March 2003	Capital return	\$0.40
17 January 2003	Capital return	\$0.32
18 November 2002	Capital return	\$0.33
7 April 2000	1 for 5 rights issue	\$2.00
24 January 2000	Exercise of JBWere Option	\$2.00
10 September 1999	Dividend Reinvestment Plan	\$2.54
2 June 1999	1 for 3 rights issue	\$2.40
15 March 1999	Dividend Reinvestment Plan	\$2.38
16 September 1998	Dividend Reinvestment Plan	\$2.14
17 June 1998	1 for 2 rights issue	\$2.00
27 March 1998	Dividend Reinvestment Plan	\$2.17
12 September 1997	Dividend Reinvestment Plan	\$1.95
18 October 1996	Initial issue	\$2.00

## Company Particulars

**AMCIL Limited (AMCIL)**  
ABN 57 073 990 735

### **Directors**

Bruce B Teele, Chairman  
Robert M Freeman, Managing Director  
Ross E Barker  
Roger G Brown  
Siobhan L McKenna  
Rupert Myer AO  
Richard B Santamaria  
Jonathan J Webster

### **Company Secretaries**

Matthew J Rowe  
Andrew JB Porter

### **Auditor**

PricewaterhouseCoopers  
Chartered Accountants

### **Country of Incorporation**

Australia

### **Registered Office and Mailing Address**

Level 21, 101 Collins Street  
Melbourne Victoria 3000

### **Contact Details**

**Telephone** (03) 9650 9911  
**Facsimile** (03) 9650 9100  
**Website** [amcil.com.au](http://amcil.com.au)  
**Email** [invest@amcil.com.au](mailto:invest@amcil.com.au)

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

**Telephone** 1800 780 784 (toll free)

### **Share Registrar**

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

### **Shareholder**

**Enquiry Line** 1300 653 916  
+613 9415 4224  
(from overseas)  
**Facsimile** (03) 9473 2500  
**Website** [investorcentre.com/au/contact](http://investorcentre.com/au/contact)

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

### **Securities Exchange Code**

AMH Ordinary shares

## **Shareholder Meetings**

### **Annual General Meeting**

**Time** 1.30pm  
**Date** Thursday 11 October 2018  
**Venue** ZINC Federation Square  
**Location** Corner of Swanston Street and Flinders Street  
Melbourne

### **Sydney Shareholder Meeting**

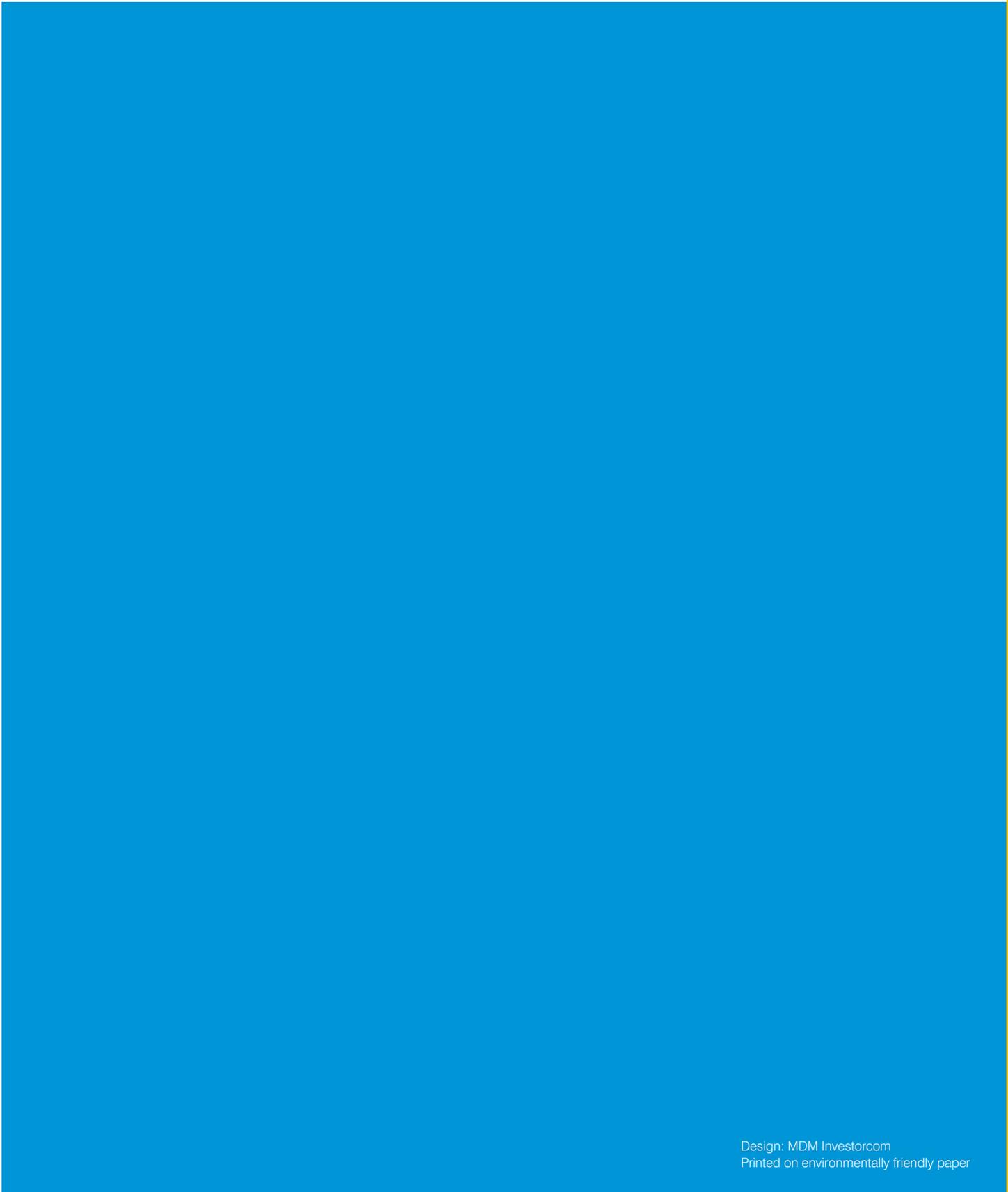
**Time** 1.00pm  
**Date** Monday 15 October 2018  
**Venue** Four Seasons Hotel  
**Location** 199 George Street  
Sydney

### **Adelaide Shareholder Meeting**

**Time** 1.00pm  
**Date** Friday 19 October 2018  
**Venue** Adelaide Convention Centre  
**Location** Panorama Rooms North Terrace  
Adelaide

### **Brisbane Shareholder Meeting**

**Time** 1.00pm  
**Date** Monday 22 October 2018  
**Venue** Brisbane Hilton  
**Location** 190 Elizabeth Street  
Brisbane



The logo for AMCIL, featuring the letters 'A', 'M', 'C', and 'I' in a dark blue color, with a yellow vertical bar on the left side of the 'M'. The letter 'L' is in a lighter blue color. The logo is set against a dark blue rectangular background.

AMCIL

The text 'Annual Review 2018' is displayed in a white, sans-serif font. The words 'Annual Review' are on the top line, and '2018' is on the bottom line. The text is positioned in the lower right quadrant of the page, above a thin white horizontal line.

Annual Review  
2018

The text 'A Focused Portfolio of Australian Equities' is displayed in a white, sans-serif font. The words 'A Focused Portfolio' are on the top line, and 'of Australian Equities' is on the bottom line. The text is positioned in the lower right quadrant of the page, below a thin white horizontal line.

A Focused Portfolio  
of Australian Equities

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AMCIL manages a focused portfolio covering large and small companies in the Australian equity market. As a result, small companies by market size can have an equally important impact on portfolio returns as larger companies in the Australian market.

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## **Contents**

- 2 5 Year Summary
- 4 About the Company
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- 16** Income Statement
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- 18** Summarised Statement of Changes in Equity
- 19** Holdings of Securities
- 27** Major Transactions in the Investment Portfolio
- 28** Company Particulars
- 29** Shareholder Meetings



## Year in Summary

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### Profit for the Year

\$6.2m

Up 16.1% from 2017

---

### Total Shareholder Return

9.1%

Share price plus dividend

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### Fully Franked Dividend

4.25¢

3.5 cents in 2017

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### Management Expense Ratio

0.69%

0.68% in 2017

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### Total Portfolio Return

13.9% Including  
Franking\*

S&P/ASX 200 Accumulation  
Index 14.6% including franking\*

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### Total Portfolio

\$263.2m

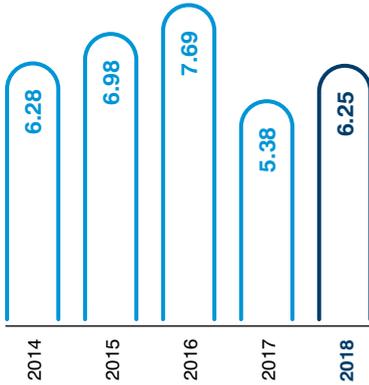
Including cash at 30 June  
\$245.9 million in 2017

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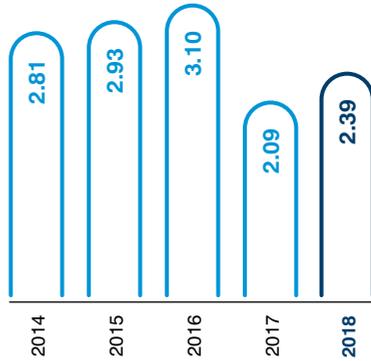
\* Assumes a shareholder can take full advantage  
of the franking credits.

# 5 Year Summary

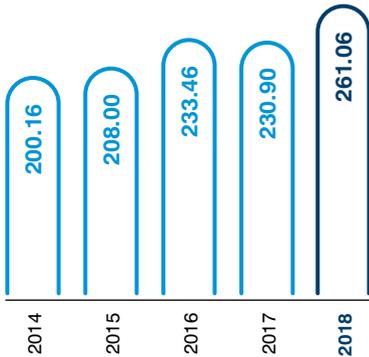
Profit After Tax (\$ Million)



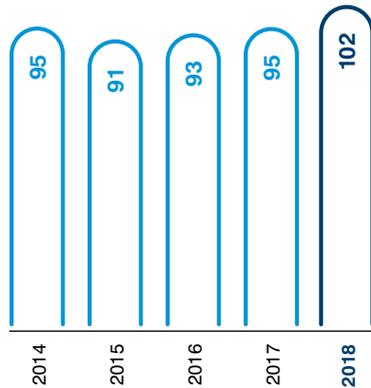
Net Profit Per Share (Cents)



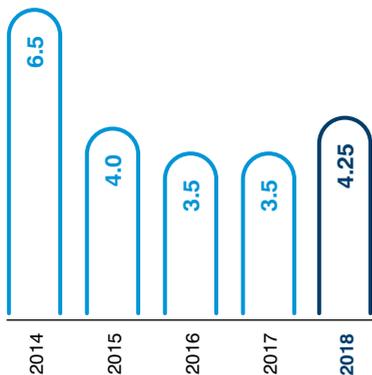
Investments at Market Value (\$ Million)<sup>(a)</sup>



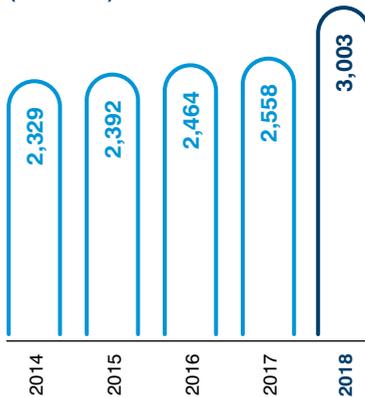
Net Asset Backing Per Share (Cents)<sup>(c)</sup>



### Dividends Per Share (Cents)<sup>(b)</sup>



### Number of Shareholders (30 June)



#### Notes

- (a) Excludes cash.
- (b) 2018 carries 2.76 cents attributable 'LIC gain' per share, 2017: 2.1 cents, 2016: nil, 2015: 2.1 cents, 2014: 5.7 cents.
- (c) Net asset backing per share based on year-end data before the provision for the final (and where applicable, special) dividend. 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.

# About the Company

## Investment Objectives

AMCIL is a medium to long-term investor in the Australian equity market. Its investment approach is to construct a focused portfolio in which large and small companies can have an equally important impact on investment returns.

The number of holdings in the portfolio depends on market conditions and investment opportunities. The Company aims to provide shareholders with:

- attractive returns through strong capital growth in the portfolio over the medium to long term; and
- the generation of fully franked dividend income.

## Approach to Investing

We seek to create a diversified portfolio of quality companies which are likely to sustainably grow their earnings and dividends over this medium to long-term timeframe.

Our assessment of quality includes criteria such as the board and management, financial position, margin creation as well as some key financial metrics such as the level of gearing in the balance sheet, product margins and cash flow. The structure of the industry and a company's competitive position in its industry are also important indicators of quality. Linked to this assessment of quality is the ability of companies to grow earnings over time, which ultimately should produce good dividend and capital growth.

Recognising value is also an important aspect of AMCIL's investment approach. Our assessment of value tries to reflect the opportunity a business has to prosper and thrive over the medium to long term.

## How AMCIL Invests – What We Look For in Companies



Given the focused nature of the portfolio, AMCIL is more active in managing the holdings. Our preference is that positions will be held for the long term. However, in managing the risk in the portfolio, the Company is prepared to scale back or exit holdings completely if the investment case alters markedly, the position becomes too large in the portfolio or share prices become excessively high. In managing the portfolio in this way, we believe AMCIL

can offer investors returns in excess of the S&P/ASX 200 over the long term. Given the greater concentration of the portfolio, there may be periods when the performance of AMCIL can vary quite markedly from the Index. The objective is to deliver outperformance over the medium to long term.

From time to time, the Company also uses options written against some of its investments and a small trading portfolio to generate additional income.

The other important feature to note is AMCIL's dividend policy, of maximising the distribution of available franking credits each year. As a result, the amount of fully franked dividends are likely to fluctuate from year to year.



# Review of Operations and Activities

## Profit and Dividend

Profit for the year was \$6.2 million, up 16.1 per cent from \$5.4 million for the corresponding period last year. There were a number of adjustments to the portfolio through the year, which lifted investment income. This included adding to the holdings in BHP and Westpac, as well purchasing new positions in Macquarie Group and Rio Tinto. There was also a special dividend from Wellcom Group during the year.

Income from options was negative \$0.6 million, down from the positive contribution of \$0.9 million in the corresponding period last year. The major reason for the decline was an increase in unrealised losses from the marking to market of open call option positions given the strong rise in the market. On the other hand, the investment portfolio over which options are written increased by \$12.1 million. The other important feature to note with the options is that these accounting losses, which arise when prices on the underlying stocks increase in value, often reduce as options approach expiry, in this case in the 2018–19 financial year.

AMCIL will pay a final dividend of 4.25 cents per share fully franked, which is an increase on the 3.5 cents fully franked last year. Under changes to corporate tax legislation, the final dividend has been franked using the expected corporate tax rate for 2018–19 of 27.5 per cent.

Part of the dividend has been sourced from capital gains on which the Company has paid or will pay tax. The amount of the pre-tax attributable gain on this portion of the dividend, known as an 'LIC capital gain', is 2.76 cents. This enables some shareholders to claim a tax deduction in their tax return.

## Management Expense Ratio

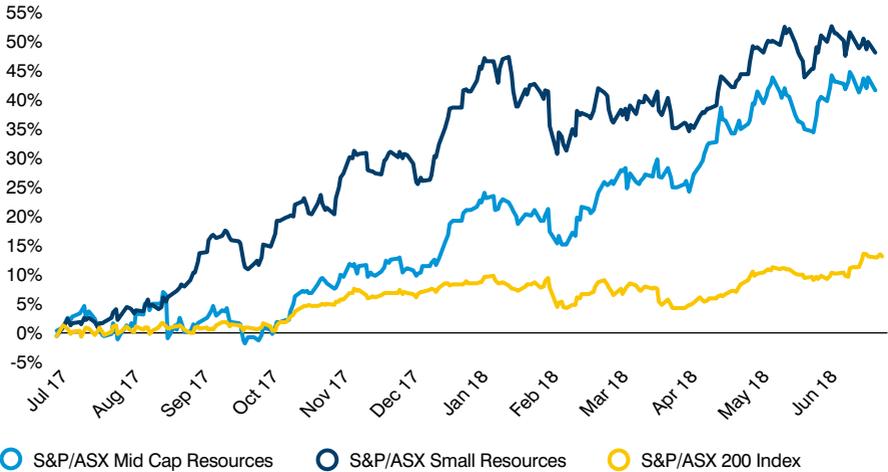
AMCIL's management expense ratio is 0.69 per cent. AMCIL's portfolio is managed internally and does not charge portfolio performance fees which leads to lower costs for shareholders.

The management expense ratio compares very favourably with the average fees charged by managed funds with a similar investment focus and size as AMCIL. For retail investors, these fees can typically be in excess of 1 per cent and can also include additional performance fees.

## Portfolio Returns

Over the 12-month period, the resources market was very strong. Whilst AMCIL has some exposure to this sector, it does not have a large exposure to small and mid cap resource companies, which were up 49 per cent and 42 per cent respectively over the year (Figure 1). These companies tend to be at the more speculative end of the market and therefore do not fit with AMCIL's investment approach. In this context, the Company believes the portfolio performance for the year is very satisfactory.

**Figure 1: Performance of S&P/ASX 200 Index Relative to Small and Mid Cap Resources**



Source: FactSet

AMCIL's total portfolio return over the year was 12.3 per cent, with the S&P/ASX 200 Accumulation Index up 13.0 per cent. Assuming the full benefit of franking credits, AMCIL's portfolio delivered a return of 13.9 per cent, whereas the S&P/ASX 200 Accumulation Index return was 14.6 per cent on the same basis over the year (Figure 2 on page 8). It is appropriate to add franking credits to total returns, given AMCIL's dividend policy seeks to maximise the distribution of franking credits, including those arising from taxable realised gains.

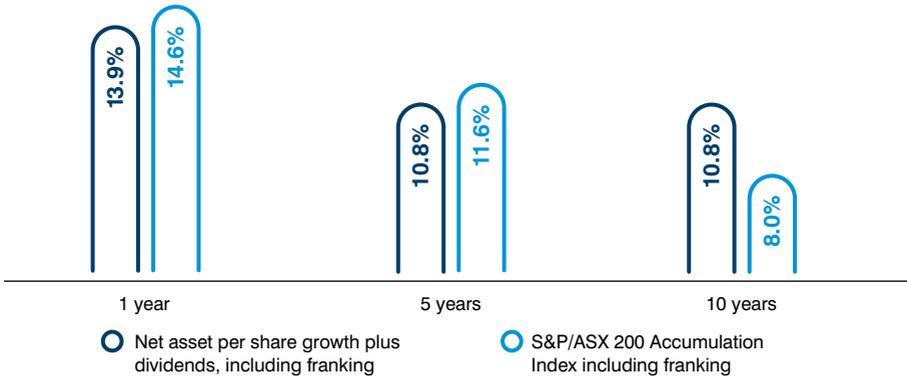
The unique features of AMCIL's portfolio are highlighted by the nature of the best performing stocks over the year, which

are a mix of large and small companies, all of which contributed strongly to performance. In large companies, the more significant contributors to the portfolio were BHP, CSL and Macquarie Group. In smaller companies, strong contributions came from Lifestyle Communities, Freedom Foods and Objective Corporation.

The long term performance of the portfolio, which is more in line with the Company's investment timeframes, was 10.8 per cent per annum for the 10 years to 30 June 2018, versus the Index return of 8.0 per cent per annum (these returns include the full benefit of franking).

# Review of Operations and Activities continued

**Figure 2: Portfolio Performance – Per Annum Returns to 30 June 2018, Including Franking Credits\***



\* Assumes an investor can take full advantage of the franking credits. AMCIL's portfolio return is also calculated after management fees, income tax and capital gains tax on realised sales of investments. It should be noted that Index returns for the market do not include management expenses or tax.

Past performance is not indicative of future performance.

Given the greater concentration of the portfolio, there will be periods when the performance of AMCIL can vary quite markedly from the Index. Figure 3 (on page 10) outlines the performance each financial year of the portfolio versus the S&P/ASX 200 Index over the past 10 years.

The investment objective is to deliver outperformance over the medium to long term. Figure 4 shows the cumulative return of the AMCIL portfolio over this 10-year period.

## Adjustments to the Portfolio

There were a number of adjustments to the portfolio over the year. Major purchases included new additions to the portfolio: Macquarie Group, Boral and Woolworths. There were additions to holdings in BHP and Westpac Bank, where it was also advantageous to generate additional returns by selling call options against these stocks. In smaller companies, a number of new holdings were added, including Carsales.com, as well as Reliance Worldwide and Reece, including participation in their respective capital raisings to fund offshore acquisitions.



Small Resources  
Sector Up

49%

“

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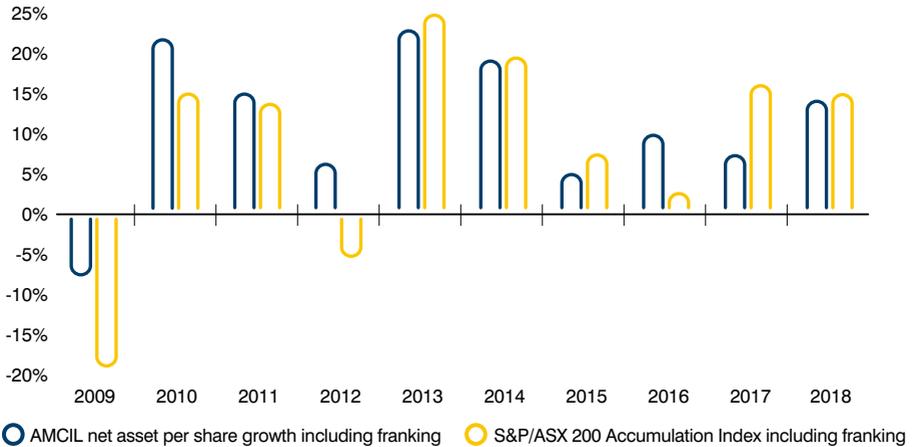
*The unique features of AMCIL's portfolio are highlighted by the nature of the best performing stocks over the year, which are a mix of large and small companies, all of which contributed strongly to performance.*

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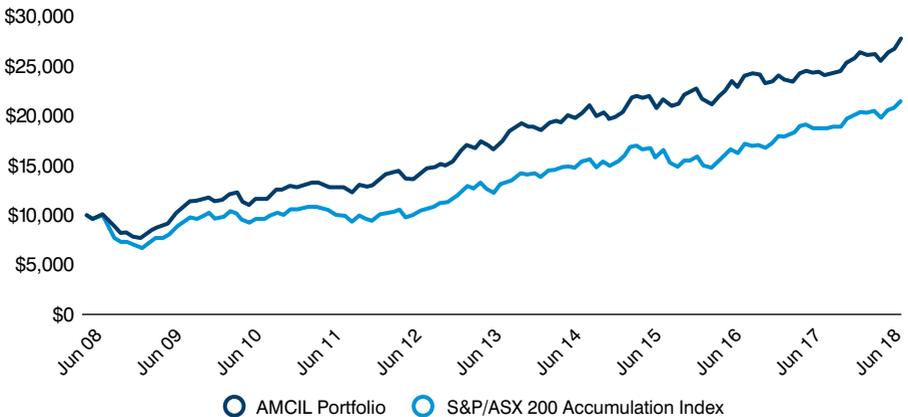
# Review of Operations and Activities continued

**Figure 3: Performance Each Financial Year of AMCIL Including Dividends and Franking Credits Versus the ASX 200 Accumulation Index With Franking\***



\* Assumes an investor can take full advantage of the franking credits.

**Figure 4: Ten Year Portfolio Performance of AMCIL (Including Benefit of Franking) – to 30 June 2018**



Note assumes an investor can take full advantage of the franking credits. This chart calculates the benefit of franking credits at the time dividends are paid for both AMCIL and the Index. In practice there is a timing difference between receipt of the dividend and the realisation of the franking benefit in the following tax year.

Details of some of the new companies added to the portfolio are:

- Carsales.com is the largest online automotive classifieds business in Australia. It also has interests in leading online automotive classified businesses in Brazil, South Korea, Malaysia, Indonesia, Thailand and Mexico.
- Reece is a leading distributor and retailer of plumbing, waterworks and HVAC-R products (specialised equipment, parts and supplies for the commercial heating, ventilation, air conditioning and refrigeration industries) to commercial and residential customers through 600 branches in Australia and New Zealand. The company recently completed the acquisition of MORSCO a leading United States distributor of plumbing, waterworks, heating and cooling (HVAC) products. The acquisition marks Reece's strategic entry into the United States plumbing market. MORSCO has 171 branches across 16 states throughout the United States Sun Belt region.
- Reliance Worldwide is the world's largest manufacturer of push to connect brass plumbing fittings and specialist water control valves. It operates across a number of markets, including Australia and the United States. The company recently acquired John Guest Holdings which is headquartered in the United Kingdom, and is a global leader in plastic push to connect fittings with products distributed worldwide. The acquisition of John Guest is aligned with Reliance's strategy to add complementary products and expand its market presence, particularly in Europe.

The purchases of these smaller companies also continue a key theme within AMCIL's investment activities. They have board and management teams with large shareholdings, quite often arising from their beginnings as family owned or start-up businesses. Experience suggests that these 'Owner Driver' businesses, with their experience and high levels of focus, often perform very well over the long term. There is also a strong alignment of management's interests with shareholders which is an attribute AMCIL values highly. Other companies in this category, which AMCIL has sizeable investments in, include Mainfreight, Freedom Foods Group and Seek.

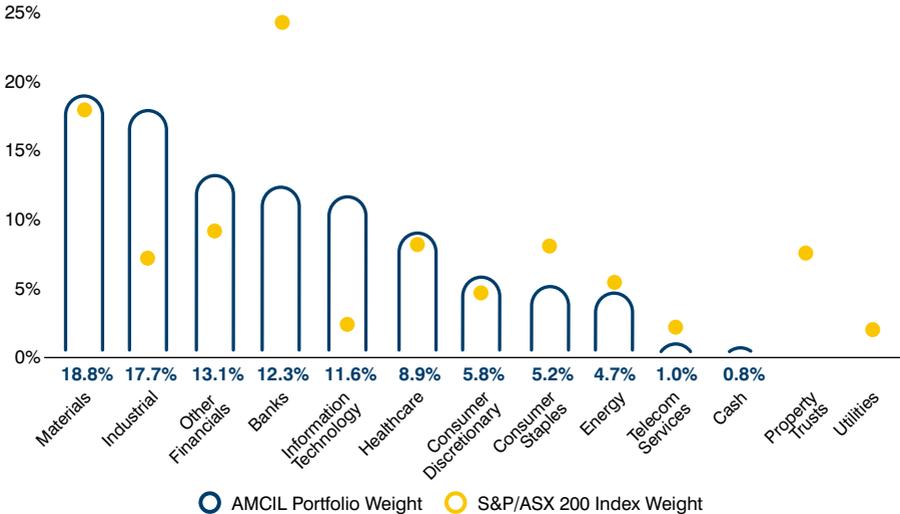
Major sales included the complete disposal of the positions in Treasury Wine Estates, which, given the strong run-up in its share price, meant it had become a very large position in the portfolio, Wesfarmers, Healthscope, Westfield Corporation (takeover by Unibail-Rodamco), QBE Insurance and Incitec Pivot.

Purchases in the investment portfolio totalled \$119.4 million for the year with total sales of \$113.7 million for the period.

AMCIL's portfolio is very different from that represented by the S&P/ASX 200 Index. Figure 5 (on the following page) highlights the profile of the total portfolio by the various sectors of the market at the end of the financial year and the portfolio's variance from the S&P/ASX 200 Index.

# Review of Operations and Activities continued

**Figure 5: Investment by Sector as at 30 June 2018**



The most notable variation is the position of banks in the portfolio. Whilst banks continue to supply sound dividend income, the outlook for growth relative to recent years, in our view, has diminished as credit for housing slows and competitive and regulatory pressures become greater. AMCIL also does not hold any property trusts given the observation that over the long term industrial companies have tended to outperform property trusts and the distribution from these trusts do not carry franking credits.

## Share Price

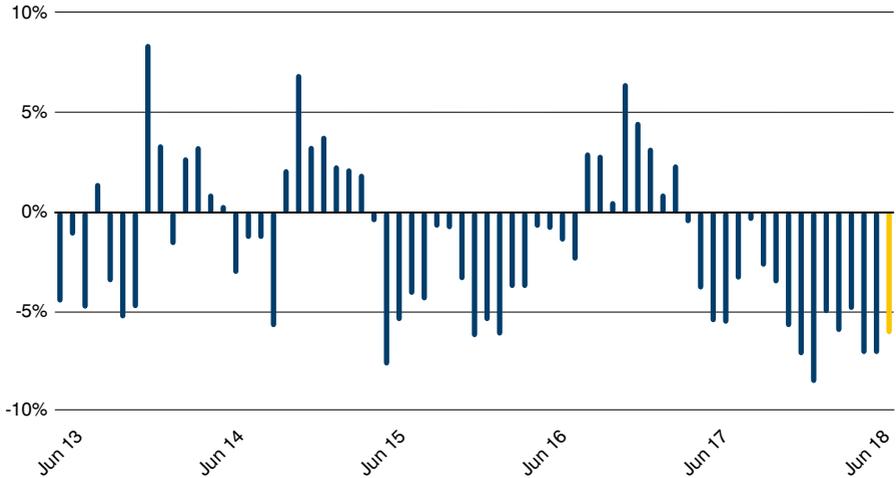
The share price to the net asset backing (before tax on unrealised gains) was trading at a discount of 6.2 per cent at 30 June 2018, compared with a discount of 3.4 per cent at the end of the prior year. The share

price return for the year of 9.1 per cent was below the portfolio return over this period given the widening of the discount.

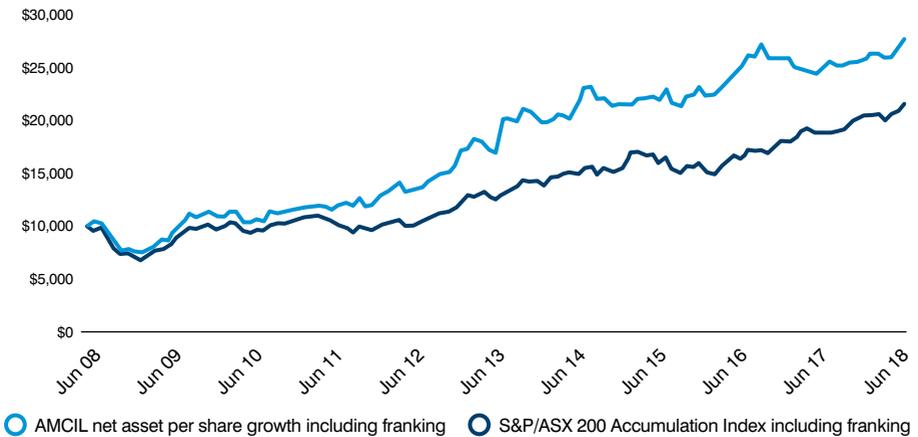
Importantly, over the long term the share price return has performed in line with the longer term portfolio returns, with the share price up 8.7 per cent per annum versus the portfolio which was up 8.8 per cent (before franking).

Figure 7 (on the following page) outlines the benefit of compound returns and the value of AMCIL's investment approach. It shows the total share price return (including dividends and the full benefit of franking credits) from an investment of \$10,000 in AMCIL shares over a 10-year period relative to the return from the ASX 200 Accumulation Index, including franking credits.

**Figure 6: Share Price Premium/Discount to Net Asset Backing**



**Figure 7: Ten Year Share Price Return of AMCIL Including Dividends and the Full Benefit of Franking Credits**



\* Note assumes the reinvestment of dividends. This chart calculates the benefit of franking credits at the time dividends are paid for both AMCIL and the Index. In practice there is a timing difference between receipt of the dividend and the realisation of the franking benefit in the following tax year.

## Review of Operations and Activities continued



**Final dividend**

**4.25¢**

Increase on the 3.5 cents  
fully franked last year

### Outlook

Given its portfolio size and investment approach, AMCIL has the flexibility to search for good quality investments across a broad range of companies in the Australian market. In the current environment, where investors are increasingly chasing earnings growth, which has led to very high prices for some stocks, AMCIL can afford to be patient.

The upcoming company reporting season will provide a useful point of reference to consider further changes to the portfolio. There are some companies that remain attractive for further investment should prices fall, with any increase in market volatility arising from geopolitical events or unexpected changes in interest rates, potentially providing attractive investment opportunities.

### Directorship Matters

As previously announced in September 2017 and detailed in the Company's December Half-Yearly Review, Ross Barker retired as Managing Director and Chief Executive Officer (CEO) on 31 December 2017. Mark Freeman, who was previously the Chief Investment Officer of AMCIL, became the Managing Director and CEO of AMCIL on 1 January 2018.

The Board wishes to record its deep appreciation to Ross Barker for his 16 years of outstanding service as Managing Director and Chief Executive Officer during which time he made a significant contribution to the Company. Mr Barker remains on the Board of AMCIL as a Non-Executive Director.

## Top 20 Investments

As at 30 June 2018

Includes investments held in both the investment and trading portfolios.

### Valued at Closing Prices at 29 June 2018

	Total Value \$'000	% of Portfolio
1 BHP	15,141	5.8
2 CSL	14,254	5.5
3 Lifestyle Communities	10,530	4.0
4 Westpac Banking Corporation*	10,333	4.0
5 Macquarie Group	8,965	3.4
6 Mainfreight	8,380	3.2
7 National Australia Bank*	8,107	3.1
8 Oil Search*	8,003	3.1
9 Commonwealth Bank of Australia*	7,724	3.0
10 Freedom Foods Group	7,559	2.9
11 Qube Holdings	7,296	2.8
12 Seek	6,543	2.5
13 Transurban Group	6,470	2.5
14 Amcor*	6,314	2.4
15 CYBG	6,249	2.4
16 James Hardie Industries	6,121	2.3
17 Woolworths Group	6,104	2.3
18 Reece	5,889	2.3
19 Computershare*	5,827	2.2
20 Challenger	5,738	2.2
<b>Total</b>	<b>161,547</b>	

As a percentage of total portfolio (excludes cash)

61.9%

\* Indicates that options were outstanding against part of the holding.

# Income Statement

For the Year Ended 30 June 2018

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Dividends and distributions	8,243	6,278
Revenue from deposits and bank bills	205	345
Net gains/(losses) on trading portfolio	129	(11)
Income/(losses) from options written portfolio	(552)	876
Other revenue	-	6
<b>Total income</b>	<b>8,025</b>	<b>7,494</b>
Finance costs	(59)	(50)
Administration expenses	(1,724)	(1,647)
<b>Profit before income tax</b>	<b>6,242</b>	<b>5,797</b>
Income tax credit/(expense)	5	(414)
<b>Profit for the year</b>	<b>6,247</b>	<b>5,383</b>
	<b>Cents</b>	<b>Cents</b>
<b>Profit for the year per share</b>	<b>2.39</b>	<b>2.09</b>

# Balance Sheet

As at 30 June 2018

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>Current assets</b>		
Cash	2,150	14,991
Receivables	7,070	832
Trading portfolio	-	516
<b>Total current assets</b>	<b>9,220</b>	<b>16,339</b>
<b>Non-current assets</b>		
Deferred tax assets	88	-
Investment portfolio	262,118	231,024
<b>Total non-current assets</b>	<b>262,206</b>	<b>231,024</b>
<b>Total assets</b>	<b>271,426</b>	<b>247,363</b>
<b>Current liabilities</b>		
Payables	253	249
Tax payable	1,465	2,074
Borrowings – bank debt	1,000	-
Options sold	1,060	641
<b>Total current liabilities</b>	<b>3,778</b>	<b>2,964</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	-	140
Deferred tax liabilities – investment portfolio	22,290	15,473
<b>Total non-current liabilities</b>	<b>22,290</b>	<b>15,613</b>
<b>Total liabilities</b>	<b>26,068</b>	<b>18,577</b>
<b>Net assets</b>	<b>245,358</b>	<b>228,786</b>
<b>Shareholders' equity</b>		
Share capital	174,748	171,658
Revaluation reserve	39,285	27,120
Realised capital gains reserve	20,721	20,492
Retained profits	10,604	9,516
<b>Total shareholders' equity</b>	<b>245,358</b>	<b>228,786</b>

# Summarised Statement of Changes in Equity

For the Year Ended 30 June 2018

	<b>2018</b> <b>\$'000</b>	2017 \$'000
Total equity at the beginning of the year	<b>228,786</b>	221,293
Dividends paid	(9,029)	(8,914)
Shares issued – Dividend Reinvestment Plan	3,101	3,113
Costs of share issues	(11)	(11)
<b>Total transactions with shareholders</b>	<b>(5,939)</b>	<b>(5,812)</b>
Profit for the year	6,247	5,383
Revaluation of investment portfolio	25,323	9,395
Provision for tax on revaluation	(9,059)	(1,473)
Revaluation of investment portfolio (after tax)	16,264	7,922
<b>Total comprehensive income for the year</b>	<b>22,511</b>	<b>13,305</b>
Realised gains on securities sold	6,341	8,541
Tax expense on realised gains on securities sold	(2,242)	(2,119)
<b>Net realised gains on securities sold</b>	<b>4,099</b>	<b>6,422</b>
Transfer from revaluation reserve to realised gains reserve	<b>(4,099)</b>	<b>(6,422)</b>
<b>Total equity at the end of the year</b>	<b>245,358</b>	<b>228,786</b>

A full set of AMCIL's accounts are available on the Company's website.

## Holdings of Securities

As at 30 June 2018

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	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
ALQ*	ALS	Provider of analytical laboratory services to mining, life sciences, energy and industrial clients	475	410	3,078
AMC*	Arcor	Global packaging company	304	441	6,314
ARB	ARB Corporation	Manufacturer and distributor of four-wheel drive vehicle accessories in Australia and internationally	150	150	3,425
AUB	AUB Group	Investor in a network of small to medium Australian insurance brokers	150	370	5,025
BHP	BHP	Diversified international resources company	405	447	15,141
BKW	Brickworks	Australia's largest manufacturer of bricks and pavers, with other investments in property development and listed equities	175	225	3,519
BLD	Boral	Engages in the provision of building and construction materials	0	500	3,265
BRG	Breville Group	Manufacturer and wholesaler of electrical consumer products	0	225	2,615

## Holdings of Securities continued

As at 30 June 2018

Code	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
BXB	Brambles	Global provider of supply chain management and logistics solutions	827	445	3,952
CAR	Carsales.com	The largest online automotive classifieds business in Australia. It also has interests in leading online automotive classified businesses in Brazil, South Korea, Malaysia, Indonesia, Thailand and Mexico	0	373	5,634
CBA*	Commonwealth Bank of Australia	Banking and wealth management services	107	108	7,724
CGF	Challenger	Financial services company providing life insurance, annuities and funds management	200	485	5,738
CPU*	Computershare	Provides stock registration and transfer services to companies listed on various stock markets globally, as well as providing technology services for stock exchanges, investor services for shareholders and employee share plan management and the provision of bankruptcy, class action and mortgage servicing activities for various corporate clients globally	170	320	5,827

Code	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
CSL	CSL	Biopharmaceutical company that researches, develops, manufactures and markets products to treat and prevent serious human medical conditions	60	74	14,254
CYB	CYBG PLC	A leading mid-sized United Kingdom retail and SME bank with long established operations across its core regions	650	1,110	6,249
DLX	DuluxGroup	Engages in the manufacture and marketing of paints, coatings, and home improvement products	0	413	3,156
EQT	EQT Holdings	Provider of private client, trustee, estate administration and funds management services	0	205	4,262
EXP	Experience Co	Adventure tourism operator providing skydiving, rafting and reef cruising services in Australia and New Zealand	3,081	3,796	2,429

## Holdings of Securities continued

As at 30 June 2018

Code	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
FNP	Freedom Foods Group	Engaged in the manufacture and sale of food products, specialising in healthy cereal, snacking and beverage products and the export of UHT dairy products	757	1,123	7,559
FPH	Fisher & Paykel Healthcare Corporation	Designs, manufactures and markets a range of medical devices used in respiratory care and the treatment of obstructive sleep apnoea	414	265	3,625
ILU*	Iluka Resources	Miner of zircon and titanium-based mineral sands products with an additional iron ore production royalty	500	225	2,453
IRE	IRESS	Provider of share market and wealth management information systems	500	350	4,214
IVC	InvoCare	Provider of services related to funerals, burials and cremations	0	175	2,405
JHX	James Hardie Industries	Building materials company focused on fibre cement products, predominantly in the United States	370	270	6,121

Code	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
LIC	Lifestyle Communities	Develops, owns and manages independent living communities for elderly citizens. The company operates eight villages across Victoria, encompassing a full range of community and lifestyle-orientated facilities on-site	2,312	1,800	10,530
MFT (NZX)	Mainfreight	Provider of managed warehousing and international and domestic freight forwarding services	445	329	8,380
MQG	Macquarie Group	Diversified financial services business operating in banking, financial advisory, investment and funds management services	0	73	8,965
NAB*	National Australia Bank	Banking and wealth management services	298	298	8,107

## Holdings of Securities continued

As at 30 June 2018

Code	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
NUF	Nufarm	Agricultural chemical company that manufactures and sells crop protection and seeds treatment products globally	320	440	3,898
NXT	NEXTDC	Owns and operates large scale data centres across Australia	0	625	4,725
OCL	Objective Corporation	Provider of information technology software and services	1,395	1,395	4,881
OSH*	Oil Search	Oil and gas explorer, developer and producer with assets predominantly in PNG	885	925	8,003
QUB	Qube Holdings	Provider of import and export logistics services with national operations	3,027	3,027	7,296
REH	Reece	Distributor and retailer of plumbing, building and hardware supplies	0	466	5,889
RIO	Rio Tinto	Diversified international resources company	0	67	5,585

Code	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
RWC	Reliance Worldwide Corporation	Designs, manufactures and distributes products for the plumbing industry including fittings, pipes, valves and thermostatic products	0	950	5,092
SEK	Seek	Operator of employment classifieds websites in Australia and offshore with interest in education and training	250	300	6,543
SHL	Sonic Healthcare	Specialist diagnostics company providing radiology and pathology services in Australia and overseas	138	225	5,519
TCL	Transurban Group	Developer and operator of electronic toll roads in Australia and overseas	500	541	6,470
TPM	TPG Telecom	Provider of a range of telecommunication services to residential users, small and medium enterprises, government and large corporates in Australia	800	523	2,701

## Holdings of Securities continued

As at 30 June 2018

Code	Name	Principal Activity	Number Held 2017 '000	Number Held 2018 '000	Market Value 2018 \$'000
VGL	Vista Group International	Market leading developer of software for the cinema industry with products targeting point of sales, ticketing, box office data and loyalty programs	0	494	1,733
WBC*	Westpac Banking Corporation	Banking and wealth management services	245	360	10,333
WLL	Wellcom Group	Production company providing pre-media, digital asset management and specialty printing services to advertisers, retailers and corporations	1,005	1,005	4,422
WOW	Woolworths Group	Operates general merchandise consumer stores and supermarkets in Australia and New Zealand	0	200	6,104
WPL*	Woodside Petroleum	Producer of liquefied natural gas, domestic gas, condensate, crude oil and liquefied petroleum gas, primarily in West Australia	93	128	4,276
XRO	Xero	Develops cloud-based accounting software for small and medium-sized businesses in New Zealand, Australia, the United Kingdom and the United States	0	81	3,623
<b>Total</b>					<b>261,058</b>

\* Indicates that options were outstanding against part or all of the holding.

## Major Transactions in the Investment Portfolio

Acquisitions	Cost \$'000
Macquarie Group	7,716
BHP	5,994
Boral	5,861
Woolworths Group	5,457
Westpac	5,237
Carsales.com	5,084

Disposals	Proceeds \$'000
Treasury Wine Estates	6,533
Wesfarmers	6,256
Healthscope	6,202
Westfield Corporation (takeover by Unibail-Rodamco)	5,803
QBE Insurance	5,711
Incitec Pivot	5,292

All were complete disposals from the portfolio.

### New Companies Added to the Portfolio

Macquarie Group  
Woolworths Group  
Carsales.com  
Rio Tinto  
Reliance Worldwide  
Reece  
NEXTDC  
Boral  
DuluxGroup  
EQT Holdings  
Xero  
Breville Group  
InvoCare  
Vista Group International

# Company Particulars

## **AMCIL Limited (AMCIL)**

ABN 57 073 990 735

### **Directors**

Bruce B Teele, Chairman  
Robert M Freeman, Managing Director  
Ross E Barker  
Roger G Brown  
Siobhan L McKenna  
Rupert Myer AO  
Richard B Santamaria  
Jonathan J Webster

### **Company Secretaries**

Matthew J Rowe  
Andrew JB Porter

### **Auditor**

PricewaterhouseCoopers  
Chartered Accountants

### **Country of Incorporation**

Australia

### **Registered Office and Mailing Address**

Level 21, 101 Collins Street  
Melbourne Victoria 3000

### **Contact Details**

**Telephone** (03) 9650 9911  
**Facsimile** (03) 9650 9100  
**Website** [amcil.com.au](http://amcil.com.au)  
**Email** [invest@amcil.com.au](mailto:invest@amcil.com.au)

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

**Telephone** 1800 780 784 (toll free)

### **Share Registrar**

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

### **Shareholder**

**Enquiry Line** 1300 653 916  
+613 9415 4224  
(from overseas)

**Facsimile** (03) 9473 2500

**Website** [investorcentre.com/au/contact](http://investorcentre.com/au/contact)

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

### **Securities Exchange Code**

AMH Ordinary shares

# Shareholder Meetings

## **Annual General Meeting**

**Time** 1.30pm  
**Date** Thursday 11 October 2018  
**Venue** ZINC Federation Square  
**Location** Corner of Swanston Street and Flinders Street  
Melbourne Victoria

## **Sydney Shareholder Meeting**

**Time** 1.00pm  
**Date** Monday 15 October 2018  
**Venue** Four Seasons Hotel  
**Location** 199 George Street  
Sydney

## **Adelaide Shareholder Meeting**

**Time** 1.00pm  
**Date** Friday 19 October 2018  
**Venue** Adelaide Convention Centre  
**Location** Panorama Rooms North Terrace  
Adelaide

## **Brisbane Shareholder Meeting**

**Time** 1.00pm  
**Date** Monday 22 October 2018  
**Venue** Brisbane Hilton  
**Location** 190 Elizabeth Street  
Brisbane

The Annual Report for 2018 is available on AMCIL's website [amcil.com.au](http://amcil.com.au) or by contacting the Company on (03) 9650 9911.

AMCIL

The AMCIL logo is displayed in white, uppercase letters within a dark rectangular box in the top left corner of the page. The background of the entire page is a black and white photograph of a modern building at night, with light trails from traffic on a road in the foreground and a bright light source on the left creating a lens flare effect.

AMCIL

The Annual General Meeting of  
AMCIL Limited, ABN: 57 073 990 735  
(‘Company’) will be held at:

ZINC at Federation Square, Corner of  
Swanston Street and Flinders Street,  
Melbourne, Victoria 3000  
at 1.30pm (AEDT) on  
Thursday 11 October 2018.

The Company has determined  
that, for the purpose of voting at the  
meeting, shares will be taken to be  
held by those persons recorded on the  
Company’s register at 7.00pm (AEDT)  
on Tuesday 9 October 2018.

**Notice of Annual  
General Meeting  
2018**

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A Focused Portfolio  
of Australian Equities

# **BUSINESS OF THE MEETING**

## **1. Financial Statements and Reports**

To consider the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2018.

(Please note that no resolution will be required to be passed on this matter.)

## **2. Adoption of Remuneration Report**

To consider and, if thought fit, to pass the following resolution (as an ordinary resolution):

"That the Remuneration Report for the financial year ended 30 June 2018 be adopted."

(Please note that the vote on this item is advisory only.)

## **3. Re-election of Director**

To consider and, if thought fit, to pass the following resolution (as an ordinary resolution):

"That Ross Barker, a Director retiring from office in accordance with Rule 53(f) of the Constitution, being eligible is re-elected as a Director of the Company."

## **4. Renewal of Proportional Takeover Provisions in the Constitution**

To consider and, if thought fit, pass the following resolution (as a special resolution):

"That, pursuant to sections 136(2) and 648G of the *Corporations Act 2001* (Cth), the proportional takeover provisions in Rules 79 and 80 of the Company's Constitution are renewed for a period of three years from the date of this meeting."

By Order of the Board



Matthew Rowe  
Company Secretary  
24 August 2018

## Explanatory Notes

The Explanatory Notes below provide additional information regarding the items of business proposed for the Annual General Meeting.

**IMPORTANT: Shareholders are urged to direct their proxy how to vote by clearly marking the relevant box for each item on the proxy form.**

**Please ensure that your properly completed proxy form reaches the share registry by the deadline of 1.30pm (AEDT) on Tuesday 9 October 2018.**

## 1. Financial Statements and Reports

During this item there will be an opportunity for shareholders to ask questions and comment on the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2018. No resolution will be required to be passed on this matter.

Shareholders who have not elected to receive a hard copy of the Company's 2018 Annual Report can view or download it from the Company's website at:

[amcil.com.au/Shareholder-Reports.aspx](http://amcil.com.au/Shareholder-Reports.aspx)

## 2. Adoption of Remuneration Report

**Board recommendation and undirected proxies: The Board recommends that shareholders vote in FAVOUR of Item 2. The Chairman of the Annual General Meeting intends to vote undirected proxies in FAVOUR of Item 2.**

During this item there will be a reasonable opportunity for shareholders at the meeting to comment on and ask questions about the Remuneration Report which can be found in the Company's 2018 Annual Report.

### Voting Exclusions on Item 2

Pursuant to sections 250BD and 250R of the *Corporations Act 2001* (Cth), votes may not be cast, and the Company will

disregard any votes cast, on the resolution proposed in Item 2 ('Resolution 2'):

- by or on behalf of any member of the key management personnel of the Company, which includes the Directors (a 'KMP member'), whose remuneration details are included in the Remuneration Report, or any of their closely related parties, regardless of the capacity in which the votes are cast; or
- by any person who is a KMP member as at the time Resolution 2 is voted on at the Annual General Meeting, or any of their closely related parties, as a proxy,

unless the votes are cast as a proxy for a person who is entitled to vote on Resolution 2:

- in accordance with a direction in the proxy appointment; or
- by the Chairman of the meeting in accordance with an express authorisation in the proxy appointment to cast the votes even if Resolution 2 is connected directly or indirectly with the remuneration of a KMP member.

If the Chairman of the meeting is appointed, or taken to be appointed, as a proxy, the shareholder can direct the Chairman to vote for or against, or to abstain from voting on, Resolution 2 by marking the appropriate box opposite Item 2 on the proxy form.

Pursuant to sections 250BD(2) and 250R(5) of the *Corporations Act 2001*, if the Chairman of the meeting is a proxy and the relevant shareholder does not mark any of the boxes opposite Item 2, the relevant shareholder will be expressly authorising the Chairman to exercise the proxy in relation to Item 2.

For the purposes of these voting exclusions:

A 'closely related party' of a KMP member means (1) a spouse or child of the KMP member, (2) a child of the KMP member's spouse, (3) a dependant of the KMP member or of the KMP member's spouse, (4) anyone else who is one of the KMP member's family and may be expected to influence the KMP member, or be influenced by the KMP member, in the

KMP member's dealings with the Company, or (5) a company the KMP member controls.

The Company will also apply these voting exclusions to persons appointed as attorney by a shareholder to attend and vote at the Annual General Meeting under a power of attorney, as if they were appointed as a proxy.

**Item 3. Re-election of Director**  
**Board recommendation and undirected proxies: The Board (with the exception of Mr Barker) recommends that shareholders vote in FAVOUR of Item 3. The Chairman of the Annual General Meeting intends to vote undirected proxies in FAVOUR of Item 3.**

Mr Ross Barker retired as Chief Executive Officer of the Company on 31 December 2017 and the Board resolved that Mr Barker should remain as a Non-Executive Director of the Company. Pursuant to Rule 53(f) of the Company's Constitution Mr Barker is required to seek re-election at this AGM.

**Ross E Barker**  
**BSc (Hons) (Melb), MBA (Melb), F Fin.**  
**Non-Executive Director. Member of the Investment Committee.**

Mr Barker has been a Director of the Company since December 1996 and was Managing Director from February 2001 to December 2017. He is a Non-Executive Director of Australian Foundation Investment Company Limited and Mirrabooka Investments Limited. He is also Chairman of Melbourne Business School Ltd.

Further information regarding the Company's corporate governance arrangements and the Board's role can be found in the Company's 2018 Annual Report and on the Company's website at:

[amcil.com.au/Corporate-Governance.aspx](http://amcil.com.au/Corporate-Governance.aspx) and [amcil.com.au/Board-Role-and-Membership.aspx](http://amcil.com.au/Board-Role-and-Membership.aspx)

# **BUSINESS OF THE MEETING** continued

## **Item 4. Renewal of Proportional Takeover Provisions in the Constitution**

**Board recommendation and undirected proxies: The Board recommends that shareholders vote in FAVOUR of Item 4. The Chairman of the Annual General meeting intends to vote undirected proxies in FAVOUR of Item 4.**

### **Background**

The *Corporations Act 2001* (Cth) permits a company to include rules in its constitution which enable the company to refuse to register a transfer of shares resulting from a proportional takeover bid unless shareholders in the bid class in a meeting approve the takeover bid.

It is a requirement of the Corporations Act that such proportional takeover approval provisions in a company's constitution apply for a maximum period of three years, unless earlier renewed. In the case of the Company, such proportional takeover approval provisions (existing Rules 79 and 80 of the Company's Constitution) were approved by shareholders at the 2015 AGM and will expire on 7 October 2018.

The Directors consider that it is in the best interests of shareholders to renew these provisions in their existing form. Accordingly, a special resolution is being put to shareholders under section 648G of the Corporations Act to renew Rules 79 and 80 of the Company's Constitution.

If approved by shareholders at the meeting, Rules 79 and 80 will operate for three years from the date of the meeting (that is, until 11 October 2021) unless renewed earlier.

### **Proportional Takeover Bids**

A proportional takeover bid involves the bidder offering to buy a proportion only of each shareholder's shares in the target company.

This means that control of the target company may pass without members having the chance to sell all their shares to the bidder. It also means the bidder may acquire control of the target company without paying an adequate premium for gaining control.

To address this possibility, a company may provide in its constitution that, in the event of a proportional takeover bid being made for shares in the company, the directors must convene a meeting of shareholders to vote on a resolution to approve that bid.

A meeting convened under the proportional takeover approval provisions is treated as a general meeting of the company and the majority decision of the company's members will be binding on all individual members.

### **Effect of Proposed Proportional Takeover Approval Provisions**

Where a proportional takeover bid is made, the Directors must convene a meeting of shareholders to vote on a resolution to approve the proportional bid before the 14th day prior to the closing of the bid period.

The vote is decided on a simple majority. Each person who, as at the end of the day on which the first offer under the takeover bid was made, held bid class shares is entitled to vote. Neither the bidder nor its associates are entitled to vote on the resolution.

If a meeting is not held, Section 648E of the Corporations Act deems a resolution approving the proportional bid to have been passed thereby allowing the proportional bid to proceed. Further, the Directors will contravene the Act if they fail to ensure a resolution to approve the bid is voted on.

If the resolution is rejected, the registration of any transfer of shares resulting from that proportional takeover bid will be prohibited and the bid will be deemed to be withdrawn. If the resolution is passed or deemed to have been passed, the transfer of shares resulting from acceptance of an offer under that bid will be permitted and the transfer of shares will be registered provided they comply with the other provisions of the Constitution.

Rules 79 and 80 will not apply to full takeover bids.

### **Reason for Proposing the Resolution**

The Directors consider that the renewal of Rules 79 and 80 is in the best interests of all shareholders of the Company. In the Directors' view, shareholders should have the opportunity to vote on a proposed proportional takeover bid.

In the absence of Rules 79 and 80 (as renewed), a proportional takeover bid for the Company may enable effective control of the Company to be acquired by a party who has not offered to acquire 100 per cent of the Company's shares (and, therefore, has not offered to pay a 'control premium' that reflects 100 per cent ownership).

As a result, if a proportional takeover bid for the Company is made:

- shareholders may not have the opportunity to dispose of all their shares; and
- shareholders risk being locked into a minority position in the Company or suffering loss following such a change of control if the bid causes a decrease in the market value of shares.

If Rules 79 and 80 are renewed, the Board considers that this risk will be minimised by enabling shareholders to decide whether or not a proportional takeover bid should be allowed to proceed.

### **Present Acquisition Proposals**

As at the date of this notice, the Directors are not aware of any proposal by any person to acquire, or increase the extent of, a substantial interest in the Company.

### **Review of Proportional Takeover Approval Provisions**

The Corporations Act requires these Explanatory Notes to discuss retrospectively the potential advantages and disadvantages of the proportional takeover approval provisions for both Directors and shareholders.

While the proportional takeover approval provisions have been in effect, there have been no takeover bids for the Company – either proportional or otherwise. So there are no actual examples against which to review the advantages and disadvantages of the existing proportional takeover approval provisions for the Directors and shareholders of the Company. The Directors are not aware of any potential takeover bid which was discouraged by Rules 79 and 80.

### **Advantages and Disadvantages**

In addition to looking at the provisions retrospectively, the Corporations Act also requires these Explanatory Notes to discuss the potential future advantages and disadvantages of the proposed proportional takeover approval provisions for both Directors and shareholders.

The Directors consider that there are no advantages or disadvantages for the Directors in renewing the proposed proportional takeover approval provisions. In particular, there is no restriction on their ability to make a recommendation on whether a proportional takeover bid should be accepted.

For shareholders, the potential advantage of renewing the proportional takeover approval provisions is that they provide shareholders with the opportunity to consider, discuss in a meeting called specifically for the purpose, and vote on whether a proportional takeover bid should be approved. This ensures that shareholders have an opportunity to have a say in the future ownership and control of the Company. The Directors believe that this would encourage any future proportional bids to be structured so as to be attractive to a majority of shareholders. It may also

discourage the making of a proportional takeover bid that might be considered opportunistic. Finally, knowing the view of a majority of the shareholders may help each individual shareholder to assess the likely outcome of the proportional takeover bid and decide whether or not to accept an offer under the bid.

A potential disadvantage for shareholders arising from renewing the proportional takeover approval provisions is that they may discourage proportional takeover bids being made and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a proportional bid being made. As a result, shareholders may not have the opportunity to dispose of a portion of their shares at an attractive price where the majority rejects an offer from a party seeking control of the Company.

The Directors consider that the potential advantages for shareholders of the proposed proportional takeover approval provisions outweigh the potential disadvantages.

### **Shareholder Approval**

To pass as a special resolution, this item of business requires the support of 75 per cent or more of the votes cast on the resolution.

# **BUSINESS OF THE MEETING** continued

## **Shareholder Information**

### **Proxies**

1. A shareholder entitled to attend and vote at this meeting is entitled to appoint not more than two proxies (who need not be members of the Company) to attend, vote and speak in the shareholder's place and to join in any demand for a poll.
2. Where a shareholder appoints more than one representative, proxy or attorney, those appointees are entitled to vote on a poll but not on a show of hands.
3. A shareholder who appoints two proxies may specify a proportion or number of the shareholder's votes each proxy is appointed to exercise. Where no such specification is made, each proxy may exercise half of the votes (any fractions of votes resulting from this are disregarded).
4. **Proxy forms may be lodged online by visiting [investorvote.com.au](http://investorvote.com.au) or by scanning the QR Code on the proxy form with a mobile device.**
5. **Relevant custodians may lodge their proxy forms online by visiting [intermediaryonline.com](http://intermediaryonline.com)**
6. Proxy forms and any authorities (or certified copies of those authorities) under which they are signed may be delivered in person, by mail or by fax to the Company's Share Registry (see details below) no later than 48 hours before the meeting, being **1.30pm (AEDT) on Tuesday 9 October 2018**. Further details are on the proxy form.
7. A proxy need not vote in that capacity on a show of hands on any resolution nor (unless the proxy is the Chairman of the meeting) on a poll. However, if the proxy's appointment specifies the way to vote on a resolution, and the proxy decides to vote in that capacity on that resolution, the proxy must vote the way specified (subject to the other provisions of this notice, including the voting exclusions noted above).

8. In certain circumstances the Chairman of the meeting will be taken to have been appointed as the proxy of the relevant shareholder in respect of the meeting or the poll on that resolution even if the shareholder has not expressly appointed the Chairman of the meeting as their proxy. This will occur where:
  - an appointment of a proxy specifies the way the proxy is to vote on a particular; and
  - the appointed proxy is not the Chairman of the meeting; and
  - at the meeting, a poll is called on the resolution; and
  - either of the following apply:
    - if a record of attendance is made for the AGM – the proxy is not recorded as attending
    - the proxy does not vote on the resolution.

### **Corporate Representatives**

A body corporate which is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the meeting. Unless it has previously been given to the Company, the representative should bring evidence of their appointment to the meeting, together with any authority under which it is signed. The appointment must comply with Section 250D of the *Corporations Act 2001*.

### **Attorneys**

A shareholder may appoint an attorney to vote on their behalf. To be effective for the meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the deadline for the receipt of proxy forms (see above), being no later than 48 hours before the meeting.

## **Share Registry**

The Company's Share Registry details are as follows:

Computershare Investor Services Pty Limited

### **Street Address**

Yarra Falls  
452 Johnston Street  
Abbotsford Victoria 3067

### **Postal Address**

GPO Box 242  
Melbourne Victoria 3001

### **Telephone**

1300 653 916 (within Australia)  
+61 3 9415 4224 (outside Australia)

### **Facsimile**

1800 783 447 (within Australia)  
+61 3 9473 2555 (outside Australia)

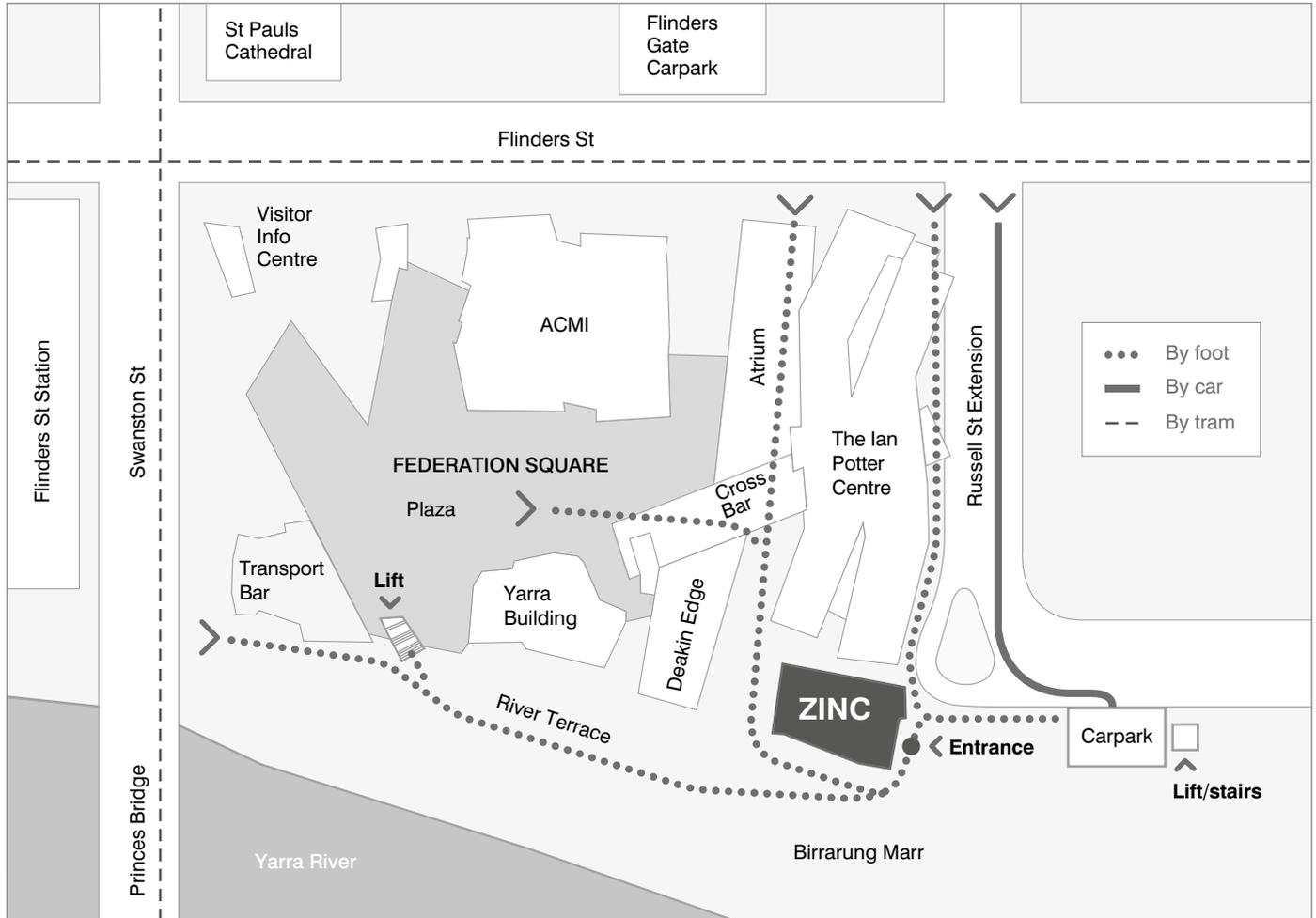
### **Internet**

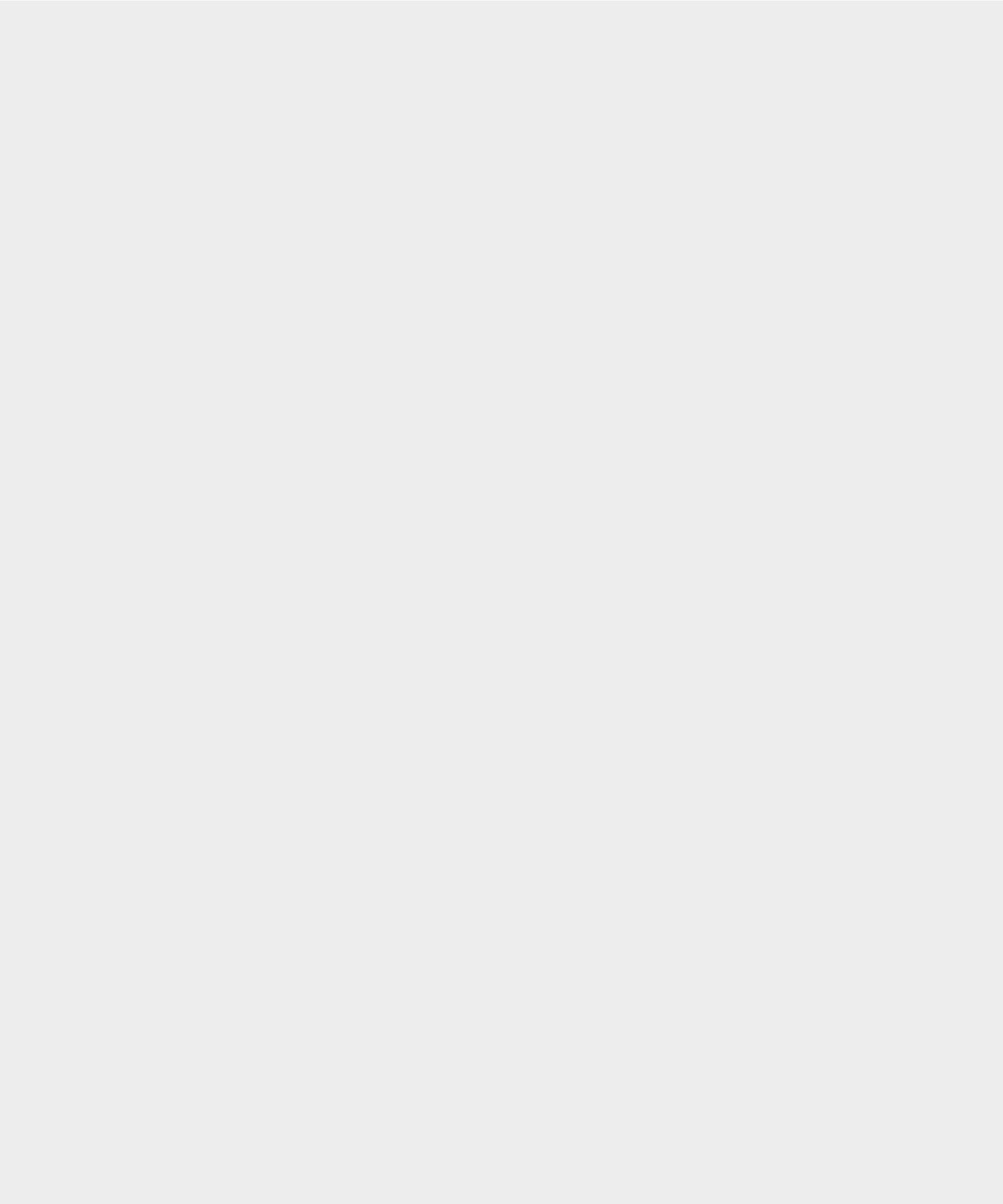
[investorcentre.com/au/contact](http://investorcentre.com/au/contact)

## Annual General Meeting Venue

The Annual General Meeting of AMCIL Limited (ABN: 57 073 990 735, 'the Company') will be held at:

ZINC at Federation Square, corner of Swanston Street and Flinders Street, Melbourne, Victoria 3000 at 1.30pm (AEDT) on Thursday 11 October 2018.







ABN 57 073 990 735



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SAM  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

### Lodge your proxy:



**Online:**  
[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

**In Person:**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford, Victoria

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online users only (Custodians)  
[www.intermediaryonline.com](http://www.intermediaryonline.com)

**For all enquiries call:**

(within Australia) 1300 653 916  
(outside Australia) +61 3 9415 4224

## Proxy Form

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### Appoint your proxy and view the Annual Report online

Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device. Follow the instructions on the secure website to appoint your proxy.

#### Your access information that you will need to appoint your proxy online:

**Control Number:** 999999

**SRN/HIN:** I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential. Please dispose of this form carefully if you appoint your proxy online.

For your proxy form to be effective it must be received by 1.30pm (AEDT) on Tuesday 9 October 2018

### How to direct your proxy to vote

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of shares for each in Step 1 overleaf.

**A proxy need not be a shareholder of the Company.**

### Lodgement of proxy form

This proxy form (and any authority under which it is signed or a certified copy of it) must be received at an address given above by 1.30pm (AEDT) on Tuesday 9 October 2018, being not later than 48 hours before the commencement of the meeting. Any proxy form received after that time will not be valid for the scheduled meeting.

### Signing instructions for postal forms

**Individual:** Where the holding is in one name, the shareholder or attorney must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders or attorneys should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

### Attending the meeting

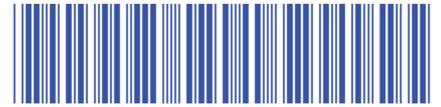
If a representative of a corporate shareholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO APPOINT YOUR PROXY,  
or turn over to complete the form →**

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Shareholders sponsored by a broker (reference number commences with 'X') should advise their broker of any changes.



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# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a proxy to vote on your behalf

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I/We being a shareholder/s of **AMCIL LIMITED** hereby appoint

the Chairman of the meeting OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the meeting. Do not insert your own name(s).

or failing the individual or body corporate named in relation to the meeting generally or in relation to a poll on a given resolution, or if no individual or body corporate is named, the Chairman of the meeting, as my/our proxy to act generally at the meeting or in relation to a poll on the given resolution (as applicable) on my/our behalf, including to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of **AMCIL Limited** to be held at **ZINC Federation Square, Corner of Flinders and Swanston Street, Melbourne, Victoria, at 1.30pm (AEDT) on Thursday 11 October 2018** and at any adjournment or postponement of that meeting.

**Chairman to vote undirected proxies in favour:** I/We acknowledge that the Chairman of the meeting intends to vote undirected proxies in favour of each item of business, to the extent permitted by law.

**Chairman authorised to exercise proxies on remuneration related matters:** If I/we have appointed the Chairman of the meeting as my/our proxy (or the Chairman of the meeting becomes my/our proxy by default), I/we expressly authorise the Chairman of the meeting (to the extent permitted by law) to exercise my/our proxy in respect of item 2 even though the item is connected directly or indirectly with the remuneration of a member of key management personnel of AMCIL Limited, which includes the Chairman of the meeting.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 2	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Re-election of Director - Mr Ross Barker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Renewal of proportional takeover provisions in the constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Board recommendations and undirected proxies:** The Board recommends shareholders vote in favour of each item of business. The Chairman of the meeting intends to vote undirected proxies in favour of each item of business, to the extent permitted by law.

## SIGN Signature of Shareholder(s) *This section must be completed.*

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

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