

24 August 2017

The Manager  
ASX Market Announcements  
Australian Securities Exchange  
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Sydney NSW 2000

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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 2017 Statutory Annual Report, Annual Shareholder Review, Notice of Meeting and Proxy Form being sent to shareholders.

Yours faithfully

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

Matthew Rowe  
Company Secretary

# ANNUAL REPORT 2017

A Focused Portfolio of Australian Equities



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## Year in Summary

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.

### Profit for the Year

\$5.4m

Down 30.0% from 2016

### Fully Franked Dividend

3.5¢

3.5 cents in 2016

### Total Portfolio Return

7.0% Including  
Franking\*

S&P/ASX 200 Accumulation Index  
15.7% including franking\*

### Total Shareholder Return

-1.2%

Share price plus dividend

### Management Expense Ratio

0.68%

0.65% in 2016

### Total Portfolio

\$245.9m

Including cash at 30 June

\$240.8 million in 2016

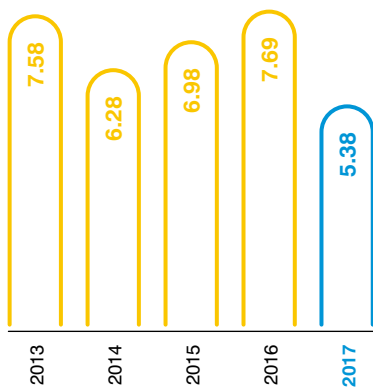
\* Assumes a shareholder can take full advantage of the franking credits.



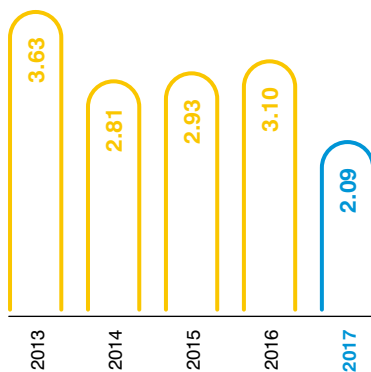
# DIRECTORS' REPORT

## 5 Year Summary

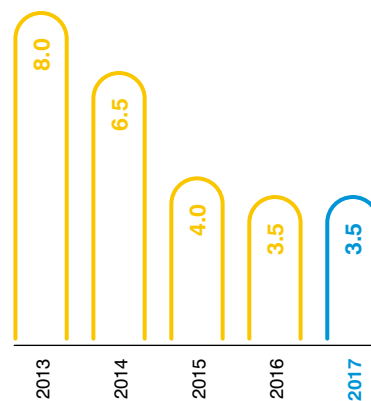
Profit After Tax (\$ Million)



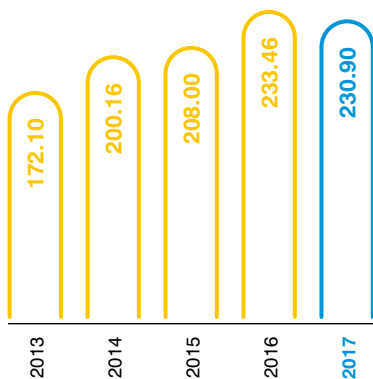
Net Profit Per Share (Cents)



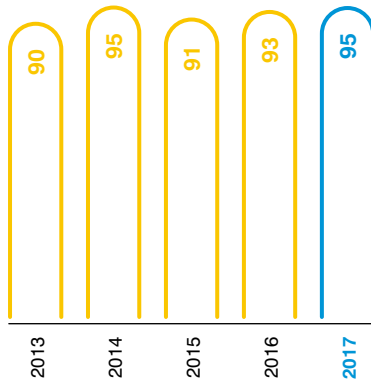
Dividends Per Share (Cents)<sup>(b)</sup>



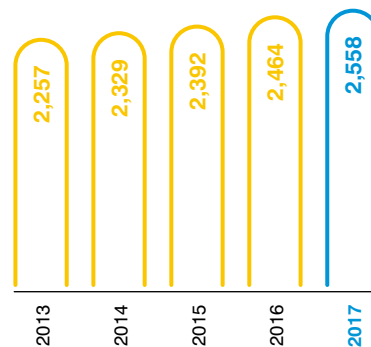
Investments at Market Value (\$ Million)<sup>(a)</sup>



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



Number of Shareholders (30 June)



### Notes

(a) Excludes cash.

(b) 2017 carries 2.1 cents attributable 'LIC gain' per share, 2016: nil, 2015: 2.1 cents, 2014: 5.7 cents, 2013: 7.1 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

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.

### 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.

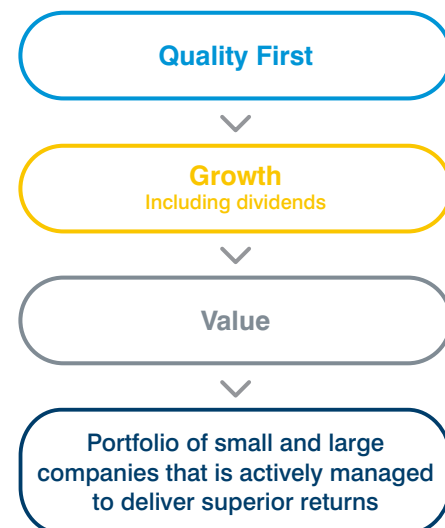
Our assessment of quality includes criteria such as the board and management,

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 this industry is also an important indicator 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 or 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. However, 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.

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



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

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





# Review of Operations and Activities

## Profit and Dividend

Profit for the year was \$5.4 million compared to \$7.7 million from the corresponding period last year. There was a decline in investment income of \$0.4 million as a result of the reduction in the dividend paid by BHP and adjustments made to the portfolio during the year, including the partial sale of the Telstra holding given the changing structure of the telecommunications industry. The trading portfolio also produced a very small loss, compared with \$2.5 million profit last year, as the large gains generated in the prior corresponding period were not repeated this year.

AMCIL's reported profit after tax will vary from year to year as a result of changes to the composition of the portfolio. This depends particularly on the balance between companies generating higher dividend income and those likely to provide more capital growth which may be realised on sale. Similarly, the use of the trading portfolio each year is very dependent on opportunities that arise. Each of these activities generate franking credits and contribute to the Company's ability to maximise the distribution of available franking credits each year under its dividend policy.

In line with this policy, AMCIL will pay a final dividend of 3.5 cents per share fully franked, which is the same as last year. The level of the dividend has been set taking into account the lower rate of franking credit at 27.5 per cent because of the recent changes to corporate tax legislation.

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 2.14 cents. This enables some shareholders to claim a tax deduction in their tax return.

## Management Expense Ratio

AMCIL's management expense ratio is 0.68 per cent. AMCIL's portfolio is managed internally and does not charge portfolio performance fees, which leads to lower costs for shareholders.

The MER 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 also can include additional performance fees.

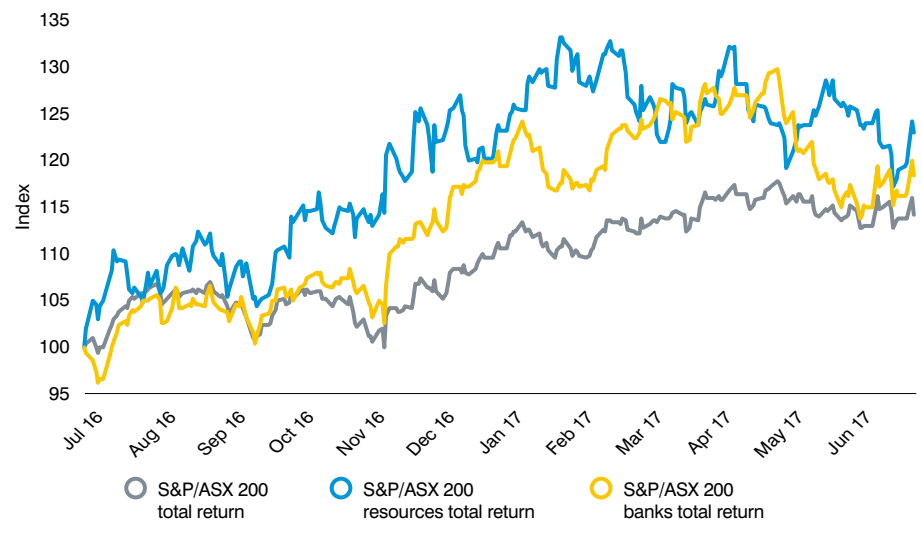
## Portfolio Returns

Over the 12-month period there was renewed investor interest in banks and resources which had under-performed in the previous financial year. This produced very strong gains in these sectors, which were up 18.4 per cent and 22.9 per cent respectively over the financial year to 2017.

In addition, many small and mid-cap industrial companies under-performed as previous strong growth expectations were revised down, which led to share price falls. In AMCIL's portfolio, TPG Telecom and Mayne Pharma were particularly affected by this trend.

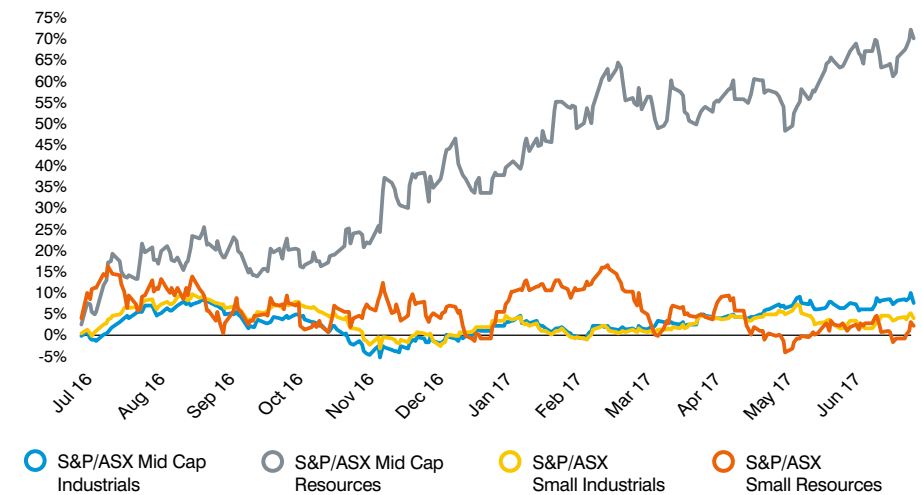
AMCIL's total portfolio return over the year was 5.3 per cent. Assuming the full benefit of franking credits, AMCIL's portfolio delivered a return of 7.0 per cent whereas the S&P/ASX 200 Accumulation Index return

Figure 1: Performance of Bank and Resource Sectors Relative to the S&P/ASX 200



Source: FactSet

Figure 2: Performance of S&P/ASX Small and Mid Cap Industrials Versus S&P/ASX Small and Mid Cap Resources



Source: FactSet

was 15.7 per cent on the same basis over the year. 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. AMCIL's performance relative to the market for the year was influenced by the low

exposure to the resource and banking sectors as well as holding a higher than normal cash position across the year.

The best performing stocks over the year were Mainfreight, Lifestyle Communities, ASG Group, Treasury Wine Estates, CSL and Cover-More Group.

The longer-term performance of the portfolio, which is more in line with the Company's investment timeframes, was 8.5 per cent per annum for the 10 years to 30 June 2017 versus the Index return of 5.2 per cent per annum (these returns include the full benefit of franking).

“

*Over the 12-month period there was renewed investor interest in banks and resources which had under-performed in the previous financial year. This produced very strong gains in these sectors.*

”





Given the greater concentration of the portfolio, there will be periods when the performance of AMCIL can vary quite markedly from the Index. Figure 4 outlines the performance each financial year of the portfolio versus the S&P/ASX 200 Index over the past 10 years.

The objective is to deliver outperformance over the medium to long term. Figure 5 shows the cumulative return of AMCIL over a ten year period.

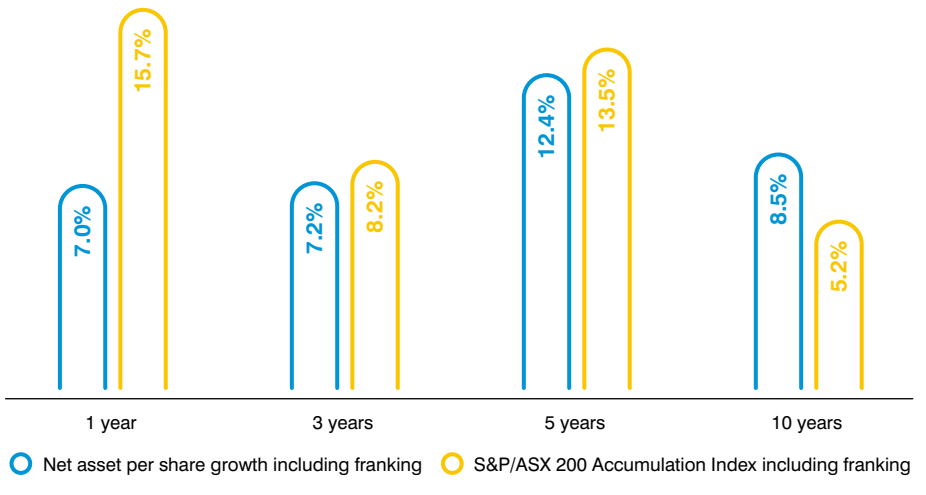
## Adjustments to the Portfolio

Major purchases included BHP, National Australia Bank, Westpac Bank and Woodside Petroleum where it was advantageous to also generate additional returns by selling call options against these stocks. A number of new holdings were added; the largest of these were Isentia Group, Iluka Resources and CYBG (Clydesdale Bank). AMCIL also added to its position in IRESS, including participation in its share placement.

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

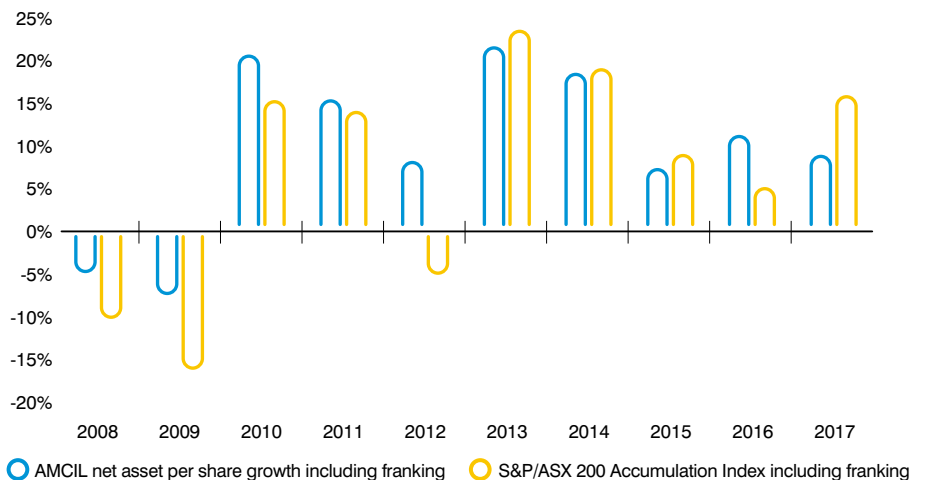
- Isentia Group which provides large consumer brand, corporate and government clients with media monitoring, relations and insights software and services that help drive business and communication decisions.
- Iluka Resources which is an Australian-based resources company, specialising in mineral sands exploration, project development, operations and marketing. Iluka is the largest producer of zircon and titanium dioxide-derived rutile and synthetic rutile globally. These products are mainly used in the manufacture of ceramics and for pigment in paints and plastics. The company also has a royalty associated with a tier one iron ore operation – BHP’s Mining Area C province in Western Australia.
- CYBG is a British banking group with a strong emphasis on its personal customer base and a business banking capability across its United Kingdom network. They operate under two major brands, Clydesdale Bank and Yorkshire Bank with a strong presence in the North of England and Scotland. CYBG was divested from National Australia Bank in early 2016 and its holding company CYBG plc, trades on the London and Australian stock exchanges.

**Figure 3: Portfolio Performance Per Annum Return to 30 June 2017 Including the Benefits of Franking Credits**



Note assumes an investor can take full advantage of the franking credits.

**Figure 4: Performance Each Financial Year of AMCIL Including Dividends and Franking Credits Versus the ASX 200 Accumulation Index with Franking**



Note assumes an investor can take full advantage of the franking credits.

Major sales included the complete disposal of holdings in AMA Group, The Citadel Group, Ardent Leisure Group and CSG. The position in Treasury Wine Estates was reduced given the strong run-up in its share price meant it had become a very large position in the portfolio. Part of the Telstra holding was also sold in the first half of the year. ASG Group and Cover-More Group were taken over.

Purchases in the investment portfolio totalled \$76.2 million for the year with total sales of \$88.1 million for the period.

AMCIL’s portfolio is very different from that represented by the S&P/ASX 200 Index. Figure 6 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.

## Share Price

The share price to the net asset backing (before tax on unrealised gains) went from a premium of 3.4 per cent at 30 June 2016 to a discount of 3.0 per cent by the end of the financial year. This impacted the share price return relative to the portfolio performance for the year.

Importantly, over the long term the share price return has performed in line with the longer-term portfolio returns.

Figure 8 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 \$1,000 in AMCIL shares over a ten year period relative to the return from the ASX 200 Accumulation Index, including franking credits.

## Outlook

The outlook for growth across many economies looks more promising than 12 months ago. However, the test for a number of these markets is how the inevitable transition to more normal interest rate settings occurs against the background of high consumer debt and large budget deficits in many developed countries.

Australia is not immune from these issues. In this context, the outlook for China remains particularly important as commodity prices and demand for agricultural products are important factors in injecting income into the domestic economy.

In our view, equity market valuations in Australia remain stretched across many sectors. In a market that was dominated by returns from banks and resources over the financial year, AMCIL remains satisfied with the positioning of the portfolio. It has cash on hand to invest in quality companies when valuations become more attractive.

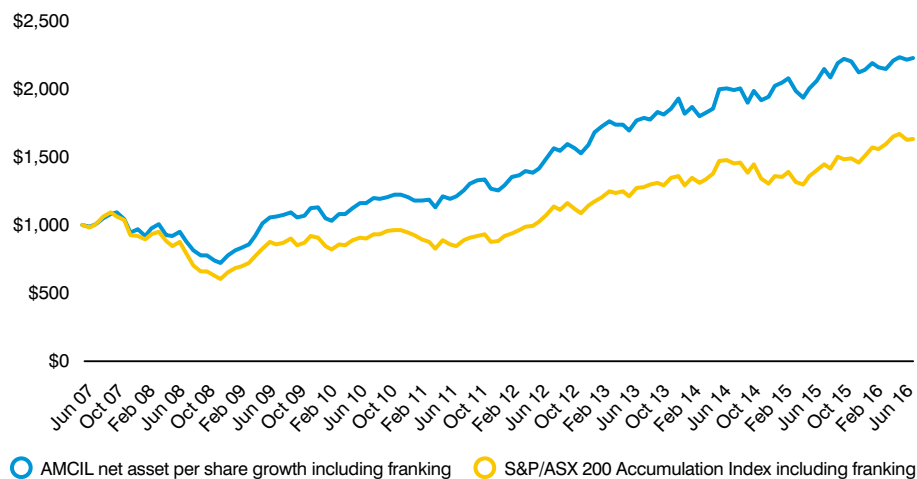
## Financial Condition

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

## Likely Developments

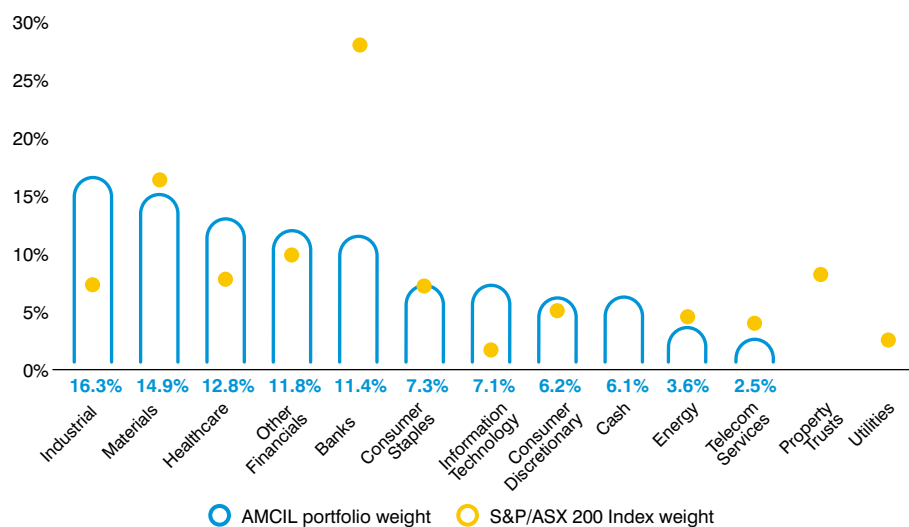
The Company intends to continue its investment activities in future years as it has done since recapitalisation. The results of these investment activities depend upon the performance of the companies and securities in which we invest. Their performance in turn depends on many economic factors. These include economic growth rates, inflation, interest rates, exchange rates and taxation levels.

**Figure 5: Ten Year Portfolio Performance of AMCIL Including Dividends and Franking Credits**



Note assumes an investor can take full advantage of the franking credits.

**Figure 6: Investment by Sector as at 30 June 2017**



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 3.5 cents per share (3.5 cents final dividend, also fully franked, last year).

The dividend paid during the year ended 30 June 2017 was as follows:

	\$'000
Final dividend for the year ended 30 June 2016 of 3.5 cents fully franked paid on 25 August 2016	8,914

## 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 3.5 cents per share for the year ended 30 June 2017, it carries with it a 2.14 cents per share LIC capital gain attributable part (2016: nil). 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 3,276,314 new shares were issued at \$0.95 per share in August 2016.

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 \$171.7 million from \$168.6 million. At the close of the year the Company had 257.98 million shares on issue.

Figure 7: Share Price Premium/Discount to Net Asset Backing

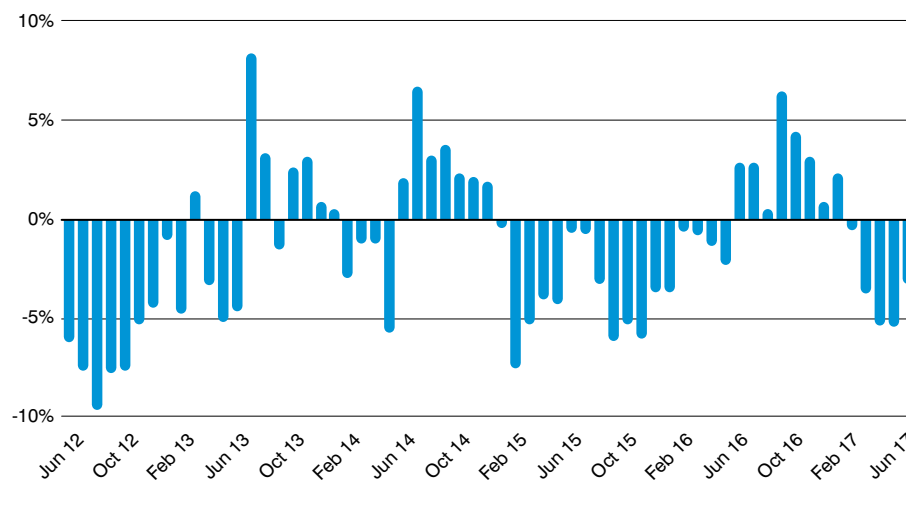
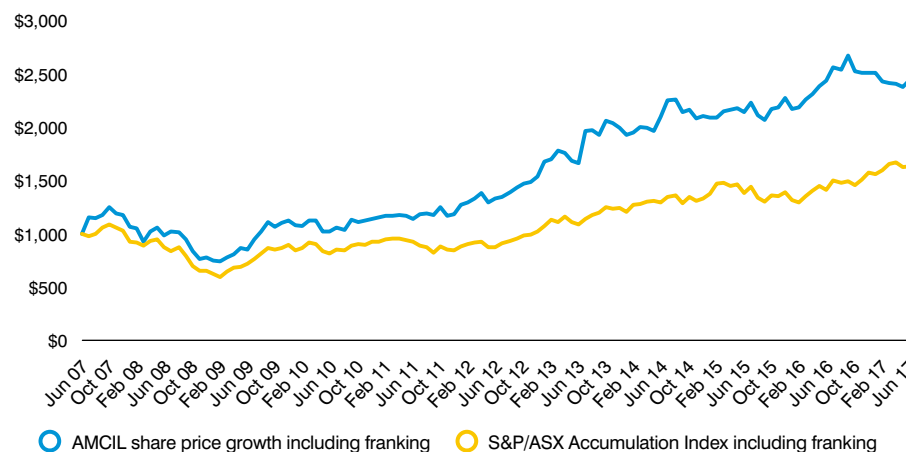


Figure 8: Performance of an Investment of \$1,000 in AMCIL Shares Including Dividends and the Full Benefit of Franking Credits Over the 10 Years to 30 June 2017



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.



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*Purchases in the investment portfolio totalled \$76.2 million for the year with total sales of \$88.1 million for the period.*

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Market return  
from resources

22.9%



## Top 20 Investments

As at 30 June 2017

Includes investments held in both the investment and trading portfolios.

### Valued at Closing Prices at 30 June 2017

		Total Value \$'000	% of the Portfolio
1	Mainfreight	9,981	4.3
2	BHP*	9,369	4.1
3	Lifestyle Communities	9,364	4.1
4	Commonwealth Bank of Australia*	8,843	3.8
5	National Australia Bank*	8,771	3.8
6	CSL	8,213	3.6
7	Brambles*	8,039	3.5
8	Qube Holdings*	7,924	3.4
9	James Hardie Industries*	7,562	3.3
10	Westpac Banking Corporation*	7,336	3.2
11	QBE Insurance Group*	6,606	2.9
12	IRESS	6,345	2.7
13	Oil Search	6,036	2.6
14	Transurban Group	5,925	2.6
15	Wesfarmers*	5,596	2.4
16	Treasury Wine Estates*	5,527	2.4
17	Incitec Pivot*	4,919	2.1
18	Amcor*	4,856	2.1
19	TPG Telecom*	4,557	2.0
20	AMP*	4,497	1.9
	<b>Total</b>	<b>140,264</b>	

As a percentage of total portfolio (excludes cash)

60.7%

\* 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.

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

Mr Barker has been a Director of the Company since May 1996 and was appointed Managing Director in February 2001. He is also Managing Director of AFIC, Djerriwarrh Investments Limited 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 Executive Chairman of ARB Corporation Limited since February 1987. Mr Brown also held the position of Managing Director of the Company from 1987 to 2012.

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 currently a Non-Executive Director of Illyria Pty Ltd, a private investment company. She is also a Non-Executive Director of Woolworths, Director of Nova Entertainment, Director of Foxtel Pty Ltd, Director of Fox Sports, Director of Australian News Channel 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 Chairman of the Australia Council for the Arts and a Director of Healthscope Limited, eCargo Holdings 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 and of the Myer Foundation.

**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) LL.M. Independent Non-Executive Director.

Mr Webster was appointed to the Board in November 2016. Mr Webster has been a partner of Allens practising in the area of mergers and acquisitions for over 30 years and was a Board member of Allens for 12 years. He is a Director of the Human Rights Law Centre and Chairman of the Audit Committee of the Northern Land Council. He teaches Securities Regulation in the Master of Laws program at the University of Melbourne. 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 Deputy Chairman of Trust for Nature (Victoria).

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

Mr Freeman has 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.

**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 21 years' experience in accounting and financial management both in the United Kingdom with Andersen Consulting and Credit Suisse First Boston and in Australia where he was Regional Chief Operating Officer for the Corporate and Investment Banking Division of CSFB. He is a member of the National Executive of the G100, the peak body for CFOs and also a former 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 10 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. His experience includes working with Boards of Directors of Australian, British and European listed companies in the areas of corporate governance and company secretarial practices.

### 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 2017 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	10*	10	17*	17	-	-
RE Barker	12	12	21	21	-	3 <sup>#</sup>
RG Brown	12	11	21	19	-	2 <sup>#</sup>
S McKenna	12	10	-	9 <sup>#</sup>	3	3
RH Myer	12	10	21	19	3	3
RB Santamaria	12	9	21	14	3	1
JJ Webster	5**	5	-	9 <sup>#</sup>	-	1 <sup>#</sup>

\* BB Teele was granted a formal leave of absence from 1 March to 17 May 2017.

\*\* JJ Webster became a Director on 22 November 2016 and was granted a formal leave of absence from 1 April to 31 May 2017.

# Attended meetings by invitation.

### 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 2017 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 serves as Managing Director of AMCIL pursuant to an agreement with Australian Investment Company Services (AICS). As part of these remuneration arrangements with AICS, Mr Barker 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 2017 were as follows:

	Short-term Fee/Base Salary \$	Post-employment Superannuation \$	Total Remuneration \$
<b>BB Teele – Chairman (Non-Executive)</b>			
<b>2017</b>	<b>106,849</b>	<b>10,151</b>	<b>117,000</b>
2016	106,849	10,151	117,000
<b>RE Barker – Managing Director (Executive)</b>			
<b>2017</b>	-	-	-
2016	-	-	-
<b>PC Barnett – Director (Non-Executive)(retired 19 January 2016)</b>			
<b>2017</b>	-	-	-
2016	19,605	12,699	32,304
<b>RG Brown – Director (Non-Executive)</b>			
<b>2017</b>	<b>53,425</b>	<b>5,075</b>	<b>58,500</b>
2016	53,425	5,075	58,500
<b>SL McKenna – Director (Non-Executive)(appointed 17 March 2016)</b>			
<b>2017</b>	<b>53,425</b>	<b>5,075</b>	<b>58,500</b>
2016	15,616	1,484	17,100
<b>RH Myer – Director (Non-Executive)</b>			
<b>2017</b>	<b>53,425</b>	<b>5,075</b>	<b>58,500</b>
2016	53,425	5,075	58,500
<b>RB Santamaria – Director (Non-Executive)</b>			
<b>2017</b>	<b>53,425</b>	<b>5,075</b>	<b>58,500</b>
2016	53,425	5,075	58,500
<b>JJ Webster – Director (Non-Executive)(appointed 22 November 2016)</b>			
<b>2017</b>	<b>32,623</b>	<b>3,099</b>	<b>35,722</b>
<b>Total remuneration: Directors</b>			
<b>2017</b>	<b>353,172</b>	<b>33,550</b>	<b>386,722</b>
2016	302,345	39,559	341,904

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

For 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' retirement 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 2017, 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:

2017	Balance at 1 July 2016	Net Changes	Balance at 30 June 2017
BB Teele	41,349,669	1,440,520	42,790,189
RE Barker	4,762,116	18,858	4,780,974
RG Brown	670,809	524,714	1,195,523
SL McKenna	0	648,000	648,000
RH Myer	833,728	130,716	964,444
RB Santamaria	355,590	13,101	368,691
JJ Webster	n/a	n/a	342,538
RM Freeman	704,564	25,958	730,522
GN Driver	317,729	11,706	329,435
AJB Porter	10,589	33,650	44,239

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 five Executives: RE Barker, Managing Director; GN Driver, General Manager – Business Development and Investor Relations; RM Freeman, Chief Investment Officer; AJB Porter, Chief Financial Officer; and MJ Rowe who is Company Secretary (2016: five Executives). No remuneration is paid to the Executives directly by AMCIL as their services are provided pursuant to the arrangements with AICS 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 Short Term Incentive Plans, and all purchased AMCIL shares during the year under this arrangement (apart from the Company Secretary who commenced 11 July 2016). The Chief Investment Officer is not required to purchase any AMCIL shares as part of his incentive arrangements. However, he is an AMCIL shareholder and purchased shares during the year.



## 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 2017 is presented by the Directors of the Company in accordance with a resolution of Directors.



BB Teele  
Chairman

Melbourne  
28 July 2017

## Auditor's Independence Declaration



### **Auditor's Independence Declaration**

As lead auditor for the audit of AMCIL Limited for the year ended 30 June 2017, 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.

A handwritten signature in black ink, appearing to read 'Charles Christie'.

Charles Christie  
Partner  
PricewaterhouseCoopers

Melbourne  
28 July 2017

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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## Income Statement

For the Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Dividends and distributions	A3	6,278	6,906
Revenue from deposits and bank bills		345	146
Other revenue		6	14
<b>Total revenue</b>		<b>6,629</b>	<b>7,066</b>
Net gains/(losses) on trading portfolio	A3	(11)	2,476
Income from options written portfolio	A3	876	847
<b>Income from operating activities</b>		<b>7,494</b>	<b>10,389</b>
Finance costs		(50)	(73)
Administration expenses	B1	(1,647)	(1,474)
<b>Profit before income tax expense</b>		<b>5,797</b>	<b>8,842</b>
Income tax expense	B2, E2	(414)	(1,155)
<b>Profit for the year</b>		<b>5,383</b>	<b>7,687</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	A5	2.09	3.10

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



## Statement of Comprehensive Income

For the Year Ended 30 June 2017

	Year to 30 June 2017			Year to 30 June 2016		
	Revenue* \$'000	Capital* \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
Profit for the year	5,383	-	5,383	7,687	-	7,687
Other comprehensive income						
Gains for the period	-	9,395	9,395	-	9,976	9,976
Tax on above	-	(1,473)	(1,473)	-	(3,041)	(3,041)
Total other comprehensive income	-	7,922	7,922	-	6,935	6,935
Total comprehensive income	5,383	7,922	13,305	7,687	6,935	14,622

\* '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 2017

	Note	2017 \$'000	2016 \$'000
<b>Current assets</b>			
Cash	D1	14,991	7,375
Receivables		832	981
Trading portfolio		516	157
<b>Total current assets</b>		<b>16,339</b>	<b>8,513</b>
<b>Non-current assets</b>			
Investment portfolio	A2	231,024	233,537
<b>Total non-current assets</b>		<b>231,024</b>	<b>233,537</b>
<b>Total assets</b>		<b>247,363</b>	<b>242,050</b>
<b>Current liabilities</b>			
Payables		249	3,139
Tax payable		2,074	1,226
Options sold	A2	641	229
<b>Total current liabilities</b>		<b>2,964</b>	<b>4,594</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	E2	140	44
Deferred tax liabilities – investment portfolio	B2	15,473	16,119
<b>Total non-current liabilities</b>		<b>15,613</b>	<b>16,163</b>
<b>Total liabilities</b>		<b>18,577</b>	<b>20,757</b>
<b>Net assets</b>		<b>228,786</b>	<b>221,293</b>
<b>Shareholders' equity</b>			
Share capital	A1, D6	171,658	168,556
Revaluation reserve	A1, D3	27,120	25,620
Realised capital gains reserve	A1, D4	9,427	4,485
Retained profits	A1, D5	20,581	22,632
<b>Total shareholders' equity</b>		<b>228,786</b>	<b>221,293</b>

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

## Statement of Changes in Equity

For the Year Ended 30 June 2017

Year Ended 30 June 2017	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year		168,556	25,620	4,485	22,632	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 retained profits of cumulative non-taxable gains on investments sold		-	(1,480)	-	1,480	-
Transfer to realised capital gains reserve of cumulative taxable gains on investments sold		-	(4,942)	4,942	-	-
<b>Total equity at the end of the year</b>		<b>171,658</b>	<b>27,120</b>	<b>9,427</b>	<b>20,581</b>	<b>228,786</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 2017

Year Ended 30 June 2016	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>		157,880	22,661	7,064	18,065	205,670
Dividends paid	A4	-	-	(3,628)	(6,047)	(9,675)
Shares issued under Dividend Reinvestment Plan	D6	3,513	-	-	-	3,513
Shares issued under Share Purchase Plan	D6	7,215	-	-	-	7,215
Other share capital adjustments		(52)	-	-	-	(52)
<b>Total transactions with shareholders</b>		<b>10,676</b>	<b>-</b>	<b>(3,628)</b>	<b>(6,047)</b>	<b>1,001</b>
Profit for the year		-	-	-	7,687	7,687
<b>Other comprehensive income (net of tax)</b>						
Net gain for the period on investments		-	6,935	-	-	6,935
Other comprehensive income for the year		-	<b>6,935</b>	-	-	<b>6,935</b>
Transfer to retained profits of cumulative non-taxable gains on investments sold		-	(2,927)	-	2,927	-
Transfer to realised capital gains reserve of cumulative taxable gains on investments sold		-	(1,049)	1,049	-	-
<b>Total equity at the end of the year</b>		<b>168,556</b>	<b>25,620</b>	<b>4,485</b>	<b>22,632</b>	<b>221,293</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 2017

	Note	2017 \$'000 Inflows/ (Outflows)	2016 \$'000 Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Sales from trading portfolio		909	10,482
Purchases for trading portfolio		(1,048)	(7,030)
Interest received		345	146
Proceeds from entering into options in options written portfolio		2,921	1,148
Payment to close out options in options written portfolio		(1,634)	(257)
Dividends and distributions received		5,987	5,717
		<b>7,480</b>	<b>10,206</b>
Other receipts		6	14
Administration expenses		(1,655)	(1,552)
Finance costs paid		(50)	(73)
Income taxes paid		(1,132)	(581)
<b>Net cash inflow/(outflow) from operating activities</b>	E1	<b>4,649</b>	<b>8,014</b>
<b>Cash flows from investing activities</b>			
Sales from investment portfolio		88,083	78,530
Purchases for investment portfolio		(78,848)	(91,693)
Tax paid on capital gains		(455)	(1,450)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>8,780</b>	<b>(14,613)</b>
<b>Cash flows from financing activities</b>			
Shares issued		3,112	10,728
Share issue transaction costs		(11)	(52)
Dividends paid		(8,914)	(9,675)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(5,813)</b>	<b>1,001</b>
Net increase/(decrease) in cash held		7,616	(5,598)
Cash at the beginning of the year		7,375	12,973
<b>Cash at the end of the year</b>	D1	<b>14,991</b>	<b>7,375</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:

	2017 \$'000	2016 \$'000
Share capital	171,658	168,556
Revaluation reserve	27,120	25,620
Realised capital gains reserve	9,427	4,485
Retained profits	20,581	22,632
	<b>228,786</b>	<b>221,293</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:

	2017 \$'000	2016 \$'000
Equity instruments (at market value)	231,024	233,537
	<b>231,024</b>	<b>233,537</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:

	2017 \$'000	2016 \$'000
Call options	587	229
Put options	54	-
	<b>641</b>	<b>229</b>

If all call options were exercised, this would lead to the sale of \$36.0 million worth of securities at an agreed price – the 'exposure' (2016: \$13.0 million). If all the put options were exercised, this would require the Company to purchase \$3.2 million of stock (2016: no put options).

\$5.5 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2016: \$2.8 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 2017 and 30 June 2016 were as follows:

	30 June 2017 \$	30 June 2016 \$
<b>Net Tangible Asset Backing Per Share</b>		
Before tax	0.95	0.93
After tax	0.89	0.87

### 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 or to retained profits.

### 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 or, for any difference between the accounting gain and the taxable gain, to retained profits 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 \$88.1 million (2016: \$78.3 million) of equity securities were sold. The cumulative gain on the sale of securities was \$6.4 million for the period after tax (2016: \$4.0 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 2017 is set out below.

	2017 \$'000	2016 \$'000
<b>Dividends and distributions</b>		
Dividends from securities held in investment portfolio at 30 June	5,116	6,006
Investment securities sold during the year	1,159	895
Dividends from securities held in trading portfolio at 30 June	-	-
Trading securities sold during the year	3	5
	<b>6,278</b>	<b>6,906</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.

	2017 \$'000	2016 \$'000
Net gains		
Net realised gains/(losses) from trading portfolio	(19)	2,436
Realised gains on options written portfolio	576	750
Unrealised gains from trading portfolio	8	40
Unrealised gains on options written portfolio	300	97
	<b>865</b>	<b>3,323</b>

### A4. Dividends Paid

The dividends paid and payable for the year ended 30 June 2017 are shown below:

	2017 \$'000	2016 \$'000
<b>(a) Dividends Paid During the Year</b>		
Final dividend for the year ended 30 June 2016 of 3.5 cents fully franked at 30 per cent, paid 25 August 2016 (2016: 4 cents fully franked at 30 per cent, paid on 25 August 2015).	8,914	9,675
	<b>8,914</b>	<b>9,675</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

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

<b>Net available</b>	<b>755</b>	<b>22</b>
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These franking account balances would allow AMCIL to frank additional dividend payments at a rate of 27.5 per cent (30 June 2016: 30 per cent) up to an amount of:

	1,990	51
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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 3.5 cents per share fully franked at 27.5 per cent. The aggregate amount of the final dividend for the year to 30 June 2017 to be paid on 24 August 2017, but not recognised as a liability at the end of the financial year is:

	9,029	
--	-------	--

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

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

This equates to an attributable amount of:	10,334	3,270
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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. \$3.9 million of the capital gain account, or \$5.5 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:

	2017	2016
Basic Earnings Per Share	Number	Number
Weighted average number of ordinary shares used as the denominator	257,473,533	248,177,004
	\$'000	\$'000
Profit for the year	5,383	7,687
	Cents	Cents
Basic earnings per share	2.09	3.10

### 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:

	2017	2016
	\$'000	\$'000
Administration fees paid to AICS	(918)	(780)
Other administration expenses	(729)	(694)

### 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>2017</b>			
<b>Directors</b>	<b>353,172</b>	<b>33,550</b>	<b>386,722</b>
2016			
Directors	302,345	39,559	341,904

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 new rate of 27.5 per cent (2016 : 30 per cent).

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, puttable instruments, convertible notes that are classified as debt 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:

	2017 \$'000	2016 \$'000
<i>(a) Reconciliation of Income Tax Expense to Prima Facie Tax Payable</i>		
<b>Profit before income tax expense</b>	<b>5,797</b>	<b>8,842</b>
Tax at the Australian small company tax rate of 30 per cent (2016 – 30 per cent)	1,739	2,653
Tax offset for franked dividends received	(1,266)	(1,423)
Tax effect of sundry items either taxable in current year but not included in income or non-taxable	5	(18)
	478	1,212
Over provision in prior years	(64)	(57)
<b>Total tax expense</b>	<b>414</b>	<b>1,155</b>

### Deferred Tax Liabilities – Investment Portfolio

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

	2017 \$'000	2016 \$'000
Deferred tax liabilities on unrealised gains in the investment portfolio	15,473	16,119
Opening balance at 1 July	16,119	13,533
Tax on realised gains (at 30 per cent)	(2,119)	(455)
Charged to OCI for ordinary securities on gains or losses for the period	1,473	3,041
	<b>15,473</b>	<b>16,119</b>

### B3. Risk

#### Market Risk

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

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

A general fall in market prices of 5 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 \$8.1 million and \$16.2 million respectively, at a tax rate of 30 per cent (2016: \$8.2 million and \$16.3 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 \$4,000 and \$9,000 respectively (2016: \$2,500 and \$5,000). The revaluation reserve at 30 June 2017 was \$27.1 million (2016: \$25.6 million). It would have required a fall in the value of the investment portfolio of 18.4 per cent after tax to fully deplete this (2016: 15.7 per cent).

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:

	2017 %	2016 %
Energy	3.58	3.10
Materials	14.85	9.39
Industrials	16.32	18.63
Consumer discretionary	6.22	9.19
Consumer staples	7.32	7.80
Banks	11.39	6.57
Other financials (including property trusts)	11.82	12.13
Telecommunications	2.51	6.12
Healthcare	12.78	18.76
Other – information technology and utilities	7.12	5.25
Cash	6.09	3.06

There were no securities representing over 5 per cent of the combined investment and trading portfolio (including options) at 30 June 2017.

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 on page 30.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 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.

### Liquidity Risk

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

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

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

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

	Less than 6 Months \$'000	6-12 Months \$'000	Greater than 1 Year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
<b>30 June 2017</b>					
<b>Non-derivatives</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>
<b>30 June 2016</b>					
<b>Non-derivatives</b>					
Payables	3,139	-	-	3,139	3,139
Options written*	-	-	-	-	229
	<b>3,139</b>	<b>-</b>	<b>-</b>	<b>3,139</b>	<b>3,368</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 don't 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 shareholder 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

	2017 \$'000	2016 \$'000
Cash at bank and in hand (including on-call)	14,991	7,375

Cash holdings yielded an average floating interest rate of 1.93 per cent (2016: 2.09 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.

	2017 \$'000	2016 \$'000
Commonwealth Bank of Australia – cash advance facility	10,000	10,000
Amount drawn down at 30 June	-	-
Undrawn facilities at 30 June	10,000	10,000

Repayment of facilities is done either through the use of cash received from distributions or the sale of securities, or by rolling existing facilities into new ones. Facilities when utilised are usually drawn down for no more than three months.

#### D3. Revaluation Reserve

	2017 \$'000	2016 \$'000
Opening Balance at 1 July 2016	25,620	22,661
Gains on investment portfolio	9,395	9,976
Deferred tax on above	(1,473)	(3,041)
Transfer to retained profits for non-taxable realised gains	(1,480)	(2,927)
Transfer to realised capital gains reserve for taxable realised gains	(4,942)	(1,049)
	27,120	25,620

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy Note A2. Note deferred and incurred tax have been calculated at a rate of 27.5 per cent for the year ended 30 June 2017 (30 June 2016: 30 per cent).

#### D4. Realised Capital Gains Reserve

	2017 \$'000	2016 \$'000
Opening balance at 1 July	4,485	7,064
Dividends paid	-	(3,628)
Cumulative taxable realised gains for period through OCI (net of tax)	4,942	1,049
	9,427	4,485

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



**D5. Retained Profits**

	2017 \$'000	2016 \$'000
Opening balance at 1 July	22,632	18,065
Dividends paid	(8,914)	(6,047)
Profit for the year	5,383	7,687
Transfer from revaluation reserve for realised non-taxable gains	1,480	2,927
	<b>20,581</b>	<b>22,632</b>

This reserve relates to past profits.

**D6. Share Capital**

Date	Details	Notes	Number of Shares '000	Issue Price \$	Paid-up Capital \$'000
1/7/2015	Balance		241,874		157,880
25/8/2015	Dividend Reinvestment Plan	(i)	4,133	0.85	3,513
4/3/2016	Share Purchase Plan	(ii)	8,693	0.83	7,215
Various	Costs of issue		-		(52)
30/6/2016	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		<b>257,976</b>		<b>171,658</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.

(ii) During the year ended 30 June 2016 the Company announced a Share Purchase Plan (SPP). The SPP issue price was set at a 2.5 per cent discount to the volume-weighted average price of AMCIL shares traded on the Australian Securities Exchange (ASX) and Chi-X over the five trading days up to, and including, the day on which the SPP offer was scheduled to close.

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

**E . Income Statement Reconciliations**
**E1. Reconciliation of Net Cash Flows from Operating Activities to Profit**

	2017 \$'000	2016 \$'000
<b>Profit for the year</b>	<b>5,383</b>	<b>7,687</b>
Net decrease/(increase) in trading portfolio	(359)	390
Increase/(decrease) in options written portfolio	412	43
Dividends received as securities under DRP investments	(207)	(576)
Decrease/(increase) in current receivables	149	(26)
– Less increase/(decrease) in receivables for investment portfolio	-	-
Increase/(decrease) in deferred tax liabilities	(550)	2,623
– Less (increase)/decrease in deferred tax liability on investment portfolio	646	(2,586)
Increase/(decrease) in current payables	(2,890)	2,102
– Less decrease/(increase) in payables for investment portfolio	2,881	(2,180)
Increase/(decrease) in provision for tax payable	848	(458)
– Less CGT provision	(2,119)	(455)
– Add taxes paid on capital gains	455	1,450
<b>Net cash flows from operating activities</b>	<b>4,649</b>	<b>8,014</b>

## E2. Tax Reconciliations

### Tax Expense Composition

	2017 \$'000	2016 \$'000
Charge for tax payable relating to the current year	382	1,175
Over provision in prior years	(64)	(57)
Increase in deferred tax liabilities – investment portfolio	96	37
	<b>414</b>	<b>1,155</b>

### Amounts Recognised Directly Through Other Comprehensive Income

	2017	2016
Net movement in tax liabilities relating to capital gains tax on the movement in gains in the investment portfolio	1,473	3,041
	<b>1,473</b>	<b>3,041</b>

### Deferred Tax Assets and Liabilities

The deferred tax balances are attributable to:

	2017 \$'000	2016 \$'000
(a) The difference in the value of the trading portfolio for tax and accounting purposes	(2)	(12)
(b) Tax on unrealised gains in the options written portfolio	(130)	(53)
(c) Provisions and expenses charged to the accounting profit which are not yet tax deductible	65	76
(d) Interest and dividend income receivable which is not assessable for tax until receipt	(73)	(55)
	<b>(140)</b>	<b>(44)</b>

#### Movements:

	2017	2016
Opening asset/(liability) balance at 1 July	(44)	(7)
Credited/(charged) to Income Statement	(96)	(37)
	<b>(140)</b>	<b>(44)</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.

The portion of deferred tax liability likely to be reversed within the next 12 months is \$205,000 (2016: \$45,000). This relates primarily to items described in items (a), (b) and (d) above.

## 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:

	2017 \$	2016 \$
PricewaterhouseCoopers		
Audit or review of Financial Reports	113,599	111,186
<b>Non-audit services</b>		
Taxation compliance services	13,365	11,440
<b>Total remuneration</b>	<b>126,964</b>	<b>122,626</b>

### F3. Segment Reporting

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

#### Description of Segments

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

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

#### Segment Information Provided to the Board

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

#### Other Segment Information

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

AMCIL is domiciled in Australia and most of AMCIL's income is derived from Australian entities or entities that maintain a listing in Australia. AMCIL has a diversified portfolio of investments, with no investments comprising more than 10 per cent of AMCIL's income, including realised income from the trading and options written portfolios (2016: one investment: NetComm Wireless (15.7 per cent) in the trading portfolio).

### 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 2017 ('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 Corporation's (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 2017 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 2017.

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.



BB Teele  
Chairman

Melbourne  
28 July 2017



## **Independent auditor's report to the shareholders of AMCIL Limited**

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

#### *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 2017 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 Company's financial report comprises:

- the balance sheet as at 30 June 2017
- the income statement for the year then ended
- 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 notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

#### *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***

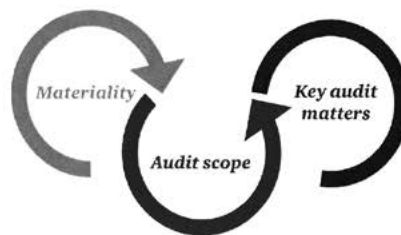
We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our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



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### *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.



#### **Materiality**

- For the purpose of our audit we used overall 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 Company 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**

- 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.
- Our audit focused on where subjective judgements were made; 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*

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.

Key audit matter	How our audit addressed the key audit matter
<p><i>Existence and valuation of the investment portfolios</i> (Refer to note A2) \$231m</p> <p>Investments mostly consist of listed Australian equities and exchange traded options 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>	<ol style="list-style-type: none"> <li>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 2017 balance.</li> <li>2) Agreed all the investment quantity holdings at 30 June 2017 to independent third party sources.</li> <li>3) Agreed all the listed equities investment prices to independent market pricing sources.</li> <li>4) Agreed all the exchange traded options prices to independent market pricing confirmations.</li> <li>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.</li> </ol>

*Other information*

The directors are responsible for the other information. The other information comprises the Director's Report, Additional Information section and Other Information section included in the Company's annual report for the year ended 30 June 2017 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.

*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 the *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: [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.

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#### *Report on the remuneration report*

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##### *Our opinion on the remuneration report*

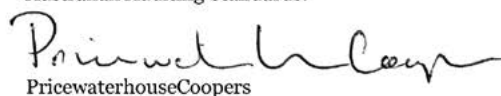
We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of AMCIL limited for the year ended 30 June 2017 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.



PricewaterhouseCoopers



Charles Christie  
Partner

28 July 2017

## OTHER INFORMATION

### Information About Shareholders

At 24 July 2017 there were 2,566 holdings of shares. These holdings were distributed in the following categories:

Size of Holding	Holdings
1 to 1,000	389
1,001 to 5,000	295
5,001 to 10,000	163
10,001 to 100,000	1,241
100,000 and over	478
<b>Total</b>	<b>2,566</b>

Percentage held by the 20 largest holders	38.70%
Average shareholding	100,536

There were 300 shareholdings of less than a marketable parcel of \$500 (556 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 24 July 2017 are noted below:

Holder	Shares Held	%
Bruce Teele	42,790,189	16.59
Djerriwarrh Investments Ltd	10,599,254	4.11
National Nominees Limited	7,234,645	2.80
Terrence Campbell	4,931,326	1.91
Christine Joy Campbell	4,921,815	1.91
Ross Barker	4,780,974	1.85
Fobsha Pty Limited	3,602,064	1.40
Ancona Valley Holdings Pty Ltd <Roswell Super Fund A/C>	2,874,485	1.11
Netwealth Investments Limited <Wrap Services A/C>	2,601,352	1.01
HSBC Custody Nominees (Australia) Limited	2,434,007	0.94
Riga (Qld) Pty Ltd <Krohn Family S/F A/C>	1,697,646	0.66
RAC & JD Brice Superannuation P/L <Brice Super Fund A/C>	1,504,960	0.58
S D M Wallis	1,458,750	0.57
Australian Executor Trustees Limited <No 1 Account>	1,364,354	0.53
Baker Custodian Corporation	1,203,163	0.47
Yelgarn Pty Ltd	1,200,386	0.47
Roger Brown	1,195,523	0.46
Somoke Pty Limited <Pulman Super Fund A/C>	1,174,496	0.46
Netwealth Investments Limited <Super Services A/C>	1,153,208	0.45
Mr Philip James Kennon + Mrs Wendy Kennon <Kennon Superfund A/C>	1,110,000	0.43

## 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 40.

## Transactions in Securities

During the year ended 30 June 2017, the Company recorded 775 transactions in securities. \$461,282 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 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
AAC	Australian Agricultural Company	Owns and operates a balance of properties, feedlots and farms comprising around 7 million hectares of land in Queensland and the Northern Territory and is expanding its value-added branded beef operations	1,750	1,750	3,246
ALQ	ALS	Provider of analytical laboratory services to mining, life sciences, energy and industrial clients	400	475	3,539
AMC*	Arcor	Global packaging company	254	304	4,856
AMP*	AMP	Major Australasian financial services organisation	500	870	4,497
APE	AP Eagers	Operator of a national footprint of full service motor vehicle dealerships representing a broad range of car and truck brands in Australia	0	245	2,044
ARB	ARB Corporation	Manufacturer and distributor of four-wheel drive vehicle accessories in Australia and internationally	234	150	2,357
AUB	AUB Group	Investor in a network of small to medium Australian insurance brokers	0	150	1,949
BHP*	BHP	Diversified international resources company	200	405	9,369
BKW	Brickworks	Australia's largest manufacturer of bricks and pavers, with other investments in property development and listed equities	0	175	2,413
BLX	Beacon Lighting Group	Australia's largest lighting and accessory retailer with integrated operations from design and sourcing, through to merchandising and retailing	1,624	1,624	2,111
BXB*	Brambles	Global provider of supply chain management and logistics solutions	850	827	8,039
CBA*	Commonwealth Bank of Australia	Banking and wealth management services	120	107	8,843
CGF	Challenger	Financial services company providing life insurance, annuities and funds management	0	200	2,668
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	0	170	2,361
CSL	CSL	Biopharmaceutical company that researches, develops, manufactures and markets products to treat and prevent serious human medical conditions	82	60	8,213
CVW	Clearview Wealth	Life insurance company with associated offerings in wealth management and financial advice	2,107	2,743	3,977
CYB	CYBG PLC	A leading mid-sized United Kingdom retail and SME bank with long-established operations across its core regions	0	650	3,062
FNP	Freedom Foods Group	Specialist producer of allergen-free foods, with related packaging and marketing interests in dairy and seafood	888	757	3,633

Code	Name	Principal Activity	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
FPH	Fisher & Paykel Healthcare Corporation	Designs, manufactures and market a range of medical devices used in respiratory care and the treatment of obstructive sleep apnoea	414	414	4,495
HSO	Healthscope	One of Australia's leading private healthcare operators through the ownership and operation of private hospitals and medical centres	1,762	850	1,879
ILU*	Iluka Resources	Miner of zircon and titanium-based mineral sands products with an additional iron ore production royalty	0	500	4,303
IPL*	Incitec Pivot	Manufacturer and supplier of nitrogen-based fertiliser and industrial explosives	1,727	1,450	4,919
IRE	IRESS	Provider of share market and wealth management information systems	250	500	6,345
ISD	Isentia Group	Provides large consumer brand, corporate and government clients with media monitoring, relations and insights software and services that help drive business and communication decisions	0	1,775	3,816
JHC	Japara Healthcare	Provider of residential aged care services	1,915	1,050	2,205
JHX*	James Hardie Industries	Building materials company focused on fibre cement products, predominantly in the United States	305	370	7,562
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	2,621	2,312	9,364
MFT	Mainfreight	Provider of managed warehousing and international and domestic freight forwarding services	445	445	9,981
MYX	Mayne Pharma Group	A specialty pharmaceutical company that develops and manufactures branded and generic products, which it distributes globally: either directly or through distribution partners	4,772	4,000	4,340
NAB*	National Australia Bank	Banking and wealth management services	190	298	8,771
NTC	NetComm Wireless	Delivers advanced broadband and wireless devices enabling businesses, people and machines to connect to the internet	847	1,400	2,408
NUF	Nufarm	Agricultural chemical company that manufactures and sells crop protection and seeds treatment products globally	320	320	3,082
NVT	Navitas	An international education provider through its University Pathways Programs, Creative Media Education, English Language Training and Settlement services	224	480	2,328
OCL	Objective Corporation	Provider of information technology software and services	1,385	1,395	3,082
OSH	Oil Search	Oil and gas explorer, developer and producer with assets predominantly in PNG	950	885	6,036
PGC	Paragon Care	A supplier of medical equipment and consumables to the healthcare market	4,000	2,957	2,262
QBE*	QBE Insurance Group	General insurance and reinsurance services provider	540	560	6,606

## Holdings of Securities continued

Code	Name	Principal Activity	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
QUB*	Qube Holdings	Provider of import and export logistics services with national operations	3,000	3,027	7,924
RMD*	ResMed	Leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing and other respiratory disorders	450	350	3,502
SEK*	SEEK	Operator of employment classifieds websites in Australia and offshore with interest in education and training	250	250	4,218
SHL	Sonic Healthcare	Specialist diagnostics company providing radiology and pathology services in Australia and overseas	188	138	3,346
SKB	Skydive The Beach Group	Australia and New Zealand's largest operator of tandem skydives across landmark tourist drop zones in each country	2,494	3,081	2,034
TCL	Transurban Group	Developer and operator of electronic toll roads in Australia and overseas	525	500	5,925
TLS	Telstra Corporation	Telecommunications operator and information services provider	550	375	1,613
TPE	TPI Enterprises	One of eight licensed processors worldwide producing Narcotic Raw Material (NRM) for the international pharmaceutical industry	0	574	1,178
TPM*	TPG Telecom	Provider of a diverse range of communication services to residential users, small and medium enterprises, government and large corporate enterprises. The company owns and operates their own domestic network infrastructure and an international submarine cable connecting Australia and Guam	655	800	4,557
TWE*	Treasury Wine Estates	Wine company with over 50 brands produced in Australia, New Zealand, the United States and Italy and sold globally	760	425	5,527
WBC*	Westpac Banking Corporation	Banking and wealth management services	70	245	7,336
WES*	Wesfarmers	Diversified conglomerate with retailing operations in supermarkets, department stores, home improvement and office supplies. The Group also operates businesses involved in coal mining, energy, insurance, chemicals, fertilisers, and industrial and safety products	73	140	5,596
WLL	Wellcom Group	Production company providing pre media, digital asset management and specialty printing services to advertisers, retailers and corporations	750	1,005	4,422
WPL*	Woodside Petroleum	Engages in the exploration, evaluation, development and production of hydrocarbon and oil and gas properties.	45	93	2,765
<b>Total</b>					<b>230,899</b>

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

## Major Transactions in the Investment Portfolio

	Cost \$'000
<b>Acquisitions</b>	
National Australia Bank	8,083
Westpac Banking Corporation	7,735
BHP	4,817
Isentia Group	4,641
Iluka Resources	3,219
CYBG	3,054
IRESS (including \$0.21 million in placement at \$11.35 per share)	3,024
Woodside Petroleum	3,021

	Proceeds \$'000
<b>Disposals</b>	
ASG Group# (takeover by Nomura Research)	6,520
AMA Group#	4,925
National Australia Bank	4,571
The Citadel Group#	4,351
Cover-More Group# (takeover by Zurich Insurance)	4,097
Ardent Leisure Group#	3,945
Treasury Wine Estates	3,645
CSG#	3,230
Telstra	3,026

# Complete disposal from the portfolio.

### New Companies Added to the Investment Portfolio

Isentia Group  
 Iluka Resources  
 CYBG  
 Brickworks  
 Computershare  
 AP Eagers  
 Challenger  
 TPI Enterprises  
 AUB Group

## Sub-underwriting

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

<u>Company</u>	<u>Underwritten by</u>	<u>Description</u>	<u>Amount Underwritten</u>
Skydive the Beach Group Ltd	Veritas Securities Ltd	2 for 21 Entitlement Offer	\$931,588



## Share Capital Changes

Date	Type	Price/Amount
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  
Ross E Barker, Managing Director  
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  
+61 3 9415 4224 (from overseas)  
**Facsimile** +61 3 9473 2500  
**Website** [investorcentre.com/contact](http://investorcentre.com/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 12 October 2017  
**Venue** RACV City Club  
**Location** 501 Bourke Street  
Melbourne

### **Adelaide Shareholder Meeting**

**Time** 1.00pm  
**Date** Friday 20 October 2017  
**Venue** Adelaide Convention Centre  
**Location** Panorama Rooms North Terrace  
Adelaide

### **Brisbane Shareholder Meeting**

**Time** 1.00pm  
**Date** Monday 23 October 2017  
**Venue** Brisbane Hotel  
**Location** 190 Elizabeth Street  
Brisbane

### **Sydney Shareholder Meeting**

**Time** 1.00pm  
**Date** Friday 27 October 2017  
**Venue** Four Seasons Hotel  
**Location** 199 George Street  
Sydney



ANNUAL REVIEW  
2017

A Focused Portfolio of Australian Equities

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- 2 5 Year Summary
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- 28 Company Particulars
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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

\$5.4m

Down 30.0% from 2016

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### Total Shareholder Return

-1.2%

Share price plus dividend

---

### Fully Franked Dividend

3.5¢

3.5 cents in 2016

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### Management Expense Ratio

0.68%

0.65% in 2016

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### Total Portfolio Return

7.0% Including  
Franking\*

S&P/ASX 200 Accumulation Index  
15.7% including franking\*

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### Total Portfolio

\$245.9m

Including cash at 30 June

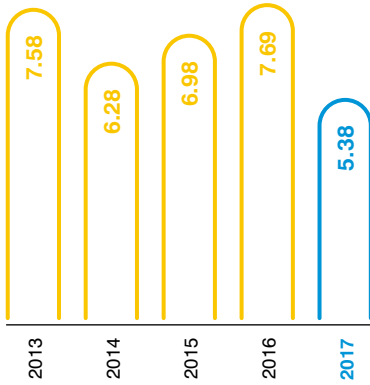
\$240.8 million in 2016

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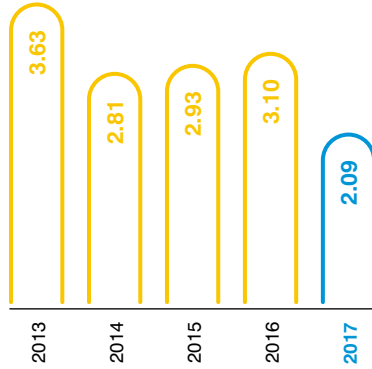
\* Assumes a shareholder can take full advantage of the franking credits.

# 5 Year Summary

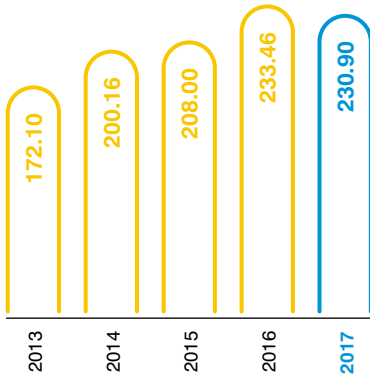
### Profit After Tax (\$ Million)



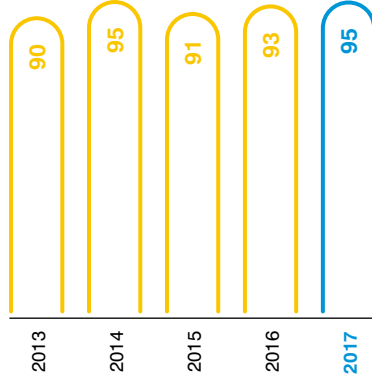
### Net Profit Per Share (Cents)



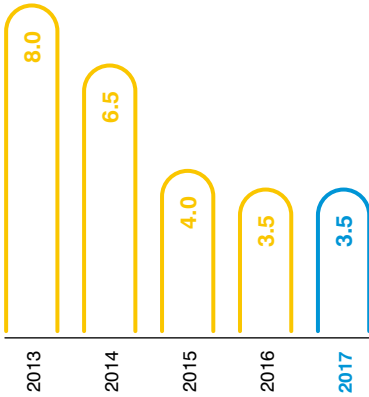
### Investments at Market Value (\$ Million)<sup>(a)</sup>



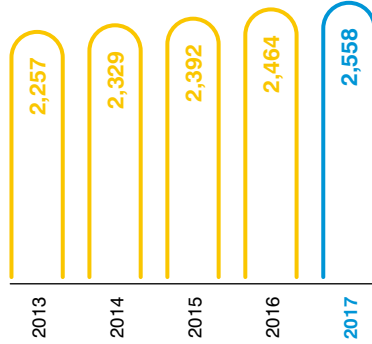
### Net Asset Backing Per Share (Cents)<sup>(c)</sup>



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



### Number of Shareholders (30 June)



#### Notes

- (a) Excludes cash.
- (b) 2017 carries 2.1 cents attributable 'LIC gain' per share, 2016: nil, 2015: 2.1 cents, 2014: 5.7 cents, 2013: 7.1 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

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.

## 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:

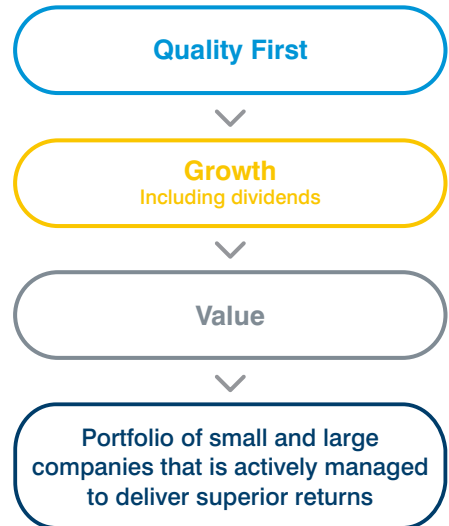
- attractive returns through strong capital growth in the portfolio over the medium to long term; and
- the generation of fully franked dividend income.

## 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

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



of gearing in the balance sheet, product margins and cash flow. The structure of the industry and a company's competitive position in this industry is also an important indicator 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 or 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. However, 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 a small proportion of its investments and a small trading portfolio to generate additional income.

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



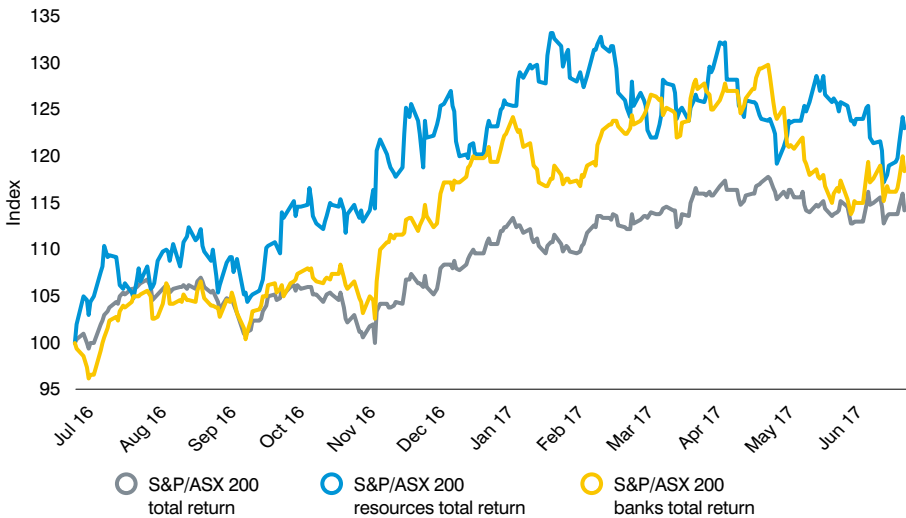
# Review of Operations and Activities

## Profit and Dividend

Profit for the year was \$5.4 million compared to \$7.7 million from the corresponding period last year. There was a decline in investment income of \$0.4 million as a result of the reduction in the dividend paid by BHP and adjustments made to the portfolio during the year, including the partial sale of the Telstra holding given the changing structure of the telecommunications industry. The trading portfolio also produced a very small loss, compared with \$2.5 million profit last year, as the large gains generated in the prior corresponding period were not repeated this year.

AMCIL's reported profit after tax will vary from year to year as a result of changes to the composition of the portfolio. This depends particularly on the balance between companies generating higher dividend income and those likely to provide more capital growth which may be realised on sale. Similarly, the use of the trading portfolio each year is very dependent on opportunities that arise. Each of these activities generate franking credits and contribute to the Company's ability to maximise the distribution of available franking credits each year under its dividend policy.

Figure 1: Performance of Bank and Resource Sectors Relative to the S&P/ASX 200



Source: FactSet



In line with this policy, AMCIL will pay a final dividend of 3.5 cents per share fully franked, which is the same as last year. The level of the dividend has been set taking into account the lower rate of franking credit at 27.5 per cent because of the recent changes to corporate tax legislation.

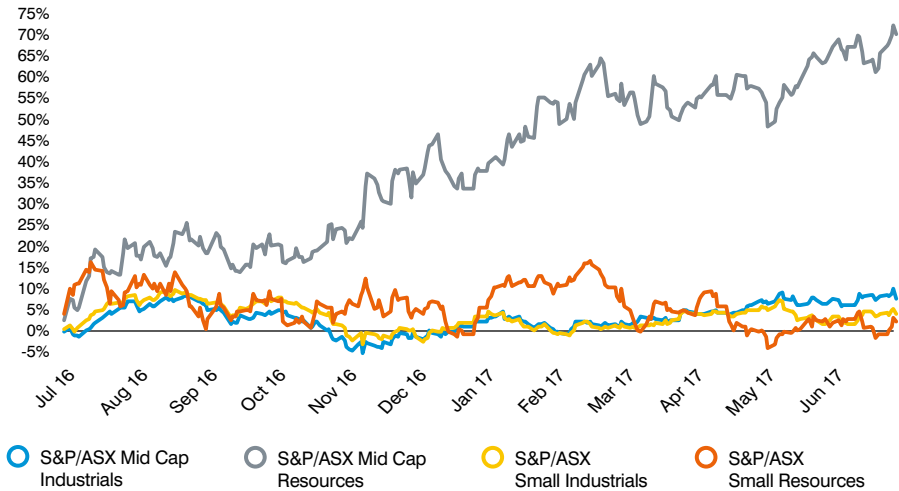
Part of the dividend has been sourced from capital gains on which the Company has paid or will pay tax. The amount of the pre-tax attributable gain on this portion of the dividend, known as an 'LIC capital gain', is 2.14 cents. This enables some shareholders to claim a tax deduction in their tax return.

### Management Expense Ratio

AMCIL's management expense ratio is 0.68 per cent. AMCIL's portfolio is managed internally and does not charge portfolio performance fees, which leads to lower costs for shareholders.

The MER 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 also can include additional performance fees.

**Figure 2: Performance of S&P/ASX Small and Mid Cap Industrials Versus S&P/ASX Small and Mid Cap Resources**



Source: FactSet

## Portfolio Returns

Over the 12-month period there was renewed investor interest in banks and resources which had under-performed in the previous financial year. This produced very strong gains in these sectors, which were up 18.4 per cent and 22.9 per cent respectively over the financial year to 2017.

In addition, many small and mid-cap industrial companies under-performed as previous strong growth expectations were revised down, which led to share price falls. In AMCIL's portfolio, TPG Telecom and Mayne Pharma were particularly affected by this trend.

AMCIL's total portfolio return over the year was 5.3 per cent. Assuming the full benefit of franking credits, AMCIL's portfolio delivered a return of 7.0 per cent whereas the S&P/ASX 200 Accumulation Index return was 15.7 per cent on the same basis over the year. 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.

AMCIL's performance relative to the market for the year was influenced by the low exposure to the resource and banking sectors as well as holding a higher than normal cash position across the year.

**Figure 3: Portfolio Performance Per Annum Return to 30 June 2017 Including the Benefits of Franking Credits**



Note assumes an investor can take full advantage of the franking credits.



Market return  
from banks

18.4%

“

*Over the 12-month period there was renewed investor interest in banks and resources which had underperformed in the previous financial year. This produced very strong gains in these sectors.*

”

# Review of Operations and Activities continued

The best performing stocks over the year were Mainfreight, Lifestyle Communities, ASG Group, Treasury Wine Estates, CSL and Cover-More Group.

The longer-term performance of the portfolio, which is more in line with the Company's investment timeframes, was 8.5 per cent per annum for the 10 years to 30 June 2017 versus the Index return of 5.2 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 4 outlines the performance each financial year of the

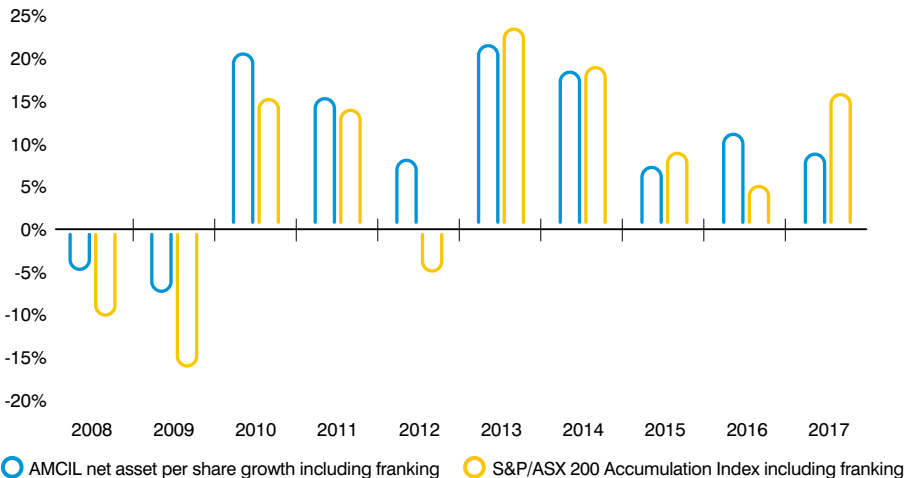
portfolio versus the S&P/ASX 200 Index over the past 10 years.

The objective is to deliver outperformance over the medium to long term. Figure 5 shows the cumulative return of AMCIL over a ten year period.

## Adjustments to the Portfolio

Major purchases included BHP, National Australia Bank, Westpac Bank and Woodside Petroleum where it was advantageous to also generate additional returns by selling call options against these stocks. A number of new holdings were added, the largest of these were ISENTIA Group, Iluka Resources and CYBG

**Figure 4: Performance Each Financial Year of AMCIL Including Dividends and Franking Credits Versus the ASX 200 Accumulation Index with Franking**



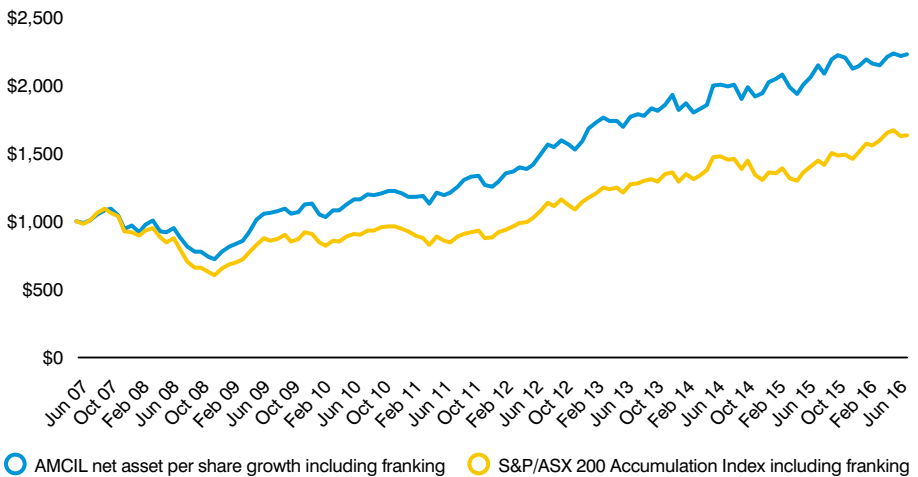
Note assumes an investor can take full advantage of the franking credits.

(Clydesdale Bank). AMCIL also added to its position in IRESS, including participation in its share placement.

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

- Isentia Group which provides large consumer brand, corporate and government clients with media monitoring, relations and insights software and services that helps drive business and communication decisions.
- Iluka Resources which is an Australian-based resources company, specialising in mineral sands exploration, project development, operations and marketing. Iluka is the largest producer of zircon and titanium dioxide-derived rutile and synthetic rutile globally. These products are mainly used in the manufacture of ceramics and for pigment in paints and plastics. The company also has a royalty associated with a tier one iron ore operation – BHP’s Mining Area C province in Western Australia.
- CYBG is a British banking group with a strong emphasis on its personal customer base and a business banking capability across its United Kingdom network. They operate under two major brands, Clydesdale Bank and Yorkshire Bank with a strong presence in the North of England and Scotland. CYBG was divested from National Australia Bank in early 2016 and its holding company CYBG plc, trades on the London and Australian stock exchanges.

**Figure 5: Ten Year Portfolio Performance of AMCIL Including Dividends and Franking Credits**



Note assumes an investor can take full advantage of the franking credits.



Market return  
from resources

22.9%

Major sales included the complete disposal of holdings in AMA Group, The Citadel Group, Ardent Leisure Group and CSG. The position in Treasury Wine Estates was reduced given the strong run-up in its share price meant it had become a very large position in the portfolio. Part of the Telstra holding was also sold in the first half of the year. ASG Group and Cover-More Group were taken over.

Purchases in the investment portfolio totalled \$76.2 million for the year with total sales of \$88.1 million for the period.

AMCIL's portfolio is very different from that represented by the S&P/ASX 200 Index. Figure 6 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.

### Share Price

The share price to the net asset backing (before tax on unrealised gains) went from a premium of 3.4 per cent at 30 June 2016 to a discount of 3.0 per cent by the end the financial year. This impacted the share price return relative to the portfolio performance for the year.

Importantly, over the long term the share price return has performed in line with the longer-term portfolio returns.

Figure 8 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 \$1,000 in AMCIL shares over a ten year period relative to the return from the ASX 200 Accumulation Index, including franking credits.



Figure 6: Investment by Sector as at 30 June 2017

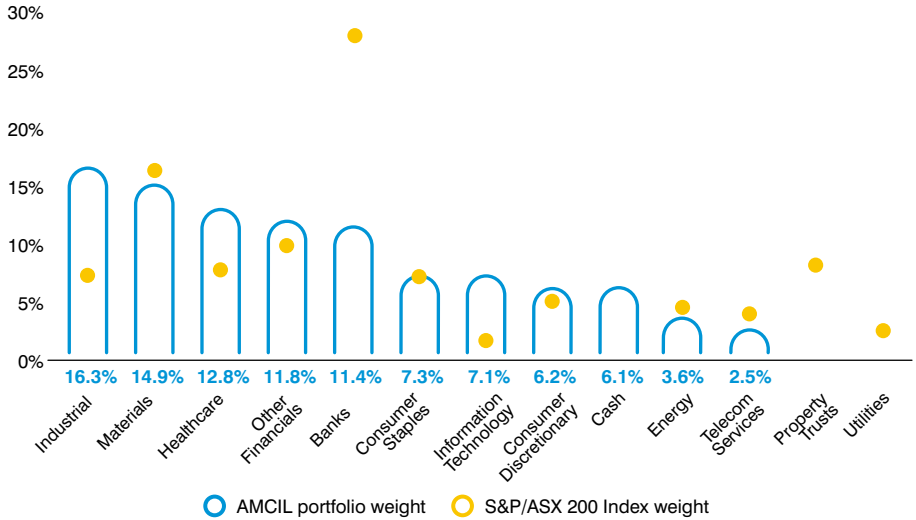
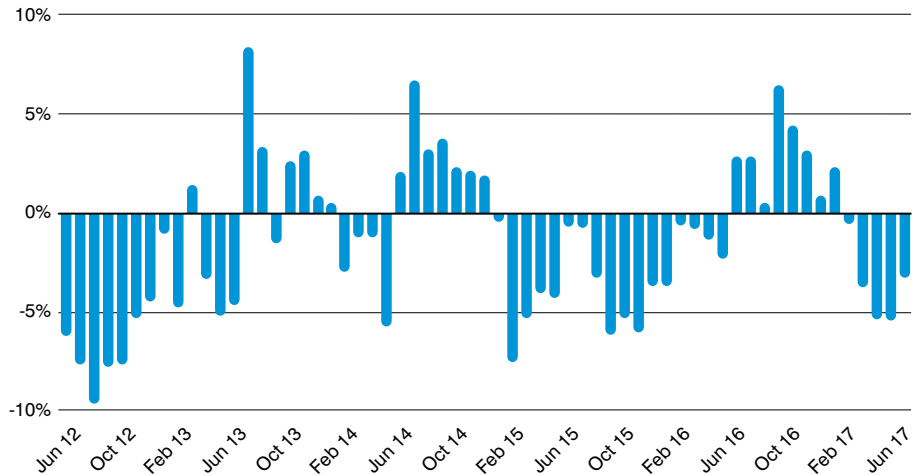
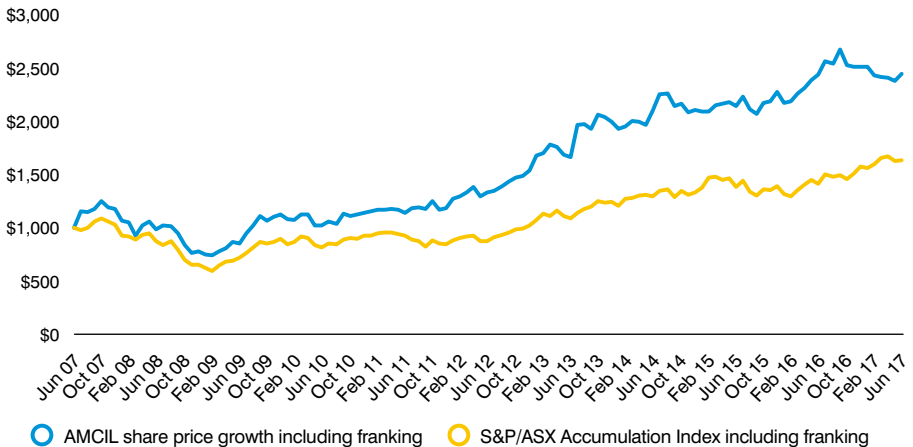


Figure 7: Share Price Premium/Discount to Net Asset Backing



# Review of Operations and Activities continued

**Figure 8: Performance of an Investment of \$1,000 in AMCIL Shares Including Dividends and the Full Benefit of Franking Credits Over the 10 Years to 30 June 2017**



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.

## Outlook

The outlook for growth across many economies looks more promising than twelve months ago. However the test for a number of these markets is how the inevitable transition to more normal interest rate settings occurs against the background of high consumer debt and large budget deficits in many developed countries.

Australia is not immune from these issues. In this context, the outlook for China remains particularly important as commodity prices

and demand for agricultural products are important factors in injecting income into the domestic economy.

In our view equity market valuations in Australia remain stretched across many sectors. In a market that was dominated by returns from banks and resources over the financial year, AMCIL remains satisfied with the positioning of the portfolio. It has cash on hand to invest in quality companies when valuations become more attractive.

## Top 20 Investments

As at 30 June 2017

Includes investments held in both the investment and trading portfolios.

### Valued at Closing Prices at 30 June 2017

	Total Value \$'000	% of the Portfolio
1 Mainfreight	9,981	4.3
2 BHP*	9,369	4.1
3 Lifestyle Communities	9,364	4.1
4 Commonwealth Bank of Australia*	8,843	3.8
5 National Australia Bank*	8,771	3.8
6 CSL	8,213	3.6
7 Brambles*	8,039	3.5
8 Qube Holdings*	7,924	3.4
9 James Hardie Industries*	7,562	3.3
10 Westpac Banking Corporation*	7,336	3.2
11 QBE Insurance Group*	6,606	2.9
12 IRESS	6,345	2.7
13 Oil Search	6,036	2.6
14 Transurban Group	5,925	2.6
15 Wesfarmers*	5,596	2.4
16 Treasury Wine Estates*	5,527	2.4
17 Incitec Pivot*	4,919	2.1
18 Amcor*	4,856	2.1
19 TPG Telecom*	4,557	2.0
20 AMP*	4,497	1.9
<b>Total</b>	<b>140,264</b>	

As a percentage of total portfolio (excludes cash)

60.7%

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

# Income Statement

For the Year Ended 30 June 2017

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Dividends and distributions	6,278	6,906
Revenue from deposits and bank bills	345	146
Net gains/(losses) on trading portfolio	(11)	2,476
Income from options written portfolio	876	847
Other revenue	6	14
<b>Total income</b>	<b>7,494</b>	<b>10,389</b>
Finance costs	(50)	(73)
Administration expenses	(1,647)	(1,474)
<b>Profit before income tax</b>	<b>5,797</b>	<b>8,842</b>
Income tax expense	(414)	(1,155)
<b>Profit for the year</b>	<b>5,383</b>	<b>7,687</b>
	<b>Cents</b>	<b>Cents</b>
<b>Profit for the year per share</b>	<b>2.09</b>	<b>3.10</b>

# Balance Sheet

As at 30 June 2017

	2017 \$'000	2016 \$'000
<b>Current assets</b>		
Cash	14,991	7,375
Receivables	832	981
Trading portfolio	516	157
<b>Total current assets</b>	<b>16,339</b>	<b>8,513</b>
<b>Non-current assets</b>		
Investment portfolio	231,024	233,537
<b>Total non-current assets</b>	<b>231,024</b>	<b>233,537</b>
<b>Total assets</b>	<b>247,363</b>	<b>242,050</b>
<b>Current liabilities</b>		
Payables	249	3,139
Tax payable	2,074	1,226
Options sold	641	229
<b>Total current liabilities</b>	<b>2,964</b>	<b>4,594</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	140	44
Deferred tax liabilities – investment portfolio	15,473	16,119
<b>Total non-current liabilities</b>	<b>15,613</b>	<b>16,163</b>
<b>Total liabilities</b>	<b>18,577</b>	<b>20,757</b>
<b>Net assets</b>	<b>228,786</b>	<b>221,293</b>
<b>Shareholders' equity</b>		
Share capital	171,658	168,556
Revaluation reserve	27,120	25,620
Realised capital gains reserve	9,427	4,485
Retained profits	20,581	22,632
<b>Total shareholders' equity</b>	<b>228,786</b>	<b>221,293</b>

# Summarised Statement of Changes in Equity

For the Year Ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>Total equity at the beginning of the year</b>	<b>221,293</b>	205,670
Dividends paid	(8,914)	(9,675)
Shares issued		
– Dividend Reinvestment Plan	3,113	3,513
– Share Purchase Plan	-	7,215
Costs of share issues	(11)	(52)
<b>Total transactions with shareholders</b>	<b>(5,812)</b>	1,001
Profit for the year	5,383	7,687
Revaluation of investment portfolio	9,395	9,976
Provision for tax on revaluation	(1,473)	(3,041)
Revaluation of investment portfolio (after tax)	<b>7,922</b>	<b>6,935</b>
<b>Total comprehensive income for the year</b>	<b>13,305</b>	14,622
Realised gains on securities sold	8,541	4,431
Tax expense on realised gains on securities sold	(2,119)	(455)
<b>Net realised gains on securities sold</b>	<b>6,422</b>	<b>3,976</b>
Transfer from revaluation reserve to realised gains reserve	(4,942)	(1,049)
Transfer from revaluation reserve to retained profits*	(1,480)	(2,927)
<b>Total equity at the end of the year</b>	<b>228,786</b>	<b>221,293</b>

\* This figure, representing realised gains on investments sold that are non-taxable due to the difference between accounting gains and taxable gains, is transferred to accumulated profits and is available for distribution, subject to the Company's dividend policy.

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



## Holdings of Securities

As at 30 June 2017

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 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
AAC	Australian Agricultural Company	Owens and operates a balance of properties, feedlots and farms comprising around 7 million hectares of land in Queensland and the Northern Territory and is expanding its value-added branded beef operations	1,750	1,750	3,246
ALQ	ALS	Provider of analytical laboratory services to mining, life sciences, energy and industrial clients	400	475	3,539
AMC*	Amcor	Global packaging company	254	304	4,856
AMP*	AMP	Major Australasian financial services organisation	500	870	4,497
APE	AP Eagers	Operator of a national footprint of full service motor vehicle dealerships representing a broad range of car and truck brands in Australia	0	245	2,044
ARB	ARB Corporation	Manufacturer and distributor of four-wheel drive vehicle accessories in Australia and internationally	234	150	2,357
AUB	AUB Group	Investor in a network of small to medium Australian insurance brokers	0	150	1,949

## Holdings of Securities continued

As at 30 June 2017

Code	Name	Principal Activity	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
BHP	BHP*	Diversified international resources company	200	405	9,369
BKW	Brickworks	Australia's largest manufacturer of bricks and pavers, with other investments in property development and listed equities	0	175	2,413
BLX	Beacon Lighting Group	Australia's largest lighting and accessory retailer with integrated operations from design and sourcing, through to merchandising and retailing	1,624	1,624	2,111
BXB	Brambles*	Global provider of supply chain management and logistics solutions	850	827	8,039
CBA	Commonwealth Bank of Australia*	Banking and wealth management services	120	107	8,843
CGF	Challenger	Financial services company providing life insurance, annuities and funds management	0	200	2,668
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	0	170	2,361

Code	Name	Principal Activity	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
CSL	CSL	Biopharmaceutical company that researches, develops, manufactures and markets products to treat and prevent serious human medical conditions	82	60	8,213
CWV	Clearview Wealth	Life insurance company with associated offerings in wealth management and financial advice	2,107	2,743	3,977
CYB	CYBG PLC	A leading mid-sized United Kingdom retail and SME bank with long-established operations across its core regions	0	650	3,062
FNP	Freedom Foods Group	Specialist producer of allergen-free foods, with related packaging and marketing interests in dairy and seafood	888	757	3,633
FPH	Fisher & Paykel Healthcare Corporation	Designs, manufactures and market a range of medical devices used in respiratory care and the treatment of obstructive sleep apnoea	414	414	4,495
HSO	Healthscope	One of Australia's leading private healthcare operators through the ownership and operation of private hospitals and medical centres	1,762	850	1,879
ILU*	Iluka Resources	Miner of zircon and titanium-based mineral sands products with an additional iron ore production royalty	0	500	4,303

## Holdings of Securities continued

As at 30 June 2017

Code	Name	Principal Activity	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
IPL*	Incitec Pivot	Manufacturer and supplier of nitrogen-based fertiliser and industrial explosives	1,727	1,450	4,919
IRE	IRESS	Provider of share market and wealth management information systems	250	500	6,345
ISD	Isentia Group	Provides large consumer brand, corporate and government clients with media monitoring, relations and insights software and services that help drive business and communication decisions	0	1,775	3,816
JHC	Japara Healthcare	Provider of residential aged care services	1,915	1,050	2,205
JHX*	James Hardie Industries	Building materials company focused on fibre cement products, predominantly in the United States	305	370	7,562
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	2,621	2,312	9,364
MFT	Mainfreight	Provider of managed warehousing and international and domestic freight forwarding services	445	445	9,981

Code	Name	Principal Activity	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
MYX	Mayne Pharma Group	A specialty pharmaceutical company that develops and manufactures branded and generic products, which it distributes globally: either directly or through distribution partners	4,772	4,000	4,340
NAB*	National Australia Bank	Banking and wealth management services	190	298	8,771
NTC	NetComm Wireless	Delivers advanced broadband and wireless devices enabling businesses, people and machines to connect to the internet	847	1,400	2,408
NUF	Nufarm	Agricultural chemical company that manufactures and sells crop protection and seeds treatment products globally	320	320	3,082
NVT	Navitas	An international education provider through its University Pathways Programs, Creative Media Education, English Language Training and Settlement services	224	480	2,328
OCL	Objective Corporation	Provider of information technology software and services	1,385	1,395	3,082
OSH	Oil Search	Oil and gas explorer, developer and producer with assets predominantly in PNG	950	885	6,036

## Holdings of Securities continued

As at 30 June 2017

Code	Name	Principal Activity	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
PGC	Paragon Care	A supplier of medical equipment and consumables to the healthcare market	4,000	2,957	2,262
QBE*	QBE Insurance Group	General insurance and reinsurance services provider	540	560	6,606
QUB*	Qube Holdings	Provider of import and export logistics services with national operations	3,000	3,027	7,924
RMD*	ResMed	Leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing and other respiratory disorders	450	350	3,502
SEK*	SEEK	Operator of employment classifieds websites in Australia and offshore with interest in education and training	250	250	4,218
SHL	Sonic Healthcare	Specialist diagnostics company providing radiology and pathology services in Australia and overseas	188	138	3,346
SKB	Skydive The Beach Group	Australia and New Zealand's largest operator of tandem skydives across landmark tourist drop zones in each country	2,494	3,081	2,034
TCL	Transurban Group	Developer and operator of electronic toll roads in Australia and overseas	525	500	5,925

Code	Name	Principal Activity	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
TLS	Telstra Corporation	Telecommunications operator and information services provider	550	375	1,613
TPE	TPI Enterprises	One of eight licensed processors worldwide producing Narcotic Raw Material (NRM) for the international pharmaceutical industry	0	574	1,178
TPM*	TPG Telecom	Provider of a diverse range of communication services to residential users, small and medium enterprises, government and large corporate enterprises. The company owns and operates their own domestic network infrastructure and an international submarine cable connecting Australia and Guam	655	800	4,557
TWE*	Treasury Wine Estates	Wine company with over 50 brands produced in Australia, New Zealand, the United States and Italy and sold globally	760	425	5,527
WBC*	Westpac Banking Corporation	Banking and wealth management services	70	245	7,336



## Holdings of Securities continued

As at 30 June 2017

Code	Name	Principal Activity	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
WES*	Wesfarmers	Diversified conglomerate with retailing operations in supermarkets, department stores, home improvement and office supplies. The Group also operates businesses involved in coal mining, energy, insurance, chemicals, fertilisers, and industrial and safety products	73	140	5,596
WLL	Wellcom Group	Production company providing pre media, digital asset management and specialty printing services to advertisers, retailers and corporations	750	1,005	4,422
WPL*	Woodside Petroleum	Engages in the exploration, evaluation, development and production of hydrocarbon and oil and gas properties.	45	93	2,765
<b>Total</b>					<b>230,899</b>

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

## Major Transactions in the Investment Portfolio

<b>Acquisitions</b>	<b>Cost \$'000</b>
National Australia Bank	8,083
Westpac Banking Corporation	7,735
BHP	4,817
Isentia Group	4,641
Iluka Resources	3,219
CYBG	3,054
IRESS (including \$0.21 million in placement at \$11.35 per share)	3,024
Woodside Petroleum	3,021

<b>Disposals</b>	<b>Proceeds \$'000</b>
ASG Group# (takeover by Nomura Research)	6,520
AMA Group#	4,925
National Australia Bank	4,571
The Citadel Group#	4,351
Cover-More Group# (takeover by Zurich Insurance)	4,097
Ardent Leisure Group#	3,945
Treasury Wine Estates	3,645
CSG#	3,230
Telstra	3,026

# Complete disposal from the portfolio.

### New Companies Added to the Investment Portfolio

Isentia Group  
 Iluka Resources  
 CYBG  
 Brickworks  
 Computershare  
 AP Eagers  
 Challenger  
 TPI Enterprises  
 AUB Group

# Company Particulars

## AMCIL Limited (AMCIL)

ABN 57 073 990 735

### Directors

Bruce B Teele, Chairman  
Ross E Barker, Managing Director  
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  
+61 3 9415 4224  
(from overseas)

Facsimile +61 3 9473 2500

Website [investorcentre.com/contact](http://investorcentre.com/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 12 October 2017  
**Venue** RACV City Club  
**Location** 501 Bourke Street  
Melbourne Victoria

## Adelaide Shareholder Meeting

**Time** 1.00pm  
**Date** Friday 20 October 2017  
**Venue** Adelaide Convention Centre  
**Location** Panorama Rooms North Terrace  
Adelaide

## Brisbane Shareholder Meeting

**Time** 1.00pm  
**Date** Monday 23 October 2017  
**Venue** Brisbane Hotel  
**Location** 190 Elizabeth Street  
Brisbane

## Sydney Shareholder Meeting

**Time** 1.00pm  
**Date** Friday 27 October 2017  
**Venue** Four Seasons Hotel  
**Location** 199 George Street  
Sydney

The Annual Report for 2017 is available on AMCIL's website [amcil.com.au](http://amcil.com.au) or by contacting the Company on (03) 9650 9911.



Notice of Annual General Meeting  
**2017**

A Focused Portfolio of Australian Equities

The Annual General Meeting of AMCIL Limited, ABN: 57 073 990 735 (the Company) will be held at: RACV City Club, 501 Bourke Street, Melbourne Victoria at 1.30pm (AEDT) on Thursday 12 October 2017.

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 10 October 2017.

# **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 2017.

(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 2017 be adopted."

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

## **3. Election of Director**

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

"That Mr Webster a Director appointed since the last Annual General Meeting and retiring from office in accordance with Rule 45 of the Constitution, being eligible is elected as a Director of the Company."

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

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

"That Mr Bruce Teele a Director retiring from office in accordance with Rule 46 of the Constitution, being eligible is re-elected as a Director of the Company."

## **5. Re-Election of Director**

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

"That Mr Roger Brown a Director retiring from office in accordance with Rule 46 of the Constitution, being eligible is re-elected as a Director of the Company."

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

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

"That Mr Richard Santamaria a Director retiring from office in accordance with Rule 46 of the Constitution, being eligible is re-elected as a Director of the Company."

By Order of the Board



Matthew Rowe  
Company Secretary  
24 August 2017

## **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 10 October 2017.**

## **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 2017. 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 2017 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 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 2017 Annual Report.

## **Voting Exclusions on Item 2**

Pursuant to Section 250R(4) of the *Corporations Act 2001*, the Company is required to disregard any votes cast on Item 2 (in any capacity) by or on behalf of either a member of the key management personnel, details of whose remuneration



are included in the remuneration report; or a closely related party of such a member (together 'prohibited persons').

However, the Company will not disregard a vote if:

- the prohibited person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- the vote is not cast on behalf of a prohibited person.

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

**Pursuant to Section 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.**

### Item 3. Election of Director

**Board recommendation and undirected proxies: The Board (with the exception of Mr Webster) recommends that shareholders vote in FAVOUR of Item 3. The Chairman of the meeting intends to vote undirected proxies in FAVOUR of Item 3.**

Mr Webster was appointed to the Board in November 2016 and so is seeking election by shareholders for the first time. His biographical details are below:

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

Mr Webster was appointed to the Board in November 2016. Mr Webster has 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 Director of the Human Rights Law Centre and Chairman of the Audit Committee of the Northern Land Council. He teaches Securities Regulation in the

Master of Laws program at the University of Melbourne. 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.

### Item 4 to 6 Re-election of Directors

**Board recommendation and undirected proxies: The Board (with the exception of each Director in relation to their own re-election) recommends that shareholders vote in FAVOUR of Items 4 to 6. The Chairman of the meeting intends to vote undirected proxies in FAVOUR of Item 4 to 6.**

Mr Brown was elected and Mr Teele and Mr Santamaria were re-elected as Directors by shareholders at the 2014 AGM. As such the seek re-election by shareholders at this AGM. Their biographical details are set out below:

**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 Djerrivarrh Investments Limited and the Executive Chairman of the JBWere Group.

**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 Executive Chairman of ARB Corporation Limited since February 1987. Mr Brown also held the position of Managing Director of the company from 1987 to 2012.

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.

**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.

Further information regarding the Company's corporate governance arrangements and the Board's role can be found in the Company's 2017 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)**

### 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 10.00am (AEDT) on Tuesday 10 October 2017. 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 decide 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 resolution; 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/contact](http://investorcentre.com/contact)



ABN 57 073 990 735



### 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**

**SRN/HIN:**

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 10 October 2017

### 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 10 October 2017, 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 →**

**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.

# Proxy Form

Please mark  to indicate your directions

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

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 **RACV City Club, 501 Bourke Street, Melbourne, Victoria, at 1.30pm (AEDT) on Thursday 12 October 2017** 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	Election of Director - Mr Jon Webster	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Re-election of Director - Mr Bruce Teele	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Re-election of Director - Mr Roger Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6	Re-election of Director - Mr Richard (Bob) Santamaria	<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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