

Income,
Capital Growth,
Low Cost

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

Appendix 4D Statement
for the Half-Year Ending
31 December 2023



Contents

- Results for Announcement to the Market
- Media Release
- Appendix 4D Accounts
- Independent Auditors' Review Report

This half-year report is presented under listing rule 4.2A and should be read in conjunction with the Company's 2023 Annual Report.

This announcement was authorised for release by the Board of Australian Foundation Investment Company Limited.

Australian Foundation Investment Company Limited
ABN 56 004 147 120

Results for Announcement to the Market

The reporting period is the half year ended 31 December 2023, with the prior corresponding period being the half year ended 31 December 2022.

The Half year financial report has been reviewed by the Company's auditors.

- > Portfolio return for the half year was 9.0%, including franking. The return for the S&P/ASX 200 Accumulation Index was 8.3% including franking over this period.
- > Profit after tax was \$150.1 million (down 8.3% on the previous corresponding period's \$163.7 million).
- > Profit after tax attributable to members was \$150.0 million (down 8.2% on the previous corresponding period's \$163.5 million).
- > Revenue from operating activities was \$168.4 million, down \$9.7 million or 5.4% from the previous corresponding period. This excludes capital gains on investments.
- > The interim dividend is 11.5 cents per share, fully franked, an increase from 11 cents in the previous corresponding period. The dividend will be paid on 26 February 2024 to ordinary shareholders on the register on 5 February 2024, and the shares are expected to commence trading on an ex-dividend basis on 2 February 2024. There is no conduit foreign income component of the dividend. No LIC gains are attached to the interim dividend.
- > A Dividend Reinvestment Plan (DRP) and Dividend Substitution Share Plan (DSSP) are available, the price for which will be set at a **nil discount** to the Volume Weighted Average Price of the Company's shares traded on the ASX and Cboe automated trading systems over the five trading days from when the shares trade ex-dividend. The last date for the receipt of an election notice for participation in the DRP and DSSP is 5pm (AEST) on 6 February 2024.
- > The final dividend for the 2023 financial year was 14 cents per share (fully franked), and it was paid to shareholders on 1 September 2023.
- > Net tangible assets per share before any provision for deferred tax on the unrealised gains on the long term investment portfolio as at 31 December 2023 were \$7.62, up from \$6.90 at 31 December 2022 (both before allowing for any announced dividends).
- > The Company will be providing an update on these results via a webcast for shareholders on Wednesday 24 January 2024 at 3.30 p.m. (AEST). Details are on the website at afi.com.au.

For personal use only

Interim dividend up 5%, portfolio outperforms in volatile conditions.

Half Year Report to 31 December 2023

AFIC’s investment focus is on a diversified portfolio of Australian equities, seeking to provide attractive income and capital growth to shareholders over the medium to long term. This is achieved at a low cost, with lower volatility than the market¹, and with low portfolio turnover which produces tax-effective outcomes for shareholders. AFIC’s management expense ratio is 0.14% (annualised) with no additional fees.

¹ Based on the Mercer Investment Performance Survey of Wholesale Equity - Australia

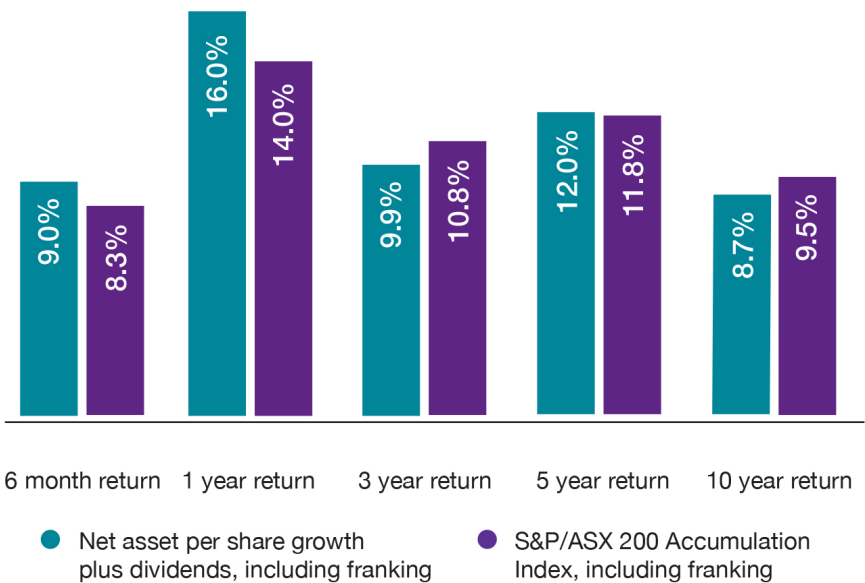
Half Year Profit was \$150.1 million. In the corresponding period last year, Half Year Profit was \$163.7 million.

Investment income for the six months to 31 December 2023 was \$162.7 million, down from \$174.0 million in the corresponding period last year. The fall was primarily as a result of the decline (as expected) in dividends received from BHP, Rio Tinto and Woodside Energy Group in the six-month period.

Earnings per share for the half year was 12.1 cents per share. The interim dividend declared is 11.5 cents per share fully franked, an increase of 0.5 cent per share from the previous corresponding period of 11.0 cents per share fully franked.

Portfolio return for the half year was 9.0%, including franking. The return for the S&P/ASX 200 Accumulation Index was 8.3% including franking over this period. In the 12 months to 31 December 2023 the portfolio return was 16.0%, ahead of the S&P/ASX 200 Accumulation Index return over this period including franking of 14.0%. AFIC’s performance returns are after costs.

Portfolio return* (including the full benefit of franking) to 31 December 2023.



*Per annum returns other than for six months. AFIC’s performance figures are after costs. Past performance is not indicative of future performance.

Market Commentary and Portfolio Performance

The S&P/ASX 200 Accumulation Index including the benefit of franking, rose 8.3% in the six months to 31 December 2023. The market rallied sharply late in the period as investor sentiment swung from expectations of an impending recession to the increasing prospect of interest rate cuts in 2024. Economic growth with inflation falling enhanced the prospects of a soft landing. Best-performing sectors were those highly sensitive to interest rates being banks, real estate and consumer discretionary. Share prices recovered strongly in a number of companies whose value was previously negatively impacted by higher interest rates. The Materials sector delivered mixed performance as iron ore and gold prices remained high, while the lithium price retreated significantly from its previous highs.

AFIC's portfolio outperformed the Index with a return of 9.0% including franking for the six months to 31 December 2023.

The largest contributors to the relative outperformance were James Hardie Industries, CAR Group, ARB Corporation and Reece. These companies in the prior corresponding period had been a drag on relative performance given the decline in the valuation of many quality companies from their previous very high levels. It is encouraging to see the contribution from these long-term holdings despite recent volatility and we believe this further reinforces the benefit of our long-term investment approach focusing on quality companies rather than short term cyclical opportunities.

Five and ten-year portfolio return figures to 31 December 2023 including franking were 12.0% and 8.7% per annum respectively. The S&P/ASX 200 Accumulation Index over these corresponding periods including franking were 11.8% and 9.5% per annum. These figures include the full benefit of franking, with AFIC's return after costs. This performance has been achieved with lower portfolio volatility than the market and more consistent dividend income.

Portfolio Adjustments

During the period, we increased our holdings in Telstra Group, National Australia Bank, CSL, ResMed, ASX, WiseTech Global, Woodside Energy Group and Goodman Group at attractive prices.

We consider long term prospects for all these companies remains strong. We expect both Telstra and National Australia Bank to produce sound dividend growth over the medium term.

Both CSL and ResMed were sold off heavily during the period in response to the competitive threat posed by the increased adoption of weight loss drugs. We added to AFIC's holding in these companies, as we consider the increased competition is unlikely to materially impact their respective long term growth prospects. Both companies maintain market leadership positions in their core markets, generate significant free cash flow and continue to heavily invest in research and development.

We recently initiated positions in Mineral Resources and Region Group. Mineral Resources is an Australian mining services company and an iron ore and lithium producer. We are particularly attracted to the long term opportunity for low-cost lithium production as demand for electric vehicles continues to increase. Region Group owns a portfolio of grocery anchored neighbourhood and sub-regional shopping centres with a tenant mix largely non-discretionary in nature. We purchased our holding at a material discount to asset backing at a price offering an attractive dividend yield.

We exited Ansell Limited and IRESS Limited, considering the long term prospects for these companies will be increasingly challenged as competitive intensity increases. In the case of Ansell, significant new supply has entered the industry challenging the sustainability of price as a driver of revenue growth. While for IRESS, the company is increasing investment in its technology platform to improve functionality as competition has increased. The returns from this investment remain highly uncertain. The small position in FINEOS Corporation was also sold completely reflecting our concern over the ability of the business to demonstrate attractive long term returns on its investments.

International Portfolio

We have continued to successfully invest in the international portfolio over the period. We now have approximately \$125.9 million invested (which represents approximately 1.3% of the portfolio). This portfolio was first initiated in May 2021 as a potential precursor to establishing a separate low-cost international investment company in the future.

We are encouraged by the performance of this portfolio which has exceeded its benchmark index (the MSCI World Index ex Australia) over the six and 12 month periods, and since its inception.

Outlook

While the strength of recent market performance has been pleasing, operating conditions remain volatile and current market valuations make us somewhat cautious.

Cost inflation is easing but remains elevated, while consumer sentiment is weakening, and household savings rates are starting to decline amid the higher cost of living. It is also not yet entirely apparent that the recent moderation in interest rate expectations is justified. Geopolitical factors, which have had little negative impact on the market more recently, may still have a role to play in investor sentiment as we move into this calendar year.

Given these conditions, it is even more important in our opinion to maintain the focus on owning a diversified portfolio of quality companies that are not totally reliant upon the macroeconomic environment to deliver earnings growth. In this context it will be interesting to see how companies are faring in the upcoming reporting season and their expectations moving forward.

As patient investors, the one certainty we do know is that the market in periods like this will often provide good buying opportunities across a range of companies as it overreacts to short term news flow. In this context, AFIC currently has sufficient cash resources to take advantage of such opportunities.

Please direct any enquiries to:

Mark Freeman
Managing Director
(03) 9225 2101

Geoff Driver
General Manager
(03) 9225 2102

24 January 2024

Major Transactions in the Investment Portfolio

Acquisitions	Cost (\$'000)
Mineral Resources	52,113
Region Group	32,994
Telstra Corporation	30,326
National Australia Bank	30,289
CSL	27,440

Disposals	Proceeds (\$'000)
James Hardie Industries	58,105
IRESS*	33,759
Ansell*	32,260
Woolworths Group	26,820
AUB Group	18,514

*Complete disposal from the portfolio.

New Companies Added to the Portfolio

Mineral Resources
Region Group

Top 25 Investments at 31 December 2023

Includes investments held in both the investment and trading portfolios.

Value at Closing Prices at 29 December 2023

		Total Value \$ Million	% of the Portfolio
1	BHP Group*	888.8	9.6%
2	Commonwealth Bank of Australia	860.6	9.3%
3	CSL	727.8	7.8%
4	National Australia Bank*	431.0	4.6%
5	Wesfarmers	420.5	4.5%
6	Macquarie Group	411.2	4.4%
7	Transurban Group*	373.2	4.0%
8	Westpac Banking Corporation	346.4	3.7%
9	Goodman Group	256.9	2.8%
10	Rio Tinto	252.6	2.7%
11	Woolworths Group	248.0	2.7%
12	James Hardie Industries	235.6	2.5%
13	Telstra Group	221.9	2.4%
14	ANZ Group Holdings	209.9	2.3%
15	Woodside Energy Group	200.0	2.2%
16	CAR Group*	190.8	2.1%
17	Mainfreight	169.5	1.8%
18	Coles Group	156.6	1.7%
19	Reece	143.1	1.5%
20	Amcor	138.5	1.5%
21	ResMed	135.5	1.5%
22	ARB Corporation	130.9	1.4%
23	ASX	110.8	1.2%
24	Sonic Healthcare*	106.3	1.1%
25	Santos	105.8	1.1%
Total		7,472.3	

As percentage of total portfolio value (excludes cash)

80.5%

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

Portfolio Performance to 31 December 2023

Performance Measures to 31 December 2023	6 Months	1 Year	3 Years % pa	5 Years % pa	10 Years % pa
Portfolio Return – Net Asset Backing Return Including Dividends Reinvested	8.1%	14.3%	8.3%	10.2%	6.9%
S&P/ASX 200 Accumulation Index	7.6%	12.4%	9.2%	10.3%	7.9%
Portfolio Return – Net Asset Backing Gross Return Including Dividends Reinvested*	9.0%	16.0%	9.9%	12.0%	8.7%
S&P/ASX 200 Gross Accumulation Index*	8.3%	14.0%	10.8%	11.8%	9.5%

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

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



**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY
LIMITED**

ABN 56 004 147 120

**HALF-YEAR REPORT
31 DECEMBER 2023**

COMPANY PARTICULARS

Australian Foundation Investment Company Limited ("AFIC")

ABN 56 004 147 120

AFIC is a Listed Investment Company. As such it is an investor in equities and similar securities on the stock market primarily in Australia.

Directors: Craig M. Drummond, Chairman
Rebecca P. Dee-Bradbury
Julie A. Fahey
Katie M. Hudson
Graeme R. Liebelt
Richard L. Murray
David A. Peever
R. Mark Freeman, Managing Director

Company Secretaries: Matthew J. Rowe
Andrew J.B. Porter

Auditor: PricewaterhouseCoopers, Chartered Accountants

Country of incorporation: Australia

Registered office: Level 21
101 Collins Street
Melbourne, Victoria 3000

Contact Details: Mail Address: Level 21, 101 Collins St., Melbourne, Victoria 3000
Telephone : (03) 9650 9911
Facsimile: (03) 9650 9100
Email: invest@afi.com.au
Internet address: afi.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 Limited
Mail Address: GPO Box 2975, Melbourne, Victoria 3001
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067
AFIC Shareholder enquiry lines : 1300 662 270 (Aus)
0800 333 501 (NZ)
+613 9415 4373 (from overseas)
Facsimile: (03) 9473 2500
Internet: www.investorcentre.com/contact

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

Securities Exchange

Codes: AFI Ordinary shares (ASX and NZX)

For personal use only

DIRECTORS' REPORT

The Directors present their report in relation to the half-year to 31 December 2023 on the consolidated entity ("the Group") consisting of Australian Foundation Investment Company Limited ("the Company" and "AFIC") and its subsidiary, Australian Investment Company Services Limited ("AICS").

Directors

The following persons were Directors of the Company during the half-year and up to the date of this report:

C.M. Drummond (appointed July 2021, appointed Chairman October 2023)
J. Paterson (appointed June 2005, retired October 2023)
R.P. Dee-Bradbury (appointed May 2019)
G.R. Liebelt (appointed June 2012)
J.A. Fahey (appointed April 2021)
K.M. Hudson (appointed January 2024)
R.L. Murray (appointed January 2024)
D.A. Peever (appointed November 2013)
C.M. Walter AM (appointed August 2002, retired October 2023)
R.M. Freeman (appointed January 2018)

Review of the Group's operations and results

Overview

AFIC's investment focus is on a diversified portfolio of primarily Australian equities. There has been no change in the nature of the Company's activities during the period. Its primary objectives are to pay dividends which, over time, will grow at a faster rate than inflation, and to generate attractive total returns in terms of growth in net asset backing plus dividends.

Profit Performance and Dividend

Profit for the half-year was \$150.1 million, down 8.3% from the previous corresponding period, primarily due to the reduction in dividends received from holdings in the resources sector.

The net profit per share for the six months to 31 December 2023 was 12.1 cents per share with an interim dividend declared of 11.5 cents per share fully-franked, an increase of 0.5 cents on the previous corresponding period.

The portfolio return for the 6 months (measured by change in net asset backing per share plus dividends reinvested) was 8.1% compared to the return of the S&P/ASX 200 Accumulation Index for the same period which was 7.6%. AFIC's portfolio return is calculated after management fees, income tax and capital gains tax on realised sales of investments and does not reflect the value of franking credits or LIC credits attached to the dividends. Index returns for the market do not include the impact of management expenses and tax on their performance.

During the half-year 6.2 million shares were issued under the DRP and the DSSP resulting in an additional \$37 million of capital (after costs).

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Rounding of amounts to nearest thousand dollars

The Group is of a kind referred to in the ASIC Corporations' (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report and financial report. Unless specifically stated otherwise, amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Instrument.

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



C.M. Drummond
Chairman
Melbourne
24 January 2024

For personal use only



Auditor's Independence Declaration

As lead auditor for the review of Australian Foundation Investment Company Limited for the half-year ended 31 December 2023, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Foundation Investment Company Limited and the entity it controlled during the period.

A handwritten signature in black ink, appearing to read 'Kate L Logan'.

Kate L Logan
Partner
PricewaterhouseCoopers

Melbourne
24 January 2024

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Half-year 2023 \$'000	Half-year 2022 \$'000
Dividends and distributions		162,673	173,974
Revenue from deposits and bank bills		3,263	1,297
Other revenue		2,491	2,819
Total revenue		168,427	178,090
Net gains/(losses) on trading portfolio		1,332	2,890
Income from operating activities	3	169,759	180,980
Finance & related costs		(700)	(612)
Administration expenses		(8,691)	(8,249)
Profit before income tax expense		160,368	172,119
Income tax expense		(10,289)	(8,377)
Profit for the half-year		150,079	163,742
Profit is attributable to :			
Equity holders (members) of Australian Foundation Investment Company Ltd		149,997	163,467
Minority Interest		82	275
		150,079	163,742
		Cents	Cents
Basic earnings per share	8	12.05	13.25

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Half-Year to 31 December 2023			Half-Year to 31 December 2022		
	Revenue \$'000	Capital \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
Profit for the half-year	150,079	-	150,079	163,742	-	163,742
Other Comprehensive Income						
<i>Items that will not be recycled through the Income Statement</i>						
Gains for the period on equity securities in the investment portfolio	-	582,535	582,535	-	346,925	346,925
Tax on above	-	(176,807)	(176,807)	-	(106,905)	(106,905)
Total other comprehensive income ¹	-	405,728	405,728	-	240,020	240,020
Total comprehensive income ²	150,079	405,728	555,807	163,742	240,020	403,762

¹ Net capital income not accounted for through the Income Statement

² This is the company's Net Return for the half-year, which includes the Net Profit plus the net realised and unrealised gains or losses on the Company's investment portfolio.

	Half-Year to 31 December 2023			Half-Year to 31 December 2022		
	Revenue \$'000	Capital \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
Total Comprehensive Income is attributable to:						
Equity holders of Australian Foundation Investment Company Ltd	149,997	405,728	555,725	163,467	240,020	403,487
Minority Interest	82	-	82	275	-	275
	150,079	405,728	555,807	163,742	240,020	403,762

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023

		31 Dec 2023 \$'000	30 June 2023 \$'000
Note			
Current assets			
	Cash	235,080	165,385
	Receivables	12,264	44,709
4	Trading portfolio	1,179	3,837
	Total current assets	248,523	213,931
Non-current assets			
	Investment portfolio	9,284,254	8,749,226
	Deferred tax assets	1,993	-
	Total non-current assets	9,286,247	8,749,226
	Total assets	9,534,770	8,963,157
Current liabilities			
	Payables	1,628	1,268
	Borrowings – bank debt	10,000	10,000
	Tax payable	17,555	32,156
	Provisions	3,939	6,057
	Total current liabilities	33,122	49,481
Non-current liabilities			
	Provisions	159	90
	Deferred tax liabilities - other	-	830
5	Deferred tax liabilities - investment portfolio	1,518,271	1,355,200
	Total non-current liabilities	1,518,430	1,356,120
	Total liabilities	1,551,552	1,405,601
	Net Assets	7,983,218	7,557,556
Shareholders' equity			
6	Share Capital	3,173,313	3,136,282
	Revaluation Reserve	3,272,450	2,926,191
	Realised Capital Gains Reserve	485,622	509,741
	General Reserve	23,637	23,637
	Retained Profits	1,026,580	960,171
	Parent Entity Interest	7,981,602	7,556,022
	Minority Interest	1,616	1,534
	Total equity	7,983,218	7,557,556

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Attributable to members of Australian Foundation Investment Company
Ltd

Half-Year to 31 December 2023	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	General Reserve \$'000	Retained Profits \$'000	Total Parent Entity \$'000	Minority Interest \$'000	Total \$'000
Total equity at the beginning of the half-year		3,136,282	2,926,191	509,741	23,637	960,171	7,556,022	1,534	7,557,556
Dividends paid	7	-	-	(83,588)	-	(83,588)	(167,176)	-	(167,176)
Shares issued - Dividend Reinvestment Plan	6	37,121	-	-	-	-	37,121	-	37,121
Other Share Capital Adjustments	6	(90)	-	-	-	-	(90)	-	(90)
Total transactions with shareholders		37,031	-	(83,588)	-	(83,588)	(130,145)	-	(130,145)
Profit for the half-year		-	-	-	-	149,997	149,997	82	150,079
Net gains for the period on equity securities in the investment portfolio		-	405,728	-	-	-	405,728	-	405,728
Other Comprehensive Income for the half-year		-	405,728	-	-	-	405,728	-	405,728
Transfer to Realised Capital Gains Reserve of net cumulative gains (after tax) on investments sold		-	(59,469)	59,469	-	-	-	-	-
Total equity at the end of the half-year		3,173,313	3,272,450	485,622	23,637	1,026,580	7,981,602	1,616	7,983,218

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Attributable to members of Australian Foundation Investment
Company Ltd

Half-Year to 31 December 2022	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	General Reserve \$'000	Retained Profits \$'000	Total Parent Entity \$'000	Minority Interest \$'000	Total \$'000
Total equity at the beginning of the half-year		3,070,163	2,556,466	510,503	23,637	828,634	6,989,403	1,086	6,990,489
Dividends paid	7	-	-	(118,476)	-	(47,390)	(165,866)	-	(165,866)
Shares issued - Dividend Reinvestment Plan		36,914	-	-	-	-	36,914	-	36,914
Other Share Capital Adjustments		(49)	-	-	-	-	(49)	-	(49)
Total transactions with shareholders		36,865	-	(118,476)	-	(47,390)	(129,001)	-	(129,001)
Profit for the half-year		-	-	-	-	163,467	163,467	275	163,742
<i>Other Comprehensive Income for the half-year</i>									
Net gains for the period on equity securities in the investment portfolio		-	240,020	-	-	-	240,020	-	240,020
Other Comprehensive Income for the half-year		-	240,020	-	-	-	240,020	-	240,020
Transfer to Realised Capital Gains Reserve of net cumulative gains (after tax) on investments sold		-	(46,267)	46,267	-	-	-	-	-
Total equity at the end of the half-year		3,107,028	2,750,219	438,294	23,637	944,711	7,263,889	1,361	7,265,250

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Half-year 2023 \$'000 INFLOWS/ (OUTFLOWS)	Half-year 2022 \$'000 INFLOWS/ (OUTFLOWS)
Cash flows from operating activities		
Sales from trading portfolio	10,229	16,354
Purchases for trading portfolio	(6,240)	(7,749)
Interest received	3,340	1,297
Dividends and distributions received	190,537	198,482
	<u>197,866</u>	<u>208,384</u>
Other receipts	2,470	2,817
Administration expenses	(10,903)	(10,949)
Finance costs paid	(700)	(612)
Taxes paid	(13,876)	(2,834)
Net cash inflow/(outflow) from operating activities	<u>174,857</u>	<u>196,806</u>
Cash flows from investing activities		
Sales from investment portfolio	332,260	225,943
Purchases for investment portfolio	(281,529)	(244,045)
Taxes paid on capital gains	(26,246)	(66,560)
Net cash inflow/(outflow) from investing activities	<u>24,485</u>	<u>(84,662)</u>
Cash flows from financing activities		
Share issue costs	(90)	(49)
Dividends paid	(129,557)	(128,451)
Net cash inflow/(outflow) from financing activities	<u>(129,647)</u>	<u>(128,500)</u>
Net increase/(decrease) in cash held	69,695	(16,356)
Cash at the beginning of the half-year	165,385	144,619
Cash at the end of the half-year	<u>235,080</u>	<u>128,263</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

1. Basis of preparation of half-year financial report

This general purpose half-year financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. This report should be read in conjunction with the 2023 Annual Report and public announcements made by the Group during the half-year, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

In the interests of transparency in its reporting, the Group uses the phrase “market value” in place of the AASB terminology “fair value for actively traded securities.” The Company’s investments in listed securities are valued at the closing price on the ASX on the last trading day before the period end.

2. Financial reporting by segments

The Group consists of a Listed Investment Company and a subsidiary which provides administration services to it and to other Listed Investment Companies in Australia. It has no reportable business or geographic segments.

(a) Segment information provided to the Board

The internal reporting provided to the Board for the Group’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 the Group’s Net Tangible Asset announcements to the ASX).

The relevant amounts as at 31 December 2023 and 31 December 2022 were as follows:

	2023	2022
	\$	\$
Net tangible asset backing per share		
Before Tax	7.62	6.90
After Tax	6.40	5.88

(b) Other segment information

Segment Revenue

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

The Company is domiciled in Australia and the Group’s dividend and distribution income is predominantly from entities which maintain a listing in Australia. The Group has a diversified portfolio of investments, with only two investments comprising more than 10% of the Group’s income (including trading portfolio) for the half-year ended 31 December 2023 – BHP 13.0% and Commonwealth Bank 11.0% (2022 : 1 – BHP 21.1%).

3. Income from operating activities**Half-year
2023
\$'000****Half-year
2022
\$'000**

Income from operating activities is comprised of the following:

Dividends & distributions

- securities held in investment portfolio
- securities held in trading portfolio

162,596

173,974

77

-

162,673

173,974

Interest income

- deposits and income from bank bills

3,263

1,297

3,263

1,297

Net gains/(losses) and write downs

- net gains from trading portfolio sales
- unrealised gains/(losses) in trading portfolio

2,039

1,673

(707)

1,217

1,332

2,890

Administration fees received from other Listed Investment Companies

2,458

2,602

Expenses recovered from other Listed Investment Companies

4

180

Other expenses recovered

27

37

Sundry income

2

-

169,759**180,980****4. Trading portfolio**

As part of the activities of the trading portfolio, the Company enters into option contracts for the purpose of enhancing returns, offsetting risk or providing opportunities to acquire or sell securities at advantageous prices.

As at balance date there were call options outstanding which, if they were all exercised, would require the Company to deliver securities to the value of \$113.7 million (30 June 2023: \$155.8 million).

5. Deferred tax liabilities – investment portfolio

In accordance with AASB 112 *Income Taxes*, deferred tax liabilities have been recognised for Capital Gains Tax on the unrealised gain in the investment portfolio at current tax rates (30%) totalling \$1,518.3 million (30 June 2023 : \$1,355.2 million). As the Directors do not intend to dispose of the portfolio, this tax liability may not be crystallised at this amount.

6. Shareholders' equity – share capital

Movements in Share Capital of the Company during the half-year were as follows:

Date	Details	Notes	Number of shares '000	Issue price \$	Paid-up Capital \$'000
01/07/2023	Opening Balance		1,240,349		3,136,282
1/09/2023	Dividend Reinvestment Plan	i	5,280	7.03	37,121
1/09/2023	Dividend Substitution Share Plan	ii	920	7.03	n/a
Various	Other Share Capital adjustments		-		(90)
31/12/2023	Balance		1,246,549		3,173,313

- i The Company has a Dividend Reinvestment Plan under which some shareholders elected to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares was based on the average selling price of shares traded on the Australian Securities Exchange & Cboe automated trading systems in the five days from the day the shares begin trading on an ex-dividend basis.
- ii The Company has a Dividend Substitution Share Plan under which some shareholders elected to forego all or part of their dividend payment and receive shares instead. Pricing of the new DSSP shares was done on the same basis as the DRP.
- iii The Company introduced an on-market Buy-Back Programme in December 2000. This plan remains active. No shares were bought back during the period.

7. Dividends

	Half-year 2023 \$'000	Half-year 2022 \$'000
Dividends (fully franked) paid during the period (excluding DSSP shares)	167,176 (14 cents per share)	165,866 (14 cents per share)

Dividends not recognised at period end

Since the end of the half-year the Directors have declared an interim dividend of 11.5 cents per share, fully franked. The aggregate amount of the proposed interim dividend expected to be paid on 26 February 2024, but not recognised as a liability at the end of the half-year is

143,353

8. Earnings per Share	Half-year 2023	Half-year 2022
	Number	Number
Weighted average number of ordinary shares used as the denominator	1,244,426,335	1,233,729,034
	\$'000	\$'000
Profit after tax for the half-year attributable to members of the Company	149,997	163,467
	Cents	Cents
Basic earnings per share	12.05	13.25

There are no dilutive instruments on issue and consequently diluted earnings per share are the same as basic earnings per share.

9. Events subsequent to balance date

Since 31 December 2023 to the date of this report there has been no event specific to the Group of which the Directors are aware which has had a material effect on the Group or its financial position.

10. Contingencies

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

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 23 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance, as represented by the results of the operations, changes in equity and cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



C.M. Drummond
Chairman
Melbourne
24 January 2024

For personal use only



Independent auditor's review report to the members of Australian Foundation Investment Company Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Australian Foundation Investment Company Limited (the Company) and the entity it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and consolidated income statement for the half-year ended on that date, material accounting policy information and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Australian Foundation Investment Company Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Kate L Logan

Kate L Logan
Partner

Melbourne
24 January 2024