

29 August 2024

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Electronic Lodgement

**Australian Foundation Investment Company Limited
Statutory Annual Report, Annual Shareholder Review and
Annual General Meeting Documentation**

Dear Sir / Madam

Please find attached the 2024 Statutory Annual Report, Annual Shareholder Review and Annual General Meeting Documentation being sent to shareholders.

Yours faithfully



Matthew Rowe
Company Secretary

Authorised by the Company Secretary

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Income,
Capital Growth,
Low Cost

Annual Report

2024

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AUSTRALIAN FOUNDATION
INVESTMENT COMPANY
IS A LISTED INVESTMENT
COMPANY INVESTING
IN AUSTRALIAN AND
NEW ZEALAND EQUITIES.

Year in Summary

2024

Profit for
the Year

\$296.4m

\$310.2m in 2023

Fully Franked
Dividend
Per Share

14.5¢
Final

26¢
Total

25 cents total
in 2023

Total Portfolio
Return

15.1%
Including franking*

S&P/ASX 200
Accumulation Index
including franking*
13.5%

Total
Shareholder
Return

6.4%

Share price plus
dividend, including
franking*

Management
Expense Ratio

0.15%

0.14% in 2023

Total Portfolio

\$9.9b

Including cash
at 30 June.
\$8.9 billion in 2023

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

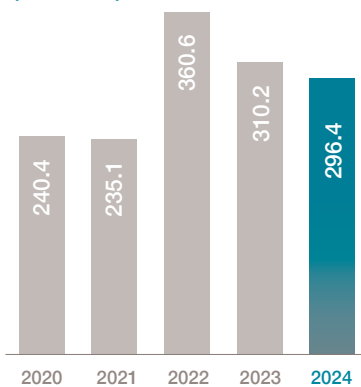


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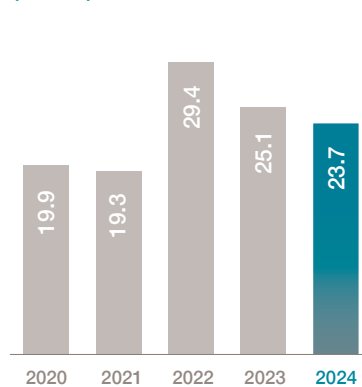
DIRECTORS' REPORT

5 Year Summary

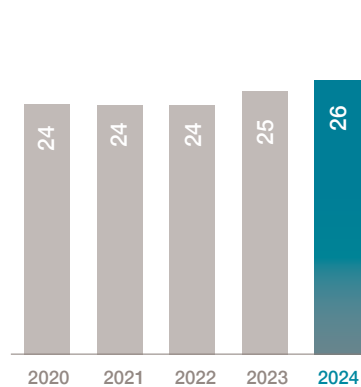
Net Profit After Tax
(\$ Million)



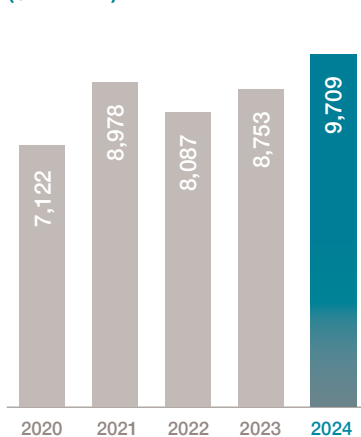
Net Profit Per Share
(Cents)



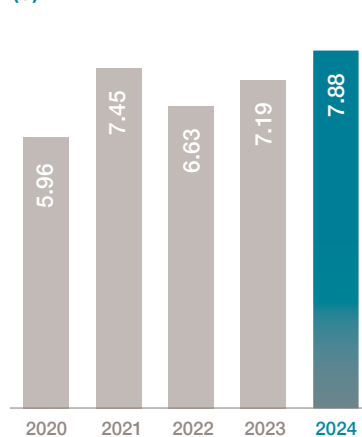
Dividends Per Share
(Cents)^(a)



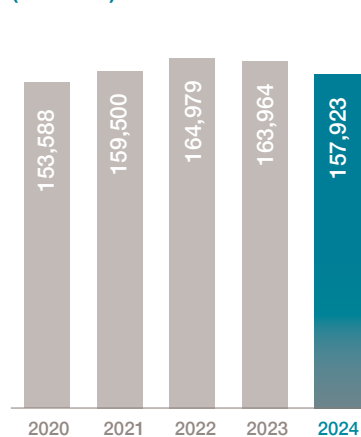
Investments at Market Value
(\$ Million)^(b)



Net Asset Backing Per Share
(\$)^(c)



Number of Shareholders
(30 June)



Notes:

- (a) All dividends were fully franked. The LIC attributable gain attached to the dividend was 2024: 6.43 cents; 2023: 10.0 cents; 2022: 14.29 cents; 2021: 4.29 cents; 2020: 7.14 cents.
- (b) Excludes cash.
- (c) Net asset backing per share based on year-end data before the provision for the final 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.

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About the Company

Australian Foundation Investment Company (AFIC) is a Listed Investment Company investing in Australian and New Zealand equities.

Investment Objectives

The Company's primary investment goals are:

- to pay a stable to growing dividend over time; and
- to provide attractive total returns over the medium to long term.

How AFIC Invests – What We Look For in Companies

Quality First

Growth
Including dividends

Value

A portfolio that is managed to achieve long term capital and dividend growth

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Approach to Investing

Investment Philosophy

Our investment philosophy is built on taking a medium to long term view on companies in a diversified portfolio; with an emphasis on identifying and investing in quality companies that are likely to sustainably grow their earnings and dividends over this timeframe.

Quality in this context is an outcome of our assessment of the following factors:

1. We prefer companies that have a leadership position or are developing one within the industry in which they operate. This will often mean we are investing in a unique set of assets with competitive advantages that produces attractive returns on invested capital.
2. As a long term, tax aware investor we seek to be in companies that have a long term sustainable business model, with low risk of disruption. This helps to ensure portfolio turnover remains low. The analysis may consider technological disruption, environmental issues, including the impact of climate change, and social risks as all of these factors can have a material impact on the assessment of a company's long term sustainability.
3. We consider how a company's business can be potentially impacted by influences outside the control of management such as change in government regulation and/or policy.
4. We are attracted to companies with outstanding management teams and boards with strong governance processes, whose interests are closely aligned with shareholders, and act in the best interest of all their stakeholders, including their employees, customers, suppliers and wider communities. We consider matters including safety, diversity, social impacts, environmental impact, and modern slavery where material or appropriate in the context of that company. We regularly review and meet with companies to ensure ongoing alignment with our investment frameworks. Our process may include an assessment of the board in terms of their past performance, history of capital allocation, level of accountability, mix of skills, relevant experience and succession planning. We also consider a company's degree of transparency and disclosure.

Voting on resolutions is one of the key functions that a shareholder has in ensuring better long term returns and management of investment risk. We take input from proxy advisers but conduct our own evaluation of the merits of any resolution. We vote on all company resolutions as part of our regular engagement with the companies in the portfolio and our voting record is on the company's website. We actively engage with companies when we are concerned about resolutions that are not aligned with shareholders' interests. We seek to stay engaged with the companies and satisfy ourselves that any issues are taken seriously and worked through constructively. Ideally we seek to remain invested to influence a satisfactory outcome for stakeholders.

5. We prefer companies with more stable income flows. We are wary of companies that have large, inconsistent profit streams.
6. We like our companies to be financially strong and the assessment of the balance sheet and the degree to which the company is self-funding is critical in our analysis. Cash generation is also an important consideration.

Analysis of the above factors helps to inform us of the structure of the industry and a company's sustainable competitive position as well as the quality of the people running the business, strength of the balance sheet and consistency of earnings. Within this analysis some key financial metrics are considered. These include return on capital employed, return on equity, the level of gearing in the balance sheet, margins and free cash flow generation.

Alongside the assessment of quality is an analysis of the ability of companies to grow earnings over time, which ultimately should drive dividend growth.

Recognising value is also an important aspect of sound long term investing. Short term measures such as the price earnings ratio, price to book or price to sales may be of some value but aren't necessarily strong predictors of future performance. Our assessment of value tries to capture the opportunity a business has to prosper and thrive over the medium to long term.

Reporting of social and environmental issues will be influenced by the development of standards by the International Sustainability Standards Board (ISSB). Their potential introduction in Australia should enable investors over time to better make informed decisions on these issues based on company disclosures arising from these standards. Assessment of commitments and plans by companies to reach net zero by 2050 may also be considered having regard to several factors. These include the industry in which they operate, progress against their plans, their broader contribution to social good in addressing the challenge of reducing global carbon emissions, and the impact on their value if they fail to achieve their stated goals. In applying external data for benchmarking*, our most recent assessment of the carbon intensity of AFIC's portfolio showed that it is less than the S&P/ASX 200 Index.

In building the investment portfolio with the principles outlined, we believe we can offer investors a well-diversified portfolio of quality companies, structured to deliver total returns ahead of the Australian equity market over the long term with less volatility and with more consistent dividends.

From time to time, some borrowings may be used where potential investment returns justify the use of debt.

AFIC is managed for the benefit of its shareholders with fees based on the recovery of costs rather than as a fixed percentage of the portfolio. There are no additional fees. As a result, the benefit of scale over time results in a very low expense ratio for investors. For the 12 months to 30 June 2024 this was 0.15 per cent, or 15 cents for each \$100 invested.

* Data provided by ISS ESG. Portfolio at 30 June 2024.

Profit

The full year profit was \$296.4 million, down from \$310.2 million in the previous corresponding period. The decrease in the profit from last year was the outcome of lower dividends (as expected) received from BHP, Rio Tinto and Woodside Energy Group. The extent of this decline was somewhat offset by adjustments made to the portfolio throughout the year and improved income from a number of companies in the portfolio including the four major banks.

The management expense ratio (MER) for AFIC was 0.15 per cent with no additional fees, up from 0.14 per cent last financial year. This was due to the change in incentive plan last year which involved the writing back of incentives which meant the MER last year was low.

Dividend

Earnings per share for the financial year were 23.75 cents per share. The final dividend was increased to 14.5 cents per share fully franked, bringing total fully franked dividends applicable for the year to 26.0 cents per share, an increase of 4.0 per cent from the previous financial year's total dividend of 25.0 cents per share.

4.5 cents of the final dividend were sourced from taxable 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 equal to 6.43 cents per share. This enables some shareholders to claim a tax deduction in their tax return.

As part of assessing the investment objectives of AFIC the Board has considered whether the objective 'to pay dividends which, over time, grow faster than the rate of inflation' remains relevant in today's market.

In particular, we have observed that the level of dividends flowing from the ASX 200 Index is now heavily concentrated in the banks and resources sectors. Whilst AFIC has a large exposure to these sectors it does not want its investment decisions driven by dividends alone, particularly given our other objective of 'providing attractive total returns over the medium to long term'.

This means the portfolio needs to have sufficient exposure to growing companies that are not necessarily in the position to pay high dividends.

AFIC's more recent history of dividends also highlights the benefit of maintaining a steady level of dividends to shareholders through significant market dislocations such as the GFC and recently the COVID-19 pandemic. Unlike other investment vehicles in the market, AFIC maintained its dividend in the face of significant cuts across the ASX 200 Index during these periods.

As a result, we think a more appropriate statement of our dividend objective is 'to pay a stable to growing dividend over time'. We believe this statement provides a better representation of the outcomes shareholders can expect when investing in AFIC, with the clear objective of increasing fully franked dividends when appropriate. Dividends will be sourced from income received from the portfolio as well some distribution of realised capital gains when appropriate.

Market and Portfolio Performance

The Australian equity market enjoyed a strong year (Figure 1) despite the increase in interest rates over the period in response to inflationary pressures and the uncertain outlook for economic growth.

The ASX 200 Accumulation Index (not including the benefit of franking) rose 12.1 per cent in the financial year to 30 June 2024. Sector returns were widely dispersed, and the best-performing sectors were Banks, up 34.9 per cent, Information Technology, up 28.4 per cent, and A-REITs, up 24.7 per cent. Industrials were up 17.8 per cent over this period significantly outperforming the Resources sector which was down 3.2 per cent (Figure 2). Resilient domestic economic conditions provided a more positive backdrop for Banks than initially expected. The Information Technology sector has shown similar strength to the NASDAQ Composite Index over recent months amid growing interest in the future applications of artificial intelligence. The weakness in the Resources sector reflected subdued demand for commodities from China on the back of declining new residential construction.

The portfolio returned 15.1 per cent in comparison to the S&P/ASX 200 Accumulation Index return of 13.5 per cent when the benefit of franking is included for both returns (Figure 3 on page 8). Strong performance came from our holdings in CAR Group, Goodman Group, Wesfarmers, Reece, Netwealth and ARB Corporation, which all materially outperformed the market. Having limited exposure to lithium companies contributed meaningfully to outperformance. We have long been cautious on the supply response to the rapidly rising lithium price in 2022. The lithium market is now in surplus which has resulted in equity prices for lithium companies falling sharply.

A number of high-quality companies in the portfolio trailed the return of the overall market. These included Transurban Group, Mainfreight, Sonic Healthcare and the ASX. We still consider the long term prospects for these companies to remain strong.

Positioning the Portfolio

The majority of purchases during the year were focused on increasing positions in existing holdings at what we felt were appropriate levels. This included Woodside Energy, Telstra Group, BHP, CSL and ResMed.

In managing the portfolio, we endeavour to hold a diversified portfolio of quality companies with an appropriate mix of income and growth attributes to achieve our long term investment objectives.

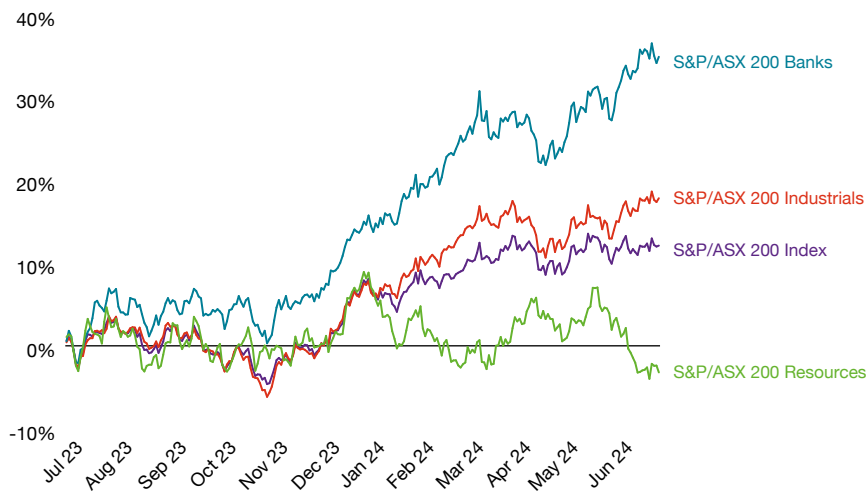
We continue to be attracted to quality 'owner-driver businesses' where management and board members have significant shareholdings. These companies are attractive as there is a strong alignment between management and shareholder interests. These owner-driver companies are typically smaller but deliver strong long term returns. In this regard we initiated positions in Mineral Resources and Macquarie Technology Group during the financial year.

Figure 1: Performance of the S&P/ASX 200 Price Index – 12 Months to 30 June 2024



Source: FactSet

Figure 2: Key Sector Performance for the 12 Months to 30 June 2024



Source: FactSet

Review of Operations and Activities

continued

Mineral Resources is a diversified resources company with operations in lithium, mining services, iron ore and energy. Mineral Resources seeks to maintain low-cost mining operations while the mining services division is market leading with a strong growth pipeline backed by internal projects. It was founded by the current Managing Director, who is also a large shareholder. Macquarie Technology Group is a data centre, and cloud and telecommunications business focusing on enterprise, corporate and the Australian Federal Government. Data centres and cloud end-markets now represent around 80 per cent of operating earnings. The company was founded 30 years ago by large shareholders, the Tudehope brothers, who continue to manage the company.

Delivering income is also an important part of constructing the portfolio. In this context we added Ampol and Region Group during the financial year at prices that provide attractive dividend yields.

Ampol is Australia's leading integrated energy company engaged in refining, supply and marketing of petroleum and convenience retailing. The company owns strategic infrastructure assets while investing to grow convenience retail away from fuel.

Region Group owns a portfolio of high-quality grocery-anchored neighbourhood and sub-regional shopping centres. The predominant tenant offering is focused on everyday needs of non-discretionary retail spend.

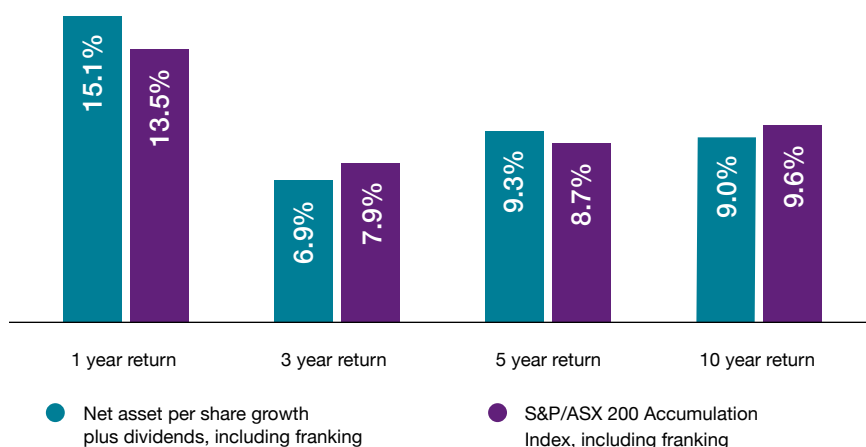
We exited IRESS Limited and Ansell over the 12-month period. We are observing structural industry challenges for these companies and an environment where competitive intensity has materially increased. We consider growth prospects to be increasingly challenged as a result.

Figure 4 outlines the relative positioning of the AFIC portfolio relative to the market as represented by the S&P/ASX 200 Index.

International Portfolio

We have continued to successfully manage the global portfolio (within the AFIC portfolio) over the period. This portfolio was first initiated in May 2021.

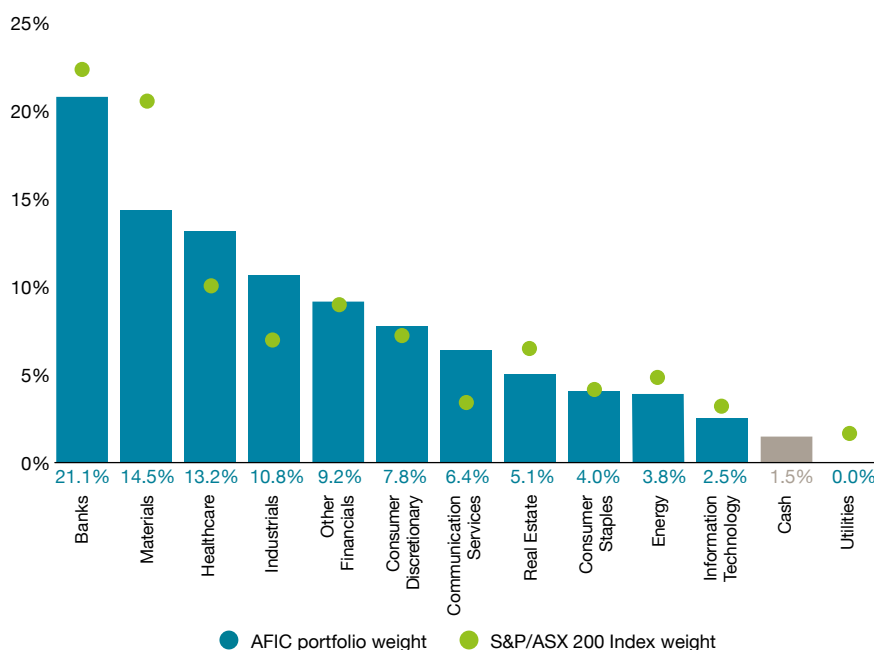
Figure 3: Portfolio Performance – Per Annum Returns to 30 June 2024



Includes the full benefit of franking credits.

Note: AFIC's performance returns are after costs. AFIC on occasions incurs realised capital gains tax on the sale of shares. Not all the of the franking generated from these realised capital gains is paid out as dividends and is therefore not included in these performance figures.

Figure 4: AFIC Investment by Sector Versus the S&P/ASX 200 Index as at 30 June 2024 – Excludes International Holdings



Given we have been trialling this portfolio for over three years we are considering the most appropriate next steps for this initiative, including the options for establishing a separate low-cost global investment company in the future. AFIC has invested a total of \$103.7 million of shareholder capital in the global portfolio, which is valued at \$147.5 million as at

30 June 2024. At current value, the global portfolio represents about 1.5 per cent of the overall AFIC portfolio.

We are encouraged by the performance of this portfolio which has exceeded its benchmark index (the MSCI World Index ex Australia) over one year and since its inception.

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Gross Returns of Global Portfolio in Australian Dollars to 30 June 2024

	1 Year % pa	Since Inception % pa
AFIC global portfolio	23.0	14.1
Benchmark	19.9	12.7
Differential	3.1	1.4

Source: Northern Trust.

During the last 12 months we continued to build our position in Nvidia while topping up our exposure to Freeport McMoran, Netflix, Meta and Nextera Energy. These purchases were completed at attractive levels, well below the current prices. We took advantage of share price weakness to add to our existing position in Fortinet. In addition, we established one new position, Halma plc. These investments were funded through the complete sale of Roche Holdings and a reduced holding in Starbucks, along with trimming some of our recent outperformers such as Ferguson, L'Oréal, Mastercard and Visa.

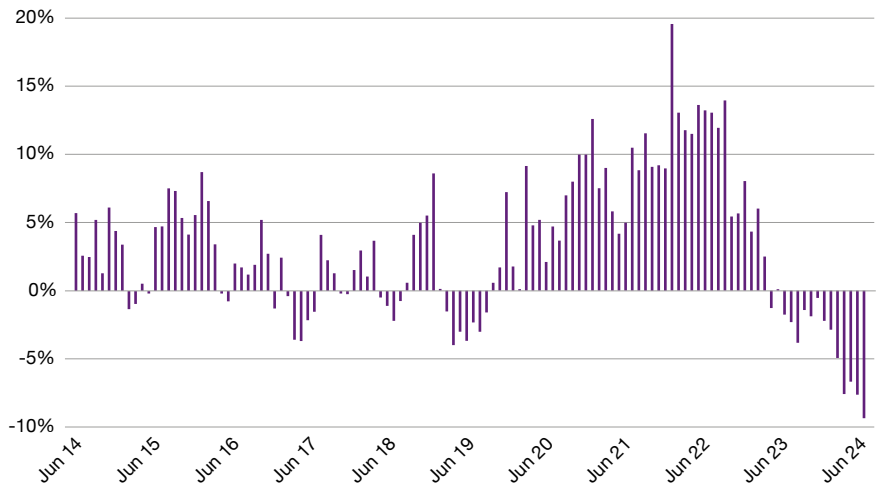
Share Price Return

The share price moved to a large discount, 9 per cent, to the net asset backing (before tax on unrealised gains) by the end of June 2024.

As illustrated in Figure 5, the extent of this discount is unusual in the context of the historical trend. There appears to have been less demand for Listed Investment Companies across the industry as interest rate products have become more attractive. In an environment where the Index increases strongly, the share price of listed investment companies can also sometimes lag the market performance, with AFIC not immune from this trend.

The 10-year share price return to 30 June 2024 for AFIC is 7.2 per cent including franking, whereas for the S&P/ASX 200 Index the return is 9.6 per cent including franking. The figures for the Index and share price assume a shareholder can take full advantage of the franking credits attached to the dividends paid.

Figure 5: Share Price Premium/Discount to Net Asset Backing



Review of Operations and Activities

continued

Outlook

Economic conditions remain unpredictable with a broad range of potential outcomes. There are signs emerging that consumer confidence is softening with persistent inflation and higher interest rates. In this context while economic growth in Australia currently remains sound, it could conceivably soften in the more immediate term.

Corporate earnings have so far proved resilient. Following a strong run in the equity market since November 2023, the market's tolerance for earnings disappointment is not anticipated to be high, with current market valuations trading above long term averages and at extreme levels for a number of companies (Figure 6). In this context the dividend yield for the market is also trading below the long term average as share prices have run strongly across the market (Figure 7).

Finally, geopolitical factors remain relevant with the occurrence of ongoing conflict and with elections in key developed markets. While geopolitical factors have not yet negatively impacted equity markets, they may still have a role to play in investor sentiment over the remainder of the calendar year.

While conscious of the prevailing environment our research effort remains focused on the fundamentals of the companies. We believe the portfolio remains invested in quality companies forecast to deliver an appropriate mix of income and growth even in challenging conditions, positioning us well to deliver on our long term investment objectives.

Directorship Matters

Mr John Paterson, the Chairman of the Company, and Ms Catherine Walter AM, Non-Executive Director retired at the conclusion of the 2023 Annual General Meeting held on 3 October 2023.

Mr Paterson was a Director since 2005, and prior to that served as an Alternate Director from April 1987 to June 2005, and Chairman since October 2018. Mr Paterson was also Chairman of the Investment Committee and a member of the Remuneration, Nomination and

Figure 6: Valuation of the Market – Price to Earnings of the S&P/ASX 200 Index



Source: FactSet

Figure 7: Valuation of the Market – Dividend Yield of the S&P/ASX 200 Index



Source: FactSet

Audit Committees. He was also a Non-Executive Director of the Company's subsidiary, Australian Investment Company Services Limited (AICS).

Ms Walter was a Director since 2002 and was Chairman of the Nomination Committee and a member of the Remuneration, Investment and Audit Committees.

The Board wishes to record its deep thanks to both Mr Paterson and Ms Walter for their invaluable contribution to Board deliberations over their tenure. Their extensive experience has been of outstanding value to the Board, executives and shareholders of Australian Foundation Investment Company Limited.

The Board elected Mr Craig Drummond as the Chairman with effect from the conclusion of the Annual General Meeting on 3 October 2023. Mr Drummond has been a Director of the Company since July 2021 and sits on the Investment and Nomination Committees. Mr Drummond is also Non-Executive Chairman of AICS. He is Chairman of Transurban Ltd, the President of the Geelong Football Club Limited and Chairman of The Ian Potter Foundation.

Mr Drummond has had an extensive public company executive career with National Australia Bank as CFO and Medibank as CEO. Prior to this he worked in financial markets with Goldman Sachs JBWere and Bank of America for 28 years.

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Ms Katie Hudson was appointed as a Non-Executive Director of the Company on 1 January 2024.

Ms Hudson is a portfolio manager for Yarra Capital Management focused on the small and mid cap universe and, in addition, serves as Yarra Capital's Head of Australian Equities Research.

Ms Hudson has more than 20 years of experience in investment markets, including roles as an equities research analyst and portfolio manager. Prior to transitioning to Yarra Capital Management, Ms Hudson was a portfolio manager and managing director at Goldman Sachs Asset Management and has previously worked as an equities analyst and partner at JBWere. Prior to this she spent seven years at PwC where

she was a senior manager primarily focused on mergers and acquisitions advisory and transaction support.

Mr Richard Murray was appointed as a Non-Executive Director of the Company on 22 January 2024.

He was appointed CEO of Total Tools Holdings at the end of January 2024.

Prior to this, his most recent executive role was as CEO and Executive Director of Premier Investments, a major ASX-listed owner of retail brands such as Smiggle, Just Jeans, Peter Alexander, Dotti and Portmans.

Before his role at Premier Investments, Mr Murray was the Group Chief Executive Officer and Executive Director of JB Hi-Fi,

the major electronic and white-goods retailer. He had an 18-year career at JB Hi-Fi, initially as Chief Financial Officer, taking the business through the IPO process. Prior to that he had roles for 10 years in the Corporate Finance and Assurance and Advisory practices at Deloitte.

We are delighted to welcome both Ms Hudson and Mr Murray to the Board. Ms Hudson's broad knowledge across various sectors and her depth of experience in investment markets and Australian equities, in addition to Mr Murray's detailed knowledge of retail and fast-moving consumer goods sectors and financial experience will complement the Board's existing mix of skills.



Top 25 Investments

At 30 June 2024

Includes investments held in both the investment and trading portfolios.

Value at Closing Prices at 28 June 2024

		Total Value \$ Million	% of the Portfolio
1	Commonwealth Bank of Australia	980.6	10.1
2	BHP	787.5	8.1
3	CSL	756.9	7.8
4	Macquarie Group	458.4	4.7
5	National Australia Bank	446.9	4.6
6	Wesfarmers	442.1	4.6
7	Westpac Banking Corporation	395.9	4.1
8	Goodman Group	352.9	3.6
9	Transurban Group	337.7	3.5
10	Woodside Energy Group	230.3	2.4
11	ANZ Group Holdings	228.7	2.4
12	Telstra Group	227.4	2.3
13	Woolworths Group	225.3	2.3
14	Rio Tinto	221.6	2.3
15	James Hardie Industries	216.5	2.2
16	CAR Group*	200.4	2.1
17	Coles Group	165.6	1.7
18	ResMed	155.0	1.6
19	Reece	149.5	1.5
20	Mainfreight	148.9	1.5
21	Amcor	143.2	1.5
22	ARB Corporation	137.0	1.4
23	Xero	113.9	1.2
24	REA Group	113.5	1.2
25	Cochlear	111.0	1.1
	Total	7,746.6	

As percentage of total portfolio value (excludes cash)

79.8%

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

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Company Position

Capital Changes

The following changes occurred to the Company's share capital during the year:

- Under the Company's Dividend Substitution Share Plan, 920,405 new shares were issued at nil cost in September 2023 and 728,724 new shares were issued at nil cost in February 2024.
- Under the Company's Dividend Reinvestment Plan, 5,280,425 new shares were issued at a price of \$7.03 in September 2023 and 4,292,040 new shares were issued at a price of \$7.39 in February 2024.

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

The Company's contributed equity, net of share issue costs, rose \$68.7 million to \$3.2 billion. At the close of the year the Company had 1,252 million shares on issue.

Dividends

Directors have declared a fully franked final dividend of 14.5 cents per share, up from 14.0 cents last year.

The dividends paid during the year ended 30 June 2024 were as follows:

	\$'000
Final dividend for the year ended 30 June 2023 of 14 cents fully franked at 30 per cent paid 1 September 2023	167,176
Interim dividend for the year ended 30 June 2024 of 11.5 cents per share fully franked at 30 per cent, paid 26 February 2024	137,963
	305,139

Dividend Substitution Share Plan (DSSP)

The Company has in place a Dividend Substitution Share Plan.

This enables shareholders to elect to receive shares in the Company instead of dividends, forgoing any franking credit and LIC gains that would otherwise be attached to the dividend but deferring any tax due on the receipt of such shares (for Australian tax payers) until such time as the shareholding is sold. Shareholders will need to seek their own taxation advice in determining if this plan is suitable for them.

Further details are available on the Company's website or by request from the Company's Share Registrar.

Financial Condition

The Company's primary source of funds consists of its shareholders' funds. The Company also had agreements with Commonwealth Bank of Australia and National Australia Bank for loan facilities

totalling \$130 million (see Note D2). As at 30 June 2024, the facilities were drawn down by \$10 million. The Board takes a prudent and conservative approach to the use of borrowed funds. Currently, when used, they are maintained within a limit of 10 per cent of total assets.

Listed Investment Company Capital Gains

Listed Investment Companies (LIC) which make capital gains on the sale of investments held for more than one year, are able to attach to their dividends an 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 AFIC 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 14.5 cents per share for the year ended 30 June 2024, it carries with it a 6.4 cents per share LIC capital gain attributable part (2023: 10.0 cents). The amount which shareholders may be able to claim as a tax deduction depends on their individual situation. Further details are provided in the dividend statements.

Likely Developments

The Company intends to continue investing on behalf of its shareholders as it has been doing since 1928. The results of these investment activities will depend upon the performance of the companies and securities in which we invest. Their performance in turn depends on many economic factors (macro, which include economic growth rates, inflation, interest rates, exchange rates and taxation levels, and micro, which includes industry economics and competitive behaviour) and their approach to, and management of, material Environmental, Social and Governance (ESG) risks.

We do not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of our investments. Accordingly, we do not provide a forecast of the likely results of our activities. However, the Company's focus is on paying stable to growing dividends over time and providing attractive total returns over the medium to long term.

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 matter or circumstance not otherwise disclosed in the financial statements 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 materially affected by environmental regulations.

As an overseas listed issuer on the New Zealand Stock Exchange (NZX) that does not have a large presence in New Zealand, the Company is relying on the exemption in clause 6 of the Financial Markets Conduct (Climate-related Disclosures for Foreign Listed Issuers) Exemption Notice 2024 in respect of the accounting period from 1 July 2023 to 30 June 2024. The effect of relying on the exemption is that for the accounting period ended 30 June 2024, the Company is not required to comply with climate reporting (including producing climate statements), assurance and record-keeping requirements imposed under part 7A of the *Financial Market Conduct Act 2013*. Whilst the Company does not currently produce climate statements, any future disclosures, including the proposed Australian mandatory climate-related financial disclosures, will be able to be accessed on the Company's website. This information is provided for the purposes of clause 7(1)(c) of the Financial Markets Conduct (Climate-related Disclosures for Foreign Listed Issuers) Exemption Notice 2024.

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.

Corporate Governance Statement

The Company's Corporate Governance Statement for the financial year ended 30 June 2024 will be found on the Company's website at: afi.com.au/corporate-governance

As an overseas listed issuer on the New Zealand Stock Exchange (NZX), the Company is generally deemed to comply with the NZX Listing Rules provided that the Company remains listed on the ASX, complies with the ASX Listing Rules and provides the NZX with all the information and notices that it provides to the ASX.

Board Members



Craig Drummond

Chairman and Independent Non-Executive Director

BCom (Melb), SF FIN, FCA

Non-Executive Chairman of the Company's subsidiary, Australian Investment Company Services Limited (AICS). Chairman of the Investment and Nomination Committees. Member of the Remuneration and Audit Committees.

Mr Drummond was appointed to the Board in July 2021. He is the President of the Geelong Football Club Limited, Chairman of Transurban Co Ltd and Chairman of The Ian Potter Foundation.

Mr Drummond was formerly a member of the Federal Government's Financial Regulator Assessment Authority, Chief Executive Officer of Medibank Private Ltd, Group Executive Finance and Strategy of National Australia Bank (NAB), and Chief Executive Officer and Country Head of Bank of America Merrill Lynch (Australia). Earlier in his career he was Chief Executive Officer and Executive Chairman of Goldman Sachs JBWere.



Mark Freeman

Managing Director and Chief Executive Officer

BE, MBA, Grad Dip App Fin (Sec Inst), AMP (INSEAD)

Member of the Investment and Nomination Committees. Managing Director of the Company's subsidiary, Australian Investment Company Services Limited.

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



Rebecca Dee-Bradbury

Independent Non-Executive Director

BBus, GAICD

Member of the Investment, Remuneration and Nomination Committees.

Ms Dee-Bradbury was appointed to the Board in May 2019. Ms Dee-Bradbury was previously Chief Executive Officer/President of Developed Markets (Asia Pacific and ANZ) for Mondelez from 2010 to 2014. Before joining Mondelez Ms Dee-Bradbury was Group CEO of the global Barbeques Galore group, and has held other senior executive roles in organisations including Maxxium, Burger King Corporation and Lion Nathan/Pepsi Cola Bottlers.

Ms Dee-Bradbury is a Non-Executive Director of BlueScope Steel Limited (appointed April 2014), a Director of Energy Australia Holdings following her appointment in April 2017, and a member of Chief Executive Women. Ms Dee-Bradbury was formerly a Non-Executive Director of Bapcor Limited (September 2023 to December 2023), Grain Corp Limited and Tower Limited (NZ), and a former member of the Federal Government's Asian Century Strategic Advisory Board.



Julie Fahey

Independent Non-Executive Director

BAS

Chairman of the Audit Committee and member of the Investment and Nomination Committees.

Ms Fahey was appointed to the Board in April 2021. She has over 30 years of experience in technology, including in major organisations such as Western Mining, Exxon, Roy Morgan, General Motors and SAP, covering consulting, software vendor and Chief Information Officer roles. In addition to her industry experience, Ms Fahey spent 10 years at KPMG as a partner with the firm, during which time she held roles as National Lead Partner Telecommunications, Media and Technology, and National Managing Partner – Markets. Julie was also a member of the KPMG National Executive Committee.

Ms Fahey is a Non-Executive Director of IRESS Limited and Datacom, and a member of the Australian Red Cross LifeBlood board. She was formerly a Non-Executive Director of Seek Limited, Vocus, Partnerslife and Cenitex and formerly a member of the Latrobe University Council.



Katie Hudson

–
Independent Non-Executive Director

BCom (Melb)

Member of the Audit and Nomination Committees.

Ms Hudson was appointed to the Board in January 2024. She is a portfolio manager for Yarra Capital Management focused on the small and mid cap universe and, in addition, serves as Yarra Capital's Head of Australian Equities Research.

Ms Hudson has more than 20 years of experience in investment markets, including roles as an equities research analyst and portfolio manager. Prior to transitioning to Yarra Capital Management, she was a portfolio manager and managing director at Goldman Sachs Asset Management, and has previously worked as an equities analyst and partner at JBWere. Prior to this she spent seven years at PwC, where she was a senior manager primarily focused on mergers and acquisitions advisory and transaction support.

Ms Hudson is currently a Director of Yarra Capital Management and the Hawthorn Football Club.



Graeme R Liebelt

–
Independent Non-Executive Director

BEC (Hons), FAICD FTSE

Chairman of the Remuneration Committee and member of the Investment and Nomination Committees.

Mr Liebelt was appointed to the Board in June 2012. He is Chairman of Amcor Limited. He is a Fellow of the Australian Academy of Technological Sciences and Engineering and a Life Fellow of the Australian Institute of Company Directors. He was formerly a Director of Carey Baptist Grammar School, Chairman and Director of DuluxGroup Limited, Chairman and Director of the Global Foundation, Deputy Chairman of Melbourne Business School, Managing Director and CEO of Orica Limited and Director of Australia and New Zealand Banking Group Limited.



Richard Murray

–
Independent Non-Executive Director

B.Comm, Grad.Dip. Applied Finance and Investment, FCA

Member of the Nomination Committee.

Mr Murray was appointed to the Board in January 2024.

He has recently been appointed as CEO of Total Tools Holdings, commencing at the end of January 2024.

Prior to this, his most recent executive role was as CEO and Executive Director of Premier Investments, a major ASX-listed owner of retail brands such as Smiggle, Just Jeans, Peter Alexander, Dotti and Portmans.

Before his role at Premier Investments, Mr Murray was the Group Chief Executive Officer from 2014 to 2021 and Executive Director of JB Hi-Fi, the major electronic and white-goods retailer. He had an 18-year career at JB Hi-Fi, commencing in 2003, initially as Chief Financial Officer, taking the business through the IPO process. Prior to that he had roles for 10 years in the Corporate Finance and Assurance and Advisory practices at Deloitte.

Mr Murray holds a Bachelor of Commerce degree from Melbourne University, a Graduate Diploma in Applied Finance and Investment and is a qualified Chartered Accountant.



David A Peever

–
Independent Non-Executive Director

BEC, MSc (Mineral Economics)

Member of the Audit, Investment and Nomination Committees. Non-Executive Director of the Company's subsidiary, Australian Investment Company Services Limited.

Mr Peever was appointed to the Board in November 2013. He was Managing Director of Rio Tinto Australia from 2009 to 2014. He is Chairman of Brisbane Airport Group Pty Ltd. He chaired the Minister of Defence's First Principles Review of Defence and following the acceptance of the review by Government was Chair of the Oversight Board, which helped guide implementation (with Defence) of the Review's recommendations. Mr Peever was a Non-Executive Chairman of Naval Group Australia, a former member of the Foreign Investment Review Board, a former Chair of Cricket Australia and a former Director of the Stars Foundation, a not for profit body that promotes education of Indigenous girls, and also a former Vice Chairman of the Minerals Council of Australia and a former Director of the Business Council of Australia.

Board Members

continued

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 2024 and the numbers of meetings attended by each Director were:

	Board		Investment		Audit		Remuneration		Nomination	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
CM Drummond	9	9	13	12	3 ^{^^^}	4	1 ⁺⁺	2	3	3
RM Freeman	9	9	13	13	–	3 [#]	–	2 [#]	2 [/]	2
RP Dee Bradbury	9	9	13	13	–	4 [#]	1 ⁺⁺	1	3	3
JA Fahey	9	9	8 ⁺	13 [#]	4	4	–	–	2 [/]	2
KM Hudson*	4	4	–	5 [#]	1 ^{^^}	2	–	–	1 ^{//}	1
GR Liebelt	9	9	8 ⁺	12 [#]	–	3 [#]	2	2	2 [/]	2
RL Murray**	4	4	–	2 [#]	–	–	–	–	1 ^{//}	0
J Paterson [^]	2	2	4	3	1	1	1	1	1	1
DA Peever	9	9	13	13	4	4	–	1 [#]	2 [/]	2
CM Walter [^]	2	2	4	4	1	1	1	1	1	1

Attended meetings as non-members.

* KM Hudson was appointed to the Board on 1 January 2024.

** RL Murray was appointed to the Board on 22 January 2024.

[^] J Paterson and CM Walter retired from the Board at the AGM held on 3 October 2023.

⁺ JA Fahey and GR Liebelt were appointed to the Investment Committee on 25 October 2023.

^{^^} KM Hudson was appointed to the Audit Committee on 29 May 2024.

^{^^^} CM Drummond was appointed to the Audit Committee on 6 November 2023.

⁺⁺ CM Drummond and RP Dee-Bradbury were appointed to the Remuneration Committee on 25 October 2023.

[/] JA Fahey, RM Freeman, GR Liebelt and DA Peever were appointed to the Nomination Committee on 25 October 2023.

^{//} KM Hudson and RL Murray were appointed to the Nomination Committee on 29 May 2024.

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.

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Senior Executives



Andrew JB Porter

—
**Chief Financial Officer/
Company Secretary**

MA (Hons) (St And), FCA,
MAICD

Mr Porter joined the Company in January 2005. He is a Chartered Accountant and has had over 25 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 Director of the Auditing and Assurance Standards Board (AUASB) and a Director of the Anglican Foundation. Mr Porter is a former Chair of The Group of 100 (G100), the peak body for CFOs.



Geoffrey N Driver

—
**General Manager
Business Development
and Investor Relations**

B Ec, Grad Dip Finance,
MAICD

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 was formerly Chairman of Trust for Nature (Victoria).



Matthew J Rowe

—
Company Secretary

BA (Hons), MSc Corp Gov,
FGIA, FCG

Mr Rowe joined the Company in July 2016. He is a Chartered Secretary with over 18 years of experience in corporate governance with a particular focus in listed investment companies. He was previously a corporate governance adviser at a professional services firm, which included acting as Company Secretary for three ASX-listed companies. Prior to that he was the Company Secretarial Manager for a funds management company based in the United Kingdom.

Contents

The Directors present AFIC's 2024 Remuneration Report, which outlines key aspects of our remuneration policy and remuneration awarded this year.

Note on Incentives

The Remuneration Committee uses a range of performance measures to inform their deliberations. Whilst the incentive plan is termed the 'annual' incentive plan, the performance measures used cover one, three, five and ten years. The plan is therefore a mixture of short and long term incentives. The Remuneration Committee looks at all of the various measures holistically to make a determination on the progress of AFIC (and the other LICs) in meeting their defined investment goals.

Awards under the Incentive Plan are paid in cash. Executives are required to use 25 per cent of the pre-tax amount of any incentive that vests to purchase shares in AFIC and/or the other LICs (see below). Executives are expected over time to build and to maintain an appropriate holding not only in AFIC shares but also in shares in the other LICs to which the Executives provide service.

Note on AFIC's Proportion of the Costs Detailed in the Remuneration Report

The Remuneration Report is required to show the salary and incentives that the Group Executives receive. It does not accurately reflect the actual cost to AFIC shareholders of this remuneration.

This is because the other companies that the Executives provide services to (Djerriwarrh Investments Ltd, Mirrabooka Investments Ltd and AMCIL Ltd, collectively 'the LICs') pay for a proportion of these costs.

The total remuneration shown in Table 3 is \$4.1 million.

Of this, 43 per cent (or \$1.8 million) is or will be paid for by the other LICs, through the service agreements with AFIC's subsidiary, Australian Investment Company Services Ltd (AICS).

Therefore, 57 per cent, or \$2.3 million, will be borne by AFIC and its shareholders.

The report is structured as follows:

1. Remuneration Policy, Link to Performance and Outcomes
2. Structure of Remuneration
3. Executive Remuneration Expense
4. Contract Terms
5. Non-Executive Director Remuneration

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Appendix

- A. Remuneration Governance
- B. Annual Incentives: Details of Outcomes and Conditions
- C. Directors and Executives: Equity Holdings and Other Transactions
- D. Potential Clawback of Incentives
- E. Detailed Performance Measures by Investment Company

1. Remuneration Policy, Link to Performance and Outcomes

1.1 What is Our Remuneration Policy?

AFIC is an investor in securities which are listed mainly in Australia and New Zealand. Our primary investment goals have been 'to provide attractive total returns over the medium to long term and to pay dividends which, over time, grow faster than the rate of inflation'. Going forward, the Board has amended these goals to 'provide attractive total returns over the medium to long term and to pay a stable to growing dividend over time'. Further details on this change and the rationale behind it can be found elsewhere in the Annual Report.

To achieve this, we need to attract and retain professional, competent and highly motivated executives and staff through offering attractive remuneration arrangements, which:

- reflect market conditions;
- recognise the skills, experience, roles and responsibilities of the individuals;
- align with shareholder interests; and
- align with the risk management strategies.

Generally, we seek to set total remuneration at the upper or second quartile of the sectors in which we operate.

Remuneration for the Group's executives has two main elements:

- fixed annual remuneration (FAR); and
- performance-related pay (Incentive Plan).

FAR is determined with reference to levels necessary to recruit and retain staff with the relevant skills and experience in the industry in which the Group operates. We utilise external input, seeking to ensure that the FAR meets these conditions. This includes industry data provided by the Financial Institutions Remuneration Group Inc. (FIRG) and McLagan for the financial services industry. The costs of the FAR (and the personal element of the annual incentive) are allocated to the LICs based on an internal estimate of work performed which is subject to Board approval.

Through performance-related pay, the remuneration is adjusted to reflect the risks that the Company and its shareholders face and how the Company has responded to those risks. In particular:

- the key performance indicators chosen to determine performance-related pay are those that the Company considers most relevant to its objectives of improving shareholder wealth over the medium to long term, whilst also considering the relative levels of risk;
- the focus is on performance over the medium to long term, with a smaller proportion of the Incentive Plan based on investment returns being dependent on the most recent year's performance; and
- executives agree to invest 25 per cent of the pre-tax annual cash incentive in AFIC shares and/or shares of the other investment companies that AICS currently or will in the future provide services to and to hold these shares for a minimum of four years.

Remuneration Report

continued

1.2 What is Our Target Remuneration Mix?

The target remuneration mix for executives is as follows:

Managing Director's Target Remuneration Mix



- Fixed annual remuneration **50%**
- Annual incentive **50%**

Other Executives' Target Remuneration Mix



- Fixed annual remuneration **67%**
- Annual incentive **33%**

1.3 How is the Remuneration Paid in 2024 Linked to Performance?

1.3.1 Fixed Remuneration

Most executives received increases in their fixed annual remuneration this year. AFIC continues to operate in a highly competitive market, and salary levels are reviewed at least annually with the aim of remunerating its executives to the extent required to attract and retain executives who are extremely competent and highly motivated.

Performance-related Pay

This section shows how Incentive measurements are split between AFIC and the other investment companies.

	%	Result
AFIC investment performance	32	Table 2
AFIC other metrics	8	Table 1
Percentage of incentive determined by AFIC performance	40	
Other LIC investment performance	28	Table 10
Other LIC other metrics	12	Table 10
Percentage of incentive determined by other LICs performance	40	
Total percentage of Incentive determined by AFIC/Other LIC performance	80	
Personal metrics	20	N/A
	100	

See Table 4 for more details on the measures used in determining the annual incentives.

Refer to Section 2.2 and Table 8 for explanations of the measures used.

Despite the Banks Index, a sector in which AFIC has an underweight position, being up 34.9 per cent for the year, AFIC's one-year performance on both a portfolio basis and a grossed-up basis was ahead of the ASX 200 benchmark. The five-year performance was also above the benchmarks, whilst the longer term 10-year return, although still behind the Index, has improved year-on-year. The grossed-up figures take into account the franking that AFIC pays on its dividend (and that the Index theoretically pays) but does not take into account all of the tax that AFIC actually has to pay,

Furthermore, as noted last year, many returns quoted by managed funds exclude either tax or expenses, or both. The use of 'grossed-up returns' (see Table 2 and Table 10) mitigates the tax disparity to some extent, as it adds back franking credits to the nominal dividend that the Index pays, and also that AFIC pays. The extent to which franking credits are retained by the Company, particularly from capital gains, will be a drag on the stated performance.

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For the other LICs, AMCIL outperformed on many of its performance measures. Like AFIC, the three-year under performance reflects the out-performance of both Banks and Resources over that time frame, sectors in which both AFIC and AMCIL are underweight. Mirrabooka again outperformed on all of its investment targets, in several cases very strongly, and stretch levels were achieved leading to a vesting higher than target for the elements of the incentive that were based on these measures.

Largely due to the non-vesting of incentives during the current year because of the prior year's underperformance, AMCIL's MER fell from 0.66 per cent to 0.56 per cent. Mirrabooka's MER also fell from 0.59 per cent to 0.56 per cent, in its case primarily due to the strength of the portfolio.

Djerriwarrh measures its performance against a modified Index to reflect the impact that option writing has on its performance, and on that measure continued to outperform on a short term (one-year) basis and since its strategy reset in May 2020. Longer term measures, whilst still behind the modified Index, continue to improve. The option writing enables it to meet its other stated objective which is to pay an enhanced dividend yield, which remains comfortably above that of the ASX 200.

The MER for AFIC has increased slightly in the year from 0.14 per cent to 0.15 per cent, but still remains comfortably within the targets that the Board has set, and which they believe still represents excellent value for shareholders, noting the additional expense being incurred whilst the international portfolio is being trialled. This increase was forecast in last year's Annual Report as the previous year's reduction was caused by a one-off write-back of expenses incurred for an executive incentive plan, which was discontinued during the year. As a shareholder in AICS, Djerriwarrh was also impacted by this and its MER was up from 0.40 per cent to 0.42 per cent.

Earnings growth for AFIC (using a normalised earnings per share, which strips out (as in previous years) merger and de-merger dividends et al.) has been low (1 per cent) on a five-year basis, reflecting the very strong earnings in 2018. Over a three-year basis, the earnings growth has been 13.4 per cent, comfortably ahead of the inflation figure for that period. The interim and final dividends were both increased.

Detailed information about the performance of each investment company is provided in Section F of the Appendix (Table 10).

Table 1: Non-investment Return Performance Measures

Performance Measure	Benchmark Result	AFIC Result	Comparison to Benchmark
Growth in net operating result	Est. CPI over 5 years: 3.9%	1.0%	Unfavourable ●
Management expense ratio	n/a*	0.15%	Favourable ●

Outcome: ● Achieved ● Partially achieved ● Not achieved

Table 2: Investment Return Performance Measures[^]

Measure	Benchmark Result	AFIC Result	Comparison to Benchmark
Investment return – 1 year	12.1%	14.2%	Favourable ●
Investment return – 3 years	6.4%	6.2%	In line ●
Investment return – 5 years	7.3%	8.4%	Favourable ●
Investment return – 10 years	8.1%	7.8%	Unfavourable ●
Grossed-up return – 1 year	13.5%	15.1%	Favourable ●
Grossed-up return – 3 years	7.9%	6.9%	Unfavourable ●
Grossed-up return – 5 years	8.7%	9.3%	Favourable ●
Grossed-up return – 10 years	9.6%	9.0%	Unfavourable ●
Risk/Reward – 5 years	0.46	0.51	Favourable ●

Outcome: ● Achieved ● Partially achieved ● Not achieved

* See commentary above regarding MER.

[^] See Table 8.

Remuneration Report

continued

1.3.3 Remuneration Outcomes

Table 3 discloses the actual remuneration outcomes received by the Company's executives during the year. Prior year comparatives are different to the statutory remuneration expense disclosed in Table 5 due to the operation in prior years of a separate Long Term Incentive Plan. There is no difference in total remuneration for the current year. Due to the merger of the Incentive Plans, Table 5 will be discontinued next year.

Table 3: Actual Executive Remuneration Outcomes

	Total FAR \$	Annual Incentive \$	Prior Years' LTI Received* \$	Total Remuneration^ \$	Total Borne by AFIC \$	Total Borne by Other LICs \$	Incentive Forfeited \$	LTI Forfeited \$
Mark Freeman – Managing Director								
2024	941,000	771,714	n/a	1,712,714	946,458	766,256	(169,286)	n/a
2023	913,400	598,277	239,728	1,751,405	1,067,214	684,191	(315,123)	(9,798)
Andrew Porter – Chief Financial Officer								
2024	760,000	309,738	n/a	1,069,738	616,626	453,112	(70,262)	n/a
2023	731,000	236,844	140,581	1,108,425	696,726	411,699	(128,656)	(6,164)
Geoff Driver – General Manager – Business Development and Investor Relations								
2024	619,000	252,273	n/a	871,273	502,226	369,047	(57,227)	n/a
2023	601,000	194,424	115,839	911,263	572,893	338,370	(106,076)	(5,078)
Matthew Rowe – Company Secretary								
2024	344,467	140,387	n/a	484,854	279,483	205,371	(31,846)	n/a
2023	325,000	105,300	53,153	483,453	300,413	183,040	(57,200)	(2,330)

^ There is an 'overlap' caused by the vesting of the 2018-22 LTIP occurring in the year ended 30 June 2023 (even though it was in respect of the four years ended 30 June 2022) and the amalgamation of the old ELTIP and Annual Incentive Plans, which occurred for the year ending 30 June 2023.

The value of incentive forfeited is the difference between the target amount and the amount awarded. See Table 7.

The differences between the amounts disclosed in Table 3 and the amounts in Table 5 are as follows:

* Prior year's LTI received in Table 3 shows the value of performance shares that vested during the year, measured at the closing price on the day that they were received.

Information about Non-Executive Director remuneration is provided in Section 5 Non-Executive Director remuneration.

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2. Structure of Remuneration

2.1 Fixed Annual Remuneration (FAR)

The FAR component of an executive's remuneration comprises base salary, superannuation guarantee contributions and fringe benefits. Executives can elect to receive a portion of their FAR in the form of additional superannuation contributions or fringe benefits. This will not affect the gross amount payable by the Group.

2.2 Incentive Plan

Table 4 below outlines the key terms and conditions of the Incentive Plan.

Table 4: Annual Incentives – Key Terms and Conditions

	MD	Other Execs
Targeted per cent of FAR	100 per cent	50 per cent
Objectives	Align remuneration with the creation of shareholder wealth. Measures reflect the management of the Group and the other investment companies, as well as the key investment returns that reflect the creation of shareholder wealth.	
Performance measures	<ul style="list-style-type: none"> Company performance (20 per cent); investment performance (60 per cent); personal objectives (20 per cent). See Table 8 for more details. 	
Relative weightings of investment companies for investment and company related performance	AFIC: 40 per cent Djerriwarrh Investments Limited: 16 per cent AMCIL Limited: 12 per cent Mirrabooka Investments Limited: 12 per cent Personal objectives: 20 per cent (allocated on same basis as FAR)	
Delivery of award	Incentive is paid in cash, but 25 per cent of the pre-tax amount received is used by recipients to acquire shares in AFIC and/or the other investment companies which they agree to hold for minimum of four years.	
Performance measured in 2024	See Tables 1 and 2 for AFIC. Mirrabooka outperformed, Djerriwarrh outperformed on a one-year measure and on yield and AMCIL outperformed on most measures.	
Outcomes for 2024 (see Table 9 for details)	82 per cent	Average 81.5 per cent

The performance measures of the Incentive Plan are reviewed by the Remuneration Committee. The Committee may, from time to time, revise the performance conditions and weightings in order to better meet the objectives of the annual incentive policies. They may also change or suspend any part of the incentive payment arrangements. If relevant targets are not achieved but performance is close to the target, some of the incentive may be paid. This would be noted as 'partially achieved' or 'in line' in Table 2. Where stretch levels of performance are achieved above target, then higher amounts may be paid at the discretion of the Board. To date, total annual incentives paid to each executive have never exceeded target.

For more detailed information about the annual incentive performance conditions and outcomes for 2024 please refer to Section B Annual Incentives: Details of Outcomes and Conditions in the Appendix.

Remuneration Report

continued

3. Executive Remuneration Expense

This section discloses the remuneration expense that will be recognised for each executive (Table 5). The prior year amounts are different to the remuneration outcomes disclosed in Table 3 as noted in that table.

Table 5: Remuneration Expense

	Short Term	Post-employment	Total Fixed	Incentives	Total	%
	Base Salary	Super-annuation	Remuneration		Remuneration	Fixed/
	\$	\$	\$	\$	\$	Performance Related
Mark Freeman – Managing Director						
2024	913,500	27,500	941,000	771,714	1,712,714	55%/45%
2023	885,900	27,500	913,400	598,277	1,511,677	60%/40%
Andrew Porter – Chief Financial Officer						
2024	732,500	27,500	760,000	309,738	1,069,738	71%/29%
2023	703,500	27,500	731,000	236,844	967,844	76%/24%
Geoff Driver – General Manager – Business Development and Investor Relations						
2024	591,500	27,500	619,000	252,273	871,273	71%/29%
2023	573,500	27,500	601,000	194,424	795,424	76%/24%
Matthew Rowe – Company Secretary						
2024	316,967	27,500	344,467	140,387	484,854	71%/29%
2023	297,500	27,500	325,000	105,300	430,300	76%/24%

4. Contract Terms

Each executive is employed under an open-ended contract, the terms of which can be varied by mutual agreement. There are no contractual provisions for cessation of employment other than statutory requirements. Either the Company or the executive can give notice in accordance with statutory requirements. There are no specific payments to be made as a consequence of termination beyond those required by statute. Should there be any payments, these will be at the Board's discretion.

Material breaches of the terms of employment will normally result in the termination of an executive's employment.

5. Non-Executive Director Remuneration

Shareholders approve the maximum aggregate amount of remuneration per year available to be allocated between Non-Executive Directors (NEDs). In proposing the amount for consideration by shareholders, the Remuneration Committee takes into account the time demands made on Directors together with such factors as the general level of fees paid to Australian corporate directors.

For NEDs, who are charged with the responsibility of oversight of the Company's activities, a fixed annual fee is paid with no element of performance-related pay.

The amount approved at the AGM in October 2019 was \$1,250,000 per annum, which is the maximum amount that may be paid in total to all NEDs.

On appointment, the Company enters into a deed of access and indemnity with each NED. There are no termination payments due at the cessation of office, and any Director may retire or resign from the Board, or be removed by a resolution of shareholders.

The amounts paid to each NED, and the figures for the corresponding period, are set out in Table 6.

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Table 6: Non-Executive Director Remuneration

	Primary (Fee/Base) \$	Post- employment (Superannuation) \$	Total Remuneration \$
CM Drummond – Chairman (appointed Chairman 3 October 2023)			
2024	167,905	18,470	186,375
2023	93,213	9,787	103,000
J Paterson – Chairman (retired 3 October 2023)			
2024	49,537	5,449	54,986
2023	201,106	4,894	206,000
RP Dee-Bradbury – Non-Executive Director			
2024	95,946	10,554	106,500
2023	100,553	2,447	103,000
JA Fahey – Non-Executive Director			
2024	95,946	10,554	106,500
2023	93,213	9,787	103,000
KM Hudson – Non-Executive Director (appointed 1 January 2024)			
2024	47,973	5,277	53,250
GR Liebelt – Non-Executive Director			
2024	103,861	2,639	106,500
2023	103,000	–	103,000
RL Murray – Non-Executive Director (appointed 22 January 2024)			
2024	42,438	4,668	47,106
DA Peever – Non-Executive Director			
2024	95,946	10,554	106,500
2023	93,213	9,787	103,000
CM Walter AM – Non-Executive Director (retired 3 October 2023)			
2024	24,769	2,725	27,494
2023	93,213	9,787	103,000
PJ Williams – Non-Executive Director (retired 4 October 2022)			
2023	24,317	2,553	26,870
Total remuneration of Non-Executive Directors			
2024	724,321	70,890	795,211
2023	801,828	49,042	850,870

Amounts Paid on Retirement

The sum of \$42,385 was paid to Mrs CM Walter AM on her retirement in October 2023. This amount was expensed in prior years as the retirement allowances accrued. Directors are no longer entitled to retirement allowances.

Remuneration Report

continued

Appendix

A. Remuneration Governance

Responsibilities of the Board and the Remuneration Committee

It is the Board's responsibility to review and approve the recommendations of the Remuneration Committee.

For more information, the Charter of the Board is available on the Company's website.

The Remuneration Committee's primary responsibilities include:

- reviewing the level of fees for NEDs and the Chairman;
- reviewing the Managing Director's remuneration arrangements;
- evaluating the Managing Director's performance;
- reviewing the remuneration arrangements for other senior executives;
- monitoring legislative developments with regards to executive remuneration; and
- monitoring the Group's compliance with requirements in this area.

For more information, the Charter of the Remuneration Committee is available on the Company's website.

The Remuneration Committee is composed of three NEDs (GR Liebelt (Chairman), CM Drummond and RP Dee-Bradbury) and meets at least twice per year.

Policy on Hedging

The Company provides no lending or leveraging arrangements to its executives, who are prohibited by Company policy from entering into hedging arrangements that mitigate the possibility that 'at risk' incentive payments may not vest.

Use of Remuneration Consultants

The Managing Director makes recommendations to the Remuneration Committee with regards to the remuneration levels and structure of the KMP.

Ernst & Young have previously been engaged to provide remuneration advice. Ernst & Young were not engaged during the year ended 30 June 2024 for remuneration advice (2023: \$nil), and during the year the Group paid \$356,983 to Ernst & Young for other professional advice received, which included acting as the internal auditor for AICS and general taxation and accountancy advice (2023: \$199,485) (all including GST).

Ernst & Young were remunerated on an invoiced basis, based on work performed.

The Company also participates in the annual McLagan and FIRG surveys of fund managers to understand current remuneration levels and practices.

B. Annual Incentives: Details of Outcomes and Conditions

Table 7 below shows the annual incentives paid to individual executives as a result of AFIC's and the other investment companies' performance on financial metrics and the individual's achievement of their own personal objectives. Table 8 sets out the detailed terms and conditions of the annual incentives. For a high-level summary, see Section 2.2 and Table 5.

Table 7: Annual Incentive Outcomes

Executive	% of Target Paid	\$ Paid	% of Target Forfeited	\$ Forfeited
Mark Freeman	82.0%	\$771,714	18.0%	\$169,286
Andrew Porter	81.5%	\$309,738	18.5%	\$70,262
Geoff Driver	81.5%	\$252,273	18.5%	\$57,227
Matthew Rowe	81.5%	\$140,387	18.5%	\$31,846

Table 8: Executive Annual Incentive Performance Conditions

Performance Areas and Relative Weighting	Performance Measures	Purpose of Measure
<p>Company performance (20 per cent) The relevant weightings of the investment companies are:</p> <ul style="list-style-type: none"> • AFIC: 50 per cent • Djerriwarrh Investments Limited: 20 per cent • AMCIL Limited: 15 per cent • Mirrabooka Investments Limited: 15 per cent 	<ul style="list-style-type: none"> • Operating result and dividend growth measured over five years against CPI. • Management expense ratio (MER): at Board discretion, generally measured against prior years' results. • Dividend yield (DJW only). 	<ul style="list-style-type: none"> • Net operating result reflects the ability of the Company to meet its dividend objectives. The dividends of both MIR and AMH vary from year to year and are not a key objective for those companies. • MER reflects the costs of running the Company. • Maintaining a dividend yield above the market's is an important object for DJW.
<p>Investment performance (60 per cent) The relevant weightings of the investment companies are:</p> <ul style="list-style-type: none"> • AFIC: 50 per cent • Djerriwarrh Investments Limited: 20 per cent • AMCIL Limited: 15 per cent • Mirrabooka Investments Limited: 15 per cent 	<ul style="list-style-type: none"> • Relative investment return: measure of the return on the portfolio invested (including cash) over the previous one, three, five and ten years, relative to the S&P/ASX 200 Accumulation Index (Combined Mid Cap 50 and Small Ordinaries for Mirrabooka and modified S&P ASX 200 Accumulation Index for Djerriwarrh). • Risk/Reward – measure of the return that AFIC's portfolio generates as a ratio of the volatility risk that such a portfolio incurs. • Grossed-up return (GR): measure of the movement in the net asset backing of the Company (per share) plus the dividends assumed to be reinvested grossed up for franking credits over the previous one, three, five and ten years. This return is compared to the S&P/ASX 200 Accumulation Index grossed up for franking credits (Combined Mid Cap 50 and Small Ordinaries for Mirrabooka and modified S&P/ASX 200 Accumulation Index for Djerriwarrh). 	<ul style="list-style-type: none"> • The Board considers that the metrics used reflect, over the medium to long term, the Company's investment return objectives. • Investment Return: reflects the returns generated by the mix of the investments that the Company has invested in. These reflect the value added to shareholders wealth by the investment decisions of the Company. • Risk/Reward: reflects the aim for AFIC's portfolio to be designed to face less volatility risk than the market generally. • Grossed-up return (GR): reflects the movement in the value of the underlying portfolio over the period with the additional recognition of the importance of franking credits. <p>Note: The Remuneration Committee has discretion to determine, at the time of the review, what it considers to be the appropriate level of return to be used.</p>
<p>Personal objectives (20 per cent) These costs are allocated to AFIC and to the LICs on the same proportion as the FAR.</p>	<p>Includes:</p> <ul style="list-style-type: none"> • advice to the Board; • succession planning; • management of staff; • risk management; and • shareholder stewardship. <p>These measures all contribute to the efficient running of the Group, and the other investment companies, enhancing investment outcomes.</p>	<p>Personal objectives are included in incentive calculations to encourage out performance on non-financial metrics. These metrics can be important determinants of business success in the medium term. The Managing Director reviews the performance of each executive with the Remuneration Committee, and the Remuneration Committee alone determines how the Managing Director is performing against these objectives.</p> <p>50 per cent is awarded based on the individual's capability and improvement and 50 per cent on alignment with the Company's values and culture.</p>

Remuneration Report

continued

C. Directors and Executives: Equity Holdings and Other Transactions

Table 9 sets out reconciliations of shares issued by the Group and held directly, indirectly or beneficially by Non-Executive Directors and executives of the Group, or by entities to which they were related.

Table 9: Shareholdings of Directors and Executives

	Opening Balance	Changes During Year	Closing Balance
CM Drummond	63,721	2,280	66,001
J Paterson	615,332	–	n/a
RM Freeman	183,580	6,568	190,148
RP Dee-Bradbury	15,159	302	15,461
JA Fahey	1,260	4,164	5,424
KM Hudson	n/a	–	–
GR Liebelt	527,708	135,921	663,629
RL Murray	n/a	7,001	8,313
DA Peever	34,714	1,242	35,956
CM Walter	390,699	7,780	n/a
GN Driver	159,125	3,172	162,297
MJ Rowe	13,607	485	14,092
AJB Porter	195,578	4,197	199,775

Other Arrangements With Non-Executive Directors

Non-Executive Director Craig Drummond and former Non-Executive Directors John Paterson and Catherine Walter rented office space and, for John Paterson, a parking space from the Group at commercial rates during the year. Sub-lease rental income (included in revenue) received or receivable, including GST, by the Group during the year was:

	Rental Income Received/Receivable \$
CM Drummond	11,067
J Paterson	4,388
CM Walter	2,980

D. Potential Clawback of Incentives

The Directors consider that the Incentive Plan allows for sufficient 'clawback' in the case of a material misstatement of the Group's financial statements or in any other case where the Board considers that such remuneration would be an 'inappropriate benefit'.

The Directors, in their absolute discretion, may take such clawback actions as they deem necessary or appropriate to address the events that give rise to an 'inappropriate benefit'. Such actions may include:

1. cancelling or requiring the forfeiture of some or all of the Executive's incentive payments;
2. adjusting the Executive's future performance-based remuneration;
3. dismissing the Executive and/or initiating legal action; and/or
4. any other action the Directors consider appropriate.

The Directors are not required to show loss to the Company in order to determine that an 'inappropriate benefit' should be subject to clawback.

E. Detailed Performance Measures by Investment Company

Table 10 shows the performance of AFIC and the other investment companies over the past five years, including details of investment return and gross return (GR). These measures, which represent growth in shareholder wealth, are used in part to determine the vesting of AFIC's incentive plans to executives and the investment team.

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Table 10: Detailed Performance Measures for AFIC and the Other Investment Companies

Year Ending 30 June	10-year Return	5-year Return	3-year Return	2024	2023	2022	2021	2020
Comparative Returns								
S&P/ASX 200 Accumulation Return	8.06%	7.26%	6.37%	12.10%	14.78%	-6.47%	27.80%	-7.7%
Modified S&P/ASX 200 Accumulation*	7.89%	7.26%	6.37%	10.72%	12.59%	-6.47%	21.71%	-
Gross S&P/ASX 200 Accumulation Return	9.58%	8.66%	7.90%	13.52%	16.64%	-5.12%	29.12%	-6.6%
Modified Gross S&P/ASX 200 Accumulation Return*	8.96%	8.31%	7.78%	11.71%	13.90%	-5.12%	22.64%	-
Combined Mid Cap 50 and Small Ordinaries Accumulation Return^	8.82%	6.58%	1.65%	7.95%	13.21%	-14.06%	34.42%	-2.6%
Gross Combined Mid Cap 50 and Small Ordinaries Accumulation Return^	9.73%	7.34%	2.39%	8.71%	14.19%	-13.52%	35.22%	-1.9%
Yield on ASX 200 grossed up for franking credits	n/a	n/a	n/a	4.7%	5.6%	5.1%	2.9%	5.8%
Australian Foundation Investment Company Limited								
Mercer risk/reward	n/a	24th/105	n/a	n/a	n/a	n/a	n/a	n/a
Growth in earnings per share	n/a	1.0%	13.4%	-5.2%	7.7%	42.9%	-18.0%	-34.5%
Management expense ratio	n/a	n/a	n/a	0.15%	0.14%	0.16%	0.14%	0.13%
Gross return	8.96%	9.33%	6.93%	15.12%	13.91%	-6.78%	31.92%	-3.1%
Investment return	7.81%	8.40%	6.18%	14.21%	12.81%	-7.08%	30.28%	-4.1%
Djerriwarrh Investments Limited								
Growth in net operating result per share	n/a	n/a	12.7%	1.3%	5.8%	30.9%	-4.5%	-26.0%
Management expense ratio	n/a	n/a	n/a	0.42%	0.40%	0.45%	0.45%	0.45%
Gross return	7.27%	6.83%	6.64%	13.59%	14.20%	-6.51%	29.58%	-11.5%
Investment Return	5.93%	6.23%	6.09%	12.08%	13.60%	-6.21%	25.83%	-10.0%
Gross yield on NTA at end of June	n/a	n/a	n/a	6.5%	6.8%	6.5%	4.7%	5.6%
Mirrabooka Investments Limited								
Management expense ratio	n/a	n/a	n/a	0.56%	0.59%	0.46%	0.50%	0.63%
Gross return	11.56%	12.10%	3.09%	17.40%	17.91%	-20.87%	50.92%	7.1%
Investment return	11.24%	12.36%	3.98%	17.61%	18.08%	-19.04%	49.80%	6.3%
AMCIL Limited								
Management expense ratio	n/a	n/a	n/a	0.56%	0.66%	0.52%	0.56%	0.66%
Gross return	9.61%	10.69%	5.42%	20.50%	13.46%	-14.31%	31.76%	7.6%
Investment return	9.56%	11.21%	5.69%	19.90%	12.42%	-12.40%	34.36%	7.2%

* Used for Djerriwarrh Investments Limited.

^ Used for Mirrabooka Investments Limited.

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 a management or a decision-making capacity for the Company, acting as advocate for the Company, or jointly sharing economic risk and rewards.

A copy of the Auditor's Independence Declaration is set out on page 31.

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



Craig M Drummond
Chairman

29 July 2024

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Auditor's Independence Declaration

As lead auditor for the audit of Australian Foundation Investment Company Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in cursive script that reads 'Kate L Logan'.

Kate L Logan
Partner
PricewaterhouseCoopers

Melbourne
29 July 2024

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FINANCIAL STATEMENTS

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Consolidated Income Statement

For the Year Ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Dividends and distributions	A3	321,836	334,740
Interest income from deposits	A3	6,963	3,714
Other revenue	A3	5,555	5,553
Total revenue		334,354	344,007
Net gains on trading portfolio	A3	4,901	6,000
Income from operating activities		339,255	350,007
Finance costs		(1,405)	(1,265)
Administration expenses	B1	(18,915)	(17,987)
Profit before income tax expense		318,935	330,755
Income tax expense	B2, E2	(22,522)	(20,544)
Profit for the year		296,413	310,211
Profit is attributable to:			
Equity holders of Australian Foundation Investment Company Ltd		296,174	309,763
Minority interest		239	448
		296,413	310,211
		Cents	Cents
Basic earnings per share	A5	23.75	25.06

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

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Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2024

	Year to 30 June 2024			Year to 30 June 2023		
	Revenue ¹ \$'000	Capital ¹ \$'000	Total \$'000	Revenue ¹ \$'000	Capital ¹ \$'000	Total \$'000
Profit for the year	296,413	–	296,413	310,211	–	310,211
Other comprehensive income						
<i>Items that will not be recycled through the Income Statement</i>						
Gains/(losses) for the period	–	923,692	923,692	–	697,758	697,758
Tax on above	–	(279,803)	(279,803)	–	(210,319)	(210,319)
Total other comprehensive income	–	643,889	643,889	–	487,439	487,439
Total comprehensive income	296,413	643,889	940,302	310,211	487,439	797,650

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

Total comprehensive income is attributable to:

	Year to 30 June 2024			Year to 30 June 2023		
	Revenue \$'000	Capital \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
Equity holders of Australian Foundation Investment Company	296,174	643,889	940,063	309,763	487,439	797,202
Minority interests	239	–	239	448	–	448
	296,413	643,889	940,302	310,211	487,439	797,650

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

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Consolidated Balance Sheet

As at 30 June 2024

	Note	2024 \$'000	2023 \$'000
Current assets			
Cash	D1	166,499	165,385
Receivables		42,425	44,709
Trading portfolio		5,387	3,837
Total current assets		214,311	213,931
Non-current assets			
Investment portfolio	A2	9,703,558	8,749,226
Total non-current assets		9,703,558	8,749,226
Total assets		9,917,869	8,963,157
Current liabilities			
Payables		1,256	1,268
Borrowings – bank debt		10,000	10,000
Tax payable		34,105	32,156
Provisions		6,014	6,057
Total current liabilities		51,375	49,481
Non-current liabilities			
Provisions		154	90
Deferred tax liabilities – other		1,237	830
Deferred tax liabilities – investment portfolio	B2	1,603,716	1,355,200
Total non-current liabilities		1,605,107	1,356,120
Total liabilities		1,656,482	1,405,601
Net assets		8,261,387	7,557,556
Shareholders' equity			
Share capital	A1, D6	3,204,950	3,136,282
Revaluation reserve	A1, D3	3,449,280	2,926,191
Realised capital gains reserve	A1, D4	546,953	509,741
General reserve	A1	23,637	23,637
Retained profits	A1, D5	1,034,794	960,171
Parent entity interest		8,259,614	7,556,022
Minority interest		1,773	1,534
Total equity		8,261,387	7,557,556

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

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2024

Year Ended 30 June 2024	Note	Share Capital \$'000	Revaluation Reserve \$'000
Total equity at the beginning of the year		3,136,282	2,926,191
Dividends paid to shareholders	A4	–	–
– Dividend Reinvestment Plan	D6	68,840	–
Other share capital adjustments		(172)	–
Total transactions with shareholders		68,668	–
Profit for the year		–	–
Other comprehensive income (net of tax)			
Net gains for the period		–	643,889
Other comprehensive income for the year		–	643,889
Transfer to realised capital gains of cumulative gains on investments sold		–	(120,800)
Total equity at the end of the year		3,204,950	3,449,280
Year Ended 30 June 2023	Note	Share Capital \$'000	Revaluation Reserve \$'000
Total equity at the beginning of the year		3,070,163	2,556,466
Dividends paid to shareholders	A4	–	–
– Dividend Reinvestment Plan	D6	66,268	–
Other share capital adjustments		(149)	–
Total transactions with shareholders		66,119	–
Profit for the year		–	–
Other comprehensive income (net of tax)			
Net gains for the period		–	487,439
Other comprehensive income for the year		–	487,439
Transfer to realised capital gains of cumulative gains on investments sold		–	(117,714)
Total equity at the end of the year		3,136,282	2,926,191

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

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Realised Capital Gains \$'000	General Reserve \$'000	Retained Profits \$'000	Total Parent Entity \$'000	Minority Interest \$'000	Total \$'000
509,741	23,637	960,171	7,556,022	1,534	7,557,556
(83,588)	-	(221,551)	(305,139)	-	(305,139)
-	-	-	68,840	-	68,840
-	-	-	(172)	-	(172)
(83,588)	-	(221,551)	(236,471)	-	(236,471)
-	-	296,174	296,174	239	296,413
-	-	-	643,889	-	643,889
-	-	-	643,889	-	643,889
120,800	-	-	-	-	-
546,953	23,637	1,034,794	8,259,614	1,773	8,261,387

Realised Capital Gains \$'000	General Reserve \$'000	Retained Profits \$'000	Total Parent Entity \$'000	Minority Interest \$'000	Total \$'000
510,503	23,637	828,634	6,989,403	1,086	6,990,489
(118,476)	-	(178,226)	(296,702)	-	(296,702)
-	-	-	66,268	-	66,268
-	-	-	(149)	-	(149)
(118,476)	-	(178,226)	(230,583)	-	(230,583)
-	-	309,763	309,763	448	310,211
-	-	-	487,439	-	487,439
-	-	-	487,439	-	487,439
117,714	-	-	-	-	-
509,741	23,637	960,171	7,556,022	1,534	7,557,556

Consolidated Cash Flow Statement

For the Year Ended 30 June 2024

	Note	2024 \$'000 Inflows/ (Outflows)	2023 \$'000 Inflows/ (Outflow)
Cash flows from operating activities			
Sales from trading portfolio		13,346	20,042
Purchases for trading portfolio		(9,995)	(5,178)
Interest received		6,963	3,714
Dividends and distributions received		319,169	320,485
		329,483	339,063
Other revenue		5,758	5,877
Administration expenses		(19,316)	(18,909)
Finance costs paid		(1,405)	(1,265)
Taxes paid		(25,172)	(7,083)
Net cash inflow/(outflow) from operating activities	E1	289,348	317,683
Cash flows from investing activities			
Sales from investment portfolio		489,873	491,219
Purchases for investment portfolio		(517,291)	(490,993)
Taxes paid on sales from investment portfolio		(24,571)	(66,560)
Net cash inflow/(outflow) from investing activities		(51,989)	(66,334)
Cash flows from financing activities			
Share issue transaction costs		(172)	(149)
Dividends paid		(236,073)	(230,434)
Net cash inflow/(outflow) from financing activities		(236,245)	(230,583)
Net increase/(decrease) in cash held		1,114	20,766
Cash at the beginning of the year		165,385	144,619
Cash at the end of the year	D1	166,499	165,385

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. Understanding AFIC's Financial Performance

A1. How AFIC Manages its Capital

AFIC's objective is to provide shareholders with stable to growing dividends over time and attractive total returns over the medium to long term.

AFIC 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.

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

	2024 \$'000	2023 \$'000
Share capital	3,204,950	3,136,282
Revaluation reserve	3,449,280	2,926,191
Realised capital gains reserve	546,953	509,741
General reserve	23,637	23,637
Retained profits	1,034,794	960,171
	8,259,614	7,556,022

Refer to Notes D3–D6 for a reconciliation of movement from period to period for each equity account (except the general reserve, which is historical, relates to past profits which can be distributed and has had no movement).

A2. Investments Held and How They are Measured

AFIC has two portfolios of securities: the investment portfolio and the trading portfolio.

The investment portfolio holds securities which the Company intends to retain on a long term basis, and includes a small sub-component over which options may be written and an additional small sub-component of international (i.e. non-Australian/New Zealand listed) stocks. The trading portfolio consist of securities that are held for short term trading only, including call option contracts written over securities that are held in the specific sub-component of the investment portfolio and on occasion put options and is relatively small in size. The Board has therefore focused the information in this section on the investment portfolio. Details of all holdings (except for the specific option holdings) as at the end of the reporting period can be found at the end of the Annual Report.

The balance and composition of the investment portfolio (all at market value) was:

	2024 \$'000	2023 \$'000
Equity instruments (excluding below)	8,539,661	7,834,313
Equity instruments (over which options may be written)	1,019,386	799,527
Equity instruments (listed on non-Australian/NZ Exchanges)	144,511	115,386
	9,703,558	8,749,226

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 AFIC are classified as Level 1 (other than the options sold by the Company which are Level 2). 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.

Notes to the Consolidated Financial Statements

continued

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 AFIC's long term investment portfolio. Deferred tax is calculated as set out in Note B2. The relevant amounts as at 30 June 2024 and 30 June 2023 were as follows:

	30 June 2024 \$	30 June 2023 \$
Net tangible asset backing per share		
Before tax	7.88	7.19
After tax	6.60	6.09

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 Consolidated 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 realisation reserve.

Securities Sold and How They Are Measured

Where securities are sold from the investment portfolio, any difference between the sale price and the cost is transferred from the revaluation reserve to the realisation reserve and the amounts noted in the Consolidated 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 AFIC's shareholders.

During the period \$486.6 million (2023: \$538.7 million) of equity securities were sold. The cumulative gain on the sale of securities was \$120.8 million for the period after tax (2023: \$117.7 million). This has been transferred from the revaluation reserve to the realisation reserve (see Consolidated Statement of Changes in Equity). These sales were accounted for at the date of trade.

A3. Operating Income

The total income received from AFIC's investments in 2024 is set out below.

	2024 \$'000	2023 \$'000
Dividends and Distributions		
Income from securities held in investment portfolio at 30 June	316,100	328,188
Income from investment securities sold during the year	5,736	6,552
Income from securities held in trading portfolio at 30 June	–	–
Income from trading securities sold during the year	–	–
	321,836	334,740
Interest income		
Revenue from deposits and cash management trusts	6,963	3,714
Other revenue		
Administration fees	5,525	5,553
Other income	30	–
	5,555	5,553

Dividend Income

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

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Trading Income

Net gains on the trading portfolio are set out below.

	2024 \$'000	2023 \$'000
Net Gains		
Net realised gains/(losses) from trading portfolio – shares/securities	(77)	48
– options	4,119	4,542
Unrealised gains/(losses) from trading portfolio – shares/securities	937	1,010
– options	(78)	400
	4,901	6,000

\$170.1 million of shares are lodged with the ASX Clear Pty Ltd as collateral for sold option positions written by the Group (2023: \$145.3 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 Group's investment portfolio. If all call options were exercised, this would lead to the sale of \$34.5 million worth of securities at an agreed price – the 'exposure' (2023: \$155.8 million).

A4. Dividends Paid

The dividends paid and payable for the year ended 30 June 2024 are shown below:

	2024 \$'000	2023 \$'000
(a) Dividends Paid During the Year		
Final dividend for the year ended 30 June 2023 of 14 cents fully franked at 30 per cent paid 1 September 2023 (2023: 14 cents fully franked at 30 per cent paid on 30 August 2022)	167,176	165,866
Interim dividend for the year ended 30 June 2024 of 11.5 cents per share fully franked at 30 per cent paid 26 February 2024 (2023: 11 cents fully franked at 30 per cent paid 24 February 2023)	137,963	130,836
	305,139	296,702
Dividends paid or payable in cash	236,299	230,434
Dividends reinvested in shares	68,840	66,268
	305,139	296,702
Dividends forgone via DSSP	11,856	11,400
(b) Franking Credits		
Opening balance of franking account at 1 July	248,712	197,933
Franking credits on dividends received	101,489	109,312
Tax paid during the year	49,428	73,512
Franking credits paid on ordinary dividends paid	(130,774)	(127,158)
Franking credits deducted on DSSP shares issued	(5,084)	(4,887)
Closing balance of franking account	263,771	248,712
Adjustments for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables	42,488	41,364
Adjusted closing balance	306,259	290,076
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(77,776)	(74,421)
Net available	228,483	215,655
These franking account balances would allow AFIC to frank additional dividend payments up to an amount of:	533,127	503,195

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

Notes to the Consolidated Financial Statements

continued

	2024 \$'000	2023 \$'000
(c) New Zealand Imputation Account		
(Figures in A\$ at year-end exchange rate: 2024: \$NZ\$1.097:\$A1; 2023: \$NZ1.085: \$A1)		
Opening balance	10,325	18,898
Imputation credits on dividends received	8,619	6,970
Imputation credits on dividends paid	–	(15,429)
Closing balance	18,944	10,439

A NZ imputation credit on NZ 4.0 cents of the dividend will be attached to the final dividend to be paid on 30 August 2024. There was no NZ imputation credit attached to the proposed final dividend for the year ended 30 June 2023.

(d) Dividends Declared after Balance Date

Since the end of the year Directors have declared a final dividend of 14.5 cents per share fully franked at 30 per cent. The aggregate amount of the final dividend for the year to 30 June 2024 to be paid on 30 August 2024, but not recognised as a liability at the end of the financial year is:

181,478

(e) Listed Investment Company Capital Gain Account

Balance of the Listed Investment Company (LIC) capital gain account at 1 July:	92,813	158,619
Capital gains (including LIC gains received from dividends)	55,425	52,670
LIC gains paid as part of dividend	(83,588)	(118,476)
Balance at 30 June	64,650	92,813
This equates to an attributable gain of:	92,357	132,590

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. \$80.5 million attributable gain is attached to the final dividend to be paid on 30 August 2024.

A5. Earnings Per Share

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

	2024 Number	2023 Number
Basic Earnings Per Share		
Weighted average number of ordinary shares used as the denominator	1,247,196,831	1,236,299,822
	\$'000	\$'000
Profit for the year	296,174	309,763
	Cents	Cents
Basic earnings per share	23.75	25.06

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B. Costs, Tax and Risk

B1. Management Costs

The total management expenses for the period are as follows:

	2024 \$'000	2023 \$'000
Rental expense relating to non-cancellable leases	(702)	(648)
Employee benefit expenses	(12,390)	(11,093)
Depreciation charge	–	–
Other administration expenses	(5,823)	(6,246)
	(18,915)	(17,987)

Employee Benefit Expenses

A major component of employee benefit expenses is Directors' and Executives' remuneration. This has been summarised below:

	Short Term Benefits \$	Post- employment Benefits \$	Total \$
2024			
Non-Executive Directors	724,321	70,890	795,211
Executives	4,028,579	110,000	4,138,579
Total	4,752,900	180,890	4,933,790
2023			
Non-Executive Directors	801,828	49,042	850,870
Executives	3,595,245	110,000	3,705,245
Total	4,397,073	159,042	4,556,115

Detailed remuneration disclosures are provided in the Remuneration Report.

The Group (i.e. AFIC and its subsidiary, Australian Investment Company Services Ltd (AICS) – see Note F8) does not make loans to Directors or Executives.

B2. Tax

AFIC'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.

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 and convertible notes that are classified as debt.

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 AFIC 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.

Notes to the Consolidated Financial Statements

continued

Tax Expense

The income tax expense for the period is shown below:

(a) Reconciliation of Income Tax Expense to Prima Facie Tax Payable

	2024 \$'000	2023 \$'000
Profit before income tax expense	318,935	330,755
Tax at the Australian tax rate of 30 per cent (2023: 30 per cent)	95,681	99,226
Tax offset for franked dividends received	(71,058)	(76,518)
Sundry items whose tax treatment differs from accounting treatment	619	(665)
	25,242	22,043
Over provision in prior years	(2,720)	(1,499)
Total tax expense	22,522	20,544

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.

	2024 \$'000	2023 \$'000
Deferred tax liabilities on unrealised gains in the investment portfolio	1,603,716	1,355,200
Opening balance at 1 July	1,355,200	1,169,452
Tax on realised gains	(31,287)	(24,571)
Charged to OCI for ordinary securities on gains or losses for the period	279,803	210,319
	1,603,716	1,355,200

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, AFIC 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 AFIC's comprehensive income of \$339.6 million and \$679.2 million respectively, at a tax rate of 30 per cent (2023: \$306.2 million and \$612.4 million).

AFIC 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. AFIC does not have a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

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AFIC's total investment exposure by sector is as below:

	2024 %	2023 %
Energy	3.77	3.41
Materials	14.28	15.46
Industrials	10.75	12.58
Consumer Discretionary	7.95	7.41
Consumer Staples	4.08	5.42
Banks	20.81	18.42
Other Financials	9.23	9.00
Real Estate	5.01	3.44
Telecommunications	6.51	6.25
Healthcare	13.17	14.00
Information Technology	2.72	2.73
Utilities	0.03	0.03
Cash	1.69	1.85
<i>Securities representing over 5 per cent of the investment portfolio at 30 June were</i>		
Commonwealth Bank	10.1	8.9
BHP	8.1	9.1
CSL	7.8	7.7

AFIC is also not directly exposed to material currency risk as most of its investments are quoted in Australian dollars. The international portfolio is a minor (1.5 per cent) part of the total portfolio (2023: 1.3 per cent).

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 the specific sub-section of the investment portfolio.

Interest Rate Risk

The Group is not currently materially exposed to interest rate risk as all its cash investments and borrowings are short term for a fixed interest rate.

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. AFIC is exposed to credit risk from cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are overdue. The risk in relation to each of these items is set out below.

Cash

All cash investments not held in a transactional account (including with a custodian) are invested in short term deposits with Australia's major commercial banks. In the unlikely event of a bank default, there is a risk of losing the cash deposits and any accrued unpaid interest.

Receivables

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

Trading and Investment Portfolios

Converting and convertible notes or other interest-bearing securities that are not equity securities carry credit risk to the extent of their carrying value. This risk will be realised in the event of a shortfall on winding-up of the issuing companies. As at 30 June 2024, no such investments are held (2023: nil). AFIC engages a custodian, Northern Trust, to hold the shares that are in the sub-component of the investment portfolio that contains international shares. AFIC receives a GS007 report on Internal Controls for Custody, Investment Administration, Registry Monitoring and Related Information Technology Services from Northern Trust every six months.

Notes to the Consolidated Financial Statements

continued

Liquidity Risk

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

AFIC 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 AFIC to purchase securities, and facilities that need to be repaid. AFIC ensures that it has either cash or access to short term borrowing facilities sufficient to meet these contingent payments.

AFIC's inward cash flows depend upon the dividends received. Should these drop by a material amount, AFIC would amend its outward cash flows accordingly. AFIC'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 AFIC are largely in the form of readily tradeable securities which can be sold on-market if necessary.

The table below analyses AFIC'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
30 June 2024					
Non-derivatives					
Payables	1,256	–	–	1,256	1,256
Borrowings	10,000	–	–	10,000	10,000
	11,256	–	–	11,256	11,256
Derivatives					
Options in trading portfolio*	–	–	–	–	–
	–	–	–	–	–

	Less Than 6 Months \$'000	6–12 Months \$'000	Greater Than 1 year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
30 June 2023					
Non-derivatives					
Payables	1,268	–	–	1,268	1,268
Borrowings	10,000	–	–	10,000	10,000
	11,268	–	–	11,268	11,268
Derivatives					
Options in trading portfolio*	–	–	–	–	–
	–	–	–	–	–

* 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 the purpose of the above disclosure that all options will be exercised (i.e. maximum cash outflow). There were no put options outstanding at 30 June 2024 or 30 June 2023.

C. Unrecognised Items

C1. Contingencies

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

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Further information that shareholder may find useful is included here. It is grouped into three sections:

- D. Balance Sheet Reconciliations
- E. Income Statement Reconciliations
- F. Further Information

D. Balance Sheet Reconciliations

These notes provide further information about the basis of calculation of line items in the financial statements.

D1. Current Assets – Cash

	2024 \$'000	2023 \$'000
Cash at bank	166,262	755
Cash with custodian	237	4,359
Cash Management Trusts	–	160,271
	166,499	165,385

Cash holdings yielded an average floating interest rate of 4.30 per cent (2023: 2.97 per cent). All cash investments are held in a transactional account, with a custodian or in an 'at call' deposit account with the Commonwealth Bank of Australia and Macquarie Bank.

D2. Credit Facilities

	2024 \$'000	2023 \$'000
Commonwealth Bank of Australia – cash advance facility	110,000	110,000
Amount drawn down at 30 June	0	0
Undrawn facilities at 30 June	110,000	110,000
National Australia Bank – cash advance facility	20,000	20,000
Amount drawn down at 30 June	10,000	10,000
Undrawn facilities at 30 June	10,000	10,000
Total short term loan facilities	130,000	130,000
Total drawn down at 30 June	10,000	10,000
Total undrawn facilities at 30 June	120,000	120,000

The above borrowings, with the exception of the National Australia Bank facility, are unsecured. Repayment of facilities is done either through the use of cash received from distributions or the sale of securities, or by rolling existing facilities into new ones. Facilities are usually drawn down for no more than three months and hence are classified as current liabilities when drawn.

The debt facility with National Australia Bank is structured in the form of a securities lending arrangement. The terms of the agreement require that securities be pledged as collateral for the drawn secured borrowings under that facility and that such securities currently satisfy a minimum value of \$11 million (110 per cent of the total drawn facility). These securities are held by the National Australia Bank but included as part of the Company's investment portfolio. As at 30 June 2024 the market value of the securities pledged as collateral was \$15.1 million (2023: \$14.6 million).

D3. Revaluation Reserve

	2024 \$'000	2023 \$'000
Opening balance at 1 July	2,926,191	2,556,466
Gains/(losses) on investment portfolio		
– Equity instruments	923,692	697,758
Provision for tax on above	(279,803)	(210,319)
Cumulative taxable realised (gains)/losses (net of tax)	(120,800)	(117,714)
	3,449,280	2,926,191

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

Notes to the Consolidated Financial Statements

continued

D4. Realised Capital Gains Reserve

	2024 \$'000	2023 \$'000
Opening balance at 1 July	509,741	510,503
Dividends paid	(83,588)	(118,476)
Cumulative taxable realised gains/(losses)(net of tax)	120,800	117,714
	546,953	509,741

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

D5. Retained Profits

	2024 \$'000	2023 \$'000
Opening balance at 1 July	960,171	828,634
Dividends paid	(221,551)	(178,226)
Profit for the year	296,174	309,763
	1,034,794	960,171

This reserve relates to past profits.

D6. Share Capital

Movements in Share Capital

Date	Details	Notes	Number of Shares '000	Issue Price \$	Paid-up Capital \$'000
1/07/2022	Balance		1,229,906		3,070,163
30/08/2022	Dividend Reinvestment Plan	i	4,883	7.56	36,914
30/08/2022	Dividend Substitution Share Plan	ii	836	7.56	n/a
24/02/2023	Dividend Reinvestment Plan	i	4,027	7.29	29,354
24/02/2023	Dividend Substitution Share Plan	ii	697	7.29	n/a
Various	Costs of issue		–	–	(149)
30/06/2023	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
26/02/2024	Dividend Reinvestment Plan	i	4,292	7.39	31,719
26/02/2024	Dividend Substitution Share Plan	ii	729	7.39	n/a
Various	Costs of issue		–	–	(172)
30/06/2024	Balance		1,251,570		3,204,950

- 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 and Cboe in the five days after the shares begin trading on an ex-dividend basis.
- ii. The Group has a Dividend Substitution Share Plan (DSSP) whereby shareholders may elect to forgo a dividend and receive shares instead. Pricing for the DSSP shares is done as per the DRP shares.
- iii. The Group has an on-market share buy-back program. During the financial year, no shares were bought back (2023: nil).

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

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E. Income Statement Reconciliations

E1. Reconciliation of Net Cash Flows From Operating Activities to Profit

	2024 \$'000	2023 \$'000
Profit for the year	296,413	310,211
Net decrease/(increase) in trading portfolio	(1,550)	1,142
Dividends received as securities under DRP investments	–	(16)
Decrease/(increase) in current receivables	2,284	(8,111)
– Less increase/(decrease) in receivables for investment portfolio	(3,223)	3,223
Increase/(decrease) in deferred tax liabilities	248,923	186,075
– Less (increase)/decrease in deferred tax liability on investment portfolio	(248,516)	(185,748)
Increase/(decrease) in current payables	(12)	(27,420)
– Less (increase)/decrease in dividends payable	(226)	2
– Less (increase)/decrease in payables for investment portfolio	–	27,610
Increase/(decrease) in provision for tax payable	1,949	(30,411)
Capital gains tax charge taken through equity	(31,287)	(24,571)
Prior year taxes paid relating to capital gains	24,571	66,560
Increase/(decrease) in other provisions/non-cash items	22	(863)
Net cash flows from operating activities	289,348	317,683

E2. Tax Reconciliations

Tax Expense Composition

	2024 \$'000	2023 \$'000
Charge for tax payable relating to the current year	24,835	21,716
Over provision in prior years	(2,720)	(1,499)
Increase/(decrease) in deferred tax liabilities	407	327
	22,522	20,544

Amounts Recognised Directly Through Other Comprehensive Income

Net movement in deferred tax liabilities relating to capital gains tax on the movement in gains/losses in the investment portfolio	279,803	210,319
	279,803	210,319

Deferred Tax Assets and Liabilities

The deferred tax balances are attributable to:

	2024 \$'000	2023 \$'000
(a) Tax on unrealised gains or losses in the trading portfolio	(362)	(423)
(b) Provisions and expenses charged to the accounting profit which are not yet tax deductible	1,856	1,929
(c) Interest and dividend income receivable which is not assessable for tax until receipt	(2,731)	(2,336)
	(1,237)	(830)
Movements:		
Opening balance at 1 July	(830)	(503)
Credited/(charged) to Income statement	(407)	(327)
	(1,237)	(830)

Deferred tax assets and liabilities 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 AFIC's ability to claim the deduction.

Notes to the Consolidated Financial Statements

continued

F. Further Information

This section covers information that is not directly related to specific line items in the financial statements, including information about related party transactions, share-based payments, 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.

(a) Arrangements With Non-Executive Directors

Non-Executive Director C Drummond and former Non-Executive Directors J Paterson and C Walter have rented office space and, for J Paterson, a parking space from the Group at commercial rates during the year. Sub-lease rental income (included in revenue) received or receivable by the Group, excluding GST, during the year was \$16,760 (2023: \$45,369).

(b) AICS Transactions With Minority Interests

The below transactions were with Djerriwarrh Investments Ltd as a minority interest holder in the Company's subsidiary.

	2024 \$'000	2023 \$'000
Administration expenses charged for the year	2,566	2,442

At the end of June, the Company's investment in Djerriwarrh Investments Limited, which is measured at fair value through OCI as part of the investment portfolio, was valued at \$22.1 million (2023: \$21.3 million), and it received dividend income during the year of \$1.1 million (2023: \$1.1 million).

(c) AICS Transactions With Other Listed Investment Companies

AICS had the following transactions with other Listed Investment Companies to which it provides services:

	2024 \$'000	2023 \$'000
Administration expenses charged for the year to Mirrabooka Investments Ltd	2,139	2,058
Administration expenses charged for the year to AMCIL Ltd	1,011	1,216

At the end of June, the Company's investment in Mirrabooka Investments Limited, which is measured at fair value through OCI as part of the investment portfolio, was valued at \$27.7 million (2023: \$23.9 million), and it received dividend income during the year of \$1.3 million (2023: \$1.0 million). The Company did not have an investment in AMCIL Ltd during the year.

F2. Remuneration of Auditors

For the year the auditor earned or will earn the following remuneration including GST:

	2024 \$	2023 \$
PricewaterhouseCoopers		
Audit services		
Audit or review of financial reports	178,115	176,496
Audit-related services		
AFSL compliance audit and review	9,507	9,098
Permitted non-audit services		
Review of realised CGT balances	67,760	63,702
Preparation and lodgement of tax returns	37,479	35,864
Total remuneration	292,861	285,160

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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 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 AFIC. AFIC 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 AFIC's entire portfolio of investments and considers the business to have a single operating segment (noting that the investment portfolio contains sub-components for ease of administration). The Board's asset allocation decisions are based on a single, integrated investment strategy, and AFIC's performance is evaluated on an overall basis.

Segment Information Provided to the Board

The internal reporting provided to the Board for AFIC'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 AFIC'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.

AFIC is domiciled in Australia and most of AFIC's income is derived from Australian entities or entities that maintain a listing in Australia. AFIC has a diversified portfolio of investments, with only two investments comprising more than 10 per cent of AFIC's income – BHP 12.4 per cent and CBA 10.6 per cent (2023: one investment: BHP (17.3 per cent)).

F4. Summary of Other Accounting Policies

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. This Financial Report has been authorised for issue on 29 July 2024 in accordance with a resolution of the Board and is presented in the Australian currency. The Directors of the Company have the power to amend and reissue the Financial Report.

AFIC 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
Hybrids	Equity instruments that have some of the characteristics of debt

AFIC complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). AFIC is a 'for profit' entity.

AFIC 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 2024 ('the inoperative standards'). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. AFIC 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 Note 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 non-interest bearing monetary financial assets and liabilities of AFIC approximates their carrying value.

Notes to the Consolidated Financial Statements

continued

Convertible Notes

On the issue of convertible notes, the Group estimates the fair value of the liability component of the convertible notes, being the obligation to make future payments of principal and interest to holders, using a market interest rate for a non-convertible note of similar terms and conditions. The residual amount is included in equity as other equity securities with no recognition of any change in the value of the option in subsequent periods. The liability component is then included in borrowings. Expenses incurred in connection with the issue of the notes are deducted from the total face value and the expense is then incurred over the life of the notes.

The total liability is subsequently carried on an amortised cost basis with interest on the notes recognised as finance costs on an effective yield basis until the liability is extinguished on conversion or maturity of the notes. The Group had no convertible notes on issue for the years ended 30 June 2024 or 30 June 2023.

Employee Benefits

(i) Wages, Salaries and Annual Leave

Liabilities for wages and salaries, including annual leave, expected to be settled within 12 months of balance date are recognised as current provisions in respect of employees' services up to balance date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long Service Leave

In calculating the value of long service leave, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rate information provided by Milliman via the G100.

(iii) Cash Incentives

Cash incentives are provided under the Incentive Plan and are dependent upon the performance of the Group. A provision is made for the cost of unsettled cash incentives at balance date.

(iv) Share Incentives

Share incentives are provided under the Incentive Plan and the Employee Share Acquisition Scheme.

For the Employee Share Acquisition Scheme and the Incentive Plan, the incentives are based on the performance of the individual, the Group and investment companies to which the Group provides administration services, for the financial year and, in the case of performance of the Group and other investment companies, longer term performance of up to 10 years. For the Employee Share Acquisition Scheme and a portion of the Executive Incentive Plan, the recipient agrees to purchase (or have purchased for them) shares on-market, but receives a cash amount. A provision for the amount payable for the Incentive Plan is recognised on the Balance Sheet.

Administration Fees

The Group currently provides administrative services to other Listed Investment Companies. The associated fees are recognised on an accruals basis as income throughout the year. Any amounts outstanding at balance date are recognised as receivable, subject to the assessment of recoverability by the Directors.

Operating Leases

The Group currently has an operating lease in respect of its premises. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

Rounding of Amounts

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

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F5. Performance Bond

The Group's subsidiary, AICS, has under the terms of its Australian Financial Services Licence in place a performance bond to the sum of \$20,000 underwritten by the Commonwealth Bank of Australia in favour of the Australian Securities and Investments Commission (ASIC), payable on demand to ASIC.

F6. Share Incentive Arrangements

Share Incentive Arrangements

The Group has a number of share incentive arrangements. These are accounted for in accordance with Note F4. Where shares are issued to employees of AICS, AICS compensates AFIC for the fair value of the shares.

(a) Incentive Plan

The executives' remuneration arrangements incorporate an 'at risk' component as set out in the Remuneration Report. Part of this 'at risk' component is paid in shares in the Group.

Each financial year, the Remuneration Committee sets the target (cash) amount of remuneration that could be paid should all performance targets and measures be achieved. If all are achieved, 100 per cent of the remuneration will be awarded. If stretch levels of performance are achieved above target, then higher amounts may be paid. On the other hand, there is no set minimum that will be paid regardless of performance.

The performance measures are a combination of the performance of the Group, the investment companies to which the Group provides administration services, and personal objectives.

All of the incentive remuneration awarded is paid in cash, with 25 per cent of the pre-tax amount being used by the executive to purchase shares in AFIC and/or the other LICs. All remuneration under the plan, is paid in the financial year following the year of assessment.

The executive agrees to the shares being subject to being held for four years (holding term), during which they cannot be sold. Dividends are paid to executives on these shares prior to the expiry of the holding term. Should an executive leave the Group before the holding term expires, the restriction will be lifted.

10,291 AFIC shares for the Incentive Plan (2023: 37,897 shares) were purchased by Executives in the year (in relation to the prior year) with a fair value (being the acquisition price) of \$72,717 (2023: \$276,813). Executives are allowed to buy shares in any of the LICs that AICS administers in order to meet this requirement.

(b) Employee Share Acquisition Scheme (ESAS)

Under the current Employee Share Acquisition Scheme, each employee who is not a participant in the executive or investment team incentive plans is awarded \$5,000 per annum. After PAYG is deducted, \$2,500 is used to buy shares in the Company, which needs to be held for three years. After three years, or the departure of the employee from employment with the Group, the shares come out of the holding lock.

In addition, each employee is eligible for an additional award of up to \$5,000. 50 per cent of the amount awarded is used to buy shares in one of the other LICs that AICS provides services to. The amount that is awarded is dependent on the metrics used for the vesting of the Investment Team's Short Term Incentive (excluding personal measures). During the year, 58 per cent of the possible maximum was awarded, and 50 per cent of this was used to buy shares in AMCIL Limited, as part of the Group's policy of rotating these purchases amongst the LICs other than AFIC to which AICS provides services.

(c) Expenses Arising From Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the period as part of the employee benefit expense were as follows (ESAS only):

	2024 \$'000	2023 \$'000
Share-based payment expense	47	55

(d) Liability

The total liability arising from share-based payment transactions is included in the current liabilities for 'provisions'.

Notes to the Consolidated Financial Statements

continued

F7. Principles of Consolidation

AFIC's consolidated financial statements consist of the financial statements of AFIC, the parent, and its subsidiary, Australian Investment Company Services Ltd (AICS). 25 per cent of AICS is owned by Djerriwarrh Investments Ltd, another investment company for which AICS performs operational and investment administration services, and for which it is paid monthly.

No subsidiaries were acquired or disposed of during the year. Intercompany transactions and balances between AFIC and AICS are eliminated on consolidation.

The financial information for the parent entity, disclosed in Note F10 below, has been prepared on the same basis as the consolidated financial statements. All notes are for the consolidated group unless specifically noted otherwise.

F8. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2024	2023
Australian Investment Company Services Ltd	Australia	Ordinary	75%	75%

The investment in AICS is accounted for at cost in the individual financial statements of AFIC.

F9. Lease Commitments

The Group has entered into a non-cancellable operating lease for the use of its premises for six years with effect from 1 July 2022. Current commitments relating to leases at balance date, for the current lease (incl. GST), is:

	2024 \$'000	2023 \$'000
Due within one year	561	534
Later than one year but less than five	1,855	2,416
Greater than five years	–	–
	2,416	2,950

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F10. Parent Entity Financial Information

Summary Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

	2024 \$'000	2023 \$'000
Balance Sheet		
Current assets	202,583	203,360
Total assets	9,906,291	8,952,645
Current liabilities	46,579	43,607
Total liabilities	1,651,840	1,401,070
Shareholders' equity		
Issued capital	3,205,100	3,136,432
Reserves		
Revaluation reserve	3,449,280	2,926,191
Realised capital gains reserve	546,953	509,741
General reserve	23,637	23,637
Retained earnings	1,029,481	955,574
	5,049,351	4,415,143
Total shareholders' equity	8,254,451	7,551,575
Profit or loss for the year	295,457	308,418
Total comprehensive income	939,346	795,857

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

As disclosed in Note F8 to the financial statements, the Company has one subsidiary, Australian Investment Company Services Limited (AICS).

The Company owns 75 per cent of AICS (the other 25 per cent being owned by Djerriwarrh Investments Limited). AICS is a body corporate, incorporated and tax resident in Australia.

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DIRECTORS' DECLARATION

In the Directors' opinion:

- (1) the financial statements and notes set out on pages 33 to 55 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 entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- (2) the Consolidated Entity Disclosure Statement is true and correct; and
- (3) 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 2024. 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.



Craig M Drummond
Chairman

Melbourne
29 July 2024

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INDEPENDENT AUDIT REPORT



Independent auditor's report

To the members of Australian Foundation Investment Company Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Australian Foundation Investment Company Limited (the Company) and its controlled entity (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated balance sheet as at 30 June 2024
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the consolidated entity disclosure statement as at 30 June 2024
- 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 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Our audit approach

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

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

Audit Scope

Our audit focused on assessing the financial report for risks of material misstatement in account balances, classes of transactions or disclosures, and designing and performing audit procedures to obtain reasonable assurance that the financial statements as a whole were free of material misstatement due to fraud or error. This included identifying areas of higher risk, based on quantitative and qualitative assessments of the Group's operations and activities.

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. We communicated the key audit matters to the Audit Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Investment Portfolio Refer to note A2 (\$9,703.6 million)</p> <p>The Investment Portfolio held by the Group of \$9,703.6 million as at 30 June 2024 predominantly consists of listed Australian equities, as well as a smaller portfolio of listed international equities.</p> <p>Whilst there is no significant judgement in determining the existence or valuation of the Group's investments, investments represent a key measure of the Group's performance and comprise a significant proportion of total assets in the consolidated balance sheet. The fluctuations in investments will also impact the realised and unrealised gains/(losses) recognised in the consolidated statement of comprehensive income. Given the pervasive nature investments have on the Group's key financial metrics, we determined this to be a key audit matter.</p>	<p>Our procedures included the following:</p> <ol style="list-style-type: none">1) Agreed the investment quantity holdings at 30 June 2024 to third party confirmations or registry sources.2) Obtained the purchases and sales listing for the year ended 30 June 2024 and agreed a sample of purchases and sales transactions to contracts.3) Performed a reconciliation of the opening investment portfolio balances (quantity of holdings and value), purchases, sales and other relevant transactions, and agreed this back to the 30 June 2024 closing investment portfolio.4) Agreed quoted market prices used to fair value listed equity investments at 30 June 2024 to third party market pricing sources.

INDEPENDENT AUDIT REPORT

continued



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2024, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information 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 on the other information that we obtained prior to the date of this auditor's report, 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001*, including giving a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 Group 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 Group or to cease operations, or have no realistic alternative but to do so.

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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2024.

In our opinion, the remuneration report of Australian Foundation Investment Company Limited for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

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
PricewaterhouseCoopers

Kate L Logan
Kate L Logan
Partner

Melbourne
29 July 2024

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OTHER INFORMATION

Information About Shareholders

At 18 July 2024 there were 157,385 holdings of ordinary shares. These holdings were distributed in the following categories:

Size of Holding	Number of Shareholdings	% of Share Capital
1 to 1,000	60,497	1.88
1,001 to 5,000	50,583	10.21
5,001 to 10,000	20,117	11.63
10,001 to 100,000	25,142	49.64
100,000 and over	1,046	26.64
Total	157,385	100.00
Percentage held by the 20 largest holders		10.33%
Average shareholding		7,952

There were 4,909 shareholdings of less than a marketable parcel of \$500 (69 shares).

Voting Rights of Ordinary Shares

The Constitution provides for votes to be cast:

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

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Major Shareholders

The 20 largest registered holdings of ordinary shares as at 18 July 2024 are listed below:

Ordinary Shares

Rank	Name	Shares	% of Share Capital
1	HSBC Custody Nominees (Australia) Limited	37,623,485	3.01
2	Evanson Pty Ltd	18,327,276	1.46
3	Citicorp Nominees Pty Limited	11,893,385	0.95
4	Netwealth Investments Limited <Wrap Services A/C>	11,773,641	0.94
5	IOOF Investment Services Limited <IPS Superfund A/C>	7,482,923	0.60
6	BNP Paribas Nominees Pty Ltd <HUB24 Custodial Serv Ltd>	7,187,505	0.57
7	IOOF Investment Services Limited <IOOF IDPS A/C>	6,071,848	0.49
8	Netwealth Investments Limited <Super Services A/C>	4,346,723	0.35
9	Bougainville Copper Limited	3,722,413	0.30
10	Custodial Services Limited <Beneficiaries Holding A/C>	3,417,000	0.27
11	Bushways Pty Ltd	2,570,592	0.21
12	Jamama Nominees Pty Limited	2,369,858	0.19
13	Investment Custodial Services Limited <C A/C>	2,140,547	0.17
14	J P Morgan Nominees Australia Pty Limited	1,680,747	0.13
15	Mr Malcolm Cavill	1,660,000	0.13
16	Custodial Services Limited <A/C 4>	1,603,167	0.13
17	Twibill Pty Ltd	1,443,216	0.12
18	HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	1,411,609	0.11
19	Invia Custodian Pty Limited <Foundation A/C>	1,275,363	0.10
20	BNP Paribas Nominees Pty Ltd <Pitcher Partners>	1,260,989	0.10

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OTHER INFORMATION

continued

Sub-underwriting

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

Substantial Shareholders

The Company has not been notified of any substantial shareholders.

Transactions in Securities

During the year ended 30 June 2024, the Company recorded 674 transactions in securities (including options). \$2,696,797 in brokerage (including GST) was paid or accrued for the year.

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Major Transactions in the Investment Portfolio

Acquisitions	Cost (\$m)
Woodside Energy	71.2
Telstra Group	55.4
Mineral Resources	52.1
Ampol	41.2
BHP	35.0

Disposals	Proceeds (\$m)
James Hardie Industries (partially because of the exercise of call options)	58.1
National Australia Bank (partially because of the exercise of call options)	55.4
Wesfarmers	39.0
IRESS*	33.8
Ansell*	32.3

* Complete disposal from the portfolio.

New Companies Added to the Portfolio

Mineral Resources
Ampol
Region Group
Macquarie Technology

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Holdings of Securities

At 30 June 2024

Individual investments for the combined investment and trading portfolios as at 30 June 2024 are listed below. The list should not, however, be used to evaluate portfolio performance or to determine the net asset backing per share at other dates. Net asset backing is advised to the Australian Securities Exchange each month and is recorded on the toll free telephone service at 1800 780 784 and posted to AFIC's website afi.com.au.

Individual holdings in the portfolios may change during the course of the year. In addition, holdings which are part of the trading portfolio may be subject to call options or sale commitments by which they may be sold at a price significantly different from the market price prevailing at the time of the exercise or sale.

		Number Held 2023 '000	Number Held 2024 '000	Market Value 2024 \$'000
Ordinary Shares, Trust Units or Stapled Securities				
AIA	Auckland International Airport	10,300	10,300	72,717
ALD	Ampol	0	1,105	35,736
ALQ	ALS	7,622	7,622	106,787
AMC	Amcor	10,415	9,617	143,192
ANZ	Australia and New Zealand Banking Group	8,098	8,098	228,679
ARB	ARB Corporation	3,640	3,640	136,973
ASX	ASX	1,432	1,757	105,420
AUB	AUB Group	2,121	1,432	45,386
BHP	BHP	17,634	18,451	787,474
BRG	Breville Group	702	702	19,066
BXB	Brambles	6,200	5,840	84,855
CAR*	CAR Group	6,778	5,690	200,424
CBA	Commonwealth Bank of Australia	7,809	7,698	980,571
COH	Cochlear	334	334	110,996
COL	Coles Group	9,722	9,722	165,557
CPU	Computershare	4,265	3,630	95,614
CSL	CSL	2,431	2,564	756,918
CWY	Cleanaway Waste Management	18,185	18,185	50,372
DJW	Djerriwarrh Investments	7,505	7,505	22,141
DMP	Domino's Pizza Enterprises	1,093	945	33,923
DUI	Diversified United Investments	12,030	12,030	61,715
EQT	EQT Holdings	1,647	1,647	52,718
FPH	Fisher & Paykel Healthcare Corporation	3,913	3,600	99,972
GMG	Goodman Group	9,655	10,155	352,886
IAG*	Insurance Australia Group	8,100	6,280	44,341
IEL	IDP Education	2,505	3,800	57,570

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		Number Held 2023 '000	Number Held 2024 '000	Market Value 2024 \$'000
Ordinary Shares, Trust Units or Stapled Securities				
JBH	JB Hi-Fi	1,131	1,131	69,245
JHX	James Hardie Industries	5,425	4,577	216,492
MAQ	Macquarie Technology Group	0	272	25,741
MFT	Mainfreight (NZX Listed)	2,819	2,406	148,923
MGR	Mirvac Group	29,350	29,350	54,885
MIN	Mineral Resources	0	707	38,094
MIR	Mirrabooka Investments	8,728	8,728	27,667
MQG	Macquarie Group	2,240	2,240	458,411
NAB	National Australia Bank	12,950	12,335	446,897
NAN	Nanosonics	5,853	5,716	17,090
NWL	Netwealth Group	3,489	3,489	77,352
NXT	NEXTDC	1,744	2,034	35,866
PXA	PEXA Group	3,299	3,750	51,707
REA	REA Group	644	577	113,473
REH	Reece	7,264	5,940	149,510
RGN	Region Group	0	16,000	33,600
RHC	Ramsay Health Care	1,226	1,226	58,186
RIO	Rio Tinto	1,862	1,862	221,580
RMD	ResMed	4,390	5,327	155,016
SEK	Seek	3,795	3,795	81,058
SHL	Sonic Healthcare	3,320	3,320	87,307
STO*	Santos	13,921	13,921	106,631
TCL	Transurban Group	27,115	27,233	337,683
TLS	Telstra Corporation	48,680	62,805	227,355
WBC	Westpac Banking Corporation	15,125	14,540	395,924
WDS	Woodside Energy Group	5,816	8,165	230,335
WES	Wesfarmers	7,372	6,783	442,116
WOW	Woolworths Group	7,355	6,667	225,278
WTC	WiseTech Global	420	623	62,487
XRO	Xero	891	835	113,894
Total				9,561,806

* Part of the security was subject to call options written by the Company.

Holdings of International Securities

At 30 June 2024

Ordinary Shares, Trust Units or Stapled Securities		Number Held 2023	Number Held 2024	Market Value 2024 A\$
ACN-US	Accenture	5,506	5,506	2,501,431
AENA-ES	Aena	8,108	8,638	2,606,085
GOOGL-US	Alphabet	31,314	31,314	8,540,580
AMZN-US	Amazon	23,360	23,915	6,920,044
AAPL-US	Apple	20,058	20,058	6,325,691
CP-US	Canadian Pacific	14,372	17,432	2,055,058
SCHW-US	Charles Schwab	30,501	32,976	3,638,572
CMG-US	Chipotle Mexican	1,115	55,750	5,229,908
CTAS-US	Cintas	2,851	2,851	2,989,359
COST-US	Costco	2,976	2,976	3,787,644
CCI-US	Crown Castle	10,886	14,286	2,089,899
EL-US	Estée Lauder	5,037	10,488	1,670,948
FERG-GB	Ferguson	12,851	9,321	2,687,897
FTNT-US	Fortinet	24,220	27,780	2,506,867
FCX-US	Freeport	17,870	40,571	2,952,352
HLMA-GB	Halma	0	13,780	705,812
HCA-US	HCA Healthcare	9,164	9,164	4,408,525
HD-US	Home Depot	6,034	6,034	3,110,225
ICE-US	Intercontinental	16,678	16,678	3,418,490
TFLO-US	iShares Treasury	0	34,648	2,628,397
JPM-US	JP Morgan	14,176	14,176	4,293,202
OR-FR	L'Oréal	2,568	1,652	1,087,082

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Ordinary Shares, Trust Units or Stapled Securities		Number Held 2023	Number Held 2024	Market Value 2024 A\$
MC-FR	LVMH Moët	2,191	2,191	2,509,067
MAR-US	Marriott	8,715	8,715	3,154,917
MA-US	Mastercard	3,461	2,876	1,899,799
MCD-US	McDonalds	7,442	7,156	2,730,586
META-US	Meta Platforms	7,433	7,983	6,027,085
MSFT-US	Microsoft	16,463	16,463	11,017,698
NESN-CH	Nestlé	20,806	20,806	3,179,781
NFLX-US	Netflix	3,322	3,982	4,023,930
NEE-US	Nextera	20,749	25,729	2,728,046
NKE-US	Nike	13,173	13,963	1,575,725
NOVOB-DK	Novo Nordisk	11,768	23,536	5,093,190
NVDA-US	NVIDIA	2,555	44,440	8,220,511
PEP-US	PepsiCo	9,294	8,800	2,173,248
SPGI-US	S&P Global	3,927	3,927	2,622,490
SU-FR	Schneider	10,851	10,851	3,905,817
SBUX-US	Starbucks	11,612	6,085	709,328
TMO-US	Thermo Fisher	2,773	2,943	2,436,892
UNH-US	United Health	3,125	3,965	3,023,471
UMG-NL	Universal Music	47,498	50,498	2,251,201
V-US	Visa	4,977	4,332	1,702,519
Total				147,139,373

Issues of Securities

Date of Issue	Type	Price	Remarks
26 February 2024	DRP/DSSP	\$7.39	
1 September 2023	DRP/DSSP	\$7.03	
24 February 2023	DRP/DSSP	\$7.29	2.5 per cent discount
30 August 2022	DRP/DSSP	\$7.56	5 per cent discount
25 February 2022	DRP/DSSP	\$7.86	5 per cent discount
31 August 2021	DRP/DSSP	\$8.10	3.5 per cent discount
23 February 2021	DRP/DSSP	\$7.10	5 per cent discount
1 September 2020	DRP/DSSP	\$6.30	
24 February 2020	DRP/DSSP	\$6.93	2.5 per cent discount
29 August 2019	DRP/DSSP	\$6.21	
25 February 2019	DRP/DSSP	\$5.93	2.5 per cent discount
31 August 2018	DRP/DSSP	\$6.18	
23 February 2018	DRP/DSSP	\$6.11	
30 August 2017	DRP/DSSP*	\$5.92	
24 February 2017	DRP/DSSP*	\$5.84	
30 August 2016	DRP/DSSP*	\$5.58	2.5 per cent discount
19 February 2016	DRP/DSSP*	\$5.43	2.5 per cent discount
25 November 2015	SPP	\$5.51	5.0 per cent discount
28 August 2015	DRP/DSSP*	\$6.03	2.5 per cent discount
20 February 2015	DRP/DSSP*	\$5.97	2.5 per cent discount
6 October 2014	SPP	\$5.88	2.5 per cent discount
29 August 2014	DRP/DSSP*	\$5.93	2.5 per cent discount
21 February 2014	DRP/DSSP*	\$5.86	2.5 per cent discount
30 August 2013	DRP/DSSP*	\$5.64	2.5 per cent discount DSSP = Dividend Substitution Share Plan
22 February 2013	DRP	\$5.37	
31 August 2012	DRP	\$4.36	
24 February 2012	DRP	\$4.26	
19 December 2011	Convertible Notes	\$100 Face Value	Mature 28 February 2017. Interest rate 6.25 per cent per annum. Conversion price: \$5.0864
31 August 2011	DRP	\$4.18	
25 February 2011	DRP	\$4.72	2.5 per cent Discount
1 September 2010	DRP	\$4.65	2.5 per cent Discount
2 June 2010	SPP	\$4.62	2.5 per cent Discount SPP = Share Purchase Plan

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Date of Issue	Type	Price	Remarks
26 February 2010	DRP	\$4.82	5 per cent discount
1 September 2009	DRP	\$4.69	5 per cent discount
2 March 2009	DRP	\$3.72	5 per cent discount
25 August 2008	DRP	\$4.98	
11 April 2008	SAP	\$5.26	
27 February 2008	DRP	\$5.26	5 per cent discount
22 August 2007	DRP	\$5.78	
8 March 2007	DRP	\$5.60	
22 December 2006	SAP	\$4.90	
23 August 2006	DRP	\$4.70	
7 March 2006	DRP	\$4.55	
4 November 2005	SAP	\$3.96	
23 August 2005	DRP	\$3.90	
18 March 2005	DRP	\$3.68	
19 August 2004	DRP	\$3.29	
12 March 2004	DRP	\$3.29	
22 October 2003	1 for 8 rights issue	\$3.00	
15 August 2003	DRP	\$3.47	
16 April 2003	SAP	\$3.04	
7 March 2003	DRP	\$3.11	
14 August 2002	DRP	\$3.11	
5 April 2002	SAP	\$3.16	
7 March 2002	DRP	\$3.24	
15 August 2001	DRP	\$3.08	
29 June 2001	DRP	\$2.87	
7 March 2001	DRP	\$2.56	
16 August 2000	DRP	\$2.47	
7 March 2000	DRP	\$2.64	
11 August 1999	DRP	\$2.95	
12 April 1999	SAP	\$2.54	SAP = Share Acquisition Plan
15 March 1998	DRP	\$2.79	
4 September 1998	DRP	\$2.43	DRP = Dividend Reinvestment Plan

Note for issues of securities in earlier years please consult the Company's website, afi.com.au or via telephone (03) 9650 9911.

* Note that for the shares issued under the DSSP, the price shown is the indicative price used to determine the number of shares issued to participants. Shares issued under the DSSP are issued at nil cost. Shareholders who sell shares issued under the DSSP should consult their tax adviser as to the correct treatment of such sales for taxation purposes.

Company Particulars

Australian Foundation Investment Company Limited (AFIC)

ABN 56 004 147 120

Directors

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

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
Email invest@afi.com.au
Website afi.com.au

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

Telephone 1800 780 784 (toll free)

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Shareholder Information

Share Registrar

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

New Zealand Address

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna Auckland 0622

Shareholder

Enquiry Line 1300 662 270
+61 3 9415 4373 (from overseas)
Facsimile +61 3 9473 2500
Website investorcentre.com/contact

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

Securities Exchange Codes

AFI Ordinary shares (ASX and NZX)

Annual General Meeting

Time 10am
Date Thursday 3 October 2024
Venue Zinc at Federation Square
Location Corner of Princes Walk and Russell Street Ext.
Melbourne 3000

The AGM will be a hybrid meeting with a physical meeting and access via an online platform. Further details are provided in the Notice of Annual General Meeting.

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FOUNDATION
INVESTMENT
COMPANY**

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Income,
Capital Growth,
Low Cost

Annual Review

2024

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AUSTRALIAN FOUNDATION
INVESTMENT COMPANY
IS A LISTED INVESTMENT
COMPANY INVESTING
IN AUSTRALIAN AND
NEW ZEALAND EQUITIES.

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Year in Summary

2024

Profit for the Year	\$296.4m	\$310.2m in 2023
Fully Franked Dividend Per Share	14.5¢ Final 26¢ Total	25 cents total in 2023
Total Portfolio Return	15.1% Including franking*	S&P/ASX 200 Accumulation Index including franking* 13.5%
Total Shareholder Return	6.4%	Share price plus dividend, including franking*
Management Expense Ratio	0.15%	0.14% in 2023
Total Portfolio	\$9.9b	Including cash at 30 June. \$8.9 billion in 2023

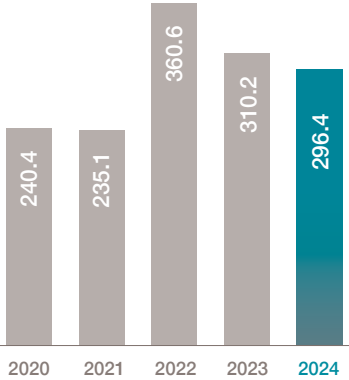
* Assumes a shareholder can take full advantage of the franking credits.

DIRECTORS' REPORT

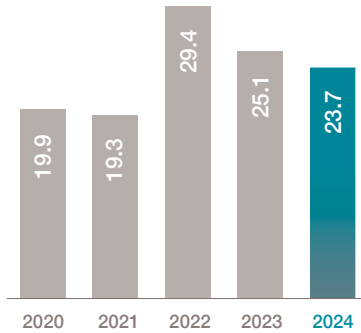
5 Year Summary

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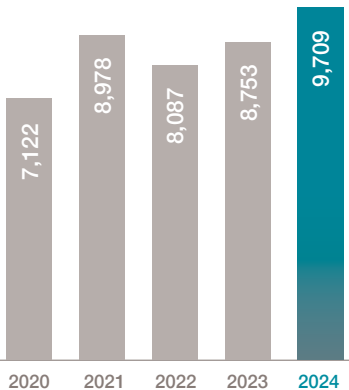
Net Profit After Tax
(\$ Million)



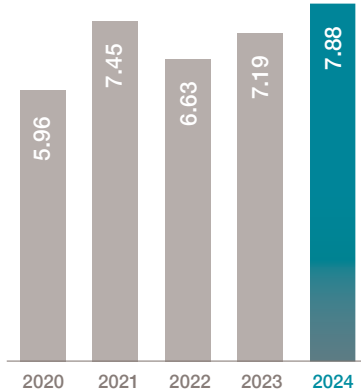
Net Profit Per Share
(Cents)



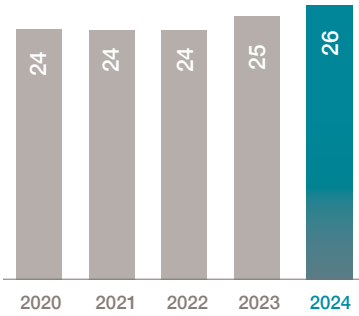
Investments at Market Value
(\$ Million)^(b)



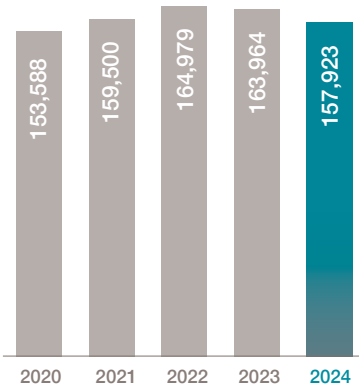
Net Asset Backing Per Share
(\$)^(c)



**Dividends Per Share
(Cents)^(a)**



**Number of Shareholders
(30 June)**



Notes:

- (a) All dividends were fully franked. The LIC attributable gain attached to the dividend was 2024: 6.43 cents; 2023: 10.0 cents; 2022: 14.29 cents; 2021: 4.29 cents; 2020: 7.14 cents.
- (b) Excludes cash.
- (c) Net asset backing per share based on year-end data before the provision for the final 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

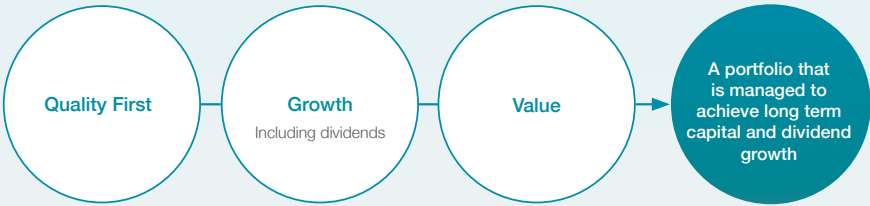
Australian Foundation Investment Company (AFIC) is a Listed Investment Company investing in Australian and New Zealand equities.

Investment Objectives

The Company's primary investment goals are:

- to pay a stable to growing dividend over time; and
- to provide attractive total returns over the medium to long term.

How AFIC Invests – What We Look For in Companies



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Approach to Investing

Investment Philosophy

Our investment philosophy is built on taking a medium to long term view on companies in a diversified portfolio; with an emphasis on identifying and investing in quality companies that are likely to sustainably grow their earnings and dividends over this timeframe.

Quality in this context is an outcome of our assessment of the following factors:

1. We prefer companies that have a leadership position or are developing one within the industry in which they operate. This will often mean we are investing in a unique set of assets with competitive advantages that produces attractive returns on invested capital.
2. As a long term, tax aware investor we seek to be in companies that have a long term sustainable business model, with low risk of disruption. This helps to ensure portfolio turnover remains low. The analysis may consider technological disruption, environmental issues, including the impact of climate change, and social risks as all of these factors can have a material impact on the assessment of a company's long term sustainability.
3. We consider how a company's business can be potentially impacted by influences outside the control of management such as change in government regulation and/or policy.
4. We are attracted to companies with outstanding management teams and boards with strong governance processes, whose interests are

closely aligned with shareholders, and act in the best interest of all their stakeholders, including their employees, customers, suppliers and wider communities. We consider matters including safety, diversity, social impacts, environmental impact, and modern slavery where material or appropriate in the context of that company. We regularly review and meet with companies to ensure ongoing alignment with our investment frameworks. Our process may include an assessment of the board in terms of their past performance, history of capital allocation, level of accountability, mix of skills, relevant experience and succession planning. We also consider a company's degree of transparency and disclosure.

Voting on resolutions is one of the key functions that a shareholder has in ensuring better long term returns and management of investment risk. We take input from proxy advisers but conduct our own evaluation of the merits of any resolution. We vote on all company resolutions as part of our regular engagement with the companies in the portfolio and our voting record is on the company's website. We actively engage with companies when we are concerned about resolutions that are not aligned with shareholders' interests. We seek to stay engaged with the companies and satisfy ourselves that any issues are taken seriously and worked through constructively. Ideally we seek to remain invested to influence a satisfactory outcome for stakeholders.

About the Company

continued

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5. We prefer companies with more stable income flows. We are wary of companies that have large, inconsistent profit streams.
6. We like our companies to be financially strong and the assessment of the balance sheet and the degree to which the company is self-funding is critical in our analysis. Cash generation is also an important consideration.

Analysis of the above factors helps to inform us of the structure of the industry and a company's sustainable competitive position as well as the quality of the people running the business, strength of the balance sheet and consistency of earnings. Within this analysis some key financial metrics are considered. These include return on capital employed, return on equity, the level of gearing in the balance sheet, margins and free cash flow generation.

Alongside the assessment of quality is an analysis of the ability of companies to grow earnings over time, which ultimately should drive dividend growth.

Recognising value is also an important aspect of sound long term investing. Short term measures such as the price earnings ratio, price to book or price to sales may be of some value but aren't necessarily strong predictors of future performance. Our assessment of value tries to capture the opportunity a business has to prosper and thrive over the medium to long term. Reporting of social and environmental issues will be influenced by the development of standards by the International Sustainability Standards Board (ISSB). Their potential introduction in Australia should enable investors over

time to better make informed decisions on these issues based on company disclosures arising from these standards. Assessment of commitments and plans by companies to reach net zero by 2050 may also be considered having regard to several factors. These include the industry in which they operate, progress against their plans, their broader contribution to social good in addressing the challenge of reducing global carbon emissions, and the impact on their value if they fail to achieve their stated goals. In applying external data for benchmarking*, our most recent assessment of the carbon intensity of AFIC's portfolio showed that it is less than the S&P/ASX 200 Index.

In building the investment portfolio with the principles outlined, we believe we can offer investors a well-diversified portfolio of quality companies, structured to deliver total returns ahead of the Australian equity market over the long term with less volatility and with more consistent dividends.

From time to time, some borrowings may be used where potential investment returns justify the use of debt.

AFIC is managed for the benefit of its shareholders with fees based on the recovery of costs rather than as a fixed percentage of the portfolio. There are no additional fees. As a result, the benefit of scale over time results in a very low expense ratio for investors. For the 12 months to 30 June 2024 this was 0.15 per cent, or 15 cents for each \$100 invested.

* Data provided by ISS ESG. Portfolio at 30 June 2024.



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Review of Operations and Activities

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Profit

The full year profit was \$296.4 million, down from \$310.2 million in the previous corresponding period. The decrease in the profit from last year was the outcome of lower dividends (as expected) received from BHP, Rio Tinto and Woodside Energy Group. The extent of this decline was somewhat offset by adjustments made to the portfolio throughout the year and improved income from a number of companies in the portfolio including the four major banks.

The management expense ratio (MER) for AFIC was 0.15 per cent with no additional fees, up from 0.14 per cent last financial year. This was due to the change in incentive plan last year which involved the writing back of incentives which meant the MER last year was low.

Dividend

Earnings per share for the financial year were 23.75 cents per share. The final dividend was increased to 14.5 cents per share fully franked, bringing total fully franked dividends applicable for the year to 26.0 cents per share, an increase of 4.0 per cent from the previous financial year's total dividend of 25.0 cents per share.

4.5 cents of the final dividend were sourced from taxable 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 equal to 6.43 cents per share.

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

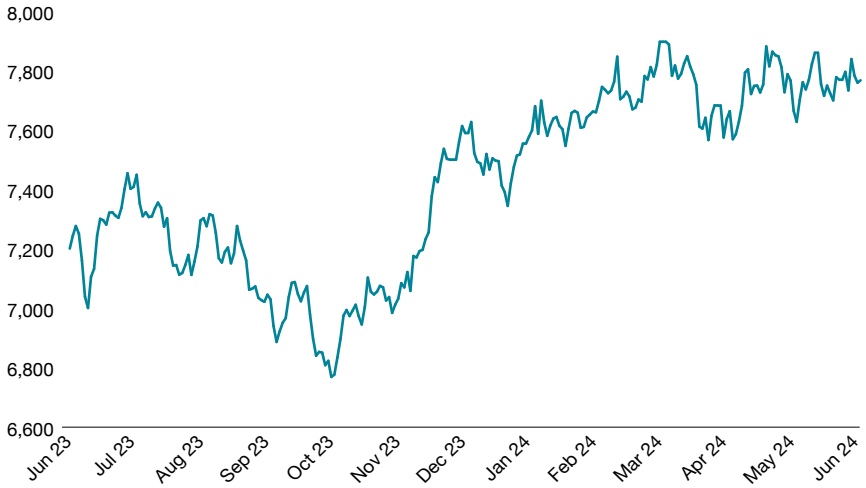
As part of assessing the investment objectives of AFIC the Board has considered whether the objective 'to pay dividends which, over time, grow faster than the rate of inflation' remains relevant in today's market.

In particular, we have observed that the level of dividends flowing from the ASX 200 Index is now heavily concentrated in the banks and resources sectors. Whilst AFIC has a large exposure to these sectors it does not want its investment decisions driven by dividends alone, particularly given our other objective of 'providing attractive total returns over the medium to long term'. This means the portfolio needs to have sufficient exposure to growing companies that are not necessarily in the position to pay high dividends.

AFIC's more recent history of dividends also highlights the benefit of maintaining a steady level of dividends to shareholders through significant market dislocations such as the GFC and recently the COVID-19 pandemic. Unlike other investment vehicles in the market, AFIC maintained its dividend in the face of significant cuts across the ASX 200 Index during these periods.

As a result, we think a more appropriate statement of our dividend objective is 'to pay a stable to growing dividend over time'. We believe this statement provides a better representation of the outcomes shareholders can expect when investing in AFIC, with the clear objective of increasing fully franked dividends when appropriate.

Figure 1: Performance of the S&P/ASX 200 Price Index – 12 Months to 30 June 2024



Source: FactSet

Dividends will be sourced from income received from the portfolio as well some distribution of realised capital gains when appropriate.

Market and Portfolio Performance

The Australian equity market enjoyed a strong year (Figure 1) despite the increase in interest rates over the period in response to inflationary pressures and the uncertain outlook for economic growth.

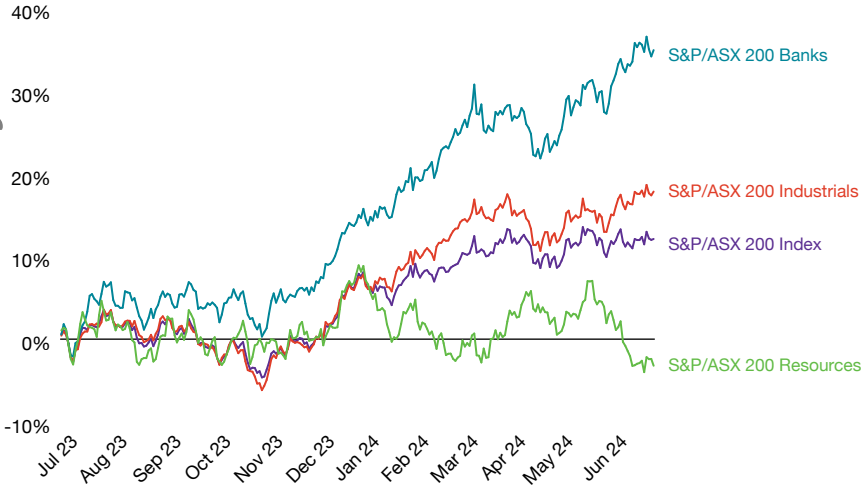
The ASX 200 Accumulation Index (not including the benefit of franking) rose 12.1 per cent in the financial year to 30 June 2024. Sector returns were widely dispersed, and the best-performing

sectors were Banks, up 34.9 per cent, Information Technology, up 28.4 per cent, and A-REITs, up 24.7 per cent. Industrials were up 17.8 per cent over this period significantly outperforming the Resources sector which was down 3.2 per cent (Figure 2 on page 10). Resilient domestic economic conditions provided a more positive backdrop for Banks than initially expected. The Information Technology sector has shown similar strength to the NASDAQ Composite Index over recent months amid growing interest in the future applications of artificial intelligence. The weakness in the Resources sector reflected subdued demand for commodities from China on the back of declining new residential construction.

Review of Operations and Activities

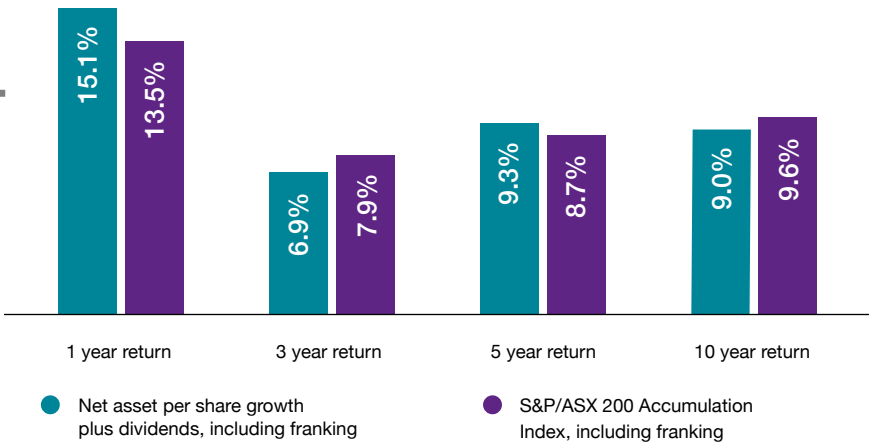
continued

Figure 2: Key Sector Performance for the 12 Months to 30 June 2024



Source: FactSet

Figure 3: Portfolio Performance – Per Annum Returns to 30 June 2024



Includes the full benefit of franking credits.

Note: AFIC's performance returns are after costs. AFIC on occasions incurs realised capital gains tax on the sale of shares. Not all the of the franking generated from these realised capital gains is paid out as dividends and is therefore not included in these performance figures.

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The portfolio returned 15.1 per cent in comparison to the S&P/ASX 200 Accumulation Index return of 13.5 per cent when the benefit of franking is included for both returns (Figure 3). Strong performance came from our holdings in CAR Group, Goodman Group, Wesfarmers, Reece, Netwealth and ARB Corporation, which all materially outperformed the market. Having limited exposure to lithium companies contributed meaningfully to outperformance. We have long been cautious on the supply response to the rapidly rising lithium price in 2022. The lithium market is now in surplus which has resulted in equity prices for lithium companies falling sharply.

A number of high-quality companies in the portfolio trailed the return of the overall market. These included Transurban Group, Mainfreight, Sonic Healthcare and the ASX. We still consider the long term prospects for these companies to remain strong.

Positioning the Portfolio

The majority of purchases during the year were focused on increasing positions in existing holdings at what we felt were appropriate levels. This included Woodside Energy, Telstra Group, BHP, CSL and ResMed.

In managing the portfolio, we endeavour to hold a diversified portfolio of quality companies with an appropriate mix of income and growth attributes to achieve our long term investment objectives.

We continue to be attracted to quality 'owner-driver businesses' where management and board members have significant shareholdings. These companies are attractive as there is a strong alignment between management and shareholder interests. These owner-driver companies are typically smaller but deliver strong long term returns. In this regard we initiated positions in Mineral Resources and Macquarie Technology Group during the financial year.

Mineral Resources is a diversified resources company with operations in lithium, mining services, iron ore and energy. Mineral Resources seeks to maintain low-cost mining operations while the mining services division is market leading with a strong growth pipeline backed by internal projects. It was founded by the current Managing Director, who is also a large shareholder. Macquarie Technology Group is a data centre, and cloud and telecommunications business focusing on enterprise, corporate and the Australian Federal Government. Data centres and cloud end-markets now represent around 80 per cent of operating earnings. The company was founded 30 years ago by large shareholders, the Tudehope brothers, who continue to manage the company.

Delivering income is also an important part of constructing the portfolio. In this context we added Ampol and Region Group during the financial year at prices that provide attractive dividend yields.

Review of Operations and Activities

continued

Ampol is Australia's leading integrated energy company engaged in refining, supply and marketing of petroleum and convenience retailing. The company owns strategic infrastructure assets while investing to grow convenience retail away from fuel.

Region Group owns a portfolio of high-quality grocery-anchored neighbourhood and sub-regional shopping centres.

The predominant tenant offering is focused on everyday needs of non-discretionary retail spend.

We exited IRESS Limited and Ansell over the 12-month period. We are observing structural industry challenges for these companies and an environment where competitive intensity has materially increased. We consider growth prospects to be increasingly challenged as a result.

Figure 4 outlines the relative positioning of the AFIC portfolio relative to the market as represented by the S&P/ASX 200 Index.

International Portfolio

We have continued to successfully manage the global portfolio (within the AFIC portfolio) over the period. This portfolio was first initiated in May 2021. Given we have been trialling this portfolio for over three years we are considering the most appropriate next steps for this initiative, including the options for establishing a separate low-cost global investment company in the future. AFIC has invested a total of \$103.7 million of shareholder capital in the global portfolio, which is valued at \$147.5 million as at

30 June 2024. At current value, the global portfolio represents about 1.5 per cent of the overall AFIC portfolio.

We are encouraged by the performance of this portfolio which has exceeded its benchmark index (the MSCI World Index ex Australia) over one year and since its inception.

Gross Returns of Global Portfolio in Australian Dollars to 30 June 2024

	1 Year % pa	Since Inception % pa
AFIC global portfolio	23.0	14.1
Benchmark	19.9	12.7
Differential	3.1	1.4

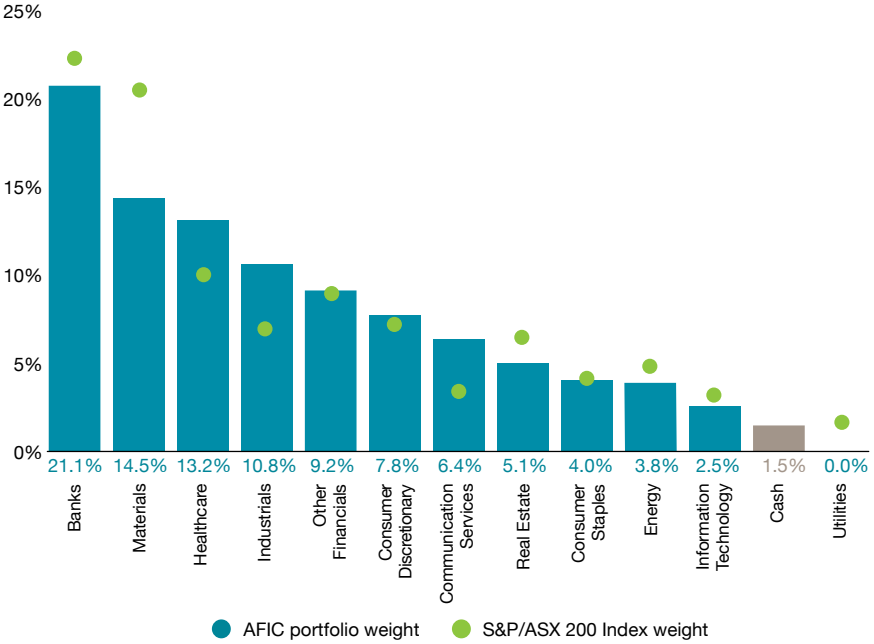
Source: Northern Trust.

During the last 12 months we continued to build our position in Nvidia while topping up our exposure to Freeport McMoran, Netflix, Meta and Nextera Energy. These purchases were completed at attractive levels, well below the current prices. We took advantage of share price weakness to add to our existing position in Fortinet. In addition, we established one new position, Halma plc. These investments were funded through the complete sale of Roche Holdings and a reduced holding in Starbucks, along with trimming some of our recent outperformers such as Ferguson, L'Oréal, Mastercard and Visa.

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Figure 4: AFIC Investment by Sector Versus the S&P/ASX 200 Index as at 30 June 2024 – Excludes International Holdings



Review of Operations and Activities

continued

Share Price Return

The share price moved to a large discount, 9 per cent, to the net asset backing (before tax on unrealised gains) by the end of June 2024.

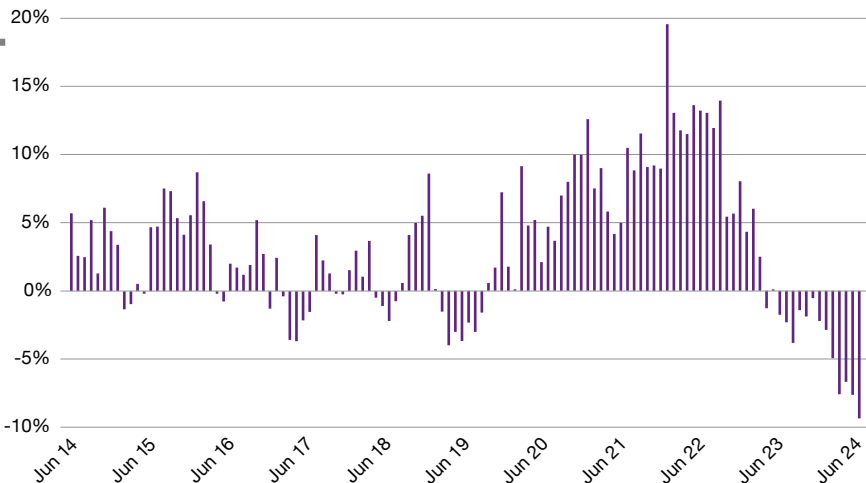
As illustrated in Figure 5, the extent of this discount is unusual in the context of the historical trend. There appears to have been less demand for Listed Investment Companies across the industry as interest rate products have become more attractive. In an environment where the Index increases strongly, the share price of listed investment companies can also sometimes lag the market performance, with AFIC not immune from this trend.

The 10-year share price return to 30 June 2024 for AFIC is 7.2 per cent including franking, whereas for the S&P/ASX 200 Index the return is 9.6 per cent including franking. The figures for the Index and share price assume a shareholder can take full advantage of the franking credits attached to the dividends paid.

Outlook

Economic conditions remain unpredictable with a broad range of potential outcomes. There are signs emerging that consumer confidence is softening with persistent inflation and higher interest rates. In this context while economic growth in Australia currently remains sound, it could conceivably soften in the more immediate term.

Figure 5: Share Price Premium/Discount to Net Asset Backing



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Corporate earnings have so far proved resilient. Following a strong run in the equity market since November 2023, the market's tolerance for earnings disappointment is not anticipated to be high, with current market valuations trading above long term averages and at extreme levels for a number of companies (Figure 6). In this context the dividend yield for the market is also trading below the long term average as share prices have run strongly across the market (Figure 7 on page 16).

Finally, geopolitical factors remain relevant with the occurrence of ongoing conflict and with elections in key developed markets. While geopolitical factors have not yet negatively impacted equity markets, they may still have a role to play in investor sentiment over the remainder of the calendar year.

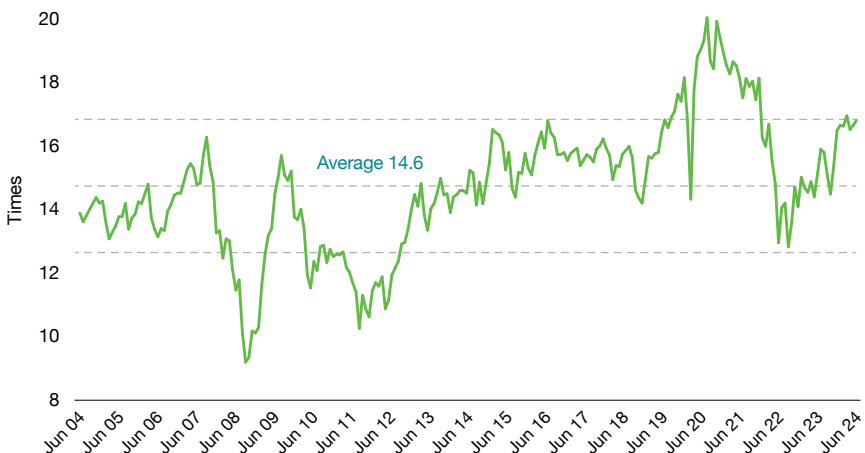
While conscious of the prevailing environment our research effort remains focused on the fundamentals of the companies. We believe the portfolio remains invested in quality companies forecast to deliver an appropriate mix of income and growth even in challenging conditions, positioning us well to deliver on our long term investment objectives.

Directorship Matters

Mr John Paterson, the Chairman of the Company, and Ms Catherine Walter AM, Non-Executive Director retired at the conclusion of the 2023 Annual General Meeting held on 3 October 2023.

Mr Paterson was a Director since 2005, and prior to that served as an Alternate Director from April 1987 to June 2005, and Chairman since October 2018.

Figure 6: Valuation of the Market – Price to Earnings of the S&P/ASX 200 Index



Source: FactSet

Review of Operations and Activities

continued

Figure 7: Valuation of the Market – Dividend Yield of the S&P/ASX 200 Index



Source: FactSet

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Mr Paterson was also Chairman of the Investment Committee and a member of the Remuneration, Nomination and Audit Committees. He was also a Non-Executive Director of the Company's subsidiary, Australian Investment Company Services Limited (AICS).

Ms Walter was a Director since 2002 and was Chairman of the Nomination Committee and a member of the Remuneration, Investment and Audit Committees.

The Board wishes to record its deep thanks to both Mr Paterson and Ms Walter for their invaluable contribution to Board deliberations over their tenure. Their extensive experience has been of outstanding value to the Board,

executives and shareholders of Australian Foundation Investment Company Limited.

The Board elected Mr Craig Drummond as the Chairman with effect from the conclusion of the Annual General Meeting on 3 October 2023. Mr Drummond has been a Director of the Company since July 2021 and sits on the Investment and Nomination Committees.

Mr Drummond is also Non-Executive Chairman of AICS. He is Chairman of Transurban Ltd, the President of the Geelong Football Club Limited and Chairman of The Ian Potter Foundation.

Mr Drummond has had an extensive public company executive career with National Australia Bank as CFO and

Medibank as CEO. Prior to this he worked in financial markets with Goldman Sachs JBWere and Bank of America for 28 years.

Ms Katie Hudson was appointed as a Non-Executive Director of the Company on 1 January 2024.

Ms Hudson is a portfolio manager for Yarra Capital Management focused on the small and mid cap universe and, in addition, serves as Yarra Capital's Head of Australian Equities Research.

Ms Hudson has more than 20 years of experience in investment markets, including roles as an equities research analyst and portfolio manager. Prior to transitioning to Yarra Capital Management, Ms Hudson was a portfolio manager and managing director at Goldman Sachs Asset Management and has previously worked as an equities analyst and partner at JBWere. Prior to this she spent seven years at PwC where she was a senior manager primarily focused on mergers and acquisitions advisory and transaction support.

Mr Richard Murray was appointed as a Non-Executive Director of the Company on 22 January 2024.

He was appointed CEO of Total Tools Holdings at the end of January 2024.

Prior to this, his most recent executive role was as CEO and Executive Director of Premier Investments, a major ASX-listed owner of retail brands such as Smiggle, Just Jeans, Peter Alexander, Dotti and Portmans.

Before his role at Premier Investments, Mr Murray was the Group Chief Executive Officer and Executive Director of JB Hi-Fi, the major electronic and white-goods retailer. He had an 18-year career at JB Hi-Fi, initially as Chief Financial Officer, taking the business through the IPO process. Prior to that he had roles for 10 years in the Corporate Finance and Assurance and Advisory practices at Deloitte.

We are delighted to welcome both Ms Hudson and Mr Murray to the Board. Ms Hudson's broad knowledge across various sectors and her depth of experience in investment markets and Australian equities, in addition to Mr Murray's detailed knowledge of retail and fast-moving consumer goods sectors and financial experience will complement the Board's existing mix of skills.

Top 25 Investments

As at 30 June 2024

Includes investments held in both the investment and trading portfolios.

Value at Closing Prices at 28 June 2024

		Total Value \$ Million	% of the Portfolio
1	Commonwealth Bank of Australia	980.6	10.1
2	BHP	787.5	8.1
3	CSL	756.9	7.8
4	Macquarie Group	458.4	4.7
5	National Australia Bank	446.9	4.6
6	Wesfarmers	442.1	4.6
7	Westpac Banking Corporation	395.9	4.1
8	Goodman Group	352.9	3.6
9	Transurban Group	337.7	3.5
10	Woodside Energy Group	230.3	2.4
11	ANZ Group Holdings	228.7	2.4
12	Telstra Group	227.4	2.3
13	Woolworths Group	225.3	2.3
14	Rio Tinto	221.6	2.3
15	James Hardie Industries	216.5	2.2
16	CAR Group*	200.4	2.1
17	Coles Group	165.6	1.7
18	ResMed	155.0	1.6
19	Reece	149.5	1.5
20	Mainfreight	148.9	1.5
21	Amcor	143.2	1.5
22	ARB Corporation	137.0	1.4
23	Xero	113.9	1.2
24	REA Group	113.5	1.2
25	Cochlear	111.0	1.1
Total		7,746.6	

As percentage of total portfolio value (excludes cash)

79.8%

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

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Income Statement

As at 30 June 2024

	2024 \$'000	2023 \$'000
Dividends and distributions	321,836	334,740
Revenue from deposits and bank bills	6,963	3,714
Net gains on trading portfolio (including unrealised gains or losses)	4,901	6,000
Total income	333,700	344,454
Finance costs	(1,405)	(1,265)
Administration expenses (net of recoveries)	(13,360)	(12,434)
Profit before income tax	318,935	330,755
Income tax	(22,522)	(20,544)
Net profit	296,413	310,211
	Cents	Cents
Net profit per share	23.75	25.06

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Balance Sheet

As at 30 June 2024

	2024 \$'000	2023 \$'000
Current assets		
Cash	166,499	165,385
Receivables	42,425	44,709
Trading portfolio	5,387	3,837
Total current assets	214,311	213,931
Non-current assets		
Investment portfolio	9,703,558	8,749,226
Total non-current assets	9,703,558	8,749,226
Total assets	9,917,869	8,963,157
Current liabilities		
Payables	1,256	1,268
Borrowings – bank debt	10,000	10,000
Tax payable	34,105	32,156
Provisions	6,014	6,057
Total current liabilities	51,375	49,481
Non-current liabilities		
Provisions	154	90
Deferred tax liabilities – other	1,237	830
Deferred tax liabilities – investment portfolio	1,603,716	1,355,200
Total non-current liabilities	1,605,107	1,356,120
Total liabilities	1,656,482	1,405,601
Net assets	8,261,387	7,557,556
Shareholders' equity		
Share capital	3,205,000	3,136,332
Revaluation reserve	3,449,280	2,926,191
Realised capital gains reserve	546,953	509,741
General reserve	23,637	23,637
Retained profits	1,036,517	961,655
Total shareholders' equity (including minority interests)	8,261,387	7,557,556

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Summarised Statement of Changes in Equity

For the Year Ended 30 June 2024

	2024 \$'000	2023 \$'000
Total equity at the beginning of the year	7,557,556	6,990,489
Dividends paid	(305,139)	(296,702)
Shares issued – Dividend Reinvestment Plan	68,840	66,268
Other share capital adjustments	(172)	(149)
Total transactions with shareholders	(236,471)	(230,583)
Profit for the year	296,413	310,211
Revaluation of investment portfolio	923,692	697,758
Provision for tax on revaluation	(279,803)	(210,319)
Revaluation of investment portfolio (after tax)	643,889	487,439
Total comprehensive income for the year	940,302	797,650
Realised gains on securities sold	152,087	142,285
Tax expense on realised gains on securities sold	(31,287)	(24,571)
Net realised gains on securities sold	120,800	117,714
Transfer from revaluation reserve to realised gains reserve	(120,800)	(117,714)
Total equity at the end of the year	8,261,387	7,557,556

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

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Holdings of Securities

At 30 June 2024

Individual investments for the combined investment and trading portfolios as at 30 June 2024 are listed below. The list should not, however, be used to evaluate portfolio performance or to determine the net asset backing per share at other dates. Net asset backing is advised to the Australian Securities Exchange each month and is recorded on the toll free telephone service at 1800 780 784 and posted to AFIC's website afi.com.au.

Individual holdings in the portfolios may change during the course of the year. In addition, holdings which are part of the trading portfolio may be subject to call options or sale commitments by which they may be sold at a price significantly different from the market price prevailing at the time of the exercise or sale.

Ordinary Shares, Trust Units or Stapled Securities		Number Held 2023 '000	Number Held 2024 '000	Market Value 2024 \$'000
AIA	Auckland International Airport	10,300	10,300	72,717
ALD	Ampol	0	1,105	35,736
ALQ	ALS	7,622	7,622	106,787
AMC	Amcor	10,415	9,617	143,192
ANZ	Australia and New Zealand Banking Group	8,098	8,098	228,679
ARB	ARB Corporation	3,640	3,640	136,973
ASX	ASX	1,432	1,757	105,420
AUB	AUB Group	2,121	1,432	45,386
BHP	BHP	17,634	18,451	787,474
BRG	Breville Group	702	702	19,066
BXB	Brambles	6,200	5,840	84,855
CAR*	CAR Group	6,778	5,690	200,424
CBA	Commonwealth Bank of Australia	7,809	7,698	980,571
COH	Cochlear	334	334	110,996
COL	Coles Group	9,722	9,722	165,557
CPU	Computershare	4,265	3,630	95,614
CSL	CSL	2,431	2,564	756,918
CWY	Cleanaway waste Management	18,185	18,185	50,372

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Ordinary Shares, Trust Units or Stapled Securities		Number Held 2023 '000	Number Held 2024 '000	Market Value 2024 \$'000
DJW	Djerriwarrh Investments	7,505	7,505	22,141
DMP	Domino's Pizza Enterprises	1,093	945	33,923
DUI	Diversified United Investments	12,030	12,030	61,715
EQT	EQT Holdings	1,647	1,647	52,718
FPH	Fisher & Paykel Healthcare Corporation	3,913	3,600	99,972
GMG	Goodman Group	9,655	10,155	352,886
IAG*	Insurance Australia Group	8,100	6,280	44,341
IEL	IDP Education	2,505	3,800	57,570
JBH	JB Hi-Fi	1,131	1,131	69,245
JHX	James Hardie Industries	5,425	4,577	216,492
MAQ	Macquarie Technology Group	0	272	25,741
MFT	Mainfreight (NZX Listed)	2,819	2,406	148,923
MGR	Mirvac Group	29,350	29,350	54,885
MIN	Mineral Resources	0	707	38,094
MIR	Mirrabooka Investments	8,728	8,728	27,667
MQG	Macquarie Group	2,240	2,240	458,411
NAB	National Australia Bank	12,950	12,335	446,897
NAN	Nanosonics	5,853	5,716	17,090
NWL	Netwealth Group	3,489	3,489	77,352
NXT	NEXTDC	1,744	2,034	35,866
PXA	PEXA Group	3,299	3,750	51,707
REA	REA Group	644	577	113,473
REH	Reece	7,264	5,940	149,510
RGN	Region Group	0	16,000	33,600
RHC	Ramsay Health Care	1,226	1,226	58,186
RIO	Rio Tinto	1,862	1,862	221,580
RMD	ResMed	4,390	5,327	155,016

Holdings of Securities

At 30 June 2024 continued

Ordinary Shares, Trust Units or Stapled Securities	Number Held 2023 '000	Number Held 2024 '000	Market Value 2024 \$'000
SEK Seek	3,795	3,795	81,058
SHL Sonic Healthcare	3,320	3,320	87,307
STO* Santos	13,921	13,921	106,631
TCL Transurban Group	27,115	27,233	337,683
TLS Telstra Corporation	48,680	62,805	227,355
WBC Westpac Banking Corporation	15,125	14,540	395,924
WDS Woodside Energy Group	5,816	8,165	230,335
WES Wesfarmers	7,372	6,783	442,116
WOW Woolworths Group	7,355	6,667	225,278
WTC WiseTech Global	420	623	62,487
XRO Xero	891	835	113,894
Total			9,561,806

* Part of the security was subject to call options written by the Company.

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Holdings of International Securities

At 30 June 2024

Ordinary Shares, Trust Units or Stapled Securities		Number Held 2023	Number Held 2024	Market Value 2024 A\$
ACN-US	Accenture	5,506	5,506	2,501,431
AENA-ES	Aena	8,108	8,638	2,606,085
GOOGL-US	Alphabet	31,314	31,314	8,540,580
AMZN-US	Amazon	23,360	23,915	6,920,044
AAPL-US	Apple	20,058	20,058	6,325,691
CP-US	Canadian Pacific	14,372	17,432	2,055,058
SCHW-US	Charles Schwab	30,501	32,976	3,638,572
CMG-US	Chipotle Mexican	1,115	55,750	5,229,908
CTAS-US	Cintas	2,851	2,851	2,989,359
COST-US	Costco	2,976	2,976	3,787,644
CCI-US	Crown Castle	10,886	14,286	2,089,899
EL-US	Estée Lauder	5,037	10,488	1,670,948
FERG-GB	Ferguson	12,851	9,321	2,687,897
FTNT-US	Fortinet	24,220	27,780	2,506,867
FCX-US	Freeport	17,870	40,571	2,952,352
HLMA-GB	Halma	0	13,780	705,812
HCA-US	HCA Healthcare	9,164	9,164	4,408,525
HD-US	Home Depot	6,034	6,034	3,110,225
ICE-US	Intercontinental	16,678	16,678	3,418,490
TFLO-US	iShares Treasury	0	34,648	2,628,397
JPM-US	JP Morgan	14,176	14,176	4,293,202
OR-FR	L'Oréal	2,568	1,652	1,087,082
MC-FR	LVMH Moët	2,191	2,191	2,509,067
MAR-US	Marriott	8,715	8,715	3,154,917
MA-US	Mastercard	3,461	2,876	1,899,799
MCD-US	McDonalds	7,442	7,156	2,730,586
META-US	Meta Platforms	7,433	7,983	6,027,085

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Holdings of International Securities

At 30 June 2024 continued

Ordinary Shares, Trust Units or Stapled Securities		Number Held 2023	Number Held 2024	Market Value 2024 A\$
MSFT-US	Microsoft	16,463	16,463	11,017,698
NESN-CH	Nestlé	20,806	20,806	3,179,781
NFLX-US	Netflix	3,322	3,982	4,023,930
NEE-US	Nextera	20,749	25,729	2,728,046
NKE-US	Nike	13,173	13,963	1,575,725
NOVOB-DK	Novo Nordisk	11,768	23,536	5,093,190
NVDA-US	NVIDIA	2,555	44,440	8,220,511
PEP-US	PepsiCo	9,294	8,800	2,173,248
SPGI-US	S&P Global	3,927	3,927	2,622,490
SU-FR	Schneider	10,851	10,851	3,905,817
SBUX-US	Starbucks	11,612	6,085	709,328
TMO-US	Thermo Fisher	2,773	2,943	2,436,892
UNH-US	United Health	3,125	3,965	3,023,471
UMG-NL	Universal Music	47,498	50,498	2,251,201
V-US	Visa	4,977	4,332	1,702,519
Total				147,139,373

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Major Transactions in the Investment Portfolio

Acquisitions	Cost (\$m)
Woodside Energy	71.2
Telstra Group	55.4
Mineral Resources	52.1
Ampol	41.2
BHP	35.0

Disposals	Proceeds (\$m)
James Hardie Industries (partially because of the exercise of call options)	58.1
National Australia Bank (partially because of the exercise of call options)	55.4
Wesfarmers	39.0
IRESS*	33.8
Ansell*	32.3

* Complete disposal from the portfolio.

New Companies Added to the Portfolio

Mineral Resources
 Ampol
 Region Group
 Macquarie Technology

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Company Particulars

Australian Foundation Investment Company Limited (AFIC)

ABN 56 004 147 120

Registered Office and Mailing Address

Level 21, 101 Collins Street
Melbourne Victoria 3000

Directors

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

Company Secretaries

Matthew J Rowe
Andrew JB Porter

Auditor

PricewaterhouseCoopers
Chartered Accountants

Country of Incorporation

Australia

Contact Details

Telephone (03) 9650 9911
Facsimile (03) 9650 9100
Email invest@afi.com.au
Website afi.com.au

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

Telephone 1800 780 784 (toll free)

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Shareholder Information

Share Registrar

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

New Zealand Address

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna Auckland 0622

Shareholder

Enquiry Line 1300 662 270
+61 3 9415 4373
(from overseas)

Facsimile +61 3 9473 2500

Website investorcentre.com/contact

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

Securities Exchange Codes

AFI Ordinary shares (ASX and NZX)

Annual General Meeting

Time 10am
Date Thursday 3 October 2024
Venue Zinc at Federation Square
Location Corner of Princes Walk
and Russell Street Ext.
Melbourne 3000

The AGM will be a hybrid meeting with a physical meeting and access via an online platform. Further details are provided in the Notice of Annual General Meeting.

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**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

29 August 2024

**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

000001
000
SAM
MR JOHN SAMPLE
FLAT 123
SAMPLE STREET
SAMPLE STREET
SAMPLE STREET
SAMPLETOWN VIC 3030

Australian Foundation
Investment Company Limited
ABN 56 004 147 120
Level 21, 101 Collins St
Melbourne VIC 3000
T 03 9650 9911
F 03 9650 9100
invest@afi.com.au
afi.com.au

Dear Shareholder,

I am pleased to invite you to the 2024 Annual General Meeting (AGM) of Australian Foundation Investment Company Limited (AFIC or the Company) which has been scheduled as follows:

Date: Thursday 3 October 2024

Time: 10.00am Australian Eastern Standard Time (AEST)

The AGM will be held as a hybrid meeting providing shareholders with an opportunity to either attend in person or to participate online.

To attend in person and engage with Directors, shareholders are invited to attend ZINC at Federation Square, Corner of Flinders Street and Swanston Street, Melbourne, Victoria, Australia.

If shareholders are attending online they must use the Computershare Meeting Platform to participate in the meeting. To participate in the meeting, you can log in by entering the following URL <https://meetnow.global/MG4LH6H> on your computer, tablet or smartphone.

Shareholders who participate in the AGM online using the online platform are able to ask questions via this platform and vote in real time.

Full details on how to lodge a proxy, attend and participate in the AGM are set out in our Notice of Meeting.

Notice of Meeting

In accordance with the Corporations Act 2001 (Cth), we will not be posting to you a hard copy of the Notice of Meeting ahead of our AGM unless you have specifically requested one. Please visit www.afi.com.au to view and download our Notice of Meeting, Our Annual Report and other meeting documents are also available on this webpage.

Proxy Form

If you are unable to join us for the AGM, we encourage you to lodge a vote prior to the meeting or, alternatively, to appoint a proxy to attend either in person or virtually, and vote on your behalf. Enclosed with this letter is a hard copy of your Proxy Form which is personalised to you. Please complete the Proxy Form if you would like to appoint a proxy to attend the meeting and vote on your behalf. The Notice of Meeting sets out the various ways in which you can submit the Proxy Form. Please note that for a proxy appointment to be effective, it must be received by 10.00am (AEST) on Tuesday 1 October 2024.

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Questions from shareholders

Shareholders will have a reasonable opportunity to ask questions at the AGM (including an opportunity to ask questions of the Auditor) verbally or via the meeting platform.

As was the case last year, we also welcome shareholder questions in advance of the meeting. These can be submitted using the hard copy form provided with your Proxy Form or via the Computershare platform.

On behalf of the Board, I thank you for your continuing support as a shareholder. We look forward to welcoming you to our hybrid AGM either virtually or in person on Thursday 3 October 2024.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Craig Drummond', with a stylized flourish extending to the right.

Craig Drummond

Chairman

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**Income,
Capital Growth,
Low Cost**

**Notice of Annual
General Meeting**

2024

The Annual General Meeting of Australian Foundation Investment Company Limited, ABN: 56 004 147 120 ('the Company') will be held at 10.00am (AEST) on Tuesday 3 October 2024

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BUSINESS OF THE MEETING

The Annual General Meeting of **Australian Foundation Investment Company Limited**, ABN: 56 004 147 120 ('the Company') will be held at **10.00am (AEST) on Thursday 3 October 2024** and will take place physically at **ZINC at Federation Square, Corner of Flinders Street and Swanston Street, Melbourne, Victoria, Australia** and via an online platform at **meetnow.global/MG4LH6H**.

Shareholders are requested to participate in the AGM in person, via our online AGM platform or via the appointment of a proxy. Further information on how to participate virtually is set out in this Notice and the Online Meeting Guide.

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 (AEST) on Tuesday 1 October 2024**.

Item 1. Financial Statements and Reports

To consider the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2024.

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

Item 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 2024 be adopted."

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

Items 3. to 7. Election and Re-election of Directors

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

3. "That Katie Hudson, a Director appointed to the Board 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. "That Richard Murray, a Director appointed to the Board 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."
5. "That Craig Drummond, 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. "That Julie Fahey, a Director retiring from office in accordance with Rule 46 of the Constitution, being eligible is re-elected as a Director of the Company."
7. "That Graeme Liebelt, a Director retiring from office in accordance with Rule 46 of the Constitution, being eligible is re-elected as a Director of the Company."

Item 8. Renewal of Proportional Takeover Provisions in the Constitution

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

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

By Order of the Board



Matthew Rowe
Company Secretary

29 August 2024

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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 10.00am (AEST) on Tuesday 1 October 2024.

Where permitted, the Chairman of the meeting intends to vote undirected proxies in favour of all items of business.

Item 1. Financial Statements and Reports

During this item there will be a reasonable 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 2024. 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 2024 Annual Report can view or download it from the Company's website at:

afi.com.au/our-company#Companyreports

Item 2. Adoption of Remuneration Report

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 2024 Annual Report.

As prescribed by the *Corporations Act 2001*, the vote on the proposed resolution is an advisory one.

Voting Exclusions on Item 2

Pursuant to Sections 250BD and 250R of the *Corporations Act 2001* (Cth), votes may not be cast, and the Company will disregard any votes cast, on the resolution proposed in Item 2 ('Resolution 2'):

- by or on behalf of any member of the key management personnel of the Company's consolidated group (a 'KMP member') whose remuneration details are included in the Remuneration Report or any of their closely related parties; or
- as a proxy by a person who is a KMP member at the date of the meeting or any of their closely related parties,

unless the votes are cast:

- as a proxy for a person who is entitled to vote on Resolution 2 in accordance with a direction in the proxy appointment; or
- by the Chairman of the Annual General Meeting as a proxy for a person who is entitled to vote on Resolution 2 in accordance with an express authorisation in the proxy appointment to cast the votes even though Resolution 2 is connected directly or indirectly with the remuneration of a KMP member.

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

For the purposes of these voting exclusions, a 'closely related party' of a KMP member means (1) a spouse or child of the KMP member, (2) a child of the KMP member's spouse, (3) a dependant of the KMP member or of the KMP member's spouse, (4) anyone else who is one of the KMP member's family and may be expected to influence the KMP member, or be influenced by the KMP member, in the KMP member's dealings with the Company, or (5) a company the KMP member controls.

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

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

Board recommendation: Noting that each director has a personal interest in their own remuneration from the Company, as described in the Remuneration Report, the Board unanimously recommends that shareholders vote IN FAVOUR of this resolution.

Items 3. to 7. Election and Re-election of Directors

Ms Katie Hudson and Mr Richard Murray were appointed to the Board on 1 January 2024 and 22 January 2024 respectively and so are required to seek election by shareholders for the first time at this AGM. Mr Craig Drummond and Ms Julie Fahey were elected as Directors and Mr Graeme Liebelt was re-elected as a Director at the 2021 AGM. As such they are required to seek re-election by shareholders at this AGM. Their biographical details are set out below:

Katie Hudson

Independent Non-Executive Director
BCom (Melb)

Member of the Audit and Nomination Committees

Ms Hudson was appointed to the Board in January 2024. Katie is a portfolio manager for Yarra Capital Management focused on the small and midcap universe and, in addition, serves as Yarra Capital's Head of Australian Equities Research.

Katie has more than 20 years of experience in investment markets, including roles as an equities research analyst and portfolio manager. Prior to transitioning to Yarra Capital Management, Katie was a portfolio manager and managing director at Goldman Sachs Asset Management and has previously worked as an equities analyst and partner at JBWere. Prior to this Katie spent seven years at PwC where she was a senior manager primarily focused on mergers and acquisitions advisory and transaction support. Katie is currently a director of Yarra Capital Management and the Hawthorn Football Club.

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EXPLANATORY NOTES

continued

Richard Murray

Independent Non-Executive Director
*BCom, Grad Dip., Applied Finance
& Investment, FCA*

Member of the Nomination Committee

Mr Murray was appointed to the Board in January 2024. He has recently been appointed as CEO of Total Tools Holdings, commencing at the end of January 2024.

Prior to this, his most recent executive role was as CEO and Executive Director of Premier Investments, a major ASX-listed owner of retail brands such as Smiggle, Just Jeans, Peter Alexander, Dotti and Portmans.

Before his role at Premier Investments, Richard was the Group Chief Executive Officer from 2014 to 2021 and Executive Director of JB Hi-Fi, the major electronic and white-goods retailer. He had an 18-year career at JB Hi-Fi, commencing in 2003, initially as Chief Financial Officer, taking the business through the IPO process. Prior to that he had roles for 10 years in the Corporate Finance and Assurance and Advisory practices at Deloitte

Craig Drummond

Chairman and Independent
Non-Executive Director

BCom (Melb), SF FIN, CFA

Non-Executive Chairman of the
Company's subsidiary, Australian
Investment Company Services
Limited (AICS)

Chairman of the Investment
and Nomination Committees

Member of the Remuneration
and Audit Committees

Mr Drummond was appointed to the Board in July 2021. He is the President of the Geelong Football Club Limited, Chairman of Transurban Co Ltd and Chairman of The Ian Potter Foundation.

Craig was formerly a Member of the Federal Governments Financial Regulator Assessment Authority, Chief Executive Officer of Medibank Private Ltd, Group Executive Finance and Strategy of National Australia Bank (NAB), and Chief Executive Officer and Country Head of Bank of America Merrill Lynch (Australia). Earlier in his career he was Chief Executive Officer and Executive Chairman of Goldman Sachs JBWere.

Julie Fahey

Independent Non-Executive Director
BAS

Chair of the Audit Committee
and member of the Investment
and Nomination Committees

Ms Fahey was appointed to the Board in April 2021. She has over 30 years of experience in technology, including major organisations such as Western Mining, Exxon, Roy Morgan, General Motors and SAP, covering consulting, software vendor and Chief Information Officer roles. In addition to her industry experience, Julie spent 10 years at KPMG as a partner with the firm, during which she held roles as National Lead Partner Telecommunications, Media and Technology, and National Managing Partner – Markets. Julie was also a member of the KPMG National Executive Committee.

Julie is a non-executive director of IRESS Limited and Datacom and a member of the Australian Red Cross LifeBlood board. Julie was formerly a non-executive director of Seek Limited, Vocus, Partnerslife and Cenitex and formerly a member of the Latrobe University Council.

Graeme R Liebelt

Independent Non-Executive Director
BEC (Hons), FAICD FTSE

Chairman of the Remuneration
Committee and member of the
Investment and Nomination Committees

Mr Liebelt was appointed to the Board in June 2012. He is Chairman of Amcor Limited. He is a Fellow of the Australian Academy of Technological Sciences and Engineering and a Life Fellow of the Australian Institute of Company Directors. He was formerly a Director of Carey Baptist Grammar School, Chairman and Director of DuluxGroup Limited, Chairman and Director of the Global Foundation, Deputy Chairman of Melbourne Business School, Managing Director and CEO of Orica Limited and Director of Australia and New Zealand Banking Group Limited.

Board recommendation and undirected proxies: The Board recommends (with the exception of each Director in relation to their own election or re-election) that shareholders vote IN FAVOUR of Items 3 to 7. The Chairman of the meeting intends to vote undirected proxies IN FAVOUR of Items 3 to 7.

Further information regarding the Company's Corporate Governance arrangements and the Board's role can be found on the Company's website at: afi.com.au/corporate-governance

Item 8. Renewal of Proportional Takeover Provisions in the Constitution Background

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

It is a requirement of the Corporations Act that such proportional takeover approval provisions in a company's constitution apply for a maximum period of three years, unless earlier renewed. In the case of the Company, such proportional takeover approval provisions (existing Rules 79 and 80 of the Company's constitution) were approved by shareholders at the 2021 AGM and will expire on 5 October 2024.

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

If approved by shareholders at the meeting, Rules 79 and 80 will operate for three years from the date of the meeting (that is, until 3 October 2027) unless renewed earlier.

Proportional Takeover Bids

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

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

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

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

Effect of Proposed Proportional Takeover Approval Provisions

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

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

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

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

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

Reason for Proposing the Resolution

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

In the absence of Rules 79 and 80 (as renewed), a proportional takeover bid for the Company may enable effective control of the Company to be acquired by a party who has not offered to acquire

100% of the Company's shares (and, therefore, has not offered to pay a 'control premium' that reflects 100% ownership).

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

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

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

Present Acquisition Proposals

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

Review of Proportional Takeover Approval Provisions

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

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

Advantages and Disadvantages

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

The Directors consider that there are no advantages or disadvantages for the Directors in renewing the proposed proportional takeover approval provisions.

In particular, there is no restriction on their ability to make a recommendation on whether a proportional takeover bid should be accepted.

For shareholders, the potential advantage of renewing the proportional takeover approval provisions is that they provide shareholders with the opportunity to consider, discuss in a meeting called specifically for the purpose, and vote on whether a proportional takeover bid should be approved. This ensures that shareholders have an opportunity to have a say in the future ownership and control of the Company. The Directors believe that this would encourage any future proportional bids to be structured so as to be attractive to a majority of shareholders. It may also discourage the making of a proportional takeover bid that might be considered opportunistic. Finally, knowing the view of a majority of the shareholders may help each individual shareholder to assess the likely outcome of the proportional takeover bid and decide whether or not to accept an offer under the bid.

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

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

Shareholder Approval

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

Board recommendation and undirected proxies: The Board recommends that shareholders vote IN FAVOUR of Item 8. The Chairman of the meeting intends to vote undirected proxies IN FAVOUR of Item 8.

SHAREHOLDER INFORMATION

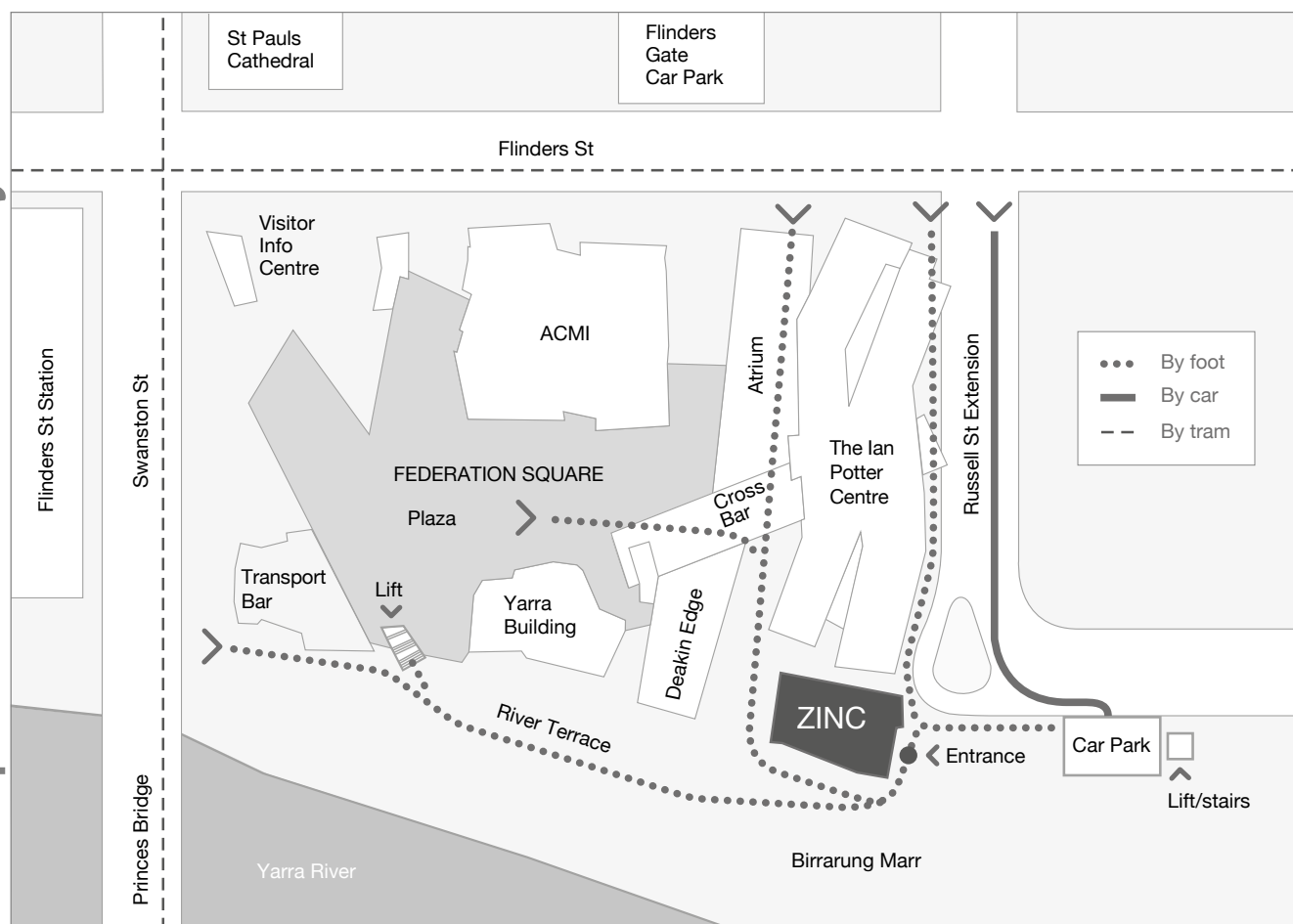
Shareholders and Proxyholders have two options for participating at the AGM:

In person

Online via the Computershare Meeting Platform (access via meetnow.global/MG4LH6H)

In Person

The AGM will be held at ZINC at Federation Square, Corner of Flinders Street and Swanston Street, Melbourne, Victoria



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Via the Online Platform

If shareholders are attending online they must use the Computershare Meeting Platform to participate in the meeting.

To participate in the meeting, you can log in by entering the following URL meetnow.global/MG4LH6H on your computer, tablet or smartphone.

Online registration will open one hour before the meeting.

To make the registration process quicker, please have your SRN/HIN and registered postcode or country code ready.

Proxyholders will need to contact Computershare prior to the meeting to obtain their login details.

To participate in the meeting online follow the instructions below.

1. Click on 'Join Meeting Now'.
2. Enter your SRN/HIN. Proxyholders will need to contact Computershare on +61 3 9415 4024 one hour prior to the meeting to obtain their login details.
3. Enter your postcode registered to your holding if you are an Australian securityholder. If you are an overseas securityholder select the country of your registered holding from the drop-down list.
4. Accept the Terms and Conditions and 'Click Continue'.

A detailed guide on how to participate virtually is set out in the Online Meeting Guide (computershare.com.au/virtualmeetingguide) or on our website at afi.com.au. This Guide explains how you can ensure your browser is compatible with the online platform, as well as a step-by-step guide to successfully log in and navigate the site.

Voting Options for the AGM

- Voting in person at the meeting
- Direct voting via the online AGM platform during the AGM
- Appointing a proxy

All Resolutions Will be by Poll

As some shareholders may participate virtually in the Meeting each resolution considered at the Meeting will be conducted by a poll. The Board considers voting by poll to be in the interests of the shareholders as a whole and ensures the views of as many shareholders as possible are represented at the Meeting.

Direct Voting Via Online AGM Platform – During the AGM

In accordance the Company's Constitution ('Constitution'), the Directors have determined that at the AGM, a shareholder who is entitled to vote on a resolution at the AGM is entitled to a direct vote in respect of that resolution and have approved the use the online AGM platform as the means by which shareholders can deliver their direct vote in real time during the AGM.

Shareholders can participate in the AGM via the Computershare Meeting Platform and will be able to vote directly through the online platform in real time. Shareholders and proxyholders can vote directly online at any time between the start of the AGM at 10.00am (AEST) and the closure of voting as announced by the Chairman during the Meeting.

More information regarding direct voting during the AGM is detailed in the Online Meeting Guide available on our website afi.com.au.

Proxies

If you cannot attend the meeting in person or online at the scheduled time, you can participate in the AGM by appointing a proxy to attend and vote at the AGM. Shareholders can appoint a proxy on the enclosed Proxy Form.

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. 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).

3. Proxy forms may be lodged online by visiting investorvote.com.au or by scanning the QR Code on the proxy form with a mobile device.

4. Relevant custodians may lodge their proxy forms online by visiting intermediaryonline.com

5. Proxy forms and any authorities (or certified copies of those authorities) under which they are signed may be also delivered, 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 (AEST) on Tuesday 1 October 2024. Further details are on the proxy form.

6. A proxy need not vote in that capacity on a poll (unless the proxy is the Chairman of the meeting). However, if the proxy's appointment specifies the way to vote on a resolution, and the proxy decides to vote in that capacity on that resolution, the proxy must vote the way specified (subject to the other provisions of this Notice, including the voting exclusions noted above).

7. 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 and 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. Evidence of the appointment of a corporate representative must comply with Section 250D of the *Corporations Act 2001* and be lodged with the Company before the AGM.

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.

Questions from Shareholders

We welcome shareholders' questions at the meeting. However, in the interests of all attending the meeting, we request that shareholders confine their questions to matters before the meeting that are relevant to shareholders as a whole.

For shareholders present at the meeting, you will have the opportunity to ask questions from the floor.

For shareholders attending online at computershare.com.au/virtualmeetingguide then follow the instructions in the platform on how to ask a question. Please note, only shareholders may ask questions online.

Shareholders who are unable to attend the meeting or who prefer to register questions in advance are invited to use the question form included with their proxy form or via the Computershare platform. The deadline for receipt of questions to be considered at the AGM is Thursday 19 September 2024.

During the course of the meeting, the Chairman will endeavour to address the themes most frequently raised in the submitted question forms. Please note that individual responses will not be sent to shareholders.

Share Registry

The Company's Share Registry details are as follows:

Computershare Investor Services Pty Ltd

Postal Address

GPO Box 242, Melbourne VIC 3001

Street Address

Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Telephone

1300 662 270 (within Australia)
0800 333 501 (within New Zealand)
+61 3 9415 4373 (outside Australia)

Facsimile

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

Internet

investorcentre.com/contact

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**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

AFI

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

Need assistance?



Phone:

1300 662 270 (within Australia)
+61 3 9415 4373 (outside Australia)



Online:

www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10.00am (AEST)**
Tuesday 1 October 2024

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions. Each resolution considered at the meeting will be conducted by a poll.

APPOINTMENT OF PROXY

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 securities 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 securities 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 securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders 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. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

SRN/HIN: I999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.



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

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



I 9999999999

I N D

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a proxy to vote on your behalf

XX

I/We being a shareholder/s of **AUSTRALIAN FOUNDATION INVESTMENT COMPANY 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 **Australian Foundation Investment Company Limited** to be held at **ZINC at Federation Square, Corner of Flinders Street and Swanston Street, Melbourne, Victoria, Australia and via an online platform at 10.00am (AEST) on Thursday 3 October 2024** and at any adjournment or postponement of that meeting.

Chairman to vote undirected proxies as follows: 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 Australian Foundation Investment Company Limited and its consolidated group, 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 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 - Ms Katie Hudson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Election of Director - Mr Richard Murray	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Re-election of Director - Mr Craig Drummond	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6	Re-election of Director - Ms Julie Fahey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7	Re-election of Director - Mr Graeme Liebelt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8	Renewal of Proportional Takeover Provisions in the Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business, to the extent permitted by law. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

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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