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This half-year report is presented under listing rule 4.2A and should be read in conjunction with the Company's 2021 Annual Report.

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

Australian Foundation Investment Company Limited  
ABN 56 004 147 120

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

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The reporting period is the half-year ended 31 December 2021 with the previous corresponding period being the half-year ended 31 December 2020. The results have been reviewed by the Company's auditors.

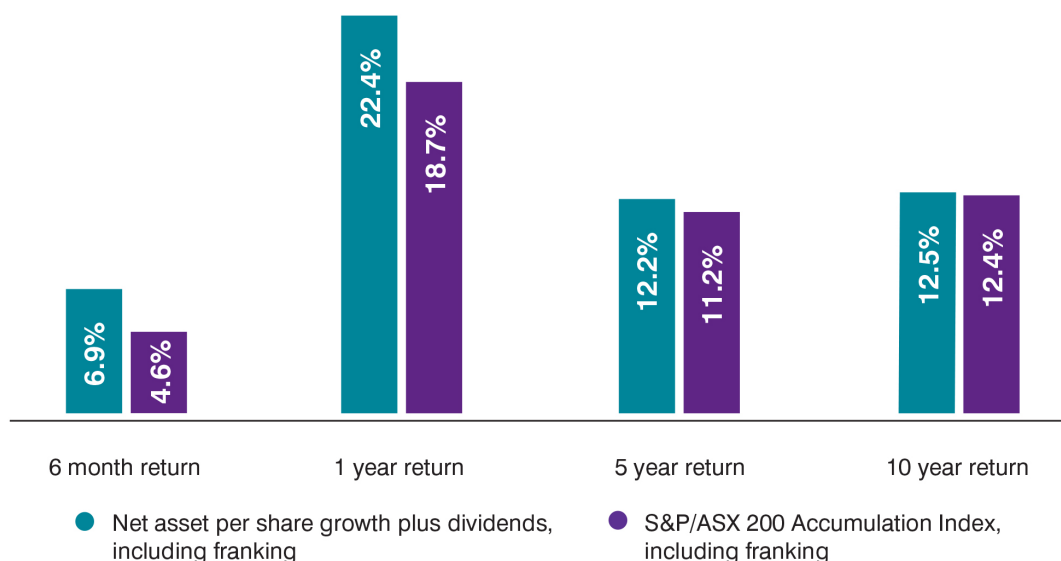
### Results for announcement to the market

- Revenue from operating activities was \$161.8 million, up \$65.6 million or 68.1% from the previous corresponding period. This excludes capital gains on investments.
- Profit after tax was \$146.0 million (up 73.5% on the previous corresponding period's \$84.1 million).
- Profit after tax attributable to members was \$146.0 million (up 74.5% on the previous corresponding period's \$83.7 million).
- The interim dividend is 10 cents per share, fully franked, the same as last year. The dividend will be paid on 25 February 2022 to ordinary shareholders on the register on 10 February 2022 and the shares are expected to commence trading on an ex-dividend basis on 9 February 2022. There is no conduit foreign income component of the dividend.
- A Dividend Reinvestment Plan (DRP) and Dividend Substitution Share Plan (DSSP) are available, the price for which will be set at a **5% discount** to the Volume Weighted Average Price of the Company's shares traded on the ASX and Chi-X automated trading systems over the five trading days from when the shares trade ex-dividend. The last date for the receipt of an election notice for participation in the DRP & DSSP is 5.00 pm (Melbourne time) on 11 February 2022.
- The final dividend for the 2021 financial year was 14 cents per share (fully franked), and it was paid to shareholders on 31 August 2021.
- Net tangible assets per share before any provision for deferred tax on the unrealised gains on the long-term investment portfolio as at 31 December 2021 were \$7.76, up from \$6.64 at 31 December 2020 (both before allowing for any announced dividends).

## Profit Up Strongly as Income Recovers, Portfolio Outperforms Half Year Report to 31 December 2021

- AFIC's investment focus is on a diversified portfolio of Australian equities, seeking to provide attractive income and capital growth to shareholders over the medium to long term. This is achieved at a low cost, with lower volatility than the market, and with low portfolio turnover which produces tax effective outcomes for shareholders.
- Half Year Profit was up by 73.5% to \$146.0 million following on from the recovery in dividend income. In the corresponding period last year, Half Year Profit was \$84.1 million.
- Investment income for the six months to 31 December 2021 was \$159.4 million, up from \$93.8 million in the corresponding period last year. The biggest increases came from the major banks, Macquarie Group, and BHP and Rio Tinto as a result of previous very strong iron ore prices. A number of companies in the portfolio also reinstated dividends during the half year, which included James Hardie Industries and Ramsay Health Care.
- The interim dividend for the half year is 10 cents per share fully franked, the same as the previous corresponding period.
- The six-month portfolio return including franking was 6.9% compared with the S&P/ASX 200 Index return including franking of 4.6% over the same period.
- For the 12 months to 31 December 2021, the portfolio return including franking was 22.4%. The return from the S&P/ASX 200 Accumulation Index over this period including franking was 18.7%.
- The management expense ratio for AFIC is 0.15% (annualised), with no performance fees.
- The level of economic activity has improved materially from the pandemic-induced lows of mid 2020 putting interest rate increases back on the agenda. While the timing of these increases remains uncertain US interest rates have already started to move upwards leading to increased volatility in equity markets. We remain well positioned to purchase our preferred companies should attractive opportunities present themselves in these conditions.

### Portfolio performance (including the full benefit of franking) – to 31 December 2021



Per annum returns other than for six months. AFIC's performance numbers are after costs.

## Portfolio Performance

The Australian equity market continued to deliver gains in the six months to 31 December 2021 following on from the very strong rebound in markets in the first six months of the calendar year. While market valuations remained higher than historical levels, as a result of continued low interest rates, corporate earnings growth remained strong supported by improved economic activity.

The strengthening demand environment is producing supply chain challenges in many industries with rising costs leading to a meaningful increase in reported inflation. In the near term, operating costs are likely to remain elevated making it more challenging for companies to sustain recent strong earnings growth. A feature of our focus on quality businesses is identifying those companies displaying attributes of pricing power over the long term. Companies owning unique assets with a market leadership position are best able to pass through rising costs. Core portfolio holdings are represented by high-quality companies we consider relatively well positioned to pass through any cost increases.

Reflecting the quality of companies in the portfolio during these uncertain times, AFIC's portfolio was up 6.9% for the six months to 31 December 2021 compared with the S&P/ASX 200 Accumulation Index, which was up 4.6% over the same period. These figures include the benefit of franking credits, with AFIC's performance numbers after costs.

Companies in the portfolio that contributed strongly to returns through the six-month period were Macquarie Group, Sydney Airport, Mainfreight, James Hardie Industries and Goodman Group.

AFIC is an investor with a long term focus. Ten-year portfolio return figures to 31 December 2021 are 12.5% versus 12.4% for the S&P/ASX 200 Accumulation Index over the same period. These figures include the full benefit of franking, with AFIC's return after costs. This performance has been achieved with lower portfolio volatility than the market and more consistent dividend income.

## Portfolio Adjustments

Short term volatility provided attractive prices to increase our holdings in Transurban, Coles Group, CSL, Goodman Group, Domino's Pizza Enterprises and BHP, where we consider long term prospects for all these companies remains strong. Transurban will be a significant beneficiary as economies gradually reopen, leading to increased traffic across its road transport network, while improved mobility will enhance plasma collection volumes for CSL.

We initiated positions in JB Hi-Fi and WiseTech Global. JB Hi-Fi is the largest consumer electronics retailer in Australia and New Zealand. While primarily providing attractive income to the portfolio, we expect the consumer electronics category to continue delivering meaningful growth. WiseTech Global is a leading developer and provider of software solutions to the global logistics industry facilitating customers to digitise their freight forwarding operations.

We exited Qube Holdings, APA Group, Lifestyle Communities, Origin Energy and Altium, considering each company's long term prospects increasingly challenged as competitive intensity increases. We also exited our holding in Milton Corporation as a result of the takeover by Washington H. Soul Pattinson.

## Outlook

Our strategy of owning a diversified portfolio of quality companies that are well placed to deliver earnings growth over the medium to long term remains appropriate. While market volatility may emerge, short term periods of uncertainty often present good buying opportunities for investors focused on a company's long term prospects. The portfolio is soundly positioned despite the spectre of rising interest rates and heightened global uncertainty.

### **Please direct any enquiries to:**

Mark Freeman  
Managing Director  
(03) 9225 2122

Geoff Driver  
General Manager  
(03) 9225 2102

**24 January 2022**

## TOP 5 TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions	Cost (\$'000)
Santos (as a result of the merger with Oil Search)	72,660
Transurban Group (including participation in entitlement offer)	65,548
JB Hi-Fi	47,191
Coles Group	35,000
CSL (participation in placement)	30,214

Disposals	Proceeds (\$'000)
Oil Search <sup>#</sup> (as a result of the merger with Santos)	72,660
Qube Holdings <sup>#</sup>	68,985
APA Group <sup>#</sup>	57,159
Milton Corporation <sup>#</sup>	50,443
Lifestyle Communities <sup>#</sup>	36,760

<sup>#</sup> Complete disposal from the portfolio.

### New Companies Added to the Investment Portfolio

Santos (as a result of the merger with Oil Search)  
JB Hi-Fi  
WiseTech Global

## TOP 25 INVESTMENTS AS AT 31 DECEMBER 2021

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

Valued at closing prices at 31 December 2021

	Total value \$ million	% of portfolio
1 Commonwealth Bank of Australia	797.9	8.4%
2 CSL	667.5	7.1%
3 BHP	577.9	6.1%
4 Macquarie Group	453.2	4.8%
5 Wesfarmers	437.2	4.6%
6 Transurban Group	397.9	4.2%
7 Westpac Banking Corporation	331.9	3.5%
8 National Australia Bank	321.7	3.4%
9 Mainfreight	288.9	3.1%
10 * James Hardie Industries	264.2	2.8%
11 Woolworths Group	243.9	2.6%
12 Australia and New Zealand Banking Group	233.5	2.5%
13 * Telstra Corporation	226.4	2.4%
14 Sydney Airport	222.3	2.3%
15 Goodman Group	207.6	2.2%
16 Reece	194.7	2.1%
17 Amcor	191.6	2.0%
18 Rio Tinto	186.4	2.0%
19 ARB Corporation	173.9	1.8%
20 Sonic Healthcare	172.7	1.8%
21 Coles Group	161.9	1.7%
22 ResMed	152.1	1.6%
23 Carsales.com	151.9	1.6%
24 Ramsay Health Care	136.9	1.4%
25 ASX	133	1.4%
	<b>7,327.10</b>	
<b>As % of Total Portfolio Value (excludes Cash)</b>	<b>77.4%</b>	

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

## PORTFOLIO PERFORMANCE TO 31 DECEMBER 2021

PERFORMANCE MEASURES TO 31 DECEMBER 2021	6 MONTHS	1 YEAR	5 YEARS %PA	10 YEARS %PA
<b><i>PORTFOLIO RETURN – NET ASSET BACKING RETURN INCLUDING DIVIDENDS REINVESTED</i></b>	<b>6.1%</b>	<b>20.7%</b>	<b>10.3%</b>	<b>10.6%</b>
S&P/ASX 200 ACCUMULATION INDEX	3.8%	17.2%	9.8%	10.8%

<b><i>PORTFOLIO RETURN – NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS REINVESTED*</i></b>	<b>6.9%</b>	<b>22.4%</b>	<b>12.2%</b>	<b>12.5%</b>
<b>S&amp;P/ASX 200 GROSS ACCUMULATION INDEX*</b>	4.6%	18.7%	11.2%	12.4%

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

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

Past performance is not indicative of future performance.



**AUSTRALIAN  
FOUNDATION  
INVESTMENT  
COMPANY  
LIMITED**

ABN 56 004 147 120

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**HALF-YEAR REPORT  
31 DECEMBER 2021**

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## COMPANY PARTICULARS

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### Australian Foundation Investment Company Limited (“AFIC”)

ABN 56 004 147 120

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

<b>Directors:</b>	John Paterson, Chairman Rebecca P. Dee-Bradbury Craig M. Drummond Julie A. Fahey Graeme R. Liebelt David A. Peever Catherine M. Walter AM Peter J. Williams R. Mark Freeman, Managing Director
<b>Company Secretaries:</b>	Matthew J. Rowe Andrew J.B. Porter
<b>Auditor:</b>	PricewaterhouseCoopers, Chartered Accountants
<b>Country of incorporation:</b>	Australia
<b>Registered office:</b>	Level 21 101 Collins Street Melbourne, Victoria 3000
<b>Contact Details:</b>	Mail Address: Level 21, 101 Collins St., Melbourne, Victoria 3000 Telephone : (03) 9650 9911 Facsimile: (03) 9650 9100 Email: <a href="mailto:invest@afi.com.au">invest@afi.com.au</a> Internet address: <a href="http://afi.com.au">afi.com.au</a>  For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange):  Telephone: 1800 780 784 (toll free)
<b>Share Registrar:</b>	Computershare Investor Services Limited Mail Address: GPO Box 2975, Melbourne, Victoria 3001 Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067  AFIC Shareholder enquiry lines : 1300 662 270 (Aus) 0800 333 501 (NZ) +613 9415 4373 (from overseas)  Facsimile: (03) 9473 2500 Internet: <a href="http://www.investorcentre.com/contact">www.investorcentre.com/contact</a>  For all enquiries relating to shareholdings, dividends and related matters, please contact the share registrar.
<b>Securities Exchange Codes:</b>	AFI Ordinary shares (ASX and NZX)

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# DIRECTORS' REPORT

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The Directors present their report in relation to the half-year to 31 December 2021 on the consolidated entity (“the Group”) consisting of Australian Foundation Investment Company Limited (“the Company” and “AFIC”) and its subsidiary, Australian Investment Company Services Limited (“AICS”).

## Directors

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

J. Paterson (appointed June 2005)  
R.P. Dee-Bradbury (appointed May 2019)  
C.M. Drummond (appointed July 2021)  
G.R. Liebelt (appointed June 2012)  
J.A. Fahey (appointed April 2021)  
D.A. Peever (appointed November 2013)  
C.M. Walter AM (appointed August 2002)  
P.J. Williams (appointed February 2010)  
R.M. Freeman (appointed January 2018)

## Review of the Group's operations and results

### Overview

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

### Profit Performance and Dividend

Profit for the half-year was \$146.0 million, up 73.5% from the previous corresponding period.

The net profit per share for the six months to 31 December 2021 was 11.9 cents per share with an interim dividend declared of 10 cents per share fully-franked, the same as last year.

The portfolio return for the 6 months (measured by change in net asset backing per share plus dividends reinvested) was 6.1% compared to the return of the S&P/ASX 200 Accumulation Index for the same period which was 3.8%. AFIC's portfolio return is calculated after management fees, income tax and capital gains tax on realised sales of investments and does not reflect the value of franking credits or LIC credits attached to the dividends. Index returns for the market do not include the impact of management expenses and tax on their performance.

During the half-year 5.2 million shares were issued under the DRP and the DSSP resulting in an additional \$36.4 million of capital (after costs).

### **Auditors' independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

### **Rounding of amounts to nearest thousand dollars**

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

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

A handwritten signature in blue ink, appearing to read 'J. Paterson', is positioned above the printed name and title.

J. Paterson  
Chairman  
Melbourne  
24 January 2022



## Auditor's Independence Declaration

As lead auditor for the review of Australian Foundation Investment Company Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'Nadia Carlin'.

Nadia Carlin  
Partner  
PricewaterhouseCoopers

Melbourne  
24 January 2022

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

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# CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Half-year 2021 \$'000	Half-year 2020 \$'000
Dividends and distributions		159,415	93,837
Revenue from deposits and bank bills		8	95
Other revenue		2,344	2,278
<b>Total revenue</b>		<b>161,767</b>	<b>96,210</b>
Net gains/(losses) on trading portfolio		(1,035)	(1,009)
<b>Income from operating activities</b>	<b>3</b>	<b>160,732</b>	<b>95,201</b>
Finance & related costs		(401)	(1,122)
Administration expenses		(9,155)	(5,958)
<b>Profit before income tax expense</b>		<b>151,176</b>	<b>88,121</b>
Income tax expense		(5,198)	(3,987)
<b>Profit for the half-year</b>		<b>145,978</b>	<b>84,134</b>
<b>Profit is attributable to :</b>			
Equity holders (members) of Australian Foundation Investment Company Ltd		145,968	83,664
Minority Interest		10	470
		<b>145,978</b>	<b>84,134</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	<b>8</b>	11.92	6.89

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Half-Year to 31 December 2021			Half-Year to 31 December 2020		
	Revenue \$'000	Capital \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
<b>Profit for the half-year</b>	<b>145,978</b>	<b>-</b>	<b>145,978</b>	<b>84,134</b>	<b>-</b>	<b>84,134</b>
<b>Other Comprehensive Income</b>						
<i>Items that will not be recycled through the Income Statement</i>						
Gains for the period on equity securities in the investment portfolio	-	435,861	<b>435,861</b>	-	908,353	<b>908,353</b>
Deferred tax on above	-	(132,974)	<b>(132,974)</b>	-	(274,013)	<b>(274,013)</b>
<b>Total other comprehensive income <sup>1</sup></b>	<b>-</b>	<b>302,887</b>	<b>302,887</b>	<b>-</b>	<b>634,340</b>	<b>634,340</b>
<b>Total comprehensive income <sup>2</sup></b>	<b>145,978</b>	<b>302,887</b>	<b>448,865</b>	<b>84,134</b>	<b>634,340</b>	<b>718,474</b>

<sup>1</sup> Net capital income not accounted for through the Income Statement

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

	Half-Year to 31 December 2021			Half-Year to 31 December 2020		
	Revenue \$'000	Capital \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
<b>Total Comprehensive Income is attributable to:</b>						
Equity holders of Australian Foundation Investment Company Ltd	145,968	302,887	<b>448,855</b>	83,664	634,340	<b>718,004</b>
Minority Interest	10	-	<b>10</b>	470	-	<b>470</b>
	<b>145,978</b>	<b>302,887</b>	<b>448,865</b>	<b>84,134</b>	<b>634,340</b>	<b>718,474</b>

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

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021

		31 Dec 2021 \$'000	30 June 2021 \$'000
<b>Current assets</b>			
Cash		89,019	97,122
Receivables		5,560	40,011
Trading portfolio	4	3,557	4,745
<b>Total current assets</b>		<u><b>98,136</b></u>	<u><b>141,878</b></u>
<b>Non-current assets</b>			
Investment portfolio		9,462,233	8,973,080
Deferred tax assets		2,043	59
<b>Total non-current assets</b>		<u><b>9,464,276</b></u>	<u><b>8,973,139</b></u>
<b>Total assets</b>		<u><b>9,562,412</b></u>	<u><b>9,115,017</b></u>
<b>Current liabilities</b>			
Payables		1,687	1,020
Borrowings – bank debt		10,000	-
Tax payable		31,969	12,621
Provisions		4,029	5,235
<b>Total current liabilities</b>		<u><b>47,685</b></u>	<u><b>18,876</b></u>
<b>Non-current liabilities</b>			
Provisions		707	888
Deferred tax liabilities - investment portfolio	5	1,635,043	1,536,231
<b>Total non-current liabilities</b>		<u><b>1,635,750</b></u>	<u><b>1,537,119</b></u>
<b>Total liabilities</b>		<u><b>1,683,435</b></u>	<u><b>1,555,995</b></u>
<b>Net Assets</b>		<u><b>7,878,977</b></u>	<u><b>7,559,022</b></u>
<b>Shareholders' equity</b>			
Share Capital	6	3,044,159	3,007,730
Revaluation Reserve		3,630,945	3,394,297
Realised Capital Gains Reserve		446,880	416,071
General Reserve		23,637	23,637
Retained Profits		732,280	716,221
<b>Parent Entity Interest</b>		<u><b>7,877,901</b></u>	<u><b>7,557,956</b></u>
Minority Interest		1,076	1,066
<b>Total equity</b>		<u><b>7,878,977</b></u>	<u><b>7,559,022</b></u>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Attributable to members of Australian Foundation Investment Company  
Ltd

Half-Year to 31 December 2021	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	General Reserve \$'000	Retained Profits \$'000	Total Parent Entity \$'000	Minority Interest \$'000	Total \$'000
<b>Total equity at the beginning of the half-year</b>		<b>3,007,730</b>	<b>3,394,297</b>	<b>416,071</b>	<b>23,637</b>	<b>716,221</b>	<b>7,557,956</b>	<b>1,066</b>	<b>7,559,022</b>
Dividends paid	7	-	-	(35,430)	-	(129,909)	(165,339)	-	(165,339)
Shares issued - Dividend Reinvestment Plan	6	36,511	-	-	-	-	36,511	-	36,511
Other Share Capital Adjustments	6	(82)	-	-	-	-	(82)	-	(82)
<b>Total transactions with shareholders</b>		<b>36,429</b>	<b>-</b>	<b>(35,430)</b>	<b>-</b>	<b>(129,909)</b>	<b>(128,910)</b>	<b>-</b>	<b>(128,910)</b>
Profit for the half-year		-	-	-	-	145,968	145,968	10	145,978
Net gains for the period on equity securities in the investment portfolio		-	302,887	-	-	-	302,887	-	302,887
<b>Other Comprehensive Income for the half-year</b>		<b>-</b>	<b>302,887</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>302,887</b>	<b>-</b>	<b>302,887</b>
Transfer to Realised Capital Gains Reserve of net cumulative gains (after tax) on investments sold		-	(66,239)	66,239	-	-	-	-	-
<b>Total equity at the end of the half-year</b>		<b>3,044,159</b>	<b>3,630,945</b>	<b>446,880</b>	<b>23,637</b>	<b>732,280</b>	<b>7,877,901</b>	<b>1,076</b>	<b>7,878,977</b>

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DEC. 2020 (CONT)

## Attributable to members of Australian Foundation Investment Company Ltd

Half-Year to 31 December 2020	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	General Reserve \$'000	Retained Profits \$'000	Total Parent Entity \$'000	Minority Interest \$'000	Total \$'000
<b>Total equity at the beginning of the half-year</b>		<b>2,947,243</b>	<b>2,166,030</b>	<b>397,712</b>	<b>23,637</b>	<b>705,273</b>	<b>6,239,895</b>	<b>622</b>	<b>6,240,517</b>
Dividends paid	7	-	-	(58,770)	-	(105,786)	(164,556)	-	(164,556)
Shares issued - Dividend Reinvestment Plan		35,165	-	-	-	-	35,165	-	35,165
Other Share Capital Adjustments		(80)	-	-	-	-	(80)	-	(80)
<b>Total transactions with shareholders</b>		<b>35,085</b>	<b>-</b>	<b>(58,770)</b>	<b>-</b>	<b>(105,786)</b>	<b>(129,471)</b>	<b>-</b>	<b>(129,471)</b>
Profit for the half-year		-	-	-	-	83,664	83,664	470	84,134
<i>Other Comprehensive Income for the half-year</i>									
Net gains for the period on equity securities in the investment portfolio		-	634,340	-	-	-	634,340	-	634,340
<b>Other Comprehensive Income for the half-year</b>		<b>-</b>	<b>634,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>634,340</b>	<b>-</b>	<b>634,340</b>
Transfer to Realised Capital Gains Reserve of net cumulative gains (after tax) on investments sold		-	(4,621)	4,621	-	-	-	-	-
<b>Total equity at the end of the half-year</b>		<b>2,982,328</b>	<b>2,795,749</b>	<b>343,563</b>	<b>23,637</b>	<b>683,151</b>	<b>6,828,428</b>	<b>1,092</b>	<b>6,829,520</b>

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

## CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Half-year 2021 \$'000	Half-year 2020 \$'000
	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
<b>Cash flows from operating activities</b>		
Sales from trading portfolio	13,403	12,258
Purchases for trading portfolio	(1,200)	(687)
Interest received	8	95
Dividends and distributions received	171,034	93,509
	183,245	105,175
Other receipts	2,353	2,279
Administration expenses	(10,534)	(7,938)
Finance costs paid	(401)	(1,122)
Taxes paid	(7,187)	(12,036)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>167,476</b>	<b>86,358</b>
<b>Cash flows from investing activities</b>		
Sales from investment portfolio	311,559	213,667
Purchases for investment portfolio	(354,976)	(156,502)
Taxes paid on capital gains	(13,944)	(22,648)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(57,361)</b>	<b>34,517</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowing	10,000	-
Share issue costs	(82)	(80)
Dividends paid	(128,136)	(128,891)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(118,218)</b>	<b>(128,971)</b>
Net increase/(decrease) in cash held	(8,103)	(8,096)
Cash at the beginning of the half-year	97,122	111,318
<b>Cash at the end of the half-year</b>	<b>89,019</b>	<b>103,222</b>

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

## 1. Basis of preparation of half-year financial report

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

This interim financial report does not include all the notes of the type normally included in an annual financial report. This report should be read in conjunction with the 2021 Annual Report and public announcements made by the Group during the half-year, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

## 2. Financial reporting by segments

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

### (a) Segment information provided to the Board

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

The relevant amounts as at 31 December 2021 and 31 December 2020 were as follows:

	2021	2020
	\$	\$
<b>Net tangible asset backing per share</b>		
Before Tax	7.76	6.64
After Tax	6.43	5.61

### (b) Other segment information

#### Segment Revenue

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

The Company is domiciled in Australia and the Group’s dividend and distribution income is predominantly from entities which maintain a listing in Australia. The Group has a diversified portfolio of investments, with only the Group’s investment in BHP comprising more than 10% of the Group’s income (including trading portfolio) for the half-year ended 31 December 2021 – 22.7% (2020 : 10.6%).

<b>3. Income from operating activities</b>	<b>Half-year 2021 \$'000</b>	<b>Half-year 2020 \$'000</b>
Income from operating activities is comprised of the following:		
Dividends & distributions		
• securities held in investment portfolio	159,342	93,764
• securities held in trading portfolio	73	73
	<u>159,415</u>	<u>93,837</u>
Interest income		
• deposits and income from bank bills	8	95
	<u>8</u>	<u>95</u>
Net gains/(losses) and write downs		
• net gains from trading portfolio sales	106	263
• unrealised gains/(losses) in trading portfolio	(1,141)	(1,272)
	<u>(1,035)</u>	<u>(1,009)</u>
Administration fees received from other Listed Investment Companies	2,285	2,176
Expenses recovered from other Listed Investment Companies	8	38
Other expenses recovered	51	64
	<u><b>160,732</b></u>	<u><b>95,201</b></u>

#### **4. Trading portfolio**

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

As at balance date there were call options outstanding which, if they were all exercised, would require the Company to deliver securities to the value of \$32.7 million (30 June 2021: \$44.5 million).

## 5. Deferred tax liabilities – investment portfolio

In accordance with AASB 112 *Income Taxes*, deferred tax liabilities have been recognised for Capital Gains Tax on the unrealised gain in the investment portfolio at current tax rates (30%) totalling \$1,635.0 million (30 June 2021 : \$1,536.2 million). As the Directors do not intend to dispose of the portfolio, this tax liability may not be crystallised at this amount.

## 6. Shareholders' equity – share capital

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

Date	Details	Notes	Number of shares '000	Issue price \$	Paid-up Capital \$'000
01/07/2021	Opening Balance		1,220,837		3,007,730
31/08/2021	Dividend Reinvestment Plan	i	4,507	8.10	36,511
31/08/2021	Dividend Substitution Share Plan	ii	687	8.10	n/a
Various	Other Share Capital adjustments		-		(82)
31/12/2021	Balance		<u>1,226,031</u>		<u>3,044,159</u>

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

7. Dividends	Half-year 2021 \$'000	Half-year 2020 \$'000
Dividends (fully franked) paid during the period (excluding DSSP shares)	165,339 (14 cents per share)	164,556 (14 cents per share)

### Dividends not recognised at period end

Since the end of the half-year the Directors have declared an interim dividend of 10 cents per share, fully franked. The aggregate amount of the proposed interim dividend expected to be paid on 25 February 2022, but not recognised as a liability at the end of the half-year is

122,603

<b>8. Earnings per Share</b>	<b>Half-year 2021</b>	<b>Half-year 2020</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	1,224,280,994	1,214,545,486
	<b>\$'000</b>	<b>\$'000</b>
Profit after tax for the half-year attributable to members of the Company	145,968	83,664
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	11.92	6.89

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

#### **9. Events subsequent to balance date**

Since 31 December 2021 to the date of this report there has been no event specific to the Group of which the Directors are aware which has had a material effect on the Group or its financial position.

#### **10. Contingencies**

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

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## DIRECTORS' DECLARATION

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 13 to 22 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance, as represented by the results of the operations, changes in equity and cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



J. Paterson  
Chairman  
Melbourne  
24 January 2022



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

### Report on the half-year financial report

#### Conclusion

We have reviewed the half-year financial report of Australian Foundation Investment Company Limited (the Company) and the entity it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and consolidated income statement for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

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

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

#### Responsibilities of the directors for the half-year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink, appearing to read 'Nadia Carlin', written over a faint, light-colored background.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Nadia Carlin', written over a faint, light-colored background.

Nadia Carlin  
Partner

Melbourne  
24 January 2022