

Appendix 4D Statement for the Half-Year ending 31 December 2020

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**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY**

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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 2020 Annual Report.

This announcement was authorised for release by the Board of Australian Foundation Investment Company Limited.
Australian Foundation Investment Company Limited
ABN 56 004 147 120

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the half-year ended 31 December 2020 with the previous corresponding period being the half-year ended 31 December 2019. The results have been reviewed by the Company's auditors.

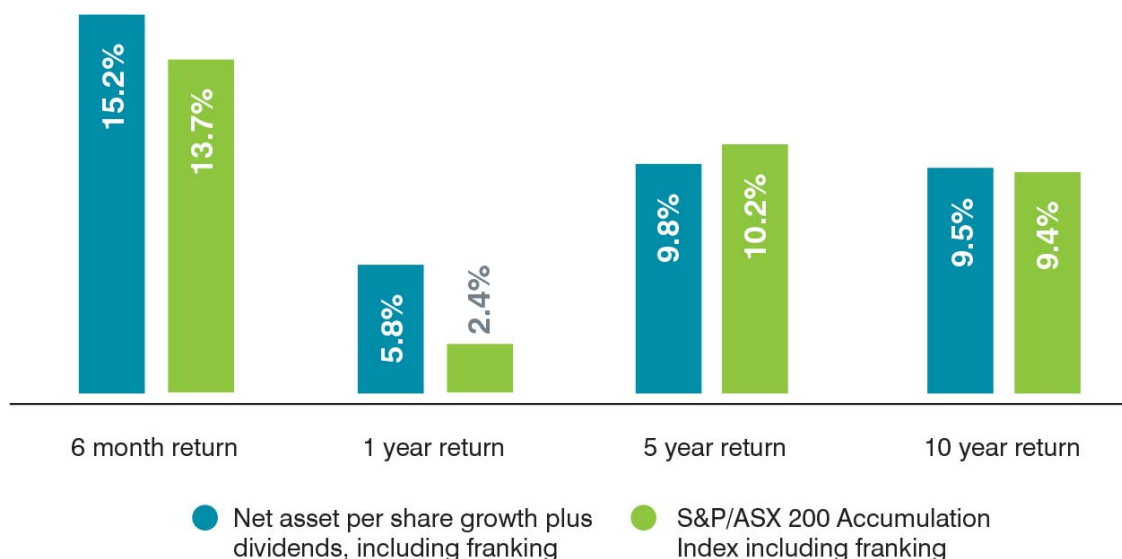
Results for announcement to the market

- Revenue from operating activities was \$96.2 million, down \$61.3 million or 38.9% from the previous corresponding period. This excludes capital gains on investments.
- Profit after tax was \$84.1 million (down 42.4% on the previous corresponding period's \$146.1 million).
- Profit after tax attributable to members was \$83.7 million (down 42.6% on the previous corresponding period's \$145.7 million).
- The interim dividend is 10 cents per share, fully franked, the same as last year. The dividend will be paid on 23 February 2021 to ordinary shareholders on the register on 9 February 2021 and the shares are expected to commence trading on an ex-dividend basis on 8 February 2021. 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 10 February 2021.
- The final dividend for the 2020 financial year was 14 cents per share (fully franked), and it was paid to shareholders on 1 September 2020.
- 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 2020 were \$6.64, up from \$6.63 at 31 December 2019 (both before allowing for any announced dividends).

Half Year Report to 31 December 2020

- AFIC invests in a diversified portfolio of Australian equities, seeking to provide attractive income and capital growth to shareholders over the medium to long term at a low cost.
- Half Year Profit was million \$84.1, down from \$146.1 million in the corresponding period last year.
- Difficult operating conditions arising from the COVID-19 pandemic meant investment income for the six months to 31 December 2020 was \$95.2 million, down from \$164.1 million in the corresponding period last year. The biggest reductions came from the major banks, BHP, Macquarie Group and Transurban, while a number of companies in the portfolio did not pay a dividend during the half.
- Despite the fall in the half year earnings per share to 6.9 cents, the interim dividend for the half year is 10 cents per share, fully franked, the same as the previous corresponding period. Part of the interim dividend this year has been funded from reserves.
- The six-month portfolio return, including franking, was 15.2% compared with the S&P/ASX 200 Index, including franking, which was up 13.7% over the same period.
- For the 12 months to 31 December 2020, the portfolio return, including franking, was 5.8%. The return from the S&P/ASX 200 Accumulation Index over this period, including franking, was 2.4%.
- The management expense ratio for AFIC is 0.10% (annualised), with no performance fees.
- Moving into the remainder of the financial year, we consider the portfolio is relatively well positioned in high quality companies which we believe are well placed to deliver earnings growth over the long term.

Portfolio Performance (including the full benefit of franking) – to 31 December 2020



Per annum returns other than for 6 months. AFIC's performance numbers are after costs.

Portfolio Performance

The Australian equity market was pushed higher in the first half of the financial year as global markets rallied on the back of very low interest rates, significant government stimulus and increased confidence about effective vaccines for the Coronavirus pandemic. This is despite the negative impact the pandemic is having on corporate earnings and renewed outbreaks of the virus in key global economies.

Through this period, AFIC has continued to focus the portfolio on quality businesses with a competitive advantage, strong returns on invested capital and resilient balance sheets. This has delivered a satisfactory portfolio performance despite not being in some of the more cyclical sectors of the market which have rebounded more recently as investors look for value in previously underperforming sectors, such as travel.

AFIC's portfolio was up 15.2% for the six months to 31 December 2020 compared with the S&P/ASX 200 Accumulation Index, which was up 13.7% 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 6 month period were Commonwealth Bank, BHP, Mainfreight, Xero, Wesfarmers, James Hardie Industries, ARB Corporation and Reece.

Portfolio Adjustments

Portfolio turnover was lower during the past six months than in previous periods. Repositioning of the portfolio in prior years has produced an increased weighting toward our preferred companies with little need for extensive adjustments. At 31 December 2020, there were 61 companies in the portfolio.

Having taken advantage of the large market falls in March and April 2020 to participate in selected capital raisings, further volatility during the past six months has provided opportunities to add to holdings in Woolworths, CSL and ASX. The purchase of Sydney Airport stock was through the participation in their entitlement issue. Two new companies were also added: Fineos, a software business for insurance, and Nanosonics, a medical device company.

Major sales included the complete disposal of South32, reduction of the holding in Alumina and a trimming of the holdings in Oil Search and Cleanaway Waste Management. Other sales included a reduction in James Hardie Industries, as the share price ran up very strongly through the period, and National Australia Bank, as the share price made strong gains following its capital raising in May 2020.

Outlook

The immediate course of the pandemic remains uncertain as does the outlook for corporate earnings and dividends. The longevity and effectiveness of monetary policy and fiscal stimulus appear to remain key to underlying economic conditions, as does the potential effectiveness of Coronavirus vaccines moving into the new calendar year. While equity markets are continuing to be heavily influenced by low interest rates, and with valuations for many companies at a high point, any negative sentiment could produce significant volatility. We believe the portfolio is well positioned for the long term should this occur. AFIC has sufficient funds available should good buying opportunities arise in the second half of the financial year during any market weakness.

Please direct any enquiries to:

Mark Freeman
Managing Director
(03) 9225 2122

Geoff Driver
General Manager
(03) 9225 2102

20 January 2021

MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions	Cost (\$'000)
Woolworths Group	25,158
Fineos Corporation	20,998
Sydney Airport (1 for 5.15 entitlement offer)	18,986
Nanosonics	18,518
CSL	15,071
ASX	14,808

Disposals	Proceeds (\$'000)
South32 [#]	35,848
Alumina	22,869
Oil Search	21,471
James Hardie Industries	18,949
Cleanaway Waste Management	17,961
National Australia Bank	15,456

[#] Complete disposal from the portfolio.

New Companies Added to the Investment Portfolio

Fineos Corporation
Nanosonics

TOP 25 INVESTMENTS AS AT 31 DECEMBER 2020

Includes investments held in both the Investment and Trading Portfolios.

Valued at closing prices at 31 December 2020

		Total Value \$ million	% of portfolio
1	Commonwealth Bank of Australia	648.7	8.1%
2	CSL	615.7	7.7%
3	* BHP Group	590.6	7.4%
4	Wesfarmers	371.5	4.7%
5	Transurban Group	322.9	4.1%
6	Westpac Banking Corporation	301.1	3.8%
7	Macquarie Group	300.4	3.8%
8	* National Australia Bank	271.5	3.4%
9	Woolworths Group	249.2	3.1%
10	* Rio Tinto	227.3	2.9%
11	Mainfreight	211.9	2.7%
12	Australia and New Zealand Banking Group	192.7	2.4%
13	Amcor	177.9	2.2%
14	* James Hardie Industries	175.4	2.2%
15	* Sydney Airport	163.9	2.1%
16	Telstra Corporation	162.4	2.0%
17	Brambles	128.7	1.6%
18	Coles Group	128.2	1.6%
19	Xero	127.8	1.6%
20	Goodman Group	126.4	1.6%
21	Sonic Healthcare	119.1	1.5%
22	Ramsay Health Care	119.1	1.5%
23	Seek	118.7	1.5%
24	Reece	117.7	1.5%
25	ResMed	110.3	1.4%
		6,079.1	
As % of Total Portfolio Value (excludes Cash)		76.3%	

* Indicates that options were outstanding against part of the holding

PORTFOLIO PERFORMANCE TO 31 DECEMBER 2020

PERFORMANCE MEASURES TO 31 DECEMBER 2020	6 MONTHS	1 YEAR	5 YEARS %PA	10 YEARS %PA
PORTFOLIO RETURN – NET ASSET BACKING RETURN INCLUDING DIVIDENDS REINVESTED	14.1%	4.1%	7.9%	7.6%
S&P/ASX 200 ACCUMULATION INDEX	13.2%	1.4%	8.7%	7.8%

PORTFOLIO RETURN – NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS REINVESTED*	15.2%	5.8%	9.8%	9.5%
S&P/ASX 200 GROSS ACCUMULATION INDEX*	13.7%	2.4%	10.2%	9.4%

* 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

**HALF-YEAR REPORT
31 DECEMBER 2020**

COMPANY PARTICULARS

Australian Foundation Investment Company Limited ("AFIC")

ABN 56 004 147 120

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

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

DIRECTORS' REPORT

The Directors present their report in relation to the half-year to 31 December 2020 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.E. Barker (appointed October 2001)
R.P. Dee-Bradbury (appointed May 2019)
G.R. Liebelt (appointed June 2012)
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

The Company maintains a diversified portfolio of equity and similar securities, predominantly in entities listed on the Australian Securities Exchange. 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 \$84.1 million, down 42% from the previous corresponding period. The decrease was predominantly due to a fall in dividends received as a consequence of the coronavirus pandemic and the governmental and economic reaction to it.

The net profit per share for the six months to 31 December 2020 was 6.9 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 14.1% compared to the return of the S&P/ASX 200 Accumulation Index for the same period which was 13.2%. AFIC's portfolio return is calculated after management fees, income tax and capital gains tax on realised sales of investments and does not reflect the value of franking credits or LIC credits attached to the dividends. Index returns for the market do not include the impact of management expenses and tax on their performance.

During the half-year 6.4 million shares were issued under the DRP and the DSSP resulting in an additional \$35.1 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
20 January 2021



Auditor's Independence Declaration

As lead auditor for the review of Australian Foundation Investment Company Limited for the half-year ended 31 December 2020, 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
20 January 2021

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Half-year 2020 \$'000	Half-year 2019 \$'000
Dividends and distributions		93,837	153,929
Revenue from deposits and bank bills		95	1,109
Other revenue		2,278	2,423
Total revenue		96,210	157,461
Net gains/(losses) on trading portfolio		(1,009)	6,628
Income from operating activities	3	95,201	164,089
Finance & related costs		(1,122)	(462)
Administration expenses		(5,958)	(6,276)
Profit before income tax expense		88,121	157,351
Income tax expense		(3,987)	(11,250)
Profit for the half-year		84,134	146,101
Profit is attributable to :			
Equity holders (members) of Australian Foundation Investment Company Ltd		83,664	145,709
Minority Interest		470	392
		84,134	146,101
		Cents	Cents
Basic earnings per share	8	6.89	12.10

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Half-Year to 31 December 2020			Half-Year to 31 December 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit for the half-year	84,134	-	84,134	146,101	-	146,101
Other Comprehensive Income						
<i>Items that will not be recycled through the Income Statement</i>						
Gains for the period on equity securities in the investment portfolio	-	908,353	908,353	-	219,411	219,411
Deferred tax on above	-	(274,013)	(274,013)	-	(68,366)	(68,366)
Total other comprehensive income ¹	-	634,340	634,340	-	151,045	151,045
Total comprehensive income ²	84,134	634,340	718,474	146,101	151,045	297,146

¹ Net capital income not accounted for through the Income Statement

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

	Half-Year to 31 December 2020			Half-Year to 31 December 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Comprehensive Income is attributable to:						
Equity holders of Australian Foundation Investment Company Ltd	83,664	634,340	718,004	145,709	151,045	296,754
Minority Interest	470	-	470	392	-	392
	84,134	634,340	718,474	146,101	151,045	297,146

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

	Note	31 Dec 2020 \$'000	30 June 2020 \$'000
Current assets			
Cash		103,222	111,318
Receivables		6,545	17,347
Trading portfolio	4	2,157	4,304
Tax refund due		3,802	-
Total current assets		115,726	132,969
Non-current assets			
Investment portfolio		7,969,157	7,117,970
Deferred tax assets		4,119	872
Total non-current assets		7,973,276	7,118,842
Total assets		8,089,002	7,251,811
Current liabilities			
Payables		1,427	884
Tax payable		-	30,771
Provisions		3,402	4,765
Total current liabilities		4,829	36,420
Non-current liabilities			
Provisions		667	1,375
Deferred tax liabilities - investment portfolio	5	1,253,986	973,499
Total non-current liabilities		1,254,653	974,874
Total liabilities		1,259,482	1,011,294
Net Assets		6,829,520	6,240,517
Shareholders' equity			
Share Capital	6	2,982,328	2,947,243
Revaluation Reserve		2,795,749	2,166,030
Realised Capital Gains Reserve		343,563	397,712
General Reserve		23,637	23,637
Retained Profits		683,151	705,273
Parent Entity Interest		6,828,428	6,239,895
Minority Interest		1,092	622
Total equity		6,829,520	6,240,517

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 2020

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

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. 2019 (CONT)

Attributable to members of Australian Foundation Investment
Company Ltd

Half-Year to 31 December 2019	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	General Reserve \$'000	Retained Profits \$'000	Total Parent Entity \$'000	Minority Interest \$'000	Total \$'000
Total equity at the beginning of the half-year		2,888,136	2,561,314	462,257	23,637	688,244	6,623,588	1,158	6,624,746
Dividends paid	7	-	-	(58,625)	-	(105,525)	(164,150)	-	(164,150)
Shares issued - Dividend Reinvestment Plan		34,407	-	-	-	-	34,407	-	34,407
Other Share Capital Adjustments		(76)	-	-	-	-	(76)	-	(76)
Total transactions with shareholders		34,331	-	(58,625)	-	(105,525)	(129,819)	-	(129,819)
Profit for the half-year		-	-	-	-	145,709	145,709	392	146,101
<i>Other Comprehensive Income for the half-year</i>									
Net gains for the period on equity securities in the investment portfolio		-	151,045	-	-	-	151,045	-	151,045
Other Comprehensive Income for the half-year			151,045	-	-	-	151,045	-	151,045
Transfer to Realised Capital Gains Reserve of net cumulative losses on investments sold		-	5,188	(5,188)	-	-	-	-	-
Total equity at the end of the half-year		2,922,467	2,717,547	398,444	23,637	728,428	6,790,523	1,550	6,792,073

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 2020

	Half-year 2020 \$'000 INFLOWS/ (OUTFLOWS)	Half-year 2019 \$'000 INFLOWS/ (OUTFLOWS)
Cash flows from operating activities		
Sales from trading portfolio	12,258	34,371
Purchases for trading portfolio	(687)	(19,572)
Interest received	95	1,117
Dividends and distributions received	93,509	159,880
	<u>105,175</u>	<u>175,796</u>
Other receipts	2,279	2,419
Administration expenses	(7,938)	(7,230)
Finance costs paid	(1,122)	(462)
Taxes paid	(12,036)	(3,723)
Net cash inflow/(outflow) from operating activities	<u>86,358</u>	<u>166,800</u>
Cash flows from investing activities		
Sales from investment portfolio	213,667	249,671
Purchases for investment portfolio	(156,502)	(294,272)
Taxes paid on capital gains	(22,648)	(20,101)
Net cash inflow/(outflow) from investing activities	<u>34,517</u>	<u>(64,702)</u>
Cash flows from financing activities		
Share issue costs	(80)	(76)
Dividends paid	(128,891)	(129,427)
Net cash inflow/(outflow) from financing activities	<u>(128,971)</u>	<u>(129,503)</u>
Net increase/(decrease) in cash held	(8,096)	(27,405)
Cash at the beginning of the half-year	111,318	206,429
Cash at the end of the half-year	<u>103,222</u>	<u>179,024</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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 2020 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 2020 and 31 December 2019 were as follows:

	2020	2019
	\$	\$
Net tangible asset backing per share		
Before Tax	6.64	6.63
After Tax	5.61	5.63

(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 ending 31 December 2020 – 10.6% (2019 : investment in Commonwealth Bank : 11.1%).

3. Income from operating activities

Half-year 2020 \$'000	Half-year 2019 \$'000
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Income from operating activities is comprised of the following:

Dividends & distributions

• securities held in investment portfolio	93,764	153,929
• securities held in trading portfolio	73	-
	<u>93,837</u>	<u>153,929</u>

Interest income

• deposits and income from bank bills	95	1,109
	<u>95</u>	<u>1,109</u>

Net gains/(losses) and write downs

• net gains from trading portfolio sales	263	4,827
• unrealised gains/(losses) in trading portfolio	(1,272)	1,801
	<u>(1,009)</u>	<u>6,628</u>

Administration fees received from other Listed Investment Companies

2,176	2,201
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Expenses recovered from other Listed Investment Companies

38	136
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Other expenses recovered

64	65
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Sundry Income

-	21
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<u>95,201</u>	<u>164,089</u>
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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 \$87.2 million (30 June 2020: \$32.0 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 \$1,254.0 million (30 June 2020 : \$973.5 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
01/07/2020	Opening Balance		1,210,364		2,947,243
01/09/2020	Dividend Reinvestment Plan	i	5,582	6.30	35,165
01/09/2020	Dividend Substitution Share Plan	ii	776	6.30	n/a
Various	Other Share Capital adjustments		-		(80)
31/12/2020	Balance		<u>1,216,722</u>		<u>2,982,328</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 2020 \$'000	Half-year 2019 \$'000
Dividends (fully franked) paid during the period (excluding DSSP shares)	164,556 (14 cents per share)	164,150 (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 23 February 2021, but not recognised as a liability at the end of the half-year is

121,672

8. Earnings per Share

Half-year
2020

Half-year
2019

	Number	Number
Weighted average number of ordinary shares used as the denominator	1,214,545,486	1,204,301,645
	\$'000	\$'000
Profit after tax for the half-year attributable to members of the Company	83,664	145,709
	Cents	Cents
Basic earnings per share	6.89	12.10

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 2020 to the date of this report there has been no event specific to the Group of which the Directors are aware which has had a material effect on the Group or its financial position.

10. Contingencies

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

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 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 2020 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
20 January 2021

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

Report on the half-year financial report

We have reviewed the accompanying 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 2020, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, and the notes to the financial statements and the directors' declaration.

Directors' responsibility 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2020 and 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*. As the auditor of Australian Foundation Investment Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

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Conclusion

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

1. giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'Nadia Carlin'.

Nadia Carlin
Partner

Melbourne
20 January 2021