



Appendix 4D Statement
for the Half Year Ending
31 December 2022



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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 2022 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 2022 with the prior corresponding period being the half year ended 31 December 2021.

The results have been reviewed by the Company's auditors.

- > Profit after tax was \$163.7 million (up 12.2% on the previous corresponding period's \$146.0 million).
- > Profit after tax attributable to members was \$163.5 million (up 12.0% on the previous corresponding period's \$146.0 million).
- > Revenue from operating activities was \$178.1 million, up \$16.3 million or 10.1% from the previous corresponding period. This excludes capital gains on investments.
- > The interim dividend is 11 cents per share, fully franked, an increase from 10 cents last year. The dividend will be paid on 24 February 2023 to ordinary shareholders on the register on 3 February 2023 and the shares are expected to commence trading on an ex-dividend basis on 2 February 2023. 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 **2.5% discount** to the Volume Weighted Average Price of the Company's shares traded on the ASX and Cboe automated trading systems over the five trading days from when the shares trade ex-dividend. The last date for the receipt of an election notice for participation in the DRP & DSSP is 5.00 pm (Melbourne time) on 6 February 2023.
- > The final dividend for the 2022 financial year was 14 cents per share (fully franked), and it was paid to shareholders on 30 August 2022.
- > 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 2022 were \$6.90, down from \$7.76 at 31 December 2021 (both before allowing for any announced dividends).

Interim dividend lifted 10% to 11 cents per share Half Year Report to 31 December 2022

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. AFIC's management expense ratio is 0.13% (annualised) with no additional fees.

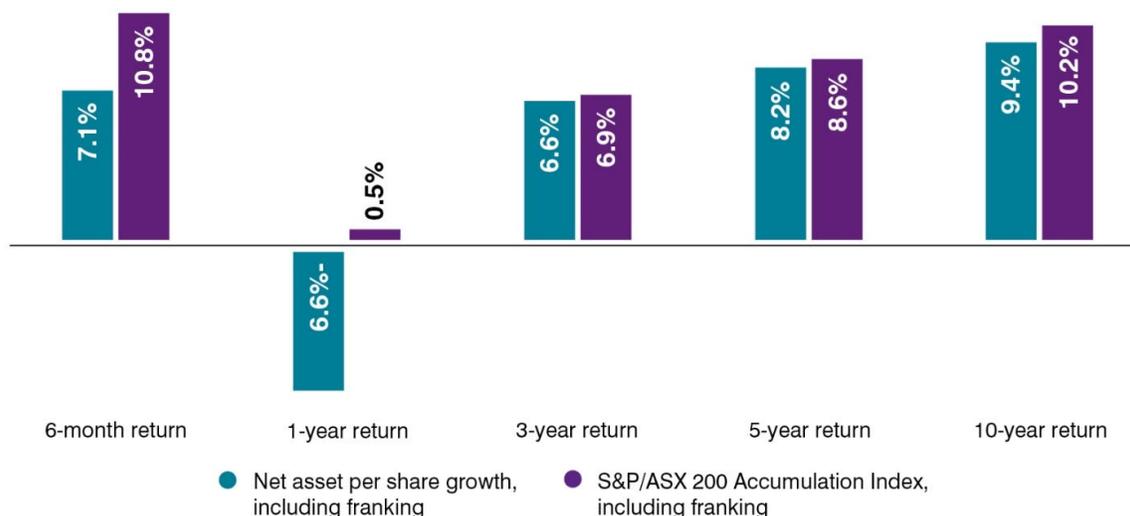
Half Year Profit was \$163.7 million following on from the recovery in dividend income. In the corresponding period last year, Half Year Profit was \$146.0 million.

Investment income for the six months to 31 December 2022 was \$174.0 million, up from \$159.4 million in the corresponding period last year. There was an increase in dividends across several holdings, with the biggest increases coming from Woodside Energy Group, Transurban, Mainfreight, Santos, National Australia Bank and Commonwealth Bank of Australia. JB Hi-Fi and Mirvac Group, along with an increased holding in BHP, also provided an uplift in dividend income.

The interim dividend for the half year is 11 cents per share fully franked, an increase of 1 cent per share from the previous corresponding period of 10 cents per share fully franked.

Short term portfolio performance was impacted by adjustments in the market resulting from rising interest rates which produced a fall in the share price of many quality companies in the portfolio which had been trading at very robust valuations. These companies are core holdings for the portfolio and have contributed strongly to long term portfolio performance. Geopolitical events also produced strong returns in the more cyclical stocks such as energy and utilities, where AFIC is generally underweight given its long term investment focus. Portfolio return for the half year was 7.1%, including franking. The return for the S&P/ASX 200 Accumulation Index was 10.8% including franking. Over 10 years, the corresponding figures are positive 9.4% per annum for AFIC and positive 10.2% per annum for the Index. AFIC's performance returns are after costs.

Portfolio return (including the full benefit of franking) to 31 December 2022.



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

Market Commentary and Portfolio Performance

The S&P/ASX 200 Accumulation Index including the benefit of franking, rose 10.8% in the six months to 31 December 2022, led by strength in the Materials, Energy and Banking sectors, with the strength in the Materials sector supported by the announcement that China would reopen from COVID-19 lockdowns. Supply chain challenges, resulting in sharply higher coal prices and the ongoing invasion of the Ukraine by Russia, drove the strength in the Energy sector. Over the period, banks delivered solid operating results with productivity gains offsetting emerging cost inflation.

AFIC's portfolio had a return of 7.1% including franking for the six months to 31 December 2022, with the largest drag on relative performance being the decline in the valuation of many high-quality companies from their previous very high levels. This included positions in ARB, James Hardie Industries, Mainfreight and Transurban, which have delivered very strong returns over the past five years. We remain convinced about the prospects for these companies despite the recent decline in share prices. All of these companies have a long track record of excellent financial discipline delivering strong shareholder returns. The underweight position in resources, which includes energy and lithium stocks also negatively impacted relative performance.

Companies in the portfolio that contributed strongly to returns through the six-month period were Commonwealth Bank, BHP, Westpac Banking Corporation, CSL and Wesfarmers.

AFIC is an investor with a long term focus. Ten-year portfolio return figures to 31 December 2022 are 9.4% versus 10.2% 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

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 cost increases.

We increased our holdings in BHP, Santos, Mirvac Group, Goodman Group, Seek, EQT Holdings and Woolworths at attractive prices. We consider long term prospects for all these companies remain strong. BHP will be a beneficiary of increased demand for iron ore as the China economy reopens while Santos predominantly produces LNG, a key transition fuel as the world's energy needs move to more renewable sources.

We recently initiated a position in Breville Group, which is a kitchen appliance company operating premium brands in the cooking, beverage and food preparation categories. The business was founded in 1932, maintains a heavy focus on product innovation and has very strong global distribution which should provide for further profit growth. Breville Group has a long history of excellent financial discipline delivering strong returns for shareholders.

We exited Orica and Reliance Worldwide considering long term prospects for these companies will be increasingly challenged as competitive intensity increases.

Outlook

The outlook for economic activity remains uncertain with subdued consumer and business sentiment and persistent cost inflation leading to higher operating costs for most companies. Expectations are that interest rates will increase in the near term with the quantum and timing of rate increases remaining unclear.

Our strategy of owning a diversified portfolio of quality companies well positioned 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 like AFIC which is focussed on a company's long term prospects to deliver earnings and dividend growth.

Please direct any enquiries to:

Mark Freeman Managing Director (03) 9225 2101	Geoff Driver General Manager (03) 9225 2102
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23 January 2023



Major Transactions in the Investment Portfolio

Acquisitions	Cost (\$'000)
BHP	92,406
Santos	19,094
Mirvac Group	15,619
Breville Group	14,938
Goodman Group	13,111

Disposals	Proceeds (\$'000)
Orica*	39,045
Carsales.com	28,228
Ramsay Health Care	25,053
NEXTDC	20,905
Amcor	20,509

*Complete disposal from the portfolio.

New Companies Added to the Portfolio

Breville Group

Top 25 Investments at 31 December 2022

Includes investments held in both the investment and trading portfolios.

Value at Closing Prices at 30 December 2022

		Total Value \$ Million	% of the Portfolio
1	Commonwealth Bank of Australia	810.5	9.6%
2	BHP	747.1	8.9%
3	CSL	682.4	8.1%
4	Macquarie Group	373.9	4.4%
5	Transurban Group	373.7	4.4%
6	Westpac Banking Corporation	363.0	4.3%
7	Wesfarmers	338.4	4.0%
8	National Australia Bank*	334.9	4.0%
9	Woolworths Group	246.8	2.9%
10	Rio Tinto	216.8	2.6%
11	Woodside Energy Group*	206.0	2.4%
12	Mainfreight	205.7	2.4%
13	ANZ Group Holdings	200.8	2.4%
14	Telstra Group	194.2	2.3%
15	Amcor	184.3	2.2%
16	Goodman Group	167.6	2.0%
17	Coles Group	150.9	1.8%
18	ResMed	147.1	1.7%
19	James Hardie Industries	143.2	1.7%
20	Carsales.com*	138.1	1.6%
21	Reece	106.6	1.3%
22	Sonic Healthcare	99.5	1.2%
23	Santos*	99.4	1.2%
24	ASX	97.4	1.2%
25	Computershare	95.1	1.1%
Total		6,723.6	

As percentage of total portfolio value (excludes cash)

79.9%

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

Portfolio Performance to 31 December 2022

Performance Measures to 31 December 2022	6 Months	1 Year	3 Years % pa	5 Years % pa	10 Years % pa
Portfolio Return – Net Asset Backing Return Including Dividends Reinvested	6.2%	-8.0%	5.0%	6.4%	7.6%
S&P/ASX 200 Accumulation Index	9.8%	-1.1%	5.5%	7.1%	8.7%
Portfolio Return – Net Asset Backing Gross Return Including Dividends Reinvested*	7.1%	-6.6%	6.6%	8.2%	9.4%
S&P/ASX 200 Gross Accumulation Index*	10.8%	0.5%	6.9%	8.6%	10.2%

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

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



**AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY
LIMITED**

ABN 56 004 147 120

**HALF-YEAR REPORT
31 DECEMBER 2022**

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
Rebecca P. Dee-Bradbury
Craig M. Drummond
Julie A. Fahey
Graeme R. Liebelt
David A. Peever
Catherine M. Walter AM
R. Mark Freeman, Managing Director

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

Auditor: PricewaterhouseCoopers, Chartered Accountants

Country of incorporation: Australia

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

Contact Details: Mail Address: Level 21, 101 Collins St., Melbourne, Victoria 3000
Telephone : (03) 9650 9911
Facsimile: (03) 9650 9100
Email: invest@afi.com.au
Internet address: afi.com.au

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

Telephone: 1800 780 784 (toll free)

Share Registrar: Computershare Investor Services Limited
Mail Address: GPO Box 2975, Melbourne, Victoria 3001
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067
AFIC Shareholder enquiry lines : 1300 662 270 (Aus)
0800 333 501 (NZ)
+613 9415 4373 (from overseas)
Facsimile: (03) 9473 2500
Internet: www.investorcentre.com/contact

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

Securities Exchange Codes:

AFI Ordinary shares (ASX and NZX)

DIRECTORS' REPORT

The Directors present their report in relation to the half-year to 31 December 2022 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, retired October 2022)
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 \$163.7 million, up 12.2% from the previous corresponding period.

The net profit per share for the six months to 31 December 2022 was 13.25 cents per share with an interim dividend declared of 11 cents per share fully-franked, an increase of 1 cent on the previous corresponding period.

The portfolio return for the 6 months (measured by change in net asset backing per share plus dividends reinvested) was 6.2% compared to the return of the S&P/ASX 200 Accumulation Index for the same period which was 9.8%. 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 5.7 million shares were issued under the DRP and the DSSP resulting in an additional \$36.9 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 written in a cursive style.

J. Paterson
Chairman
Melbourne
23 January 2023



Auditor's Independence Declaration

As lead auditor for the review of Australian Foundation Investment Company Limited for the half-year ended 31 December 2022, 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 'Kate L Logan'.

Kate L Logan
Partner
PricewaterhouseCoopers

Melbourne
23 January 2023

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	Half-year 2022 \$'000	Half-year 2021 \$'000
Dividends and distributions		173,974	159,415
Revenue from deposits and bank bills		1,297	8
Other revenue		2,819	2,344
Total revenue		178,090	161,767
Net gains/(losses) on trading portfolio		2,890	(1,035)
Income from operating activities	3	180,980	160,732
Finance & related costs		(612)	(401)
Administration expenses		(8,249)	(9,155)
Profit before income tax expense		172,119	151,176
Income tax expense		(8,377)	(5,198)
Profit for the half-year		163,742	145,978
Profit is attributable to :			
Equity holders (members) of Australian Foundation Investment Company Ltd		163,467	145,968
Minority Interest		275	10
		163,742	145,978
		Cents	Cents
Basic earnings per share	8	13.25	11.92

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Half-Year to 31 December 2022			Half-Year to 31 December 2021		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit for the half-year	163,742	-	163,742	145,978	-	145,978
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	-	346,925	346,925	-	435,861	435,861
Tax on above	-	(106,905)	(106,905)	-	(132,974)	(132,974)
Total other comprehensive income ¹	-	240,020	240,020	-	302,887	302,887
Total comprehensive income ²	163,742	240,020	403,762	145,978	302,887	448,865

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 2022			Half-Year to 31 December 2021		
	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	163,467	240,020	403,487	145,968	302,887	448,855
Minority Interest	275	-	275	10	-	10
	163,742	240,020	403,762	145,978	302,887	448,865

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022

	31 Dec 2022	30 June 2022
Note	\$'000	\$'000
Current assets		
Cash	128,263	144,619
Receivables	10,721	36,598
Trading portfolio	4	4,979
Total current assets	138,984	186,196
Non-current assets		
Investment portfolio	8,419,930	8,082,513
Deferred tax assets	1,454	-
Total non-current assets	8,421,384	8,082,513
Total assets	8,560,368	8,268,709
Current liabilities		
Payables	1,651	28,688
Trading portfolio	4	-
Borrowings – bank debt	10,000	10,000
Tax payable	14,610	62,567
Provisions	4,074	6,114
Total current liabilities	31,072	107,369
Non-current liabilities		
Provisions	99	896
Deferred tax liabilities - other	-	503
Deferred tax liabilities - investment portfolio	5	1,169,452
Total non-current liabilities	1,264,046	1,170,851
Total liabilities	1,295,118	1,278,220
Net Assets	7,265,250	6,990,489
Shareholders' equity		
Share Capital	6	3,070,163
Revaluation Reserve	2,750,219	2,556,466
Realised Capital Gains Reserve	438,294	510,503
General Reserve	23,637	23,637
Retained Profits	944,711	828,634
Parent Entity Interest	7,263,889	6,989,403
Minority Interest	1,361	1,086
Total equity	7,265,250	6,990,489

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 2022

Attributable to members of Australian Foundation Investment Company
Ltd

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DEC. 2021 (CONT)

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

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 2022

	Half-year 2022 \$'000	Half-year 2021 \$'000
	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Cash flows from operating activities		
Sales from trading portfolio	16,354	13,403
Purchases for trading portfolio	(7,749)	(1,200)
Interest received	1,297	8
Dividends and distributions received	198,482	171,034
	208,384	183,245
Other receipts	2,817	2,353
Administration expenses	(10,949)	(10,534)
Finance costs paid	(612)	(401)
Taxes paid	(2,834)	(7,187)
Net cash inflow/(outflow) from operating activities	196,806	167,476
Cash flows from investing activities		
Sales from investment portfolio	225,943	311,559
Purchases for investment portfolio	(244,045)	(354,976)
Taxes paid on capital gains	(66,560)	(13,944)
Net cash inflow/(outflow) from investing activities	(84,662)	(57,361)
Cash flows from financing activities		
Proceeds from borrowing	-	10,000
Share issue costs	(49)	(82)
Dividends paid	(128,451)	(128,136)
Net cash inflow/(outflow) from financing activities	(128,500)	(118,218)
Net increase/(decrease) in cash held	(16,356)	(8,103)
Cash at the beginning of the half-year	144,619	97,122
Cash at the end of the half-year	128,263	89,019

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 2022

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 2022 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 2022 and 31 December 2021 were as follows:

	2022	2021
	\$	\$
Net tangible asset backing per share		
Before Tax	6.90	7.76
After Tax	5.88	6.43

(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 2022 – 21.1% (2021 : 22.7%).

3. Income from operating activities	Half-year 2022 \$'000	Half-year 2021 \$'000
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Income from operating activities is comprised of the following:

Dividends & distributions		
• securities held in investment portfolio	173,974	159,342
• securities held in trading portfolio	-	73
	<u>173,974</u>	<u>159,415</u>
Interest income		
• deposits and income from bank bills	1,297	8
	<u>1,297</u>	<u>8</u>
Net gains/(losses) and write downs		
• net gains from trading portfolio sales	1,673	106
• unrealised gains/(losses) in trading portfolio	1,217	(1,141)
	<u>2,890</u>	<u>(1,035)</u>
Administration fees received from other Listed Investment Companies	2,602	2,285
Expenses recovered from other Listed Investment Companies	180	8
Other expenses recovered	37	51
	<u>180,980</u>	<u>160,732</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 \$108.7 million (30 June 2022: \$21.4 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 \$1,263.9 million (30 June 2022 : \$1,169.5 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
01/07/2022	Opening 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
Various	Other Share Capital adjustments		-		(49)
31/12/2022	Balance		<u>1,235,625</u>		<u>3,107,028</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 & Cboe automated trading systems in the five days from the day the shares begin trading on an ex-dividend basis.
- ii The Company has a Dividend Substitution Share Plan under which some shareholders elected to forego all or part of their dividend payment and receive shares instead. Pricing of the new DSSP shares was done on the same basis as the DRP.
- iii The Company introduced an on-market Buy-Back Programme in December 2000. This plan remains active. No shares were bought back during the period.

7. Dividends	Half-year 2022 \$'000	Half-year 2021 \$'000
Dividends (fully franked) paid during the period (excluding DSSP shares)	165,866 (14 cents per share)	165,339 (14 cents per share)

Dividends not recognised at period end

Since the end of the half-year the Directors have declared an interim dividend of 11 cents per share, fully franked. The aggregate amount of the proposed interim dividend expected to be paid on 24 February 2023, but not recognised as a liability at the end of the half-year is

135,919

8. Earnings per Share	Half-year 2022	Half-year 2021
	Number	Number
Weighted average number of ordinary shares used as the denominator	1,233,729,034	1,224,280,994
	\$'000	\$'000
Profit after tax for the half-year attributable to members of the Company	163,467	145,968
	Cents	Cents
Basic earnings per share	13.25	11.92

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 2022 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 2022 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
23 January 2023



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 2022, 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 2022 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 2022 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 cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

Kate L Logan
Partner

Melbourne
23 January 2023