

Appendix 4D

Half Year Report

for the half year ended 30 June 2019



Results for announcement to the market

All comparisons for the half year ended 30 June 2018 (unless specified for 31 December 2018)

Future Generation
Investment Company Limited
ABN 97 063 935 553

| | UP/DOWN | % MVMT | \$'000 |
|--|---------|---------|--------|
| Revenue from ordinary activities | down | (28.7%) | 21,984 |
| Profit from ordinary activities before tax | down | (32.0%) | 19,340 |
| Net profit from ordinary activities after tax | down | (25.6%) | 15,596 |
| Total comprehensive income for the period | up | 132.2% | 41,507 |

| Dividend information | Cents per share | Franked amount per share | Tax rate for franking |
|---------------------------------------|-----------------|--------------------------|-----------------------|
| 2019 interim dividend cents per share | 2.4 | 2.4 | 30% |
| 2018 final dividend cents per share | 2.3 | 2.3 | 30% |

Dividend dates

| | |
|----------------------------|-----------------|
| Ex-dividend date | 11 October 2019 |
| Record date | 14 October 2019 |
| Last election date for DRP | 16 October 2019 |
| Payment date | 25 October 2019 |

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) is in operation and the recommended fully franked interim dividend of 2.4 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be calculated as the VWAP (volume weighted average market price) of shares sold on the ASX (on an ex-dividend basis) four trading days from the ex-dividend date, inclusive of the ex-dividend date. The DRP will operate without a discount for the 2019 interim dividend.

| Net Tangible Assets (NTA) | 30 JUN 2019 | 31 DEC 2018 |
|---------------------------|---------------|---------------|
| NTA (after tax) per share | \$1.21 | \$1.13 |

Future Generation
Investment Company Limited

Financial Report

For the half year
ended 30 June 2019

ABN: 97 063 935 553



Future
Generation
Australia

INVESTMENT & SOCIAL RETURNS

Future Generation Investment Company Limited

The Company's primary investment objectives are to provide shareholders with an increasing stream of fully franked dividends, achieve long-term capital growth and preserve shareholder capital.

Chairman

Jonathan Trollip

Directors

Caroline Gurney
Stephanie Lai
David Leeton
David Paradise AO
Gabriel Radzynski
Kate Thorley
Geoff Wilson AO

Joint Company Secretaries

Mark Licciardo
Elizabeth McGregor

Investment Committee

Geoff Wilson AO (Chairman)
John Coombe
Matthew Kidman
Gabriel Radzynski
David Smythe
Bruce Tomlinson

Chief Executive Officer

Louise Walsh

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

Level 26, Governor Phillip Tower,
1 Farrer Place, Sydney NSW 2000

Contact Details

Postal Address: GPO Box 4658
Sydney NSW 2001

T: (02) 9247 9202
F: (02) 9247 6855
E: info@futuregeninvest.com.au
W: futuregeninvest.com.au

Australian Securities Exchange

Future Generation Investment
Company Ordinary Shares (FGX)

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

T: (02) 9290 9600

F: (02) 9279 0664

For enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan and Dividend Donation Plan) and related matters, please contact the share registry.



Future Generation Semi-Annual Shareholder Presentations

Sydney

Tuesday 19 November 2019

12.15pm – 1.15pm
The Westin Sydney
1 Martin Place
Sydney NSW 2000

To be streamed live on our website futuregeninvest.com.au

Canberra

Monday 18 November 2019

12.15pm – 1.15pm
Hotel Realm
18 National Circuit
Canberra ACT 2600

Brisbane

Thursday 21 November 2019

12.15pm – 1.15pm
Hilton Hotel
190 Elizabeth Street
Brisbane QLD 4000

Hobart

Monday 25 November 2019

12.15pm – 1.15pm
Hotel Grand Chancellor
1 Davey Street
Hobart TAS 7000

Perth

Tuesday 26 November 2019

12.15pm – 1.15pm
The Westin
480 Hay Street
Perth WA 6000

Adelaide

Wednesday 27 November 2019

12.15pm – 1.15pm
Hilton Hotel
233 Victoria Square
Adelaide SA 5000

Melbourne*

Thursday 28 November 2019

12.15pm – 1.15pm
Grand Hyatt
123 Collins Street
Melbourne VIC 3000

*The Future Generation Investment Forum will be held from 1.45pm – 3.15pm on 28 November in Melbourne.



Contents

| | |
|-------------------------------------|----|
| Directors' Report to Shareholders | 1 |
| Auditor's Independence Declaration | 4 |
| Statement of Comprehensive Income | 5 |
| Statement of Financial Position | 6 |
| Statement of Changes in Equity | 7 |
| Statement of Cash Flows | 8 |
| Notes to the Financial Statements | 9 |
| Directors' Declaration | 15 |
| Independent Auditor's Review Report | 16 |

Director's Report to Shareholders

For the half year ended 30 June 2019

The Directors present their report together with the financial report of Future Generation Investment Company Limited (Future Generation Australia or the Company) for the half year ended 30 June 2019.

Directors

The following persons were Directors of the Company during the financial period and up to the date of this report:

- Jonathan Trollip, Chairman
- David Leeton, Non-Executive Director
- David Paradise AO, Non-Executive Director
- Gabriel Radzynski, Non-Executive Director
- Kate Thorley, Non-Executive Director
- Geoff Wilson AO, Non-Executive Director
- Caroline Gurney, Non-Executive Director (appointed 27 March 2019)
- Stephanie Lai, Non-Executive Director (appointed 27 March 2019)
- Scott Malcolm, Non-Executive Director (resigned 23 May 2019).

Principal activity

The principal activity of the Company is to invest in funds managed by a number of prominent Australian equity fund managers with a focus on long-only, long/short and alternative investment strategies while also contributing to Australian children and youth at risk charities.

The Company invests its capital with fund managers who have agreed to provide their services for 0.0% management fees and 0.0% performance fees. The pro bono support of these fund managers, as well as the pro bono support of various service providers allows the Company to donate 1.0% of its average monthly net assets each year to Australian charities with a focus on children and youth at risk.

There was no change in the nature of the activity of the Company during the period and no change is likely in the future.

Operating and financial review

For the six month period ended 30 June 2019, the Company reported an operating profit before tax of \$19.3 million (2018: \$28.4 million) and profit after tax of \$15.6 million (2018: \$21.0 million). The Company's operating profit for the period reflects the level of distribution income received from the investments with the underlying fund managers.

The net result after tax and net unrealised and realised gains on investments for the period was \$41.5 million, representing a 132.2% increase on the prior period (2018: \$17.9 million). The increase is reflective of the solid absolute return of the investment portfolio and the growth in assets over the period. The investment portfolio increased 13.6% in the six months to 30 June 2019, while the S&P/ASX Small Ordinaries Accumulation Index rose 16.8% and the S&P/ASX All Ordinaries Accumulation Index increased 19.8%. Since inception, the investment portfolio has increased 9.2% per annum, outperforming the S&P/ASX All Ordinaries Accumulation Index. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.5% versus the Index's 11.0%.

The operating profit and other comprehensive income for the period includes the distribution income received from underlying fund managers, in addition to the unrealised gains arising as a result of the changes in the market value of the investments held with the underlying fund managers. The level of distribution income received and the movement in the market value of the investments can add to or reduce operating profit and other comprehensive income in each period respectively. Because of this treatment under the Accounting Standards, this can cause large variations in reported operating profit and other comprehensive income between periods.

Director's Report to Shareholders

For the half year ended 30 June 2019

Operating and financial review (continued)

The operating profit and other comprehensive income is important to understand with context to the overall performance of equity markets in any given period. Given the potential variability, we believe the more appropriate measures of the financial results for the period are the investment portfolio performance, the change in net tangible assets (NTA) and fully franked dividends, together with total shareholder return (TSR).

Future Generation Australia's NTA before tax increased 12.9% for the six months to 30 June 2019, including the 2.3 cents per share fully franked final dividend paid to shareholders during the period. The charitable investment accrual of 0.5% (1.0% per annum) and corporate tax payments of 0.1% were the major items of difference between the investment portfolio performance of 13.6% and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Company related expenses of 0.1% also contributed to the change in value of the assets during the period.

The NTA before tax as at 30 June 2019 amounted to \$1.23 per share (December 2018: \$1.11). The NTA after tax was \$1.21 per share (December 2018: \$1.13). These figures are after the 2.3 cents per share fully franked final dividend paid to shareholders during the period.

TSR shows the tangible return to shareholders, being the change in the share price together with dividends, assuming the dividends are reinvested during the period. The TSR for Future Generation Australia for the six month period to 30 June 2019 was impacted by the decline in the share price premium to NTA and resulting discount at the end of the period. As at 30 June 2019, the share price discount to NTA was 4.9% (December 2018: premium of 5.9%). This was offset by the solid investment portfolio performance, with TSR decreasing 1.5%. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

During the period, the Company was provided with capacity and invested in the Firetrail High Conviction Fund and partially redeemed its holding in the Tribeca Alpha Plus Fund.

At the date of this report, the investment portfolio is made up of 20 fund managers with investments in 24 unlisted unit trusts.

The Future Generation Australia investment portfolio has been structured to provide diversification between three broad equity strategies: long equities, absolute bias and market neutral, with the remainder held in cash. As at 30 June 2019, the portfolio was 45.7% long equities, 30.8% absolute bias, 12.1% market neutral and 11.4% cash.

The Company will pay its fifth annual investment in October 2019. The charitable investment of \$4.6 million will be made in Australian charities with a focus on children and youth at risk, bringing the total investment since inception to \$16.6 million.

Fund managers and service providers

We would like to thank the fund managers and service providers for their outstanding generosity throughout the period. This generosity has allowed the Company to support its designated charities and other not for profit organisations. The value of the fund managers' forgone management and performance fees for the half year period ended 30 June 2019 totalled \$2.8 million (June 2018: \$3.2 million) and the estimated value of the service providers working for the Company on a pro bono basis totalled \$0.4 million (June 2018: \$0.3 million). Currently we estimate the value of this pro bono support to be approximately \$6.4 million per annum, and at 1.3% of the net assets of the Company, these savings to shareholders exceed the annual investment in charities.

Director's Report to Shareholders

For the half year ended 30 June 2019

After balance sheet date events

Since the end of the period, the Company has declared a fully franked interim dividend of 2.4 cents per share to be paid on 25 October 2019.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Rounding of amounts

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar, unless otherwise stated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* in relation to the review for the half year is set out on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors.



Jonathan Trollip

Chairman

Dated in Sydney this 29th day of August 2019

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF FUTURE GENERATION INVESTMENT COMPANY LIMITED
ABN 97 063 935 553**

In relation to the independent auditor's review for the half-year ended 30 June 2019, I declare that to the best of my knowledge and belief there have been:

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



S S WALLACE
Partner

PITCHER PARTNERS
Sydney

29 August 2019

Statement of Comprehensive Income

For the half year ended 30 June 2019

| | NOTE | JUNE 2019 \$'000 | JUNE 2018 \$'000 |
|---|------|---------------------|---------------------|
| Investment income from ordinary activities | | | |
| Distributions received | | 19,698 | 28,101 |
| Investment management and performance fee rebates | 2 | 1,891 | 2,656 |
| Interest income | | 395 | 94 |
| | | 21,984 | 30,851 |
| Expenses | | | |
| ASX listing fees | | - | - |
| Share registry maintenance costs | | - | - |
| Directors' fees | | - | - |
| Accounting fees | | - | - |
| Charity investment accrual | 3 | (2,355) | (2,164) |
| Share registry transaction costs | | (41) | (44) |
| Executive remuneration | | (55) | (55) |
| Other expenses | | (110) | (134) |
| ASIC industry funding levy | | (35) | - |
| Audit fees | | (28) | (13) |
| ASX CHESS fees | | (13) | (13) |
| Amortisation expense | | (2) | (2) |
| Tax fees | | (5) | (2) |
| | | (2,644) | (2,427) |
| Profit before income tax | | 19,340 | 28,424 |
| Income tax expense | | (3,744) | (7,449) |
| Profit after income tax for the period attributable to members | | 15,596 | 20,975 |
| Other comprehensive income | | | |
| <i>Items that will not be classified to profit or loss</i> | | | |
| Net unrealised and realised gains/(losses) on investments taken to equity, net of tax | | 25,911 | (3,102) |
| Other comprehensive income/(loss) for the period, net of tax | | 25,911 | (3,102) |
| Total comprehensive income for the period | | 41,507 | 17,873 |
| Basic and diluted earnings per share | | 3.93 cents | 5.98 cents |

The accompanying notes form part of these half year financial statements.

Statement of Financial Position

As at 30 June 2019

| | NOTE | JUNE 2019 \$'000 | DECEMBER 2018 \$'000 |
|---|------|---------------------|-------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 56,001 | 47,265 |
| Trade and other receivables | | 18,020 | 2,118 |
| Other current assets | | 13 | 27 |
| Total current assets | | 74,034 | 49,410 |
| Non-current assets | | | |
| Financial assets at fair value through other comprehensive income | 7 | 419,459 | 393,151 |
| Deferred tax assets | | 1,592 | 7,847 |
| Intangible assets | | 1 | 2 |
| Total non-current assets | | 421,052 | 401,000 |
| Total assets | | 495,086 | 450,410 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 71 | 139 |
| Charity investment accrual | 3 | 4,595 | 2,240 |
| Current tax liabilities | | 3,436 | 262 |
| Total current liabilities | | 8,102 | 2,641 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 5,739 | - |
| Total non-current liabilities | | 5,739 | - |
| Total liabilities | | 13,841 | 2,641 |
| Net assets | | 481,245 | 447,769 |
| Equity | | | |
| Issued capital | 5(a) | 438,125 | 437,037 |
| Investment reserves | 6(a) | 9,366 | (16,545) |
| Profits reserve | 6(a) | 37,535 | 31,058 |
| Accumulated losses | 6(b) | (3,781) | (3,781) |
| Total equity | | 481,245 | 447,769 |

The accompanying notes form part of these half year financial statements.

Statement of Changes in Equity

For the half year ended 30 June 2019

| | NOTE | ISSUED CAPITAL \$'000 | INVESTMENT RESERVES \$'000 | PROFITS RESERVE \$'000 | ACCUMULATED LOSSES \$'000 | TOTAL EQUITY \$'000 |
|---|------|-----------------------------|----------------------------------|------------------------------|---------------------------------|---------------------------|
| Balance at 1 January 2018 | | 383,451 | 20,629 | 23,634 | (3,781) | 423,933 |
| Net profit for the period | | - | - | - | 20,975 | 20,975 |
| Transfer to profits reserve | | - | - | 20,975 | (20,975) | - |
| Other comprehensive loss, net of tax | | - | (3,102) | - | - | (3,102) |
| Transactions with owners: | | | | | | |
| Shares issued via Dividend Reinvestment Plan | | 900 | - | - | - | 900 |
| Dividends paid | 4 | - | - | (7,714) | - | (7,714) |
| Balance at 30 June 2018 | | 384,351 | 17,527 | 36,895 | (3,781) | 434,992 |
| Balance at 1 January 2019 | | 437,037 | (16,545) | 31,058 | (3,781) | 447,769 |
| Net profit for the period | | - | - | - | 15,596 | 15,596 |
| Transfer to profits reserve | 6(a) | - | - | 15,596 | (15,596) | - |
| Other comprehensive income, net of tax | | - | 25,911 | - | - | 25,911 |
| Transactions with owners: | | | | | | |
| Shares issued via Dividend Reinvestment Plan | | 1,095 | - | - | - | 1,095 |
| Share issue costs (net of tax) | | (7) | | | | (7) |
| Dividends paid | 4 | - | - | (9,119) | - | (9,119) |
| Balance at 30 June 2019 | | 438,125 | 9,366 | 37,535 | (3,781) | 481,245 |

The accompanying notes form part of these half year financial statements.

Statement of Cash Flows

For the half year ended 30 June 2019

| | NOTE | JUNE 2019 \$'000 | JUNE 2018 \$'000 |
|---|------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Interest received | | 400 | 112 |
| Distribution income received | | - | 692 |
| Rebate income received | | 47 | 44 |
| Income tax (paid)/refunded | | (145) | 156 |
| Payments for other expenses | | (361) | (230) |
| Net cash (used in)/provided by operating activities | | (59) | 774 |
| Cash flows from investing activities | | | |
| Proceeds from sale of financial assets | | 21,755 | 19,189 |
| Payments for financial assets | | (5,000) | (20,000) |
| Net cash provided by/(used in) investing activities | | 16,755 | (811) |
| Cash flows from financing activities | | | |
| Dividends paid to the Company's shareholders, (net of Dividend Reinvestment Plan and Dividend Donation Plan) | | (7,950) | (6,813) |
| Cost of raising capital (gross of tax) | | (10) | - |
| Net cash used in financing activities | | (7,960) | (6,813) |
| Net increase/(decrease) in cash and cash equivalents | | 8,736 | (6,850) |
| Cash and cash equivalents at the beginning of the period | | 47,265 | 9,796 |
| Cash and cash equivalents at the end of the period | | 56,001 | 2,946 |
| Non-cash investing and financing activities | | | |
| Distributions and rebate income reinvested | | 5,579 | 10,160 |
| Shares issued via Dividend Reinvestment Plan | | 1,095 | 900 |

The accompanying notes form part of these half year financial statements.

Notes to the Financial Statements

For the half year ended 30 June 2019

1. Summary of significant accounting policies

These interim financial statements and notes for the half year represent those of Future Generation Investment Company Limited (Future Generation Australia or the Company).

The half year financial report was authorised for issue on 29 August 2019 by the Board of Directors.

Basis of preparation

These interim financial statements for the half year reporting period ended 30 June 2019 are general purpose financial statements and have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The interim financial statements of the Company also comply with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Financial Report for the year ended 31 December 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Except for cashflow information, the interim financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

In accordance with ASIC Corporations (rounding in financial reports) Instrument 2016/191, the amounts in the financial report have been rounded to the nearest thousand dollar, or in certain cases, the nearest dollar, unless otherwise stated.

There are no new and revised accounting requirements significantly affecting the half year financial statements. The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 31 December 2018 Annual Financial Report.

2. Investment income from ordinary activities

As at 30 June 2019, the investment portfolio was made up of 20 fund managers with investments in 24 unlisted unit trusts.

Where available, the Company has invested in unit classes that have zero management and performance fees. The unit trusts with a zero fee unit class are the Bennelong Long Short Equity Fund, LHC Capital Australia High Conviction Fund, ARCO Investment Management Absolute Trust, Vinva Australian Equities Fund, L1 Capital Australian Equities Fund, QVG Opportunities Fund, Firetrail Absolute Return Fund and the Firetrail Australian High Conviction Fund.

The aggregated value of management and performance fees forgone by the unit trusts with a zero fee unit class for the six months ended 30 June 2019 was \$0.9 million (June 2018: \$0.5 million).

The remaining investments are made in unit trusts with fund managers that normally charge management and performance fees. These fund managers have rebated the fees charged. The aggregate value of management and performance fees rebated to the Company was \$1.9 million for the six months ended 30 June 2019 (June 2018: \$2.7 million).

The estimated value of the other pro bono services provided to the Company for the six months ended 30 June 2019, including the Board and Investment Committee working on a pro bono basis, totalled \$0.4 million (June 2018: \$0.3 million).

Notes to the Financial Statements

For the half year ended 30 June 2019

3. Charity investment

In line with the Company's stated objectives, the Company invests a percentage of its assets in Australian charities with a focus on children and youth at risk. The investment is accrued monthly and is equal to 1.0% of the Company's average monthly net assets. All investments are made to charities with Deductible Gift Recipient (DGR) status. The contribution represents a tax deduction for the Company.

For the six months ended 30 June 2019, the amount recognised in the Statement of Comprehensive Income was \$2.4 million (June 2018: \$2.2 million).

As at 30 June 2019, the 12 month accrued commitment is \$4.6 million (June 2018: \$4.3 million). The Company will pay its fifth annual investment in October 2019. The charitable investment of \$4.6 million will be made in Australian charities focused on children and youth at risk, bringing the total investment since inception to \$16.6 million. The specific allocation to each charity will be determined by shareholder votes and directions, with the Board distributing undirected monies on a pro-rata basis between the designated charities.

4. Dividends

a) Ordinary dividends paid during the period

| | JUNE 2019 \$'000 | JUNE 2018 \$'000 |
|--|---------------------|---------------------|
| 2018 Final dividend: 2.3 cents per share fully franked at 30% paid 26 April 2019 (2017 Final dividend: 2.2 cents per share fully franked at 30% paid 27 April 2018) | 9,119 | 7,714 |

b) Dividends not recognised during the period

| | JUNE 2019 \$'000 | JUNE 2018 \$'000 |
|---|---------------------|---------------------|
| Since the end of the half year, the Directors have declared an interim fully franked dividend of 2.4 cents per share payable on 25 October 2019 (2018 Interim dividend: 2.3 cents per share fully franked) | 9,535 | 8,081 |

5. Issued capital

a) Paid-up capital

| | JUNE 2019 \$'000 | DECEMBER 2018 \$'000 |
|---|---------------------|-------------------------|
| 397,295,489 ordinary shares fully paid (December 2018: 396,348,525) | 438,125 | 437,037 |

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings; otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of the winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

Notes to the Financial Statements

For the half year ended 30 June 2019

5. Issued capital (continued)

b) Movements in ordinary share capital

| | JUNE 2019 \$'000 | DECEMBER 2018 \$'000 |
|---|---------------------|-------------------------|
| Balance at the beginning of the period | 437,037 | 383,451 |
| 946,964 shares issued on 26 April 2019 under a Dividend Reinvestment Plan | 1,095 | - |
| 773,203 shares issued on 27 April 2018 under a Dividend Reinvestment Plan | - | 900 |
| 835,455 shares issued on 26 October 2018 under a Dividend Reinvestment Plan | - | 1,056 |
| 38,064,589 shares issued on 26 November 2018 under a Placement | - | 44,916 |
| 6,096,984 shares issued on 3 December 2018 under a Share Purchase Plan | - | 7,194 |
| Cost of raising capital (net of tax) | (7) | (480) |
| At reporting date | 438,125 | 437,037 |

6. Reserves and accumulated losses

a) Reserves

| | JUNE 2019 \$'000 | DECEMBER 2018 \$'000 |
|---|---------------------|-------------------------|
| Reserves | | |
| Investment portfolio revaluation reserve | 9,178 | (18,416) |
| Investment portfolio realised gains reserve | 188 | 1,871 |
| Profits reserve | 37,535 | 31,058 |
| Total reserves | 46,901 | 14,513 |

The profits reserve is made up of amounts transferred from current period profits which are preserved for future dividend payments. The investment portfolio revaluation reserve is used to record increments and decrements on the revaluation of the equity investments at fair value through other comprehensive income, net of potential tax. The investment portfolio realised gains reserve records gains or losses arising from the disposal of equity investments at fair value through other comprehensive income, that are designated on capital account for taxation purposes.

Notes to the Financial Statements

For the half year ended 30 June 2019

6. Reserves and accumulated losses (continued)

MOVEMENTS:

| | JUNE 2019 \$'000 | DECEMBER 2018 \$'000 |
|---|---------------------|-------------------------|
| Investment portfolio revaluation reserve | | |
| Opening balance | (18,416) | 19,218 |
| Net unrealised gain/(loss) – net of tax | 27,594 | (37,634) |
| At reporting date | 9,178 | (18,416) |

Investment portfolio realised gains reserve

| | | |
|---------------------------------------|------------|--------------|
| Opening balance | 1,871 | 1,411 |
| Net realised (loss)/gain – net of tax | (1,683) | 460 |
| At reporting date | 188 | 1,871 |

Profits reserve

| | | |
|---------------------------------------|---------------|---------------|
| Opening balance | 31,058 | 23,634 |
| Transfer from retained earnings | 15,596 | 23,221 |
| Final dividend paid (refer Note 4(a)) | (9,119) | (7,714) |
| Interim dividend paid | - | (8,083) |
| At reporting date | 37,535 | 31,058 |

b) Accumulated losses

Movements in accumulated losses were as follows:

| | JUNE 2019 \$'000 | DECEMBER 2018 \$'000 |
|-----------------------------|---------------------|-------------------------|
| Accumulated losses | | |
| Opening balance | (3,781) | (3,781) |
| Net profit for the period | 15,596 | 23,221 |
| Transfer to profits reserve | (15,596) | (23,221) |
| At reporting date | (3,781) | (3,781) |

Notes to the Financial Statements

For the half year ended 30 June 2019

7. Fair value measurements

The Company measures and recognises financial assets at fair value through other comprehensive income (FVTOCI) on a recurring basis. The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

I) RECOGNISED FAIR VALUE MEASUREMENTS

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2019 on a recurring basis:

| | LEVEL 1 \$'000 | LEVEL 2 \$'000 | LEVEL 3 \$'000 | TOTAL \$'000 |
|----------------------------|-------------------|-------------------|-------------------|-----------------|
| At 30 June 2019 | | | | |
| Financial assets at FVTOCI | - | 419,459 | - | 419,459 |
| At 31 December 2018 | | | | |
| Financial assets at FVTOCI | - | 393,151 | - | 393,151 |

There were no transfers between levels for recurring fair value measurements during the period.

II) DISCLOSED FAIR VALUES

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

III) VALUATION TECHNIQUES USED TO DETERMINE FAIR VALUES

Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The Board of Directors value the Company's investments in unlisted unit trusts using the unit prices derived from the unaudited net asset backing of the unlisted unit trusts managed by prominent Australian equity fund managers at the end of the period. These unlisted unit trusts are subject to an independent annual audit.

8. Segment information

The Company is engaged in investing activities including cash, term deposits and investments in underlying funds managed by prominent Australian equity fund managers. It has no reportable business or geographical segment.

Notes to the Financial Statements

For the half year ended 30 June 2019

9. Contingencies

There were no contingent liabilities for the Company at 30 June 2019 (December 2018: nil).

10. Commitments

The Company invests a percentage of its assets in Australian charities with a focus on children and youth at risk. The investment is accrued monthly and is expected to be equal to 1.0% of the Company's average monthly net assets. As at 30 June 2019, the 12 month accrued commitment is \$4.6 million (December 2018: \$2.2 million).

The Company will pay its fifth annual investment in October 2019. The charitable investment of \$4.6 million will be made in Australian charities focused on children and youth at risk, bringing the total investment since inception to \$16.6 million. The specific allocation to each charity will be determined by shareholder votes and directions, with the Board distributing undirected monies on a pro-rata basis between the designated charities.

11. Events occurring after the reporting period

Since the end of the period, the Board declared a fully franked interim dividend of 2.4 cents per share to be paid on 25 October 2019.


No other matters or circumstances have arisen since the end of the period which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

Directors' Declaration

The Directors of Future Generation Investment Company Limited declare that:

1. The half year financial report, as set out in pages 5 to 14, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position of the Company as at 30 June 2019 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



Jonathan Trollip
Chairman

Dated in Sydney this 29th day of August 2019

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF FUTURE GENERATION INVESTMENT COMPANY LIMITED
ABN 97 063 935 553**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Future Generation Investment Company Limited ("the company"), which comprises the statement of financial position as at 30 June 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes 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 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 *Corporation Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2019 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 Future Generation Investment Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the 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*.

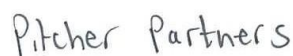
Conclusion

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 Future Generation Investment Company Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



S S WALLACE
Partner



PITCHER PARTNERS
Sydney

29 August 2019

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