AUSTRALIAN FOUNDATION INVESTMENT COMPANY

Income, Capital Growth, Low Cost

Appendix 4E Statement for the Full-Year Ending 30 June 2024

Contents

These documents comprise the preliminary final report given to ASX under listing rule 4.3A

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

Results for Announcement to the Market

The reporting period is the year ended 30 June 2024, with the prior corresponding period being the year ended 30 June 2023.

This report is based on financial statements that are in the process of being audited.

Results for Announcement to the Market

> Net Profit was $296.4 million, down 4.4% from the prior year.

> Net Profit attributable to members (excluding minority interests) was $296.2 million, down 4.4% from the prior year.

> Revenue from operating activities was $334.4 million, down 2.8% from the prior year.

> The Management Expense Ratio (“MER”) calculated as the net expenses of managing the Company as a percentage of the average value of its investments including cash over the year, was 0.15% for the year (2023: 0.14%).

> Net tangible assets as at 30 June 2024, before allowing for the final dividend and before the provision for deferred tax on unrealised gains in the investment portfolio were $7.88 per share (2023: $7.19).

> A fully-franked final dividend of 14.5 cents per share, an increase of 0.5 cents per share on last year’s final dividend, will be paid on 30 August 2024 to shareholders on the register on 15 August 2024. The shares are expected to trade ex-dividend on 14 August 2024. There is no conduit foreign income component of the dividend.

> NZ 4.0 cents of the final dividend carries a New Zealand imputation credit.

> The Board has elected to source 4.5 cents per share of the final dividend from capital gains, on which the Group has paid or will pay tax. The amount of this pre-tax attributable gain, equals 6.43 cents per share. This enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.

> The interim dividend of 11.5 cents per share (up from 11 cents in the previous corresponding period) was paid to shareholders on 26 February 2024.

> The total dividend for the financial year is therefore 26 cents per share, fully franked, up from 25 cents per share fully franked last year.

> A Dividend Reinvestment Plan (DRP) and Dividend Substitution Share Plan (DSSP) are available, the price will be set at a **nil 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 after the shares trade ex-dividend. Notices of participation in the DRP and DSSP need to be received by the share registry by 5pm (AEST) on 16 August 2024. All shares issued under the DRP and DSSP will rank equally with existing shares.

> The Company will be providing a briefing on these results via a webcast for shareholders on Monday 29 July 2024 at 3.30pm (AEST). Details are on the website afi.com.au.

> The 2024 AGM will be held at 10 am on Thursday 3 October. Further details on how to participate will be sent to shareholders.

AFIC Increases Final Dividend, Portfolio Outperforms in Strong Markets.

Full Year Report to 30 June 2024

AFIC's investment focus is on a diversified portfolio of Australian equities, seeking to provide attractive dividend 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 0.15% with no additional fees.

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

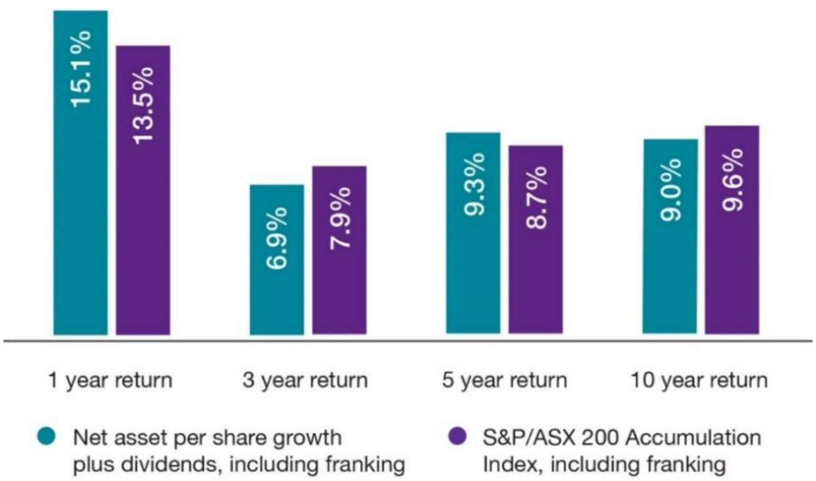
Earnings per share for the financial year were 23.75 cents per share. The final dividend was increased to 14.5 cents per share fully franked, bringing total fully franked dividends applicable for the year to 26.0 cents per share, an increase of 4.0% from the previous financial year's total fully franked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

Activity in the portfolio was focused primarily on recycling capital into existing holdings by trimming some positions where companies were trading at extreme valuations during the year and selling positions where companies in our assessment are facing significant structural industry challenges and competition.

The portfolio returned 15.1% for the financial year in comparison to the S&P/ASX 200 Accumulation Index return of 13.5% when the benefit of franking is included for both returns. This relative outperformance was driven by key holdings in the portfolio with the strongest contributors being CAR Group, Goodman Group, Wesfarmers, Reece, Netwealth and ARB Corporation. The ongoing underweight exposure to the mid cap resources sector which was down 25.7% over the financial year also supported this outperformance.

Note AFIC on occasion incurs realised capital gains tax on the sale of shares. Not all the franking generated from these realised capital gains is paid out as dividends and is therefore not included in these performance figures.

Portfolio return (including the full benefit of franking) – per annum to 30 June 2024



AFIC's performance figures are after costs.

Past performance is not indicative of future performance.

Market Commentary and Portfolio Performance

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

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

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

Portfolio Adjustments

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

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

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

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

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

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

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

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

International Portfolio

We have continued to successfully manage the global portfolio (within the AFIC portfolio) over the period. This portfolio was first initiated in May 2021. Given we have been trialling this portfolio for over 3 years we are considering the most appropriate next steps for this initiative, including the options for establishing a separate low-cost global investment company in the future. AFIC has invested a total of $103.7million of shareholder capital in the global portfolio, which is valued at $147.5 million as at 30 June, 2024. At current value, the global portfolio represents about 1.5% of the overall AFIC portfolio.

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

Gross returns in Australian dollars to 30 June 2024

	1 year % pa	Since Inception % pa
AFIC Global Portfolio	23.0%	14.1%
Benchmark	19.9%	12.7%
Differential	**3.1%**	**1.4%**

Source: Northern Trust.

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

Outlook

Economic conditions remain unpredictable with a broad range of potential outcomes.

There are signs emerging that consumer confidence is softening with persistent inflation and higher interest rates. In this context while economic growth in Australia currently remains sound, it could conceivably soften in the more immediate term.

Corporate earnings have so far proved resilient. Following a strong run in the equity market since November 2023, the market's tolerance for earnings disappointment is not anticipated to be high, with current market valuations trading above long term averages and at extreme levels for a number of companies.

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

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

Please direct any enquiries to:

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29 July 2024

Major Transactions in the Investment Portfolio

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

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

* Complete disposal from the portfolio.

New Companies Added to the Portfolio

Mineral Resources

Ampol

Region Group

Macquarie Technology Group

Top 25 Investments at 30 June 2024

Includes investments held in both the investment and trading portfolios.

Value at Closing Prices at 28 June 2024

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

As percentage of total portfolio value (excludes cash)	**79.8%**

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

Portfolio Performance to 30 June 2024

Performance Measures to 30 June 2024	1 Year	3 Years % pa	5 Years % pa	10 Years % pa
Portfolio Return – Net Asset Backing Return Including Dividends Reinvested	13.5%	5.4%	7.7%	7.2%
S&P/ASX 200 Accumulation Index	12.1%	6.4%	7.3%	8.1%
Portfolio Return – Net Asset Backing Gross Return Including Dividends Reinvested*	15.1%	6.9%	9.3%	9.0%
S&P/ASX 200 Gross Accumulation Index*	13.5%	7.9%	8.7%	9.6%

* 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 (AFIC)

Consolidated Annual Financial Statements

30 June 2024

FINANCIAL STATEMENTS

Consolidated Income Statement for the Year Ended 30 June 2024

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

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

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2024

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

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

Total Comprehensive Income is attributable to :

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

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

Consolidated Balance Sheet as at 30 June 2024

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

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

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2024

Year Ended 30 June 2024	Note	Share Capital $'000	Revaluation Reserve $'000	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 year		**3,136,282**	**2,926,191**	**509,741**	**23,637**	**960,171**	**7,556,022**	**1,534**	**7,557,556**
Dividends paid to shareholders	A4	-	-	(83,588)	-	(221,551)	**(305,139)**	**-**	**(305,139)**
- Dividend Reinvestment Plan	D6	68,840	-	-	-	-	**68,840**	**-**	**68,840**
Other share capital adjustments		(172)	-	-	-	-	**(172)**	**-**	**(172)**
Total transactions with shareholders		**68,668**	**-**	**(83,588)**	**-**	**(221,551)**	**(236,471)**	**-**	**(236,471)**
Profit for the year		-	-	-	-	296,174	**296,174**	**239**	**296,413**
Other Comprehensive Income (net of tax)									
Net gains for the period		-	643,889	-	-	-	**643,889**	**-**	**643,889**
Other Comprehensive Income for the year		-	643,889	-	-	-	**643,889**	**-**	**643,889**
Transfer to Realised Capital Gains of cumulative gains on investments sold		-	(120,800)	120,800	-	-	**-**	**-**	**-**
Total equity at the end of the year		**3,204,950**	**3,449,280**	**546,953**	**23,637**	**1,034,794**	**8,259,614**	**1,773**	**8,261,387**

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

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2024 (continued)

Year Ended 30 June 2023	**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 year		**3,070,163**	**2,556,466**	**510,503**	**23,637**	**828,634**	**6,989,403**	**1,086**	**6,990,489**
Dividends paid to shareholders	A4	-	-	(118,476)	-	(178,226)	**(296,702)**	**-**	**(296,702)**
- Dividend Reinvestment Plan	D6	66,268	-	-	-	-	**66,268**	**-**	**66,268**
Other share capital adjustments		(149)	-	-	-	-	**(149)**	**-**	**(149)**
Total transactions with shareholders		**66,119**	**-**	**(118,476)**	**-**	**(178,226)**	**(230,583)**	**-**	**(230,583)**
Profit for the year		-	-	-	-	309,763	**309,763**	**448**	**310,211**
Other Comprehensive Income (net of tax)									
Net gains for the period		-	487,439	-	-	-	**487,439**	**-**	**487,439**
Other Comprehensive Income for the year		-	487,439	-	-	-	**487,439**	**-**	**487,439**
Transfer to Realised Capital Gains of cumulative gains on investments sold		-	(117,714)	117,714	-	-	**-**	**-**	**-**
Total equity at the end of the year		**3,136,282**	**2,926,191**	**509,741**	**23,637**	**960,171**	**7,556,022**	**1,534**	**7,557,556**

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

Consolidated Cash Flow Statement for the Year Ended 30 June 2024

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

For the purpose of the cash flow statement, 'cash' includes cash and deposits held at call.

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

Notes to the consolidated financial statements

A. Understanding AFIC's financial performance

A1. How AFIC manages its capital

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

AFIC recognises that its capital will fluctuate with market conditions. In order to manage those fluctuations, the Board may adjust the amount of dividends paid, issue new shares, buy back the Company's shares or sell assets.

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

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

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

A2. Investments held and how they are measured

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

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

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

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

How investments are shown in the financial statements

The accounting standards set out the following hierarchy for fair value measurement:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices, which can be observed either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liabilities that are not based on observable market data

All financial instruments held by AFIC are classified as Level 1 (other than the options sold by the Company which are Level 2). Their fair values are initially measured at the costs of acquisition and then remeasured based on quoted market prices at the end of the reporting period.

Net tangible asset backing per share

The Board regularly reviews the net asset backing per share both before and after provision for deferred tax on the unrealised gains in AFIC's long-term investment portfolio. Deferred tax is calculated as set out in note B2. The relevant amounts as at 30 June 2024 and 30 June 2023 were as follows:

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

Equity investments

The shares in the investment portfolio are designated under the accounting standards as financial assets measured at fair value through 'other comprehensive income' ("OCI"), because they are equity instruments held for long-term capital growth and dividend income, rather than to make a profit from their sale. This means that changes in the value of these shares during the reporting period are included in OCI in the Consolidated statement of comprehensive income. The cumulative change in value of the shares over time is then recorded in the Revaluation Reserve. On disposal, the amounts recorded in the revaluation reserve are transferred to the realisation reserve.

Securities sold and how they are measured

Where securities are sold from the investment portfolio, any difference between the sale price and the cost is transferred from the revaluation reserve to the realisation reserve and the amounts noted in the consolidated statement of changes in equity. This means the Company is able to identify the realised gains out of which it can pay a 'Listed Investment Company' (LIC) gain as part of the dividend, which conveys certain taxation benefits to many of AFIC's shareholders.

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

A3. Operating income

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

Dividends and Distributions	2024 $'000	2023 $'000
Income from securities held in investment portfolio at 30 June	316,100	328,188
Income from investment securities sold during the year	5,736	6,552
Income from securities held in trading portfolio at 30 June	-	-
Income from trading securities sold during the year	-	-
	321,836	**334,740**

Interest income		
Revenue from deposits and cash management trusts	**6,963**	**3,714**
Other revenue		
Administration fees	5,525	5,553
Other income	30	-
	5,555	**5,553**

Dividend income

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

Trading income

Net gains on the trading portfolio are set out below.

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

$170.1 million of shares are lodged with the ASX Clear Pty Ltd as collateral for sold option positions written by the Group (2023: $145.3 million). These shares are lodged with ASX Clear under the terms of ASX Clear Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Group's Investment Portfolio. If all call options were exercised, this would lead to the sale of $34.5 million worth of securities at an agreed price – the 'exposure' (2023: $155.8 million).

A4. Dividends paid

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

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

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

(c) New Zealand imputation account	2024 $'000	2023 $'000
(Figures in A$ at year-end exchange rate : 2024 : NZ1.097:$A1; 2023 : $NZ1.085:$A1)		
Opening balance	10,325	18,898
Imputation credits on dividends received	8,619	6,970
Imputation credits on dividends paid	-	(15,429)
Closing balance	**18,944**	**10,439**

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

(d) Dividends declared after balance date

Since the end of the year Directors have declared a final dividend of 14.5 cents per share fully franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2024 to be paid on 30 August 2024, but not recognised as a liability at the end of the financial year is: 181,478

(e) Listed Investment Company capital gain account	2024 $'000	2023 $'000
Balance of the Listed Investment Company (LIC) capital gain account at 1 July:	92,813	158,619
Capital gains (incl LIC gains received from dividends)	55,425	52,670
LIC gains paid as part of dividend	(83,588)	(118,476)
Balance at 30 June	64,650	92,813
This equates to an attributable gain of:	92,357	132,590

Distributed LIC capital gains may entitle certain shareholders to a deduction in their tax return, as set out in the dividend statement. LIC capital gains available for distribution are dependent on the disposal of investment portfolio holdings that qualify for LIC capital gains, or the receipt of LIC distributions from LIC securities held in the portfolios. $80.5 million attributable gain is attached to the final dividend to be paid on 30 August 2024.

A5. Earnings per share

The table below shows the earnings per share based on the profit for the year: Basic Earnings per share	2024 Number	2023 Number
Weighted average number of ordinary shares used as the denominator	1,247,196,831	1,236,299,822
	$'000	**$'000**
Profit for the year	296,174	309,763
	Cents	**Cents**
Basic earnings per share	23.75	25.06

B. Costs, Tax and Risk

B1. Management Costs

The total management expenses for the period are as follows:

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

Employee benefit expenses

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

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

Detailed remuneration disclosures are provided in the Remuneration Report.

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

B2. Tax

AFIC's tax position, and how it accounts for tax, is explained here. Detailed reconciliations of tax accounting to the financial statements can be found in note E2.

The income tax expense for the period is the tax payable on this financial year's taxable income, adjusted for any changes in deferred tax assets and liabilities attributable to temporary differences and for any unused tax losses. Deferred tax assets and liabilities (except for those related to the unrealised gains or losses in the investment portfolio) are offset, as all current and deferred taxes relate to the Australian Taxation Office and can legally be settled on a net basis.

A provision has been made for taxes on any unrealised gains or losses on securities valued at fair value through the Income Statement – i.e. the trading portfolio, puttable instruments and convertible notes that are classified as debt.

A provision also has to be made for any taxes that could arise on sale of securities in the investment portfolio, even though there is no intention to dispose of them. Where AFIC disposes of such securities, tax is calculated according to the particular parcels allocated to the sale for tax purposes, offset against any capital losses carried forward.

Tax expense

The income tax expense for the period is shown below:

(a) Reconciliation of income tax expense to prima facie tax payable

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

Deferred tax liabilities – investment portfolio

The accounting standards require us to recognise a deferred tax liability for the potential capital gains tax on the unrealised gain in the investment portfolio. This amount is shown in the Balance Sheet. However, the Board does not intend to sell the investment portfolio, so this tax liability is unlikely to arise at this amount. Any sale of securities would also be affected by any changes in capital gains tax legislation or tax rate applicable to such gains when they are sold.

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

B3. Risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

As a Listed Investment Company that invests in tradeable securities, AFIC can never be free of market risk as it invests its capital in securities which are not risk free – the market price of these securities will fluctuate.

A general fall in market prices of 5% and 10%, if spread equally over all assets in the investment portfolio, would have led to a reduction in AFIC's comprehensive income of $339.6 million and $679.2 million respectively, at a tax rate of 30% (2023: $306.2 million & $612.4 million).

AFIC seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Investment Committee and risk can be managed by reducing exposure where necessary. AFIC does not have a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

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

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

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

The writing of call options provides some protection against a fall in market prices as it generates income to partially compensate for a fall in capital values. Options are only written against securities that are held in the trading or the specific sub-section of the investment portfolio.

Interest Rate Risk

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. AFIC is exposed to credit risk from cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are overdue. The risk in relation to each of these items is set out below.

Cash

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

Receivables

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

Trading and investment portfolios

Converting and convertible notes or other interest-bearing securities that are not equity securities carry credit risk to the extent of their carrying value. This risk will be realised in the event of a shortfall on winding-up of the issuing companies. As at 30 June 2024, no such investments are held (2023 : Nil). AFIC engages a custodian, Northern Trust, to hold the shares that are in the sub-component of the investment portfolio that contains international shares. AFIC receives a GS007 report on Internal Controls for Custody, Investment Administration, Registry Monitoring and Related Information Technology Services from Northern Trust every 6 months.

Liquidity risk

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

AFIC monitors its cash-flow requirements daily. The Investment Committee also monitors the level of contingent payments on a regular basis by reference to known sales and purchases of securities, dividends and distributions to be paid or received, put options that may require AFIC to purchase securities, and facilities that need to be repaid. AFIC ensures that it has either cash or access to short-term borrowing facilities sufficient to meet these contingent payments.

AFIC's inward cash flows depend upon the dividends received. Should these drop by a material amount, AFIC would amend its outward cash-flows accordingly. AFIC's major cash outflows are the purchase of securities and dividends paid to shareholders, and both of these can be adjusted by the Board and management. Furthermore, the assets of AFIC are largely in the form of readily tradeable securities which can be sold on-market if necessary.

The table below analyses AFIC's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

30 June 2024	Less than 6 months	6-12 months	Greater than 1 year	Total contractual cash flows	Carrying Amount
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Payables	1,256	-	-	1,256	1,256
Borrowings	10,000	-	-	10,000	10,000
	11,256	**-**	**-**	**11,256**	**11,256**
Derivatives					
Options in trading portfolio*	-	-	-	-	-
	-	-	-	-	-

30 June 2023	Less than 6 months	6-12 months	Greater than 1 year	Total contractual cash flows	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Payables	1,268	-	-	1,268	1,268
Borrowings	10,000	-	-	10,000	10,000
	11,268	**-**	**-**	**11,268**	**11,268**
Derivatives					
Options in trading portfolio*	-	-	-	-	-
	-	-	-	-	-

* In the case of call options, there are no contractual cash flows as if the option is exercised the contract will be settled in the securities over which the option is written. The contractual cash flows for put options written are the cash sums the Company will pay to acquire securities over which the options have been written, and it is assumed for the purpose of the above disclosure that all options will be exercised (i.e. maximum cash outflow). There were no put options outstanding at 30th June 2024 or 30th June 2023.

C. Unrecognised items

C1. Contingencies

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

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

D Balance sheet reconciliations

E Income statement reconciliations

F Further information

D. Balance sheet reconciliations

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

D1. Current assets – cash

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

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

D2. Credit Facilities

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

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

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

D3. Revaluation reserve

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

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

D4. Realised capital gains reserve

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

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

D5. Retained profits

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

This reserve relates to past profits.

D6. Share capital

Movements in Share Capital

Date	Details	Notes	Number of shares '000	Issue price $	Paid-up Capital $'000
1/07/2022	Balance		1,229,906		3,070,163
30/08/2022	Dividend Reinvestment Plan	i	4,883	7.56	36,914
30/08/2022	Dividend Substitution Share Plan	ii	836	7.56	n/a
24/02/2023	Dividend Reinvestment Plan	i	4,027	7.29	29,354
24/02/2023	Dividend Substitution Share Plan	ii	697	7.29	n/a
Various	Costs of issue		-	-	(149)
30/06/2023	Balance		1,240,349		3,136,282
1/09/2023	Dividend Reinvestment Plan	i	5,280	7.03	37,121
1/09/2023	Dividend Substitution Share Plan	ii	920	7.03	n/a
26/02/2024	Dividend Reinvestment Plan	i	4,292	7.39	31,719
26/02/2024	Dividend Substitution Share Plan	ii	729	7.39	n/a
Various	Costs of issue		-	-	(172)
30/06/2024	Balance		**1,251,570**		**3,204,950**

i. Shareholders elect to have all or part of their dividend payment reinvested in new ordinary shares under the Dividend Reinvestment Plan (DRP). The price of the new DRP shares is based on the average selling price of shares traded on the Australian Securities Exchange & Cboe in the five days after the shares begin trading on an ex-dividend basis.

ii. The Group has a Dividend Substitution Share Plan (DSSP) whereby shareholders may elect to forgo a dividend and receive shares instead. Pricing for the DSSP shares is done as per the DRP shares.

iii. The Group has an on-market share buy-back programme. During the financial year, no shares were bought back (2023: Nil).

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

E. Income statement reconciliations

E1. Reconciliation of net cash flows from operating activities to profit

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

E2. Tax reconciliations

Tax expense composition

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

Amounts recognised directly through Other Comprehensive Income

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

Deferred tax assets & liabilities

The deferred tax balances are attributable to:

		2024 $'000	2023 $'000
(a)	Tax on unrealised gains or losses in the trading portfolio	(362)	(423)
(b)	Provisions and expenses charged to the accounting profit which are not yet tax deductible	1,856	1,929
(c)	Interest and dividend income receivable which is not assessable for tax until receipt	(2,731)	(2,336)
		(1,237)	**(830)**

Movements:

	2024	2023
Opening balance at 1 July	(830)	(503)
Credited/(charged) to Income statement	(407)	(327)
	(1,237)	**(830)**

Deferred tax assets and liabilities arise when provisions and expenses have been charged but are not yet tax deductible. These assets are realised when the relevant items become tax deductible, as long as enough taxable income has been generated to claim the assets against, and as long as there are no changes to the tax legislation that affect AFIC's ability to claim the deduction.

F. Further information

This section covers information that is not directly related to specific line items in the financial statements, including information about related party transactions, share-based payments, assets pledged as security and other statutory information.

F1. Related parties

All transactions with deemed related parties were made on normal commercial terms and conditions and approved by independent Directors.

(a) Arrangements with non-executive directors

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

(b) AICS transactions with minority interests

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

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

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

(c) AICS transactions with other Listed Investment Companies

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

Administration expenses charged for the year to Mirrabooka Investments Ltd	2,139	2,058
Administration expenses charged for the year to AMCIL Ltd	1,011	1,216

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

F2. Remuneration of auditors

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

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

F3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board, through its committees, has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

Description of segments

The Board makes the strategic resource allocations for AFIC. AFIC has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

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

Segment information provided to the Board

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

Other segment information

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

AFIC is domiciled in Australia and most of AFIC's income is derived from Australian entities or entities that maintain a listing in Australia. AFIC has a diversified portfolio of investments, with only 2 investments comprising more than 10% of AFIC's income – BHP 12.4% and CBA 10.6% (2023 1 investment : BHP (17.3%).

F4. Summary of other accounting policies

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

AFIC has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities
Cash	Cash & Cash Equivalents
Share Capital	Contributed Equity
Options	Derivatives written over equity instruments that are valued at fair value through Profit or Loss
Hybrids	Equity instruments that have some of the characteristics of debt

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

AFIC has not applied any Australian Accounting Standards or AASB Interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2024 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. AFIC only intends to adopt other inoperative standards at the date at which their adoption becomes mandatory.

Basis of accounting

The financial statements are prepared using the valuation methods described in A2. All other items have been treated in accordance with the historical cost convention.

Fair value of financial assets and liabilities

The fair value of cash and non-interest bearing monetary financial assets and liabilities of AFIC approximates their carrying value.

Convertible Notes

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

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

Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

(iii) Cash incentives

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

(iv) Share incentives

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

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

Administration fees

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

Operating leases

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

Rounding of amounts

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

F5. Performance Bond

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

F6. Share Incentive Arrangements

Share Incentive arrangements

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

(a) Incentive Plan

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

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

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

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

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

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

(b) Employee Share Acquisition Scheme (ESAS)

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

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

(c) Expenses arising from share based payment transactions

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

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

(d) Liability

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

F7. Principles of consolidation

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

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

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

F8. Subsidiaries

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

Name of entity	Country of Incorporation	Class of shares	Equity holding 2024	2023
Australian Investment Company Services Ltd	Australia	Ordinary	75%	75%

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

F9. Lease Commitments

The Group has entered into a non-cancellable operating lease for the use of its premises for 6 years with effect from 1 July 2022. Current commitments relating to leases at balance date, for the current lease (incl. GST), is:

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

F10. Parent Entity Financial Information

Summary financial information

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

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