

Future Generation
Investment Company Limited

Financial Report

For the half year
ended 30 June 2021

ABN: 97 063 935 553



Future
Generation
Australia

INVESTMENT & SOCIAL RETURNS

Future Generation Investment Company Limited

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 investing in charities focused on supporting young Australians at risk.

Chair

Jonathan Trollip

Directors

Caroline Gurney

Stephanie Lai

David Leeton

David Paradice AO

Gabriel Radzynimski

Kate Thorley

Geoff Wilson AO

Joint Company Secretaries

Jesse Hamilton

Mark Licciardo

Investment Committee

Geoff Wilson AO (Chair)

John Coombe

Matthew Kidman

Gabriel Radzynimski

David Smythe

Bruce Tomlinson

Acting Chief Executive Officer

Kate Thorley

Auditor

Pitcher Partners

Country of Incorporation

Australia

Registered Office

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

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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

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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.





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Directors' Report to Shareholders

For the half year ended 30 June 2021

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 2021.

Directors

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

- Jonathan Trollip, Chair
- Caroline Gurney, Non-Executive Director
- Stephanie Lai, Non-Executive Director
- David Leeton, Non-Executive Director
- David Paradise AO, Non-Executive Director
- Gabriel Radzyski, Non-Executive Director
- Kate Thorley, Non-Executive Director
- Geoff Wilson AO, Non-Executive Director

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 investing in charities focused on supporting young Australians at risk.

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 2021, the Company reported an operating profit before tax of \$64.8 million (2020 restated loss: \$38.3 million before tax) and an operating profit after tax of \$47.3 million (2020 restated loss: \$24.9 million after tax). The Company's operating profit was reflective of the solid investment portfolio performance over the period. The value of the investment portfolio increased \$67.8 million in the six-month period ended 30 June 2021 as the investment portfolio increased 12.8%. In the six-months to 30 June 2020, the value of the investment portfolio decreased \$35.7 million as the investment portfolio decreased 7.1%.

The operating profit for the period includes unrealised gains or losses arising from changes in the fair value of the investments held in the investment portfolio during the period. This movement in the fair value of investments can add to or reduce the realised gains and losses on the investment portfolio and other revenue from operating activities (such as dividend, interest and trust distribution income) in each period. This treatment under the Accounting Standards can cause large variations in reported operating profits between periods.

The operating profit or loss for each financial period is reflective of the underlying investment portfolio performance and is important to understand within the context of the overall performance of equity markets in any given period. As a result, 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).

[†]Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

Directors' Report to Shareholders

For the half year ended 30 June 2021

Operating and financial review (continued)

In the six-months to 30 June 2021, the investment portfolio increased 12.8%*, outperforming the S&P/ASX All Ordinaries Accumulation Index. The S&P/ASX All Ordinaries Accumulation Index increased 12.6% for the period. Since inception, the investment portfolio has increased 10.8%* per annum, outperforming the S&P/ASX All Ordinaries Accumulation Index by 2.0%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 11.5% versus the Index's 14.4%.

Future Generation Australia's NTA before tax increased 12.4% for the six-months to 30 June 2021, including the 2.6 cents per share fully franked final dividend paid to shareholders during the period. This increase is after the charitable investment accrual of 0.5% (1.0% per annum) and corporate tax refunded of 0.2 cents per share or 0.1% during the period in relation to the 2020 income tax return of the Company. The charitable investment accrual was the major item of difference between the investment portfolio performance of 12.8%* and the net tangible asset performance. Other company related expenses had a negligible impact, less than 0.1%, on the change in value of the assets during the period.

At 30 June 2021, corporate tax payable by the Company was \$9.6 million or 2.4 cents per share. When paid, the franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends.

The NTA before tax as at 30 June 2021 was \$1.46 per share (December 2020: \$1.32). The NTA after tax was \$1.36 per share (December 2020: \$1.27). These figures are after the 2.6 cents per share fully franked final dividend paid to shareholders during the period.

TSR is a measure that 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 2021 was driven by the solid investment portfolio performance during the period, offset by the slight increase in the share price discount to NTA. The TSR for Future Generation Australia for the period was 12.2%. As at 30 June 2021, the share price discount to NTA was 5.9% (December 2020: 5.5%). This measure is before the value of any franking credits distributed to shareholders through fully franked dividends.

At the date of this report, the investment portfolio is made up of 18 fund managers with investments in 22 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 2021, the portfolio was 46.6% long equities, 39.8% absolute bias, 6.8% market neutral and 6.8% cash.

The Company will deliver its seventh annual social investment in October 2021. The charitable investment of \$5.3 million will be made to our charity partners who work to support young Australians at risk, bringing the total social investment since inception to \$26.8 million.

*Investment portfolio performance is before expenses, fees and taxes to compare to the relevant index which is also before expenses, fees and taxes.

Directors' Report to Shareholders

For the half year ended 30 June 2021

Change in accounting policy

During the period, the Board reassessed the accounting classification of the investments held in managed funds with its pro bono fund managers, resulting in an increase in the Company's distributable profits reserve to shareholders and providing the Company with additional flexibility and capacity surrounding dividend and capital management decisions.

The Company had previously recorded and measured all investments at fair value through other comprehensive income. As a result, the change in the underlying value of these investments was recorded through other comprehensive income rather than the Company's operating profit (or loss) in each reporting period. After careful consideration, the Company has determined that it would be more appropriate for these investments to be recorded and measured through the Company's operating profit (or loss), or at fair value through profit or loss. The movement in the underlying value of the Company's investments will now be recognised as a component of operating profit (or loss) of the Company, instead of through other comprehensive income, in each period.

Importantly, there has been no change to the Company's net asset position as a result of this change in accounting policy. The revised accounting policy did not impact the reported amount of total comprehensive income or the carrying amount of investments held in managed funds. The change has only resulted in a reclassification of movements in the fair value of the investments held by the Company within the statement of comprehensive income itself, between other comprehensive income and the reported operating profit of the Company. The comparative information has been restated to align with the revised accounting policy, so that both the current year and prior year information is presented on a consistent and comparable basis.

Fund managers and service providers

Through their investment in Future Generation Australia, shareholders have unprecedented access to leading Australian fund managers and make a significant contribution towards a brighter future for children and youth at risk in Australia. This is made possible by the fund managers forgoing management and performance fees. Most service providers, Directors, the Audit and Risk Committee and the Investment Committee also work on a pro bono basis.

We would like to thank the fund managers and service providers for their outstanding and continued generosity throughout the period. This generosity has allowed the Company to support its designated charity partners 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 2021 totalled \$5.7 million (June 2020: \$2.1 million) and the estimated value of the service providers working for the Company on a pro bono basis totalled \$0.7 million (June 2020: \$0.5 million). Currently we estimate the value of this pro bono support to be approximately \$12.7 million per annum, and at 2.3% of the net assets of the Company, these savings to shareholders greatly exceed the annual donation to our charity partners.

Management and Company Secretary update

In March 2021, Jesse Hamilton was appointed Joint Company Secretary of the Company. As the Chief Financial Officer of Wilson Asset Management, Jesse oversees the finance, accounting and company secretary responsibilities for the listed investment companies (LICs) managed by Wilson Asset Management, in addition to Future Generation Australia and Future Generation Global.

In April 2021, Louise Walsh stepped down as Chief Executive Officer (CEO) after almost six-years' of service to the Company. Future Generation Australia Director and Wilson Asset Management CEO Kate Thorley assumed the role of Acting CEO for the Company following Louise's departure. We thank Louise for her exceptional service and contribution to the Company.

Directors' Report to Shareholders

For the half year ended 30 June 2021

Management and Company Secretary update (continued)

In June 2021, the Company announced the appointment of Director Caroline Gurney to the role of CEO of Future Generation. Caroline has more than 25 years' experience in the financial services sector focused on corporate affairs, marketing and corporate social responsibility. Caroline will commence in the role in September 2021.

Charity update

Our not-for-profit partners continue to increase and deliver their ongoing support for young people impacted by the coronavirus pandemic. Our charity partners provide a huge range of different support services and across the portfolio, we have identified six crucial areas of social return on our investment to date. These areas and outcomes include social and emotional wellbeing leaps; breaking the cycle of disadvantage; improvements in physical health; educational engagement and achievement; and building new skills. These outcomes have both immediate and ongoing impacts, with positive ripple effects for young people, their families and communities. Future Generation Australia's support has contributed to driving significant ingenuity and improvement in our partners' work and we commend their commitment and innovation as they navigate these uncertain times.

To find out more about Future Generation Australia's social impact and the work of our partners, you can read Future Generation Australia's [Your Social Investment](#) publication.

After balance sheet date events

Since the end of the period, the Company has declared a fully franked interim dividend of 3.0 cents per share to be paid on 26 November 2021.

No other matters or circumstances have 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 Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar, unless otherwise indicated.

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 5 of the financial report.

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



Jonathan Trollip

Chair

Dated this 30th day of August 2021

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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 of Future Generation Investment Company Limited for the half-year ended 30 June 2021, 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



S S WALLACE
Partner

PITCHER PARTNERS
Sydney

30 August 2021

Statement of Comprehensive Income

For the half year ended 30 June 2021

	NOTE	JUNE 2021 \$'000	RESTATED* JUNE 2020 \$'000
Investment income from operating activities			
Net realised and unrealised gains/(losses) on financial investments		32,780	(49,577)
Distribution income received		30,631	12,366
Investment management and performance fee rebates	2	4,373	1,295
Interest income		59	204
		67,843	(35,712)
Expenses			
ASX listing fees		-	-
Share registry maintenance costs		-	-
Directors' fees		-	-
Accounting fees		-	-
Charity investment accrual	3	(2,781)	(2,286)
Executive remuneration		(50)	(77)
Share registry transaction costs		(34)	(46)
Audit fees		(32)	(39)
ASIC industry funding levy		(6)	(39)
Other expenses		(90)	(56)
ASX CHES fees		(13)	(15)
Tax fees		(4)	(3)
Amortisation expense		-	(2)
		(3,010)	(2,563)
Profit/(loss) before income tax		64,833	(38,275)
Income tax (expense)/benefit	8	(17,534)	13,406
Profit/(loss) after income tax for the period attributable to members		47,299	(24,869)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Net unrealised and realised gains/(losses) on investments taken to equity, net of tax		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		47,299	(24,869)
Basic and diluted earnings/(loss) per share		11.80 cents	(6.24 cents)

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

*Please refer to Note 1 on the change in accounting policy and restatement of the prior period.

Statement of Financial Position

As at 30 June 2021

	NOTE	JUNE 2021 \$'000	RESTATED* DECEMBER 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		40,378	40,651
Trade and other receivables		32,622	11,647
Current tax assets		-	517
Other current assets		21	47
Total current assets		73,021	52,862
Non-current assets			
Financial assets at fair value through profit or loss	7	518,586	480,246
Deferred tax assets		2,052	1,261
Total non-current assets		520,638	481,507
Total assets		593,659	534,369
Liabilities			
Current liabilities			
Trade and other payables		78	89
Charity investment accrual	3	5,306	2,525
Current tax liabilities		9,593	-
Total current liabilities		14,977	2,614
Non-current liabilities			
Deferred tax liabilities		31,099	22,225
Total non-current liabilities		31,099	22,225
Total liabilities		46,076	24,839
Net assets		547,583	509,530
Equity			
Issued capital	5(a)	442,542	441,378
Profits reserve	6	108,822	71,933
Accumulated losses	6	(3,781)	(3,781)
Total equity		547,583	509,530

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

*Please refer to Note 1 on the change in accounting policy and restatement of the prior period.

Statement of Changes in Equity

For the half year ended 30 June 2021

	NOTE	ISSUED CAPITAL \$'000	RESTATED* INVESTMENT RESERVES \$'000	RESTATED* PROFITS RESERVE \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY \$'000
Balance at 1 January 2020		439,199	24,371	34,837	(3,781)	494,626
Adjustment on change in accounting policy	1	-	(24,371)	24,371	-	-
Balance at 1 January 2020 - restated		439,199	-	59,208	(3,781)	494,626
Net loss for the period		-	-	-	(24,869)	(24,869)
Transfer to profits reserve		-	-	(24,869)	24,869	-
Other comprehensive income, net of tax		-	-	-	-	-
Transactions with owners:						
Shares issued via Dividend Reinvestment Plan	5(b)	1,091	-	-	-	1,091
Dividends paid	4	-	-	(10,354)	-	(10,354)
Balance at 30 June 2020		440,290	-	23,985	(3,781)	460,494
Balance at 1 January 2021 - restated	6	441,378	-	71,933	(3,781)	509,530
Net profit for the period		-	-	-	47,299	47,299
Transfer to profits reserve	6	-	-	47,299	(47,299)	-
Other comprehensive income, net of tax		-	-	-	-	-
Transactions with owners:						
Shares issued via Dividend Reinvestment Plan	5(b)	1,164	-	-	-	1,164
Dividends paid	4	-	-	(10,410)	-	(10,410)
Balance at 30 June 2021		442,542	-	108,822	(3,781)	547,583

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

*Please refer to Note 1 on the change in accounting policy and restatement of the prior period.

Statement of Cash Flow

For the half year ended 30 June 2021

	NOTE	JUNE 2021 \$'000	JUNE 2020 \$'000
Cash flows from operating activities			
Proceeds from sale of financial assets		8,404	-
Interest received		72	322
Rebate income received		53	46
Income tax refund received/(paid)		658	(167)
Payments for other expenses		(216)	(256)
Net cash provided by/(used in) operating activities		8,971	(55)
Cash flows from financing activities			
Dividends paid to the Company's shareholders, (net of Dividend Reinvestment Plan and Dividend Donation Plan)		(9,244)	(9,263)
Net cash used in financing activities		(9,244)	(9,263)
Net decrease in cash and cash equivalents		(273)	(9,318)
Cash and cash equivalents at the beginning of the period		40,651	43,284
Cash and cash equivalents at the end of the period		40,378	33,966
Non-cash investing and financing activities			
Distributions and rebate income reinvested		5,561	4,264
Shares issued via Dividend Reinvestment Plan		1,164	1,091

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

Notes to the Financial Statements

For the half year ended 30 June 2021

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 30 August 2021 by the Board of Directors.

Basis of preparation

These interim financial statements for the half year reporting period ended 30 June 2021 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 Annual Financial Report for the year ended 31 December 2020 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 cash flow 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/Directors' 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.

The accounting policies applied for the period are consistent with those in the most recent annual financial statements, except as outlined below.

Change in accounting policy

During the period, the Company reassessed the classification of investments held in managed funds. In previous financial years, the Company elected to designate, and subsequently measure, all investments held in managed funds at fair value through other comprehensive income. After reconsidering the underlying terms and conditions of units held in managed funds, the Company has determined that it would be more appropriate for units held that are redeemable directly from the fund to be classified, and subsequently measured, at fair value through profit or loss. As a result, changes in fair value of investments in redeemable units in the managed funds are now recognised in profit or loss, instead of other comprehensive income. Comparative information has been restated to align with the revised accounting policy, so that both the current year and prior year information is presented on a consistent and comparable basis.

Applying the revised accounting policy to the comparative information resulted in the restatement of prior year profit from \$9,835,000 to a loss of \$24,869,000, the restatement of prior year other comprehensive loss from \$34,704,000 to \$nil and the transfer of cumulative changes in fair value from investment reserve to profits reserve of \$24,371,000.

The revised accounting policy did not impact the reported amount of total comprehensive income or the carrying amount of investments held in managed funds. The change has only resulted in a reclassification of movements in the fair value of the investments held by the Company within the statement of comprehensive income itself.

There has been no change to the net asset position of the Company as a result of the change in accounting policy.

Notes to the Financial Statements

For the half year ended 30 June 2021

2. Investment income from ordinary activities

As at 30 June 2021, the investment portfolio was made up of 18 prominent Australian equity fund managers with investments in 22 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, Vinva Australian Equities Fund, L1 Capital Australian Equities Fund, QVG Opportunities Fund, Firetrail Absolute Return Fund, Firetrail Australian High Conviction Fund and the Centennial Level 18 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 2021 was \$1.3 million (June 2020: \$0.8 million).

The remaining investments are made in unlisted 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 \$4.4 million for the six-months ended 30 June 2021 (June 2020: \$1.3 million).

The estimated value of the other pro bono services provided to the Company for the six-months ended 30 June 2021, including the Board and Investment Committee working on a pro bono basis, totalled \$0.7 million (June 2020: \$0.5 million).

3. Charity investment

The Company invests a percentage of its assets each year in Australian charities with a focus on children and youth at risk. The charitable 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 investment represents a tax deduction for the Company.

For the six-months ended 30 June 2021, the amount recognised in the Statement of Comprehensive Income was \$2.8 million (June 2020: \$2.3 million).

As at 30 June 2021, the 12 month accrued commitment is \$5.3 million (June 2020: \$4.8 million). The Company will pay its seventh annual investment in October 2021. The charitable investment of \$5.3 million will be made in Australian charities focused on children and youth at risk, bringing the total investment since inception to \$26.8 million. The specific allocation to each charity will be determined by shareholder votes and directions, with the Board distributing undirected monies between the designated charities.

4. Dividends

a) Ordinary dividends paid during the period

	JUNE 2021 \$'000	JUNE 2020 \$'000
2020 Final dividend: 2.6 cents per share fully franked at 30% paid 26 April 2021 (2019 Final dividend: 2.6 cents per share fully franked at 30% paid 28 April 2020)	10,410	10,354

b) Dividends not recognised during the period

	JUNE 2021 \$'000	JUNE 2020 \$'000
Since the end of the half year, the Directors have declared a fully franked interim dividend of 3.0 cents per share payable on 26 November 2021 (2020 Interim dividend: 2.6 cents per share fully franked)	12,038	10,385

Notes to the Financial Statements

For the half year ended 30 June 2021

5. Issued capital

a) Paid-up capital

	JUNE 2021 \$'000	DECEMBER 2020 \$'000
401,255,746 ordinary shares fully paid (December 2020: 400,343,988)	442,542	441,378

b) Movements in ordinary share capital

	JUNE 2021 \$'000	DECEMBER 2020 \$'000
Balance at the beginning of the period	441,378	439,199
911,758 shares issued on 28 April 2021 under a Dividend Reinvestment Plan	1,164	
1,183,082 shares issued on 28 April 2020 under a Dividend Reinvestment Plan	-	1,092
922,471 shares issued on 30 October 2020 under a Dividend Reinvestment Plan	-	1,087
At reporting date	442,542	441,378

6. Reserves and accumulated losses

	JUNE 2021 \$'000	RESTATED* DECEMBER 2020 \$'000
Profits reserve	108,822	71,933
Accumulated losses	(3,781)	(3,781)

The profits reserve is made up of amounts transferred from current period profits which are preserved for future dividend payments.

*Please refer to Note 1 on the change in accounting policy and restatement of the prior period.

Notes to the Financial Statements

For the half year ended 30 June 2021

6. Reserves and accumulated losses (continued)

MOVEMENTS:

	JUNE 2021 \$'000	RESTATED* DECEMBER 2020 \$'000
Profits reserve		
Opening balance - restated	71,933	34,837
Opening balance adjustment – change in accounting policy (Note 1)	-	24,371
Transfer of profits during the period	47,299	33,464
Final dividend paid (refer Note 4(a))	(10,410)	(10,354)
Interim dividend paid	-	(10,385)
At reporting date	108,822	71,933
Accumulated losses		
Opening balance	(3,781)	(3,781)
Net profit for the period	47,299	33,464
Transfer to profits reserve	(47,299)	(33,464)
At reporting date	(3,781)	(3,781)

*Please refer to Note 1 on the change in accounting policy and restatement of the prior period.

Notes to the Financial Statements

For the half year ended 30 June 2021

7. Fair value measurements

The Company measures and recognises financial assets at fair value through profit and loss 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 (consistent with the hierarchy applied to financial assets and financial liabilities):

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 2021 on a recurring basis:

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
At 30 June 2021				
Financial assets at FVTPL	-	518,586	-	518,586
At 31 December 2020				
Financial assets at FVTPL	-	480,246	-	480,246

There were no transfers between levels for recurring fair value measurements during the period (December 2020: nil).

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 are 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. The unlisted unit trusts are subject to an annual audit.

Notes to the Financial Statements

For the half year ended 30 June 2021

8. Income Tax

The effective tax rate of the Company for the period was 27.0% (2020: 35.0% restated income tax benefit).

The effective tax rate reflects the benefit to the Company of franking credits received on trust distribution income during the period. In the prior period, the effective tax rate reflected the income tax benefit on the Company's operating loss for the period at the corporate tax rate of 30%, in addition to the benefit of franking credits received on trust distribution income.

9. Segment information

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

10. Contingencies

There were no contingent liabilities for the Company at 30 June 2021 (December 2020: nil).

11. Commitments

The Company invests a percentage of its assets each year 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% per annum of the Company's average monthly net assets. As at 30 June 2021, the 12 month accrued commitment is \$5.3 million (December 2020: \$2.5 million).

The Company will pay its seventh annual investment in October 2021. The charitable investment of \$5.3 million will be made in Australian charities focused on children and youth at risk, bringing the total investment since inception to \$26.8 million. The specific allocation to each charity will be determined by shareholder votes and directions, with the Board distributing undirected monies between the designated charities.

12. Events occurring after the reporting period

Since the end of the period, the Company declared a fully franked interim dividend of 3.0 cents per share to be paid on 26 November 2021.

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 6 to 15, 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 2021 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
Chair

Dated this 30th day of August 2021

**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

Conclusion

We have reviewed the half-year financial report of Future Generation Investment Company Limited ("the Company") which comprises the statement of financial position as at 30 June 2021, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration.

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

- i. giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the 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 for the Review of the Financial Report


Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 30 June 2021 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*.

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



S S WALLACE
Partner

30 August 2021



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