



**FUTURE GENERATION**  
INVESTMENT COMPANY

**Future Generation Investment Company Limited**

ABN 97 063 935 553

**APPENDIX 4E**

**Preliminary Final Report**

for the year ended 31 December 2018

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

All comparisons to the year ended 31 December 2017

	up/down	% mvmt	\$'000
Revenue from ordinary activities	up	15.1%	36,410
Profit from ordinary activities before tax	up	16.0%	31,512
Net profit from ordinary activities after tax	up	4.4%	23,221

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2018 Final dividend cents per share	2.3c	2.3c	30%
2018 Interim dividend cents per share	2.3c	2.3c	30%

**Final dividend dates**

Ex-dividend date	10 April 2019
Record date	11 April 2019
Last election date for the DRP	15 April 2019
Payment date	26 April 2019

**Dividend Reinvestment Plan**

The Dividend Reinvestment Plan ('DRP') is in operation and the recommended fully franked final dividend of 2.3 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be at a 2.5% discount to the price, calculated as the VWAP (volume weighted average price) of shares sold on the ASX (on an ex-dividend basis) four trading days from the ex-dividend date inclusive of the ex-dividend date.

	31 December 2018	31 December 2017
Net tangible asset backing (per share) after tax	\$1.13	\$1.21

This report is based on the Annual Report which has been audited by Pitcher Partners. The audit report is included with the Company's Annual Report which accompanies the Appendix 4E. All the documents comprise the information required by Listing Rule 4.3A.



**FUTURE GENERATION**  
INVESTMENT COMPANY

20  
18

# Annual Report

For the year ended 31 December 2018

*Investing in Australia's future generations*

ABN: 97 063 935 553

# Future Generation Investment Company Limited

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

## Chairman

Jonathan Trollip

## Directors

David Leeton  
David Paradise AO  
Gabriel Radzyminski  
Geoff Wilson AO  
Kate Thorley  
Scott Malcolm

## Company Secretary

Mark Licciardo

## Investment Committee

Geoff Wilson AO (Chairman)  
Bruce Tomlinson  
David Smythe  
Gabriel Radzyminski  
Matthew Kidman

## Chief Executive Officer

Louise Walsh

## Auditor

Pitcher Partners

## Country of Incorporation

Australia

## Registered Office

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

## Contact Details

Postal Address: GPO Box 4658  
Sydney NSW 2001

**T** (02) 9247 9202

**F** (02) 9247 6855

**E** [info@futuregeninvest.com.au](mailto:info@futuregeninvest.com.au)

**W** [futuregeninvest.com.au](http://futuregeninvest.com.au)

## Australian Securities Exchange

Future Generation Investment Company  
Ordinary Shares (FGX)

## Share Registry

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

**T** (02) 9290 9600

**F** (02) 9279 0664

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

## Investment Forum

Sydney  
Thursday 23 May 2019  
1.45pm – 3.15pm  
The Westin, 1 Martin Place  
Sydney NSW 2000

## Annual General Meeting

Sydney  
Thursday 23 May 2019  
3.30pm-4.00pm  
The Westin, 1 Martin Place  
Sydney NSW 2000



## Future Generation Semi-annual Shareholder Presentations\*

Launceston  
Friday 10 May 2019  
12.15pm - 1.15pm  
Peppers Silo Hotel  
89-91 Lindsay Street  
Launceston TAS 7248

Melbourne  
Tuesday 14 May 2019  
12.15pm - 1.15pm  
Sofitel Melbourne  
25 Collins Street  
Melbourne VIC 3000

Adelaide  
Wednesday 15 May 2019  
12.15pm - 1.15pm  
Adelaide Convention Centre  
North Terrace  
Adelaide SA 5000

Perth  
Thursday 16 May 2019  
12.15pm - 1.15pm  
Pan Pacific Perth  
207 Adelaide Terrace  
Perth WA 6000

Canberra  
Monday 20 May 2019  
12.15pm - 1.15pm  
Hotel Realm Canberra  
18 National Circuit  
Canberra ACT 2600

Brisbane  
Tuesday 21 May 2019  
12.15pm - 1.15pm  
Brisbane Convention & Exhibition  
Centre, Cnr Merivale & Glenelg Street  
South Bank QLD 4101

Sydney  
Thursday 23 May 2019  
12.15pm - 1.15pm  
The Westin, 1 Martin Place  
Sydney NSW 2000

\*Dates and venues are subject to change. Please visit [futuregeninvest.com.au](http://futuregeninvest.com.au) for the latest details.

# Key Highlights FY2018

Operating profit  
before tax

**\$31.5m**

Savings on management fees,  
performance fees & services  
foregone

**\$7.1m**

Full year fully  
franked dividend

**4.6cps**

2018 investment in Australian  
charities with a focus on children  
and youth at risk

**\$4.3m**

## Summary of FY2018 results

The Company reported an operating profit before tax of \$31.5 million for the year ended 31 December 2018 (2017: \$27.2 million) and an operating profit after tax of \$23.2 million (2017: \$22.3 million). The increase in operating profit on the corresponding period is due to the increase in distribution income received from the investments with the underlying fund managers during the year which were reflective of their performance in early 2018.

For the year ended 31 December 2018 the investment portfolio decreased 3.8%. The S&P/ASX All Ordinaries Accumulation Index fell 3.5% over the period. Since inception the investment portfolio has increased 7.1% per annum, outperforming the Index by 2.3%. The investment portfolio's outperformance has been achieved with less volatility as measured by standard deviation, 7.5% versus the Index's 11.1%.

During the year, the Company raised a combined \$52.1 million through a Share Purchase Plan (SPP) and a Placement to professional and sophisticated investors.

The Board declared a fully franked full year dividend of 4.6 cents per share, an increase of 4.5% on the previous year with the fully franked final dividend being 2.3 cents per share.

## Snapshot as at 31 December 2018

ASX code	FGX
Listing date	Sept 2014
Gross assets	\$441.2m
Market capitalisation	\$465.7m
Share price	\$1.175
Net tangible assets (pre-tax)	\$1.11
Shares on issue	396,348,525
Management fees	0.0%
Performance fees	0.0%
Annual charity investment (% of NTA)	1.0%
Full year fully franked dividend	4.6 cents
Fully franked dividend yield	3.9%

# Contents

Chairman and Chief Executive Officer's Letter	3
Investment Committee Report	7
Charity Report	9
Directors' Report to Shareholders	17
Auditor's Independence Declaration	27
Statement of Comprehensive Income	28
Statement of Financial Position	29
Statement of Changes in Equity	30
Statement of Cash Flows	31
Notes to the Financial Statements	32
Directors' Declaration	52
Independent Auditor's Report	53
ASX Additional Information	57

# Chairman & Chief Executive Officer's Letter



Dear fellow shareholders,

Thank you for your continued support of Future Generation Investment Company Limited (FGX or the Company) during the year ended 31 December 2018 and for being part of the Company's innovative approach to wealth creation which demonstrates that both shareholder and social returns can be achieved together.

In 2018, the Company achieved an operating profit before tax of \$31.5 million (2017: \$27.2 million) and an operating profit after tax of \$23.2 million (2017: \$22.3 million). The increase in operating profit on the corresponding period is due to the increase in distribution income received from the investments with the underlying fund managers during the year. We would like to thank and congratulate our generous fund managers for making this possible.

The Board is pleased to announce a fully franked final dividend of 2.3 cents per share, bringing the full year fully franked dividend to 4.6 cents per share, an increase of 4.5% on the previous year. The final dividend continues to support the Company's goal of delivering on its investment objective of providing a growing stream of fully franked dividends to shareholders.

We were excited in October 2018 to deliver our fourth annual investment of \$4.3 million (2017: \$3.8 million) to charities with a focus on children and youth at risk. This was made possible by the generosity and support of our fund managers and leading service providers. We are currently on track to deliver a fifth annual investment of approximately \$4.5 million for payment in October 2019.

*We were excited in October 2018 to deliver our fourth annual investment of \$4.3 million to charities with a focus on children and youth at risk. This was made possible by the generosity and support of our fund managers and leading service providers.*

During the year, the Company completed its first Share Purchase Plan (SPP) and a Placement which together raised \$52.1 million. In these volatile times, this successful capital raising is an endorsement of FGX's pro bono fund managers, the highly diversified nature of the FGX investment portfolio and the structure of the portfolio of managers.

## Company Performance

As a listed investment company, there are three key measures we use to evaluate the performance of FGX, which are: investment portfolio performance; net tangible asset (NTA) growth; and total shareholder return (TSR). Investment portfolio performance measures the growth of investments with the underlying fund managers and cash before expenses, fees and taxes. The S&P/ASX All Ordinaries Accumulation Index is also measured before expenses, fees and taxes. NTA growth is the change in value of the Company's assets, less liabilities and costs, and is essentially the realisable value of the Company. The NTA is announced to shareholders on the ASX each month. TSR measures the tangible value shareholders gain from share price growth and dividends paid over the period. Importantly, TSR does not include the value of franking credits distributed to shareholders by way of fully franked dividends.



# Chairman & Chief Executive Officer's Letter

## 1. Investment portfolio performance

Performance at 31 December 2018	1 yr	3 yrs %pa	Since inception %pa (Sept-14)	Volatility (% standard deviation)
FGX Investment Portfolio*	-3.8%	5.3%	7.1%	7.5%
S&P/ASX All Ordinaries Accumulation Index	-3.5%	6.6%	4.8%	11.1%
<b>Outperformance</b>	<b>-0.3%</b>	<b>-1.3%</b>	<b>+2.3%</b>	

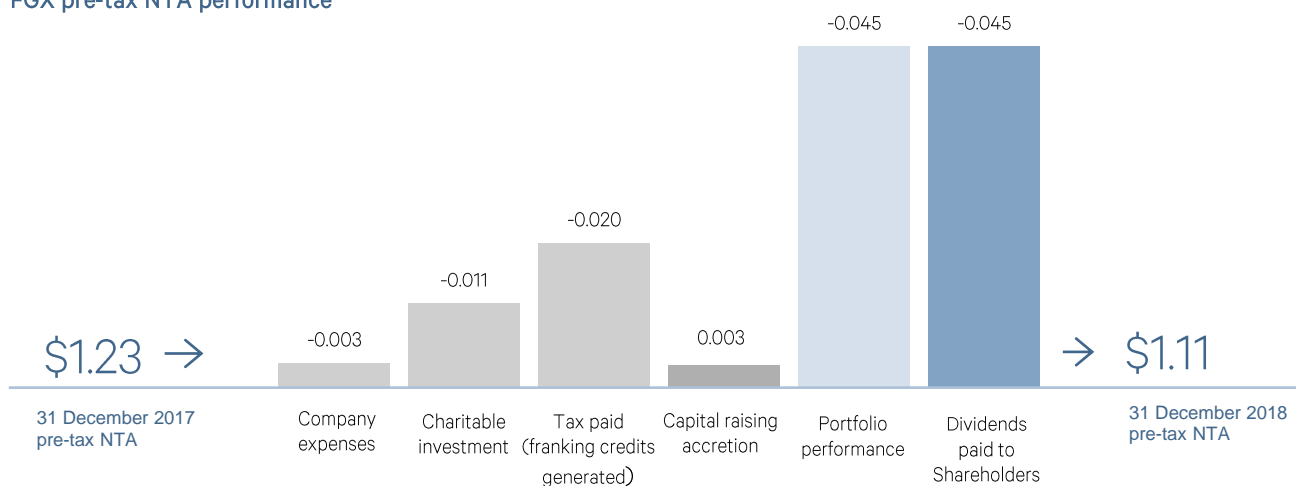
\*Investment performance and Index returns are before expenses and taxes.

FGX's investment portfolio decreased 3.8% in the 12 months to 31 December 2018. This measure is before tax and all costs and is compared to the S&P/All Ordinaries Accumulation Index, which fell 3.5%, which is also before expenses, fees and taxes. Since inception the investment portfolio has increased 7.1% per annum, outperforming the Index by 2.3%. FGX's investment portfolio performance has been achieved with less volatility as measured by standard deviation, 7.5% versus the Index's 11.1%.

## 2. NTA growth

FGX's pre-tax NTA decreased 6.2% for the 12 months to 31 December 2018, including the 4.5 cents per share of fully franked dividends paid to shareholders during the year. This decrease is after corporate tax paid of 2.0 cents per share or 1.5% during the year. Corporate tax payments made throughout the period and the charitable investment of 1.0% were the major items of difference between the investment portfolio decrease of 3.8% and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in value of the assets during the year were company related and capital raising expenses of 0.2%, being offset by capital raising accretion of 0.3%.

### FGX pre-tax NTA performance



## 3. Total shareholder return

This measure 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 FGX for the year to 31 December 2018 was 4.3% (2017: 3.9%). The TSR was largely driven by the fully franked dividends of 4.5 cents per share paid during the year and the increase in FGX share price's premium to NTA, being offset by the investment portfolio performance. As at 31 December 2018, the share price premium to NTA was 5.9% (2017: 4.9% discount). This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

# Chairman & Chief Executive Officer's Letter

## Dividends

The Board was pleased to announce a fully franked final dividend of 2.3 cents per share, bringing the full year fully franked dividend to 4.6 cents per share, a 4.5% increase on the prior year. The dividend will be paid on 26 April 2019 and the Company will trade ex-dividend on 10 April 2019. The Board is committed to providing a growing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves, franking credits and it is within prudent business practices.

## Capital management

The Company achieved continued growth during the year increasing shareholders equity by 14.0% to \$437.0 million and total shareholder numbers by 14.5% to 7,862. During the year, the Company raised a combined \$52.1 million through a SPP and a Placement to professional and sophisticated investors.

## Investment Objectives

The Company's primary investment objectives are to provide shareholders with a growing stream of fully franked dividends, achieve long-term capital growth and preserve shareholder capital. The Company provides shareholders with diversified exposure to Australian equities.

During the year, the Company invested its capital with the following Australian equity fund managers: Bennelong Australian Equities Partners, Paradise Investment Management, Regal Funds Management, Eley Griffiths Group, Tribeca Investment Partners, Wilson Asset Management, Cooper Investors, L1 Capital, Watermark Funds Management, Sandon Capital, Bennelong Long Short Equity Management, Firetrail Investments, ARCO Investment Management, Vinva Investment Management, CBG Asset Management, LHC Capital, Centennial Asset Management, Smallco Investment Manager, QVG Capital, Lanyon Asset Management and Discovery Asset Management.

## Charitable objectives

The objectives of the Company are to provide shareholders with an attractive investment and to provide a source of funding for Australian charities with a focus on children and youth at risk.

The Company provides shareholders with unprecedented access to leading Australian equity fund managers without paying management or performance fees. All participating fund managers have agreed to forgo management and performance fees and Directors, the Investment Committee and most service providers are working on a pro-bono basis. This allows the Company to invest an amount equal to 1.0% of its average monthly net tangible assets primarily to Australian children and youth at risk charities each financial year.

The Company has partnered with 14 designated charities that provide a significant benefit to Australia's children and youth at risk. These charities are: Act For Kids, Australian Children's Music Foundation, Australian Indigenous Education Foundation, DEBRA Australia, Diabetes Kids Fund, Giant Steps, Kids Helpline, Lighthouse Foundation, Mirabel Foundation, Raise Foundation, United Way Australia, Variety, Youth Focus and Youth Off The Streets.

## Investing in our future generations

In October 2018, the Company made its fourth annual investment of \$4.3 million in programs to protect and support children and youth at risk. Of this, \$3.2 million was allocated to the 14 designated charities with the remaining \$1.1 million invested with other charities with Australian deductible gift recipient (DGR) status, as nominated by shareholders with 1 million or more shares. As at 31 December 2018, the Company is on track to deliver its fifth annual investment of approximately \$4.5 million for payment in October 2019. This would bring the total charitable investment since inception to over \$16 million.



# Chairman & Chief Executive Officer's Letter

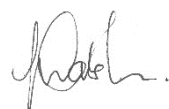
## Fund managers and service providers

We would like to thank again our fund managers and service providers for their outstanding and continued generosity. This generosity has allowed the Company to support its designated charities and other not-for-profit organisations. The value of the fund managers' foregone management and performance fees for the year ended 31 December 2018 totalled \$6.4 million and the estimated value of the leading service providers working for the Company on a pro bono basis, totalled \$0.7 million.

Thank you fellow Board and Committee Members and shareholders for your continued support.



Jonathan Trollip  
Chairman



Louise Walsh  
Chief Executive Officer

Dated in Sydney this 28<sup>th</sup> day of February 2019

With thanks to the following service providers



# Investment Committee Report

FGX provides investors with exposure to a highly diversified portfolio managed by Australian fund managers that have a proven ability to outperform the market and their peers over the long term. The Investment Committee is responsible for selecting and reviewing fund managers to ensure this criterion is always met.

The Investment Committee comprises Geoff Wilson AO (Chairman), Bruce Tomlinson, David Smythe, Gabriel Radzynski and Matthew Kidman.

The investment portfolio is highly diversified in terms of managers and investment strategies, providing shareholders with solid risk-adjusted returns through market cycles. The Investment Committee has selected 20 fund managers with investments in 23 unlisted unit trusts that employ three broad investment strategies: long equities, absolute bias and market neutral. A number of the underlying funds are closed to all new investors or closed to retail investors. As at 31 December 2018, the portfolio was 42.0% long equities, 33.0% absolute bias, 14.1% market neutral and 10.9% cash.

During the period, the Company invested in the Firetrail Absolute Return Fund and the QVG Opportunities Fund. The Company fully redeemed its holding in the Discovery Australian Small Companies Fund in May 2018. For capital management purposes, the Company partially redeemed its holding in the Watermark Market Neutral Trust in June 2018 and the Wilson Asset Management Equity Fund in October 2018.

## Investment portfolio performance

The investment portfolio decreased 3.8% in the year and the S&P/ASX All Ordinaries Accumulation Index fell 3.5% over the period. Since inception the investment portfolio has increased 7.1% per annum, outperforming the Index by 2.3%.

The investment portfolio's outperformance since inception has been achieved with less volatility as measured by standard deviation, 7.5% versus the Index's 11.1%.

The 2018 year produced heightened volatility across global equity markets. During the six-month period to 31 December 2018, equity market volatility increased as investor sentiment oscillated with global macroeconomic and political news, in particular US-China trade wars, interest rate speculation in the United States and ongoing Brexit uncertainty. In Australia, the second half of the calendar year was defined by weaker economic growth, Federal Government instability and a number of interventionist proposals from the Opposition, the Royal Commission into the Banking, Superannuation and Financial Services Industry, falling property prices and diminishing consumer and business sentiment.

## Investment strategy allocation

### Long equities

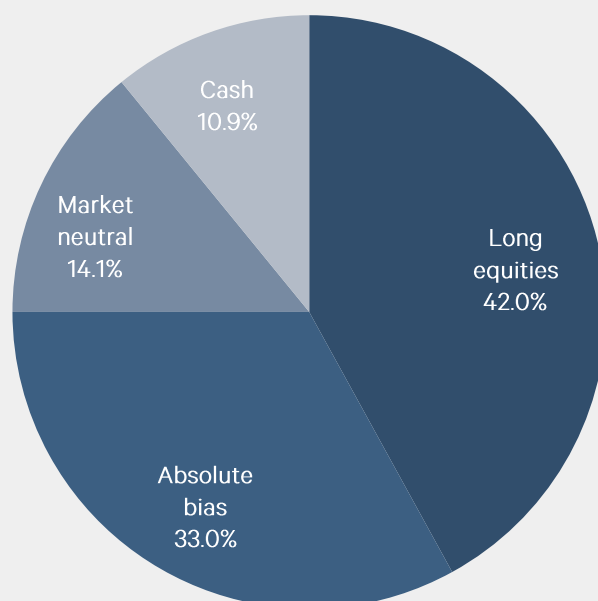
Investing in a portfolio of equities based on the expectation that the underlying equities will increase in value within a certain time horizon. Each equity represents an ownership claim in an underlying company which is generally listed on a public stock exchange. The long equities portion of the portfolio includes exposure to large-cap, mid-cap and small-cap stocks.

### Absolute bias

An investment strategy that seeks to generate returns, irrespective of the performance of traditional asset classes. These strategies use innovative investment techniques (including but not limited to short selling and leveraging) to profit from rising and falling markets, providing portfolio protection in the event an equity market experiences a significant fall.

### Market neutral

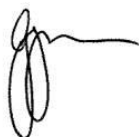
An investment strategy that generally involves the simultaneous purchase and sale of equities, to generate returns that are not linked to the performance of underlying equity markets.



# Investment Committee Report

## Fund manager allocation and investments at market value as at 31 December 2018

Fund Manager	Investment	Strategy	\$ Value	% of Gross Assets
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	47,404,871	10.8%
	Mid/Large Cap Funds (split out below)		45,928,015	10.4%
Paradise Investment Management	Paradise Mid Cap Fund – B Class	Long equities	25,569,178	5.8%
	Paradise Large Cap Fund	Long equities	20,358,837	4.6%
Regal Funds Management	Regal Australian Long Short Equity Fund	Absolute bias	41,327,005	9.4%
	Small/Emerging Companies Funds (split out below)		28,569,738	6.4%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	24,391,318	5.5%
	Eley Griffiths Group Emerging Companies Fund	Long equities	4,178,420	0.9%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	28,001,281	6.3%
Wilson Asset Management	Wilson Asset Management Equity Fund	Absolute bias	25,552,386	5.8%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	22,436,796	5.1%
	Long Short/Aus Equities Funds (split out below)		20,795,055	4.7%
L1 Capital	L1 Capital Long Short Fund – Retail Class	Absolute bias	10,935,030	2.5%
	L1 Capital Australian Equities Fund	Long equities	9,860,025	2.2%
Watermark Funds Management	Watermark Market Neutral Trust	Market neutral	20,561,839	4.7%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	19,411,147	4.4%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	15,516,454	3.5%
Firetrail Investments	Firetrail Absolute Return Fund	Market neutral	13,723,307	3.1%
ARCO Investment Management	ARCO Investment Management Absolute Trust	Market neutral	12,257,971	2.8%
Vinva Investment Management	Vinva Australian Equities Fund	Long equities	10,366,988	2.3%
CBG Asset Management	CBG Asset Australian Equities Fund	Long equities	10,181,573	2.3%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	8,462,860	1.9%
Centennial Asset Management	The Level 18 Fund	Absolute bias	7,405,402	1.7%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	6,431,773	1.5%
QVG Capital	QVG Opportunities Fund	Long equities	4,561,389	1.0%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	4,254,318	1.0%
	Cash and term deposits		47,228,380	10.7%
	Distributions, interest and rebates receivable		817,057	0.2%
	<b>Gross Assets</b>		<b>441,195,605</b>	



Geoff Wilson AO  
Chairman of the Investment Committee and Director

Dated in Sydney this 28<sup>th</sup> day of February 2019

# Charity Report

We are proud to support our 14 designated charities that work tirelessly to improve the lives of Australian children and youth at risk. The outstanding generosity of the fund managers, as well as the pro bono support of our service providers, allows the Company to make an annual investment of 1.0% of its average monthly net tangible assets to these charities focused on programs to protect and support children at risk each year.

During August 2018, shareholders voted their charitable allocation and we were delighted by the response. Thank you all for your active engagement in the allocation process. The specific allocation to each charity was determined by your votes and directions, with the Board distributing the undirected monies on a pro-rata basis between the designated charities. The Company recently made its fourth annual investment of \$4.3 million in October 2018 and is on track to donate approximately \$4.5 million in October 2019, bringing the total since inception to over \$16 million.

## The 2018 and 2017 allocations to each charity are:

Designated Charity	2018 Investment	2017 Investment
Act for Kids	\$248,592	\$186,149
Australian Children's Music Foundation	\$248,685	\$267,477
Australian Indigenous Education Foundation	\$261,026	\$238,854
DEBRA Australia	\$193,422	\$186,381
Diabetes Kids Fund	\$197,382	\$187,165
Giant Steps	\$251,401	\$218,473
Kids Helpline	\$203,182	\$192,991
Lighthouse Foundation	\$378,521	\$378,773
Mirabel Foundation	\$207,529	\$212,292
Raise Foundation	\$197,065	\$197,827
United Way	\$193,254	\$195,154
Variety	\$196,072	\$182,617
Youth Focus	\$198,285	\$185,685
Youth Off The Streets	\$241,549	\$225,858
Directed* to other children and youth related charities	\$401,768	\$148,728
Directed* to other Australian charities	\$646,706	\$632,684
<b>Total charitable allocation</b>	<b>\$4,264,439</b>	<b>\$3,837,108</b>

\*Directed by shareholders with 1 million or more shares. These shareholders have the ability to direct their investment voting allocation to any non-profit organization of their choosing, provided the organisation has deductible gift recipient (DGR) status.

# Charity Report

Information on the projects that the designated charities undertook with monies from their allocation of the \$3.8 million annual investment in 2017 (paid in October 2017) and progress to date for the year ended 31 December 2018 is detailed below. The impact of the 2018 investment (paid in October 2018) will be reported in the 2019 Annual Report.



Act for Kids provides a range of free targeted services to prevent and treat child abuse and neglect. It has delivered prevention, early intervention and therapy services to 40,128 people across Australia in the last 12 months.

[actforkids.com.au](http://actforkids.com.au)

**Funding: \$186,149**

**Impact 2018:**

- Funding was used across four integrated therapy centres for abused and neglected children. Integrated therapy is trauma-focused and comprises of speech pathology, occupational therapy and psychology services.
- 334 children and their carers received therapy:
  - Marden, South Australia (SA): 86 children and their carers.
  - Ipswich, Queensland (QLD): 67 children and their carers.
  - Blacktown, New South Wales (NSW): 106 children and their carers. The demand for services is so great that Act for Kids has an extensive waitlist.
  - Broadmeadows, Victoria (VIC): 75 children and their carers. This service opened in June 2018; the demand for our services meant that the team was at full capacity by August. The service already has a substantial waitlist.



Australian Children's Music Foundation (ACMF) provides free, long term music programs and instruments to disadvantaged children across Australia to inspire creativity and imagination and to nurture self-esteem and confidence. Programs are delivered in disadvantaged schools, juvenile justice centres and children's hospitals.

[acmf.com.au](http://acmf.com.au)

**Funding: \$267,477**

**Impact 2018:**

- Funded music programs in five schools in Taree on the mid-north coast of NSW and seven schools in West Melbourne. Over 1,200 children participated in the ACMF programs with weekly music lessons and free musical instruments.
- Establishment of a new program for special needs students at Taree High School.
- Many students demonstrated improved school attendance and over 81% improved in self-confidence, self-esteem, creativity, interpersonal relationships, teamwork and peer acceptance.
- An overall improvement in numeracy and literacy was recognised from the programs, mainly due to an increase in engagement in other learning areas.

# Charity Report

---



Driven by community demand, the Australian Indigenous Education Foundation (AIEF) provides scholarships that enable Indigenous students to attend leading Australian schools and universities. AIEF also provide mentoring and career support to ensure students make a successful transition from school to further studies or employment, productive careers and fulfilling lives.

[aief.com.au](http://aief.com.au)

**Funding: \$238,854**  
**Impact 2018:**

- Australian Indigenous Education Foundation (AIEF) currently supports around 500 secondary and tertiary scholarship students from around 250 communities across every state and territory at 29 educational partners across Australia.
- Students supported by AIEF Scholarships achieved a 94% annual retention and Year 12 completion rate.
- Of AIEF Alumni participating in the AIEF Pathways Program, 95% are productively engaged in further studies, employment or other pursuits, with 25% working or studying in their home community.
- The AIEF Transition Support Program is providing one-on-one career support to Year 11 and Year 12 students, and ongoing support to AIEF's alumni, including mentor-student pairs in the AIEF Mentor Program.
- The top eight industries for work and study for those in the AIEF Program are construction; engineering; accounting, business and financial services; education; hospitality and tourism; law; sports and recreation; and health.
- The AIEF Scholarship Program has supported over 500 graduates since 2008.



DEBRA Australia supports families living with Epidermolysis Bullosa (EB) by providing critical support programmes to ensure family support inclusive of quality of life, respite and research into treatments and ultimately, one day a cure.

[debra.org.au](http://debra.org.au)

**Funding: \$186,381**  
**Impact 2018:**

- Enabled access to specialised Epidermolysis Bullosa (EB) nursing care for over 90 children, teenagers and families at the Royal Children's Hospital in Melbourne, the Royal Melbourne Hospital and St George Hospital in Sydney.
- 21 multidisciplinary EB clinics conducted for children and families and 73 outpatient clinics.
- Five families visited three times a week for in home nursing care to assist with personal needs and gruelling three hour dressing changes.
- Supported eight new babies born with EB with hospital care, home aids and regular contact.
- Pilot counselling program commenced in NSW and VIC with four families to date receiving subsidised help to consult specially trained psychologists with expertise in managing challenges of chronic illness.
- 46 health professionals and EB nurses educated about best practice EB care at the DEBRA Health Professionals EB Symposium held in August 2018.

# Charity Report

---



Diabetes Kids Fund was established by Diabetes NSW to provide crucial support services for children living with non-preventable type 1 diabetes, their families and carers. Diabetes Kids Fund works to change this alarming statistic through training, mentoring, resource-provision and community building.

[diabetesnsw.com.au/your-community/diabetes-kids-fund](http://diabetesnsw.com.au/your-community/diabetes-kids-fund)

**Funding: \$187,165**  
**Impact 2018:**

- Success of Teacher Training Seminar program has seen the Australian Government allocate an additional \$6 million to the National Diabetes Services Scheme to establish a national schools program for children living with type 1 diabetes.
- Individual Advocacy Support School Sessions enabled healthcare professionals to mediate complex in-school situations for children with diabetes, ensuring a greater awareness and understanding of the child's needs.
- Distribution of interactive type 1 information packs to newly diagnosed children in NSW and ACT via their diabetes clinic, to help cope with the stress of diagnosis and get them started with vital self-management. Demand remains high for these packs.
- Development and distribution of 2,000 updated type 2 paediatric information packs.



Established in 1995 for children and young people with autism, Giant Steps operates an early intervention program, a school-aged program, a college for young adults with autism as well as outreach and training programs. It operates in Sydney and Melbourne and does not charge fees.

[giantsteps.net.au](http://giantsteps.net.au)

**Funding: \$218,473**  
**Impact 2018:**

- Continued development of an individualised expressive communication system for 108 students with autism helping students who have limited communication to communicate their needs and wants.
- The project has rolled out to Giant Steps in Melbourne.
- All 108 students made improvements on their goal attainment scale.
- We have learnt that all students have the ability to develop their communication skills with support and intervention.
- The online portal Autism Hub is fully operational. The hub provides resources and information for design and implementation with the wider community. It is accessible to everyone at no cost.
- As a result of the expressive communication system project five international groups from Ministries of Education or schools in India, Indonesia, Canada and Singapore have visited Giant Steps in Australia.
- There has been a significant decrease in the severity of students' behavioural challenges with up to 60% of students showing behaviour improvements.



Kids Helpline is Australia's only free, private and confidential 24/7 phone and online counselling service for young people aged five to 25. Kids Helpline plays a critical role in protecting young people at risk and experiencing issues that include mental health concerns, abuse and suicide.

[kidshelpline.com.au](http://kidshelpline.com.au)

**Funding: \$192,991**

**Impact 2018:**

- Invested in a new Kids Helpline (KHL) Circles platform based on open-source software resulting in improved mobile access, functionality and higher levels of user engagement.
- Service evolution included refining evidence-based education modules supporting young people at risk to deliver improved targeted psychoeducation interventions.
- 101 at risk young people took part in KHL Circles in 2018.
- Greater functionality and engagement has led to improved outcomes with 52% of KHL Circles young people reporting reduced depression, 43% reduced anxiety and 43% reduced stress.
- International and national recognition of KHL Circles was achieved at the 2018 CyPsy 24 Conference in Canada, and Australian Psychological Congress in Sydney, where first year data was revealed to digital health industry stakeholders and international academic leaders. As a result, Kids Helpline is in discussion with international organisations looking to apply the KHL Circles model to the treatment of Post-Traumatic Stress Disorder and the Australian Psychological Society is considering creating a cyberpsychology professional interest group to embed interventions like KHL Circles into professional practice nationally.



Lighthouse Foundation aims to end youth homelessness. It operates 10 homes in Victoria to support homeless people aged 15-22 from backgrounds of long-term neglect and abuse. A specialist clinical team support the carers with intensive training and supervision.

[lighthousefoundation.org.au](http://lighthousefoundation.org.au)

**Funding: \$378,773**

**Impact 2018:**

- Enabled the delivery of Lighthouse's Therapeutic Family Model of Care for homeless young people living in a supported environment with fulltime carers in five of its suburban family homes in VIC.
- Nine young people have successfully re-engaged with their education, enabling them to consider a more positive future of full employment rather than a lifetime of welfare benefits.
- Four young people have transitioned from the residential program to the ongoing outreach program and sustainable independent living. Several others have begun the transition process.
- The unique model of care involves a commitment for long-term aftercare support after the transition is made to independent living. Research shows that 80% of the young people supported by Lighthouse are never homeless again.
- Local community committees of volunteers support the suburban homes and help re-connect the formerly homeless young people within the community, including to local schools and clubs.
- Lighthouse returns \$12 of social value for every dollar invested in it. The cost to society ranges from \$350,000 to \$1.1 million per person over a lifetime if the cycle of homelessness is not broken.



# Charity Report



Mirabel is a children's charity whose mission is to break the destructive cycle of addiction and disadvantage. Mirabel achieves this through the delivery of support programs for more than 1600 children who have been orphaned or abandoned due to their parents' drug use. Mirabel's vision is that every child has a childhood filled with love, hope and belonging.

[mirabelfoundation.org.au](http://mirabelfoundation.org.au)

**Funding: \$212,292**  
**Impact 2018:**

- Funded Mirabel's Toddler to Teen Program which caters for the unique needs of children who have been orphaned or abandoned due to their parents' drug use.
- Provided crisis support and assessment for 376 traumatised children and their extended family carers.
- Reduced stigma and isolation for 133 children and 62 adolescents who attended therapeutic groups.
- Improved academic outcomes for 185 young people through tutoring and educational support.
- FGX's investment has resulted in significant positive change for young people who came to Mirabel at risk of addiction, unemployment, criminal activity and homelessness. Data from the last 12 months demonstrates that:
  - 92% of young people have a stable or improved sense of wellbeing.
  - 96% of young people have a positive and ongoing relationship with their kinship carer.
  - 84% of young people are pursuing further education or are currently employed.



Since inception in 2008, Raise Foundation has been providing industry leading mentor training to volunteers from local communities and providing accredited mentors in high schools to connect one-on-one with young people facing a wide range of adversities – giving them the opportunity to experience a confiding and supportive relationship.

[raise.org.au](http://raise.org.au)

**Funding: \$197,827**  
**Impact 2018:**

- Recruited, screened and trained an additional 810 volunteers from the community to become Youth Mentors.
- Provided high quality Youth Mentors for 1,016 young people at risk of disengaging across 84 secondary schools in five States of Australia.
- FGX funding delivered the evidence based youth mentoring program into an additional 13 high need secondary schools across the country. This resulted in 201 additional young people being matched with a Raise mentor who supported them to become resilient, capable and connected.
- Raise has grown to become a national charity, having training and supervised 3,204 mentors for 4,499 young people over the last 10 years.
- 2018 Evaluation Report demonstrated that Raise's mentoring programs have achieved statistically significant improvement in areas of resilience, confidence, coping, setting and achieving goals, engagement with education, hope for the future, and the ability to identify and ask trusted adults for help instead of suffering alone.

# Charity Report

---



## Australia

United Way Australia develops collaborations that improve early childhood outcomes and school to work transitions. Our primary areas are education, employment and health. United Way understands the importance of improving early childhood outcomes for vulnerable children.

[unitedway.com.au](http://unitedway.com.au)

Funding: \$195,154

Impact 2018:

- Supported early literacy and building of critical skills for children to enable them to reach school ready to learn.
- Reached over 1,300 children living in communities across Australia and in Out of Home Care in VIC, providing literacy resources and support to parents to help children begin their learning journey.
- Delivered quality books each month to children aged 0 to 5 year and living in vulnerable communities, alongside literacy resources for parents and carers, and delivered community reading events and reading workshops to encourage literacy and learning in the home.
- Enabled staff of FGX service provider Wilson Asset Management to volunteer at St Marys North Public School in Western Sydney, installing a new outdoor classroom and showing the local children and families that their education is valued and supported by people outside their community.



Every day Variety strives to give kids who have a disability, chronic illness, are facing financial hardship, geographic isolation or who need critical care, a chance. Whether this is granting a new wheelchair, inviting them along to an Activate Inclusion Sports Day or giving them a scholarship, each of these is an opportunity for a child facing a challenge to reach their full potential.

[variety.org.au](http://variety.org.au)

Funding: \$182,617

Impact 2018:

- Implemented a disability awareness and inclusion program for primary school aged children called Variety Just Like You – delivered by professional facilitators who also have a disability.
- With 552 workshops in over 62 schools throughout Sydney, Central Coast NSW, Newcastle and Australian Capital Territory (ACT), the program impacted 16,332 students aged from 4 to 12 years old.
- Demand for the program was higher than planned with positive outcomes.
- Variety Just Like You measures outcomes by changes in attitude (how children think and feel about disability), self-efficacy (their confidence and competence in interacting with people with a disability) and their behavioural intent.
- Outcomes included
  - 17% improvement in use of appropriate language to describe people with disabilities;
  - 10% improvement in students using appropriate actions around people with disabilities;
  - 25% improvement in students able to give an example of a hidden, physical and sensory disability.

# Charity Report

---



**Funding: \$185,685**  
**Impact 2018:**

Youth Focus is an independent for-purpose organisation that exists because suicide is the leading cause of death for Western Australians under the age of 25. The Youth Focus mission is to reduce youth suicide by supporting young people aged 12 to 25 overcome the issues associated with depression, anxiety, self-harm and suicidal ideation.

**[youthfocus.com.au](http://youthfocus.com.au)**

- Enabled Youth Focus to support at-risk Western Australians aged 12 to 25 with free, unlimited and professional face-to-face counselling services.
- Funded the provision of 1.5 professional counsellors to deliver life-changing mental health services to help youth overcome issues associated with suicide, depression, anxiety and self-harm.
- Directly supported a record number of more than 3,700 young people.
- Launched Western Australia's (WA) first web counselling service, enabling Youth Focus to provide young people in regional and remote areas with access to vital support.
- Provided evidence-based mental health programs to more than 6,000 people in schools, workplaces and communities across WA. The programs covered a wide range of topics designed to assist people identify and address potential mental health issues, reduce stigma and develop the resilience to cope in the future.



**Funding: \$225,858**  
**Impact 2018:**

Established by Father Chris Riley in 1991, Youth Off The Streets works for young people who face challenges of homelessness, drug dependency, and recovering from abuse. The organisation aims to see young people leave their care drug free, with a high school education, living skills, and a full or part-time job.

**[youthoffthestreets.com.au](http://youthoffthestreets.com.au)**

- Supported 18 Aboriginal young people with a medium-high risk of becoming entrenched in the juvenile justice system through our court support mentoring program. Clients participating in the program are 30% less likely to reoffend, compared to a similar cohort of NSW Aboriginal young people.
- Took 30 young people on a three day Police Camp "Yenmara Wugul" (walk as one) in partnership with NSW Police and Tharawal Medical Service, Juvenile Justice and NSW Health. Results indicated significant improved attitudes towards police and community organisations, and positive changes in young people's capacity to resist peer pressures and manage stress.
- Hosted two community events for over 140 community members, recognising NAIDOC week and National Reconciliation Day, increasing awareness of Aboriginal culture and engaging disadvantaged young people from local communities.
- 38 young people completed programs with a focus on sharing Aboriginal culture, based around traditional Aboriginal art, music and dance, educating young people about Aboriginal history.

# Directors' Report to Shareholders

For the year ended 31 December 2018

The Directors present their report together with the financial report of Future Generation Investment Company Limited (FGX or the Company) for the year ended 31 December 2018.

## Principal Activity

The principal activity of the Company is to invest in funds managed by a number of prominent Australian equity fund managers with a focus on long-only, long/short and alternative investment strategies while also contributing to Australian children and youth at risk charities. The Company invests its capital with fund managers who have agreed to provide their services for 0.0% management fees and 0.0% performance fees. The pro bono support of these fund managers, as well as the pro bono support of various service providers allows the Company to donate 1.0% of its average monthly net tangible 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 year or is likely in the future.

## Operating and Financial Review

The Company reported an operating profit before tax of \$31.5 million (2017: \$27.2 million) for the year ended 31 December 2018 and an operating profit after tax of \$23.2 million (2017: \$22.3 million). The increase in the Company's operating profit on the corresponding period is due to the increased distribution income received from the investments with the underlying fund managers during the year. Total comprehensive loss, including net realised and unrealised gains and losses on investments, was \$14.0 million for the year (2017: total comprehensive income of \$39.4 million). The pre-tax NTA for each share as at 31 December 2018 was \$1.11 (2017: \$1.23 cents). The post-tax NTA was \$1.13 per share (2017: \$1.21 cents).

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

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

Further information on the financial performance of the Company is contained in the Chairman and Chief Executive Officer's Letter on pages 3 to 6 of this report and in the Investment Committee Report on pages 7 to 8.

## Dividends

Dividends paid or declared are as follows:	\$'000
Fully franked 2018 interim dividend of 2.3 cents per share paid on 26 October 2018	8,083
Fully franked 2017 final dividend of 2.2 cents per share paid on 27 April 2018	7,714

Since the end of the year, the Company declared a final dividend of 2.3 cents per share fully franked to be paid on 26 April 2019.

## Financial position

The net asset value of the Company as at 31 December 2018 was \$447.8 million (2017: \$423.9 million).

Further information on the financial position of the Company is contained in the Chairman and Chief Executive Officer's Letter on pages 3 to 6 of this report.

# Directors' Report to Shareholders

For the year ended 31 December 2018

## Directors

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

Jonathan Trollip	Chairman
David Leeton	Non-Executive Director
David Paradise AO	Non-Executive Director
Gabriel Radzyninski	Non-Executive Director
Geoff Wilson AO	Non-Executive Director
Kate Thorley	Non-Executive Director
Scott Malcolm	Non-Executive Director

## Information on Directors

### Jonathan Trollip (Chairman)

#### Experience and expertise

Jonathan Trollip has over 30 years legal and commercial global experience and is currently a professional non-executive director. Previously, Jonathan was a principal of Sydney based finance group Meridian International Capital Limited and before that a partner of Herbert Smith Freehills (previously Freehills) which he joined after qualifying and working as a lawyer in London. Jonathan has post graduate degrees in Economics and Law, is a Fellow of the Australian Institute of Company Directors (AICD) and has been admitted to practice as a solicitor in England and Australia.

Jonathan Trollip has been Chairman of the Company since October 2013.

#### Other current directorships

Jonathan Trollip is Chairman of Antipodes Global Investment Company Limited, Global Value Fund Limited, Plato Income Maximiser Limited, Spheria Emerging Companies Limited and Spicers Limited, a non-executive director of Kore Potash PLC and Propel Funeral Partners Limited and holds a number of private company directorships in the commercial and not-for-profit sectors.

#### Former directorships in the last 3 years

Jonathan Trollip has not resigned as a director from any listed companies within the last three years.

#### Special responsibilities

Chairman of the Board.

#### Interests in shares of the Company

Details of Jonathan Trollip's interests in shares of the Company are included later in this report.

#### Interests in contracts

Jonathan Trollip has no interests in contracts of the Company.

### David Leeton (Non-Executive Director)

#### Experience and expertise

David Leeton is the Finance Director of the Victor Smorgon Group. David chairs the Victor Smorgon Groups' investment board and is actively involved in all facets of the Groups' investments and philanthropy interests. David is directly responsible for the financial reporting, financing and treasury for the group. David holds a Bachelor of Business (Banking & Finance), a Graduate Diploma in Accounting and is a fully qualified CPA.

David Leeton has been a Director of the Company since April 2015.

#### Other current directorships

David Leeton is a Trustee of the Victor Smorgon Charitable Fund, a director of the Victor Smorgon Scholarship Fund Pty Limited and Lighthouse Foundation.

# Directors' Report to Shareholders

For the year ended 31 December 2018

## David Leeton (Non-Executive Director) (continued)

### Former directorships in the last 3 years

David Leeton has not resigned as a director from any listed companies within the last three years.

### Special responsibilities

Chairman of the Audit and Risk Committee.

### Interests in shares of the Company

Details of David Leeton's interests in shares of the Company are included later in this report.

### Interests in contracts

David Leeton has no interests in contracts of the Company.

## David Paradise AO (Non-Executive Director)

### Experience and expertise

David Paradise founded Paradise Investment Management in 1999. Paradise Investment Management invests in equities around the world with offices in Australia and the USA. It is a privately owned company with a team of 39 people, over half of whom are investment specialists, with approximately \$14.5 billion funds under management. Paradise Investment Management manages four funds: Small Cap Australian Equities Fund, Mid Cap Australian Equities Fund, Large Cap Australian Equities Fund, Global Small Mid Cap Fund and an Emerging Markets Strategy.

David holds a Bachelor of Commerce from the University of Sydney, a Diploma of Finance and Investment from the Securities Institute of Australasia and has completed the professional qualifications for the Institute of Chartered Accountants Australia. He is a Fellow member of the Australian Institute of Company Directors (AICD), the Financial Services Institute of Australasia and the Institute of Chartered Accountants Australia. David was awarded an AO for distinguished service to the community through philanthropic contributions and charitable support, and to business and commerce in the field of investment management.

David Paradise has been a Director of the Company since April 2015.

### Other current directorships

None with listed entities.

### Former directorships in the last 3 years

David Paradise has not resigned as a director from any listed companies within the last three years.

### Special responsibilities

None.

### Interests in shares of the Company

Details of David Paradise's interests in shares of the Company are included later in this report.

### Interests in contracts

Details of David Paradise's interests in contracts of the Company are included later in this report.

## Gabriel Radzynski (Non-Executive Director)

### Experience and expertise

Gabriel Radzynski is Managing Director of Sandon Capital Pty Limited, a firm specialising in activist investing. Sandon Capital Pty Limited is the investment manager of two wholesale managed investment schemes and a listed investment company.

Gabriel Radzynski has been a Director of the Company since October 2013.

### Other current directorships

Gabriel Radzynski serves as Chairman of Sandon Capital Investments Limited and is executive Director of Mercantile Investment Company Limited.

# Directors' Report to Shareholders

For the year ended 31 December 2018

## **Gabriel Radzynski (Non-Executive Director) (continued)**

### Former directorships in the last 3 years

Gabriel Radzynski resigned as a director of Chesser Resources Limited in March 2016.

### Special responsibilities

Member of the Investment Committee.

### Interests in shares of the Company

Details of Gabriel Radzynski's interests in shares of the Company are included later in this report.

### Interests in contracts

Details of Gabriel Radzynski's interests in contracts of the Company are included later in this report.

## **Geoff Wilson AO (Founder and Non-Executive Director)**

### Experience and expertise

Geoff Wilson has over 38 years' experience in the Australian and international securities industries. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed philanthropic wealth creation vehicles, Future Generation Investment Company and Future Generation Global Investment Company. Geoff holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australasia (FINSIA) and the Australian Institute of Company Directors (AICD). Geoff Wilson was awarded the Order of Australia in 2018 for distinguished service to the business and finance sectors, particularly in the field of asset management and investment, to professional financial bodies, and to the community as a supporter of charitable foundations.

Geoff Wilson has been a Director of the Company since July 2014.

### Other current directorships

Geoff is Chairman of WAM Capital Limited (appointed March 1999), WAM Research Limited (appointed June 2003), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017), WAM Global Limited (appointed February 2018), Wealth Defender Equities Limited (appointed October 2018) and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Global Investment Company Limited (appointed May 2015). Geoff is a Director of Australian Leaders Fund Limited (appointed October 2003), Global Value Fund Limited (appointed April 2014), Century Australia Investments Limited (appointed September 2014), 8IP Emerging Companies Limited (appointed April 2018), Hearts and Minds Investments Limited (appointed September 2018), Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Australian Children's Music Foundation. Geoff is a member of the Second Bite NSW Advisory Committee. He is also founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

### Former directorships in the last 3 years

Geoff Wilson resigned as a director of Clime Capital Limited in March 2018.

### Special responsibilities

Chairman of the Investment Committee.

### Interests in shares of the Company

Details of Geoff Wilson's interests in shares of the Company are included later in this report.

### Interests in contracts

Details of Geoff Wilson's interests in contracts of the Company are included later in this report.

# Directors' Report to Shareholders

For the year ended 31 December 2018

## Kate Thorley (Non-Executive Director)

### Experience and expertise

Kate Thorley has over 14 years' experience in the funds management industry and more than 20 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer of Wilson Asset Management (International) Pty Limited and holds a number of directorships with Wilson Asset Management's listed investment companies. Kate is joint Company Secretary of Future Generation Global Investment Company Limited. Kate holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment, Graduate Diploma of Applied Corporate Governance and is a fully qualified Chartered Accountant and she is a member of the Australian Institute of Company Directors (AICD).

Kate Thorley has been a Director of the Company since April 2015.

### Other current directorships

Kate Thorley is a director of WAM Active Limited (appointed July 2014), WAM Research Limited (appointed August 2014), WAM Leaders Limited (appointed March 2017), WAM Capital Limited (appointed August 2017), WAM Microcap Limited (appointed March 2017) and WAM Global Limited (appointed February 2018).

### Former directorships in the last 3 years

Kate Thorley has not resigned as a director from any listed companies within the last three years.

### Special responsibilities

Member of the Audit and Risk Committee.

### Interests in shares of the Company

Details of Kate Thorley's interests in shares of the Company are included later in this report.

### Interests in contracts

Kate Thorley has no interests in contracts of the Company.

## Scott Malcolm (Non-Executive Director)

### Experience and expertise

Scott Malcolm has over 25 years' experience in investment banking and corporate finance in Australia and the USA. He is Executive Chairman of the Sydney based corporate advisory firm, Greenstone Partners which he founded in 2003. Prior to Greenstone Partners, Scott was a director in Credit Suisse's investment banking department in Sydney. Scott has a Bachelor of Commerce (Hons) from Victoria University of Wellington, New Zealand and a Master of Business Administration from the William E Simon Graduate School of Business, Rochester, New York, USA.

Scott Malcolm has been a Director of the Company since April 2015.

### Other current directorships

None with listed entities.

### Former directorships in the last 3 years

Scott Malcolm has not resigned as a director from any listed companies within the last three years.

### Special responsibilities

Member of the Audit and Risk Committee.

### Interests in shares of the Company

Details of Scott Malcolm's interests in shares of the Company are included later in this report.

### Interests in contracts

Scott Malcolm has no interests in contracts of the Company.



# Directors' Report to Shareholders

For the year ended 31 December 2018

## Chief Executive Officer

### Louise Walsh

Louise Walsh is the Chief Executive Officer of the Future Generation companies (FGX and Future Generation Global Investment Company (FGG)) founded by Wilson Asset Management Chairman, Geoff Wilson. Louise also works closely with Wilson Asset Management on its philanthropic initiatives. Louise is a senior executive with a strong mix of experience in the not-for-profit, government and private sectors. A former solicitor at Allens, she has spent most of her career in sport, arts and philanthropy. Louise was previously the CEO of Philanthropy Australia, the peak body for philanthropy in Australia. Louise is a board member of St Vincent's Curran Foundation, the City Recital Hall in Sydney and the Snow Foundation. She is a member of the Australian Institute of Company Directors (AICD).

## Company Secretary

### Mark Licciardo

Mark Licciardo is the founder and Managing Director of Mertons Corporate Services. A former company secretary of Top 50 ASX listed companies Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, administration and company secretarial. Mark is a Fellow of the Australian Institute of Company Directors (AICD), the Institute of Company Secretaries and Administrators and the Governance Institute of Australia. Mark is a current director of a number of ASX listed public and private companies and a former Chairman of the Governance Institute of Australia Victoria division, Melbourne Fringe Festival and the Academy of Design Melbourne (LCI Melbourne).

## Members of the Investment Committee

The experience and qualifications of the members of the Investment Committee at the end of the financial period, up to the date of this report are set out below:

### Geoff Wilson AO (Chairman)

Geoff Wilson is also a Director. Please refer to page 20 of the Directors' Report for details of Geoff's experience and qualifications.

### Bruce Tomlinson

Bruce Tomlinson is currently Portfolio Manager of Hedge Funds & Alternative Strategies at Sunsuper in Sydney, a position he has held since October 2007. Previously Bruce was the Portfolio Manager, Australian Equities at Sunsuper from 2011 to 2014. Prior to this Bruce was a Statutory Fund Manager at AMP Capital Investors from August 1999.

### David Smythe

David Smythe is a Managing Partner and joint founder of Zenith Investment Partners, the research business he established in November 2002. David has been in the investment industry for over 25 years and is heavily involved in all aspects of the Zenith business, including managing research, model portfolio construction and participation in client investment committee meetings.

### Gabriel Radzynski

Gabriel Radzynski is also a Director. Please refer to page 19 to 20 of the Directors' Report for details of Gabriel's experience and qualifications.

### Matthew Kidman

Matthew Kidman became Principal and Portfolio Manager of Centennial Asset Management Pty Limited in 2015. Previously, Matthew worked as a Portfolio Manager at Wilson Asset Management (International) Pty Limited for 13 years between 1998 and 2011. Matthew worked as a finance journalist at the Sydney Morning Herald between the years 1994 and 1998. In 1997 Matthew was made Business Editor of the paper and was charged with the responsibility of company coverage. Matthew has degrees in Law and Economics and a Graduate Diploma in Applied Finance.

# Directors' Report to Shareholders

For the year ended 31 December 2018

## Remuneration Report (Audited)

The responsibility of the Company's remuneration policy rests with the Board. Given the size of the Company, its charitable nature, the fact that the Company does not have any employees (other than the Chief Executive Officer) and has no intention to remunerate its Directors, no remuneration committee has been formed by the Company.

### a) Remuneration of Directors and Other Key Management Personnel

The Chairman and the Directors have agreed to waive their Directors' fees on an ongoing basis. For the year ended 31 December 2018, no Directors' fees were paid by the Company (2017: nil).

The Company remunerates LW Consulting Pty Limited, an entity associated with Louise Walsh, \$100,000 (plus GST) per annum for providing her services as Chief Executive Officer.

During the year ended 31 December 2018, the Company paid LW Consulting Pty Limited a total of \$100,000 (plus GST) for services provided (2017: \$100,000 (plus GST)). The Company did not pay any performance based remuneration in the 12-month period (2017: \$10,000 (plus GST)).

The term of the contract continues until March 2019 and will automatically be extended for successive periods of 12 months unless notice of termination is provided by either party no less than three months before the due date for extension of the term.

### b) Director and Other Key Management Personnel Related Entities Remuneration

All transactions with related entities were made on normal commercial terms and conditions and at market rates, except as noted below.

Geoff Wilson AO is a Director of Wilson Asset Management (International) Pty Limited, Investment Manager of Wilson Asset Management Equity Fund. Wilson Asset Management (International) Pty Limited is a fund manager for the Company and has agreed to forgo all management and performance fees on the funds managed on behalf of the Company.

Wilson Asset Management (International) Pty Limited also provides some company secretarial services, financial reporting, investor relations and marketing for the Company at no cost. Wilson Asset Management (International) Pty Limited is an entity associated with Geoff Wilson.

Gabriel Radzynski is Managing Director of Sandon Capital Pty Limited, Investment Manager of Sandon Capital Activist Fund. Sandon Capital Pty Limited is a fund manager for the Company and has agreed to forgo all management and performance fees on the funds managed on behalf of the Company.

David Paradise AO is a Director of Paradise Investment Management Pty Limited which is the Trustee of the unregistered managed investment schemes Paradise Australian Mid Cap Fund and Paradise Large Cap Fund. Paradise Investment Management Pty Limited is a fund manager for the Company and has agreed to forgo all management and performance fees on the funds managed on behalf of the Company.

Matthew Kidman is a Director of Centennial Asset Management, Investment Manager of The Level 18 Fund. Centennial Asset Management is a fund manager for the Company and has agreed to forgo all management and performance fees on the funds managed on behalf of the Company. Matthew Kidman is a member of the Investment Committee.

# Directors' Report to Shareholders

For the year ended 31 December 2018

## c) Equity Instruments Disclosures of Directors, Other Key Management Personnel and Related Parties

At the date of this report, the Company's Directors, other key management personnel and their related parties held the following interests in the Company:

Directors and Key Management	Balance at 31 December 2017	Acquisitions	Disposals	As at the date of this report
Jonathan Trollip	181,818	12,711	-	194,529
David Leeton	309,364	-	-	309,364
David Paradice AO	1,000,000	-	-	1,000,000
Gabriel Radzynski	39,199	1,468	-	40,667
Geoff Wilson AO	7,532,543	373,656	-	7,906,199
Kate Thorley	91,896	20,405	-	112,301
Scott Malcolm	1,831,817	-	-	1,831,817
Louise Walsh	1,000	12,729	-	13,729

Directors, other key management personnel and director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the financial year end, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

For further details, please refer to Note 20 of the financial statements.

- END OF REMUNERATION REPORT -

## Directors' Meetings

Director	No. eligible to attend	Attended
Jonathan Trollip	5	5
David Leeton	5	5
David Paradice AO	5	2
Gabriel Radzynski	5	3
Geoff Wilson AO	5	5
Kate Thorley	5	5
Scott Malcolm	5	4

## Audit and Risk Committee Meetings

The main responsibilities of the Audit and Risk Committee are set out in the Corporate Governance Statement available on the Company's website at [futuregeninvest.com.au](http://futuregeninvest.com.au).

Director	No. eligible to attend	Attended
David Leeton	4	4
Kate Thorley	4	4
Scott Malcolm	4	3

# Directors' Report to Shareholders

For the year ended 31 December 2018

## After Balance Date Events

Since the end of the year, the Company declared a fully franked final dividend of 2.3 cents per share to be paid on 26 April 2019.

No other matters or circumstances have arisen since the end of the year which significantly affect or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

## Future Developments

The Company's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by investee company-specific factors and prevailing market conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market and these investments.

As such, we do not believe it is possible or appropriate to accurately predict the future performance of the Company's investments and, therefore, the Company's performance.

## Environmental Regulation

The Company's operations are not regulated by any environmental regulation under a law of the Commonwealth or a State or Territory.

## Indemnification and Insurance of Officers or Auditors

During the year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Officer or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who, is or has been, an auditor of the Company.

## Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## Non-Audit Services

During the year, Pitcher Partners, the Company's auditor, did not perform any other non-assurance services in addition to their statutory duties for the Company. Related entities of Pitcher Partners perform taxation services for the Company on a partial pro bono basis. Details of the amounts paid to the auditors and their related parties are disclosed in Note 7 to the financial statements.

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 7 did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditory independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

# Directors' Report to Shareholders

For the year ended 31 December 2018

## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 27 of this Financial Report.

## Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended to 31 December 2018 is provided on the Company's website at [futuregeninvest.com.au](http://futuregeninvest.com.au).

## Rounding of Amounts

In accordance with ASIC Corporations (Rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar unless otherwise indicated.

This report is made in accordance with a resolution of directors pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Jonathan Trollip  
Chairman

Dated in Sydney this 28<sup>th</sup> day of February 2019

**Auditor's Independence Declaration**  
**To the Directors of Future Generation Investment Company Limited**  
**ABN 97 063 935 553**

In relation to the independent audit for the year ended 31 December 2018, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Future Generation Investment Company Limited during the year.



S M WHIDDETT  
Partner

PITCHER PARTNERS  
Sydney

28 February 2019

# Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
<b>Investment income from ordinary activities</b>			
Distributions received		31,214	25,225
Investment management and performance fee rebates	3	4,983	5,585
Interest income		213	817
		<b>36,410</b>	<b>31,627</b>
<b>Expenses</b>			
ASX listing fees		-	-
Share registry maintenance costs		-	-
Directors' fees		-	-
Accounting fees		-	-
Charity investment accrual	5	(4,405)	(4,103)
Share registry transaction costs		(98)	(87)
Executive remuneration	20(a)	(110)	(121)
Other expenses		(212)	(80)
Audit fees	7	(40)	(35)
ASX CHESS fees		(24)	(25)
Amortisation expense		(5)	(5)
Tax fees	7	(4)	(4)
<b>Profit before income tax</b>		<b>31,512</b>	<b>27,167</b>
Income tax expense	4(a)	(8,291)	(4,917)
<b>Profit after income tax attributable to members</b>		<b>23,221</b>	<b>22,250</b>
<b>Other comprehensive (loss)/income</b>			
Items that will not be reclassified to profit or loss			
Net realised and unrealised (losses)/gains on investments taken to equity, net of tax		(37,174)	17,162
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(37,174)</b>	<b>17,162</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(13,953)</b>	<b>39,412</b>
<b>Basic and diluted earnings per share</b>	16	<b>6.53 cents</b>	<b>6.37 cents</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

As at 31 December 2018

	Note	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	47,265	9,796
Trade and other receivables	8	2,118	4,048
Other current assets		27	22
<b>Total current assets</b>		<b>49,410</b>	<b>13,866</b>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	9	393,151	420,026
Deferred tax assets	4(b)	7,847	1,028
Intangible assets		2	6
<b>Total non-current assets</b>		<b>401,000</b>	<b>421,060</b>
<b>Total assets</b>		<b>450,410</b>	<b>434,926</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	139	41
Charity investment accrual	5	2,240	2,100
Current tax liabilities	4(c)	262	202
<b>Total current liabilities</b>		<b>2,641</b>	<b>2,343</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	4(d)	-	8,650
<b>Total non-current liabilities</b>		<b>-</b>	<b>8,650</b>
<b>Total liabilities</b>		<b>2,641</b>	<b>10,993</b>
<b>Net assets</b>		<b>447,769</b>	<b>423,933</b>
<b>EQUITY</b>			
Issued capital	11	437,037	383,451
Investment reserves	12(a)	(16,545)	20,629
Profits reserve	12(a)	31,058	23,634
Accumulated losses	12(b)	(3,781)	(3,781)
<b>Total equity</b>		<b>447,769</b>	<b>423,933</b>

The accompanying notes form part of these financial statements.



# Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Issued capital \$'000	Investment reserves \$'000	Profits reserve \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 January 2017</b>		<b>381,286</b>	<b>3,467</b>	<b>16,400</b>	<b>(3,781)</b>	<b>397,372</b>
Net profit for the period		-	-	-	22,250	22,250
Transfer to profits reserve	12(a)	-	-	22,250	(22,250)	-
Other comprehensive income, net of tax		-	17,162	-	-	17,162
<b>Transactions with owners:</b>						
Shares issued via Dividend Reinvestment Plan	11(b)	2,165	-	-	-	2,165
Dividends paid	6(a)	-	-	(15,016)	-	(15,016)
<b>Balance at 31 December 2017</b>		<b>383,451</b>	<b>20,629</b>	<b>23,634</b>	<b>(3,781)</b>	<b>423,933</b>
Net profit for the period		-	-	-	23,221	23,221
Transfer to profits reserve	12(a)	-	-	23,221	(23,221)	-
Other comprehensive loss, net of tax		-	(37,174)	-	-	(37,174)
<b>Transactions with owners:</b>						
Shares issued via Share Purchase Plan	11(b)	7,194	-	-	-	7,194
Shares issued via Placement	11(b)	44,916	-	-	-	44,916
Shares issued via Dividend Reinvestment Plan	11(b)	1,956	-	-	-	1,956
Share issue costs (net of tax)	11(b)	(480)	-	-	-	(480)
Dividends paid	6(a)	-	-	(15,797)	-	(15,797)
<b>Balance at 31 December 2018</b>		<b>437,037</b>	<b>(16,545)</b>	<b>31,058</b>	<b>(3,781)</b>	<b>447,769</b>

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Interest received		173	1,047
Distribution income received		691	-
Rebate income received		108	95
Income tax paid		(7,562)	(5,576)
Charity investment		(4,264)	(3,837)
Payments for other expenses		(459)	(336)
<b>Net cash used in operating activities</b>	<b>14</b>	<b>(11,313)</b>	<b>(8,607)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of financial assets		31,190	23,606
Payments for financial assets		(20,000)	(65,260)
<b>Net cash provided by/(used in) investing activities</b>		<b>11,190</b>	<b>(41,654)</b>
<b>Cash flows from financing activities</b>			
Shares issued via a Share Purchase Plan and Placement		52,111	-
Cost of raising capital (gross of tax)		(736)	-
Dividends paid to the Company's shareholders (net of Dividend Reinvestment Plan)		(13,783)	(12,850)
<b>Net cash provided by/(used in) financing activities</b>		<b>37,592</b>	<b>(12,850)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>37,469</b>	<b>(63,111)</b>
Cash and cash equivalents at the beginning of the year		9,796	72,907
<b>Cash and cash equivalents at the end of the year</b>	<b>13</b>	<b>47,265</b>	<b>9,796</b>
<b>Non-cash investing and financing activities</b>			
Distributions, rebates and shares issued via Dividend Reinvestment Plan	15	39,375	30,851

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 1. General information

Future Generation Investment Company Limited (FGX or the Company) is a listed public company, incorporated and domiciled in Australia. The registered office is Level 26, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000. The financial statements of the Company are for the year ended 31 December 2018.

The financial report was authorised for issue on 28 February 2019 by the Board of Directors.

## 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### a) Basis of preparation

These general purpose financial statements for the year ended 31 December 2018 have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out the accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

#### (i) Compliance with IFRS

The financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss or through other comprehensive income.

#### (iii) New standards and interpretations not yet adopted

There are no new standards or interpretations applicable that would have a material impact for the Company.

### (b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

#### (i) Investment income

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the year they are incurred in accordance with the policies described in Note 2(g).

#### (ii) Trust distributions

Trust distributions are recognised as revenue in the Statement of Comprehensive Income when the right to receive payment is established.

#### (iii) Interest income

Interest income is recognised as it accrues in the Statement of Comprehensive Income based on nominated interest rates available on the bank accounts held.

#### (iv) Management and performance fee rebate income

Investment management and performance fee rebates are recognised in the Statement of Comprehensive Income on an accruals basis.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 2. Summary of significant accounting policies (continued)

### (c) Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (d) Impairment of assets

At each reporting date, the Company reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 2. Summary of significant accounting policies (continued)

### (e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and term deposits maturing within three months or less.

### (f) Trade and other receivables

Trade and other receivables are non-derivative financial assets and are stated at their amortised cost.

### (g) Investments and other financial assets

#### *Classification*

The Company has designated long-term investments as fair value through other comprehensive income. All gains and losses on long-term investments and tax thereon are presented in other comprehensive income as part of the Statement of Comprehensive Income.

#### *Recognition and derecognition*

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### *Measurement*

At initial recognition, the Company measures a financial asset at its fair value. Transaction costs for financial assets carried at fair value through other comprehensive income are included as part of the initial measurement.

Subsequent changes in fair value for financial assets at fair value through other comprehensive income are recognised through the investment portfolio revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long-term holding of equity investments.

When an instrument held at fair value through other comprehensive income is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the investment portfolio revaluation reserve to the investment portfolio realised gains/losses reserve.

#### *Determination of Fair Value*

AASB 13 Fair Value Measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company's accounting policy on fair value is disclosed in Note 18.

The Board of Directors values the Company's investments in unlisted trusts using the unit prices derived from the unaudited net assets of the unlisted unit trusts.

### (h) Trade and other payables

Trade and other payables are non-derivative financial liabilities and are stated at their amortised cost.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 2. Summary of significant accounting policies (continued)

### (i) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the proceeds from the issue of new shares are shown in equity as a deduction, net of tax.

### (j) Profits reserve

The profits reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

### (k) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

### (l) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares on issue for the year ended 31 December 2018.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Where applicable, the Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%; hence fees for these services have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 2. Summary of significant accounting policies (continued)

### (n) Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial Reports) Instrument 2016/191, the amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, unless otherwise indicated.

### (o) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

### (p) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data. There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 31 December 2018.

### (q) Comparatives

Where necessary, comparative information has been reclassified to be consistent with current reporting period.

## 3. Investment income from ordinary activities

As at 31 December 2018, the investment portfolio was invested with 20 fund managers in 23 unlisted unit trusts.

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

The aggregated amount of management and performance fees foregone by the unit trusts with a zero fee unit class for the year ended 31 December 2018 was \$1.4 million (2017: \$0.8 million).

The remaining investments are made in unit trusts with fund managers that normally charge management and performance fees. These fund managers have rebated the fees charged. The aggregate amount of management and performance fees rebated to the Company was \$5.0 million for the year ended 31 December 2018 (2017: \$5.6 million). Management and performance fee rebates are recognised in the Statement of Comprehensive Income on an accruals basis.

The estimated value of the other pro bono services provided to the Company for the year, including the Board and Investment Committee working on a pro bono basis, totalled \$0.7 million (2017: \$0.7 million).

# Notes to the Financial Statements

For the year ended 31 December 2018

## 4. Income tax

### (a) Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expenses as follows:

	2018 \$'000	2017 \$'000
Prima facie tax on profit before income tax at 30% (2017: 30%)	9,454	8,150
Franking credits on distribution income received	(3,772)	(3,018)
Foreign tax credits on distribution income received	(474)	-
Imputation credit gross up	1,132	905
Foreign tax credit gross up	142	-
Other non-assessable income	(378)	(281)
Capital gains component from distribution income	1,945	-
Under/(over) provision in prior year	242	(839)
<b>Income tax expense</b>	<b>8,291</b>	<b>4,917</b>
Effective tax rate	26.3%	18.1%

The effective tax rate reflects the benefit to the Company of franking credits received from trust distribution income during the year. The increase in the effective tax rate from the prior year is as a result of the taxable composition of the distribution income received in 2018 for capital gains purposes, in addition to the over provision in the prior year.

Total income tax expense results in a:

	2018 \$'000	2017 \$'000
Current tax liability	8,282	4,661
Deferred tax liability	12	66
Deferred tax asset	(3)	190
<b>Total income tax expense</b>	<b>8,291</b>	<b>4,917</b>

### (b) Deferred tax assets

	2018 \$'000	2017 \$'000
Capitalised share issue costs	322	357
Provisions	568	671
Net unrealised losses on revaluation of investment portfolio	6,957	-
<b>At reporting date</b>	<b>7,847</b>	<b>1,028</b>

Movement in deferred tax assets:

	2018 \$'000	2017 \$'000
Balance at the beginning of the period	1,028	1,219
Charged to profit or loss	(3)	(191)
Transfer from deferred tax liabilities	6,822	-
<b>At reporting date</b>	<b>7,847</b>	<b>1,028</b>



# Notes to the Financial Statements

For the year ended 31 December 2018

## 4. Income tax (continued)

### (c) Current tax liabilities

Movement in current tax liabilities:

	2018 \$'000	2017 \$'000
Balance at the beginning of the period	202	378
Current year income tax expense on operating profit	8,282	4,661
(Over)/under provision in prior year	(820)	125
Income tax on realised gains on investments	160	614
Income tax paid	(7,562)	(5,576)
<b>At reporting date</b>	<b>262</b>	<b>202</b>

### (d) Deferred tax liabilities

	2018 \$'000	2017 \$'000
Income provisions	-	123
Net unrealised gains on revaluation of investment portfolio	-	8,527
<b>At reporting date</b>	<b>-</b>	<b>8,650</b>

Movement in deferred tax liabilities:

	2018 \$'000	2017 \$'000
Balance at the beginning of the period	8,650	1,649
Charged to profit or loss	12	66
Charged to other comprehensive income	(15,484)	6,935
Transfer to deferred tax assets	6,822	-
<b>At reporting date</b>	<b>-</b>	<b>8,650</b>

## 5. Charity investment

In line with its stated objectives, the Company invests a percentage of its assets to Australian charities with a focus on children and youth at risk. The investment is accrued monthly and is equal to 1.0% of the Company's average monthly net tangible assets. All investments are made to charities with deductible gift recipient (DGR) status. The contribution represents a tax deduction for the Company. The annual investment by the Company in supporting Australian children and youth at risk charities is detailed further in the Charity Report on page 9 of this report.

For the 12 months ended 31 December 2018, the amount recognised in the Statement of Comprehensive Income was \$4.4 million (2017: \$4.1 million).

The Company paid its fourth annual investment of \$4.3 million in October 2018. The specific allocation to each charity was determined by shareholder votes and directions, with the Board distributing the undirected monies on a pro-rata basis between the designated charities.

As at 31 December 2018, the six-month accrued commitment is \$2.2 million (2017: \$2.1 million).

# Notes to the Financial Statements

For the year ended 31 December 2018

## 6. Dividends

### a) Ordinary dividends paid during the year

	2018 \$'000	2017 \$'000
2017 Final dividend: 2.2 cents per share fully franked paid 27 April 2018 (Final dividend FY2016: 2.1 cents per share fully franked paid 21 April 2017)	7,714	7,322
2018 Interim dividend: 2.3 cents per share fully franked paid 26 October 2018 (Interim dividend 2017: 2.2 cents per share fully franked paid 27 October 2017)	8,083	7,694
	<b>15,797</b>	<b>15,016</b>

### b) Dividends not recognised at year end

	2018 \$'000	2017 \$'000
In addition to the above dividends, since the end of the year, the Board has declared a 2.3 cents per share fully franked final dividend which has not been recognised as a liability at the end of the financial year.	9,116	7,714

### c) Dividend franking account

	2018 \$'000	2017 \$'000
Opening balance of franking account	7,088	3,759
Franking credits on distributions received	3,772	4,188
Tax paid during the year	7,562	5,576
Franking credits on dividends paid	(6,769)	(6,435)
<b>Closing balance of franking account</b>	<b>11,653</b>	<b>7,088</b>
Subsequent to year end, the franking account would be reduced by the proposed dividend disclosed in Note 6(b)	(3,907)	(3,306)
<b>Adjusted franking account balance</b>	<b>7,746</b>	<b>3,782</b>

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked distributions received from the fund managers and the payment of tax.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 7. Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2018 \$'000	2017 \$'000
Audit and review of the financial report	37	35
Other assurance services:		
Taxation services	4	4
<b>Total remuneration for audit and other assurance services</b>	<b>41</b>	<b>39</b>

The Company's Audit and Risk Committee oversees the relationship with the Company's external auditors. The Audit and Risk Committee reviews the scope of the audit and reviews the proposed fee. It also reviews the cost and scope of other services provided by a related entity of the audit firm, to ensure that they do not compromise independence.

## 8. Current assets - Trade and other receivables

	2018 \$'000	2017 \$'000
Distribution income receivable	1,318	2,071
Rebate income receivable	675	1,944
Interest income receivable	69	29
GST receivable	56	4
<b>Total trade and other receivables</b>	<b>2,118</b>	<b>4,048</b>

### Risk exposure

The maximum exposure to credit risk in relation to trade and other receivables at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

## 9. Non-current assets - Financial assets at fair value through other comprehensive income

	2018 \$'000	2017 \$'000
Financial assets at fair value through other comprehensive income	393,151	420,026

A fund manager allocation and investments at market value breakdown is included in the Investment Committee Report on page 8.

## 10. Trade and other payables

	2018 \$'000	2017 \$'000
Trade and other payables	139	41

Other payables are settled within the terms of payment offered. No interest is applicable on these accounts.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 11. Issued capital

### (a) Paid-up capital

	2018 \$'000	2017 \$'000
396,348,525 ordinary shares fully paid (2017: 350,578,294)	437,037	383,451

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

### (b) Movements in ordinary share capital

	2018 \$'000	2017 \$'000
Balance at the beginning of the period	383,451	381,286
773,203 shares issued on 27 April 2018 under a Dividend Reinvestment Plan	900	-
835,455 shares issued on 26 October 2018 under a Dividend Reinvestment Plan	1,056	-
38,064,589 shares issued on 26 November 2018 under a Placement	44,916	-
6,096,984 shares issued on 3 December 2018 under a Share Purchase Plan	7,194	-
Cost of raising capital (net of tax)	(480)	-
1,008,628 shares issued on 21 April 2017 under a Dividend Reinvestment Plan	-	1,129
914,493 shares issued on 27 October 2017 under a Dividend Reinvestment Plan	-	1,036
<b>At reporting date</b>	<b>437,037</b>	<b>383,451</b>

### (c) Capital management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company deploys its capital. At the core of this, the Board is of the belief that shareholder value should be preserved through the management of the level of distributions to shareholders, share and option issues and share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board. There have been no changes in the strategy adopted by the Board to control the capital of the Company since the prior reporting period. The Company is not subject to any externally imposed capital requirements.

During the period, the Company completed a Share Purchase Plan (SPP) and Placement, which raised a combined \$52.1 million. The SPP raised \$7.2 million and the Placement raised a further \$44.9 million.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 12. Reserves and accumulated losses

### (a) Reserves

	2018 \$'000	2017 \$'000
<b>Reserves</b>		
Investment portfolio revaluation reserve	(18,416)	19,218
Investment portfolio realised losses reserve	1,871	1,411
Profits reserve	31,058	23,634
<b>Total reserves</b>	<b>14,513</b>	<b>44,263</b>

### Movements:

	2018 \$'000	2017 \$'000
<b>Investment portfolio revaluation reserve</b>		
Opening balance	19,218	3,470
Net unrealised (loss)/gain net of tax	(37,634)	15,748
<b>At reporting date</b>	<b>(18,416)</b>	<b>19,218</b>

### Investment portfolio realised gains reserve

Opening balance	1,411	(3)
Net realised gain – net of tax	460	1,414
<b>At reporting date</b>	<b>1,871</b>	<b>1,411</b>

### Profits reserve

Opening balance	23,634	16,400
Transfer from retained earnings	23,221	22,250
Final dividend paid (refer Note 6a)	(7,714)	(7,322)
Interim dividend paid (refer Note 6a)	(8,083)	(7,694)
<b>At reporting date</b>	<b>31,058</b>	<b>23,634</b>

### (b) Accumulated losses

	2018 \$'000	2017 \$'000
Opening balance	(3,781)	(3,781)
Net profit for the year	23,221	22,250
Transfer to profits reserve	(23,221)	(22,250)
<b>At reporting date</b>	<b>(3,781)</b>	<b>(3,781)</b>

# Notes to the Financial Statements

For the year ended 31 December 2018

## 13. Cash and cash equivalents

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2018 \$'000	2017 \$'000
Cash at call	47,265	696
Term deposits	-	9,100
<b>At reporting date</b>	<b>47,265</b>	<b>9,796</b>

### Risk exposure

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash and cash equivalents mentioned above.

Cash at call is with Australia and New Zealand Banking Group that have a Standard and Poor's short term rating of A-1+ and long term rating of AA-.

## 14. Reconciliation of profit after income tax to net cash provided by operating activities

	2018 \$'000	2017 \$'000
Profit after tax for the year	23,221	22,250
Amortisation of intangible assets	5	5
Management and performance fee rebate income reinvested	(6,144)	(4,622)
Distribution income reinvested	(31,276)	(24,064)
<b>Change in operating assets and liabilities:</b>		
Decrease/(increase) in receivables	1,930	(1,877)
Increase in current assets	(5)	-
Decrease/(increase) in deferred tax assets	3	(425)
Increase in trade and other payables	98	244
Decrease in deferred tax liabilities	-	58
Increase/(decrease) in current tax liabilities	855	(176)
<b>Net cash used in operating activities</b>	<b>(11,313)</b>	<b>(8,607)</b>

## 15. Non-cash investing and financing activities

	2018 \$'000	2017 \$'000
Distribution income reinvested	31,276	24,064
Rebate income reinvested	6,144	4,622
Shares issued via Dividend Reinvestment Plan	1,955	2,165
<b>Total non-cash investing and financing activities</b>	<b>39,375</b>	<b>30,851</b>

At 31 December 2018 a balance of \$58,470 relating to the October dividend donation plan election was payable to the nominated charities.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 16. Earnings per share

	2018 \$'000	2017 \$'000
Profit after income tax used in the calculation of basic and diluted earnings per share.	23,221	22,250

### (a) Basic and diluted earnings per share

	Cents	Cents
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company.	6.53	6.37

### (b) Weighted average number of shares used as denominator

	Number '000	Number '000
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share.	355,364	349,513

There are no outstanding securities on issue that are potentially dilutive in nature for the Company.

## 17. Financial risk management

The Company's activities expose it to a variety of financial risks: market risks (including interest rate risk and price risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

### (a) Market risk

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

#### (i) Foreign exchange risk

##### *Exposure*

The Company is not directly exposed to currency risk as all its investments are quoted in Australian dollars.

#### (ii) Price risk

##### *Exposure*

The Company is exposed to price risk on investments in unlisted unit trusts. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets at fair value through other comprehensive income.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across a number of prominent Australian equity fund managers with a focus on long-only, long/short and alternative investment strategies.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 17. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

### Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in the fair value of financial assets that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 30%:

	2018 \$'000	2017 \$'000
Impact on other components of equity		
Change in variable +/- 5% (2017: +/- 5%)	13,761	14,701
Change in variable +/- 10% (2017: +/- 10%)	27,521	29,402

(iii) Cash flow and fair value interest rate risk

### Exposure

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

31 December 2018	Interest bearing \$'000	Non-interesting bearing \$'000	Total \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	47,265	-	47,265
Trade and other receivables	-	2,118	2,118
Financial assets held at fair value through other comprehensive income	-	393,151	393,151
<b>Total financial assets</b>	<b>47,265</b>	<b>395,269</b>	<b>442,534</b>
<b>Financial Liabilities</b>			
Trade and other payables	-	139	139
<b>Total financial liabilities</b>	<b>-</b>	<b>139</b>	<b>139</b>
<b>Net exposure</b>	<b>47,265</b>	<b>395,130</b>	<b>442,395</b>



# Notes to the Financial Statements

For the year ended 31 December 2018

## 17. Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) Cash flow and fair value interest rate risk (continued)

31 December 2017	Interest bearing \$'000	Non-interesting bearing \$'000	Total \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	9,796	-	9,796
Trade and other receivables	-	4,048	4,048
Financial assets held at fair value through other comprehensive income	-	420,026	420,026
<b>Total financial assets</b>	<b>9,796</b>	<b>424,074</b>	<b>433,870</b>
<b>Financial Liabilities</b>			
Trade and other payables	-	41	41
<b>Total financial liabilities</b>	<b>-</b>	<b>41</b>	<b>41</b>
<b>Net exposure</b>	<b>9,796</b>	<b>424,033</b>	<b>433,829</b>

#### *Sensitivity*

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

At 31 December 2018, if interest rates had increased by 100 basis points (bps) or decreased by 100 bps from the year end rates with all other variables held constant, post-tax profit for the year would have been \$331,100 higher/\$331,100 lower (2017 changes of 100bps: \$68,600 higher/\$68,600 lower), mainly as a result of higher/lower interest income from cash and cash equivalents.

### (b) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

Credit risk is managed as noted in Note 13 with respect to cash and cash equivalents and Note 8 for trade and other receivables. None of these assets are over-due or considered to be impaired.

### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board and Investment Committee monitor the cash-flow requirements in relation to the investment portfolio taking into account upcoming dividends, tax payments, operating cash flows and investing activity.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 17. Financial risk management (continued)

### (c) Liquidity risk (continued)

The Company's inward cash flows depend upon the level of distribution and interest revenue received and the funds received from capital raising initiatives from time to time. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are investments in underlying fund managers, dividends paid to shareholders and the annual investment in Australian charities with a focus on children and youth at risk, the level of these outflows are managed by the Board and Investment Committee.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company's cash is held at call which mitigates liquidity risk.

#### Maturities of financial liabilities

The following table analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities at year end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 month \$'000	1-12 months \$'000	Total contractual undiscounted cash flows \$'000
2018			
<b>Non-derivatives</b>			
Trade and other payables	-	139	139
<b>Total non-derivatives</b>	-	<b>139</b>	<b>139</b>

	Less than 1 month \$'000	1-12 months \$'000	Total contractual undiscounted cash flows \$'000
2017			
<b>Non-derivatives</b>			
Trade and other payables	-	41	41
<b>Total non-derivatives</b>	-	<b>41</b>	<b>41</b>

## 18. Fair value measurements

The Company measures and recognises its financial assets at fair value through other comprehensive income (FVTOCI) on a recurring basis.

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

# Notes to the Financial Statements

For the year ended 31 December 2018

## 18. Fair value measurements (continued)

### Fair value hierarchy (continued)

#### (i) Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value at 31 December 2018.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2018				
Financial assets at FVTOCI	-	393,151	-	393,151
2017				
Financial assets at FVTOCI	-	420,026	-	420,026

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

#### (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 assets of the unlisted unit trusts managed by prominent Australian equity fund managers.

## 19. Segment information

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

# Notes to the Financial Statements

For the year ended 31 December 2018

## 20. Key management personnel compensation

The names and position held of the Company's key management personnel (including Directors) in office at any time during the year ended 31 December 2018 are:

Jonathan Trollip	Chairman
David Leeton	Non-Executive Director
David Paradise AO	Non-Executive Director
Gabriel Radzyninski	Non-Executive Director
Geoff Wilson AO	Non-Executive Director
Kate Thorley	Non-Executive Director
Scott Malcolm	Non-Executive Director
Louise Walsh	Chief Executive Officer

### a) Remuneration

The Chair and the Directors have agreed to waive their Directors' fees on an ongoing basis. For the year ended 31 December 2018, no Directors' fees were be paid by the Company (2017: nil).

The Company remunerates LW Consulting Pty Limited, an entity associated with Louise Walsh, \$100,000 (plus GST) per annum for providing her services as Chief Executive Officer.

During the year ended 31 December 2018, the Company paid LW Consulting Pty Limited a total of \$100,000 (plus GST) for services provided (2017: \$100,000 (plus GST)). The Company did not pay any performance based remuneration in the 12 month period to 31 December 2018 (2017: \$10,000 (plus GST)).

The term of the contract continues until March 2019 and will automatically be extended for successive periods of 12 months unless notice of termination is provided by either party no less than three months before the due date for extension of the term.

### b) Shareholdings

As at 31 December 2018, the Company's Directors and key management personnel and their related parties held the following interests in the Company:

#### 2018

Directors and Key Management	Balance at 31 December 2017	Acquisitions	Disposals	Balance at 31 December 2018
Jonathan Trollip	181,818	12,711	-	194,529
David Leeton	309,364	-	-	309,364
David Paradise AO	1,000,000	-	-	1,000,000
Gabriel Radzyninski	39,199	1,468	-	40,667
Geoff Wilson AO	7,532,543	373,656	-	7,906,199
Kate Thorley	91,896	20,405	-	112,301
Scott Malcolm	1,831,817	-	-	1,831,817
Louise Walsh	1,000	12,729	-	13,729

# Notes to the Financial Statements

For the year ended 31 December 2018

## 20. Key management personnel compensation (continued)

### b) Shareholdings (continued)

2017

Directors and Key Management	Balance at 31 December 2016	Acquisitions	Disposals	Balance at 31 December 2017
Jonathan Trollip	181,818	-	-	181,818
David Leeton	309,364	-	-	309,364
David Paradise AO	1,000,000	-	-	1,000,000
Gabriel Radzynski	37,744	1,455	-	39,199
Geoff Wilson AO	7,230,566	301,977	-	7,532,543
Kate Thorley	86,561	5,335	-	91,896
Scott Malcolm	1,831,817	-	-	1,831,817
Louise Walsh	-	1,000	-	1,000

Directors, other key management personnel and their related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of the financial year ended 31 December 2018, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

## 21. Related party transactions

All transactions with related entities were made on normal commercial terms and conditions and at market rates, except as noted below.

Geoff Wilson AO is a Director of Wilson Asset Management (International) Pty Limited, Investment Manager of Wilson Asset Management Equity Fund. Wilson Asset Management (International) Pty Limited is a fund manager for the Company and has agreed to forgo all management and performance fees on the funds managed on behalf of the Company.

Wilson Asset Management (International) Pty Limited also provides some company secretarial services, financial reporting, investor relations and marketing for the Company at no cost. Wilson Asset Management (International) Pty Limited is an entity associated with Geoff Wilson.

Gabriel Radzynski is Managing Director of Sandon Capital Pty Limited, Investment Manager of Sandon Capital Activist Fund. Sandon Capital Pty Limited is a fund manager for the Company and has agreed to forgo all management and performance fees on the funds managed on behalf of the Company.

David Paradise AO is a Director of Paradise Investment Management Pty Limited which is the Trustee of the unregistered managed investment schemes Paradise Australian Mid Cap Fund and Paradise Large Cap Fund. Paradise Investment Management Pty Limited is a fund manager for the Company and has agreed to forgo all management and performance fees on the funds managed on behalf of the Company.

Matthew Kidman is a Director of Centennial Asset Management, Investment Manager of The Level 18 Fund. Centennial Asset Management is a fund manager for the Company and has agreed to forgo all management and performance fees on the funds managed on behalf of the Company. Matthew Kidman is a member of the Investment Committee.

## 22. Contingencies

The Company had no contingent liabilities at 31 December 2018 (2017: nil).

# Notes to the Financial Statements

For the year ended 31 December 2018

## 23. Commitments

The Company contributes a percentage of its assets to Australian charities with a focus on children and youth at risk. The contribution is accrued monthly and is equal to 1.0% of the Company's average monthly net tangible assets. As at 31 December 2018, the accrued commitment is \$2.2 million (2017: \$2.1 million).

## 24. Events occurring after the reporting period

Since year end the Company declared a final dividend of 2.3 cents per share fully franked to be paid on 26 April 2019.

No other matters or circumstances have arisen since year end 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 financial report as set out in pages 28 to 51 and the additional disclosures included in the Directors' Report designated as 'Remuneration Report', as set out on pages 23 to 24 are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Australian Accounting Standards, which, as stated in Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b) giving a true and fair view of the financial position of the Company as at 31 December 2018 and of its performance, as represented by the results of the operations and the cashflows, for the year ended on that date; and
2. At the date of this declaration, 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.
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the persons and organisations who perform the Chief Executive Officer and Chief Financial Officer functions respectively, for the purposes of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



**Jonathan Trollip**  
Chairman

Dated in Sydney this 28<sup>th</sup> day of February 2019

**Independent Auditor's Report  
to the Members of Future Generation Investment Company Limited  
ABN 97 063 935 553**

**REPORT ON THE FINANCIAL REPORT**

We have audited the accompanying financial report of Future Generation Investment Company Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Opinion*

In our opinion, the financial report of Future Generation Investment Company Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis of Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the Company in accordance with 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* ("the Code") that are relevant to our audit of the 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 on the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have communicated the key audit matters to the Audit Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Independent Auditor's Report  
to the Members of Future Generation Investment Company Limited  
ABN 97 063 935 553**

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><b><i>Existence, Valuation, and Classification of Financial Assets</i></b>  <b><i>Refer to Note 9: Financial Assets at fair value through other comprehensive income, and Note 18: Fair Value Measurements</i></b></p>	
<p>We focused our audit effort on the valuation, existence and ownership of the Company's financial assets as they are its largest assets and represent the most significant driver of the Company's net tangible assets and results.</p> <p>The quantum of investments held inherently makes financial assets a key audit matter, in addition however, there may be judgements involved in determining the fair value of investments.</p> <p>In relation to financial assets, there is also a risk that these are not owned by the Company or do not exist.</p> <p>We therefore identified valuation, existence, and ownership of financial assets as an area of focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining an understanding of the investment management process and controls;</li> <li>▪ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator;</li> <li>▪ Agreeing the investment holdings to investment holding statements from fund managers or trustees of the investee entities;</li> <li>▪ Agreeing on a sample basis the units purchased, and the price, to purchase agreements or investment holding statements from the fund managers or trustees of the investee entities;</li> <li>▪ Assessing the valuation by agreeing the units held and the exit price as at 31 December 2018 to reported unit pricing from investment holding statements and compared the value of investments to the valuation report of the Company;</li> <li>▪ For a sample of investments held at balance date, obtaining their latest audited accounts and performing procedures including:             <ul style="list-style-type: none"> <li>▪ Recalculating the net asset value and comparing it to the reported unit price;</li> <li>▪ Considering the appropriateness of accounting policies; and</li> <li>▪ Confirming that the audit opinion is unmodified;</li> </ul> </li> <li>▪ Evaluating the appropriateness of the accounting treatment of revaluations of financial assets for current/deferred tax and realised/unrealised gains or losses; and</li> <li>▪ Assessing the adequacy of disclosures in the financial statements.</li> </ul>

*Other information*

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with

**Independent Auditor's Report  
to the Members of Future Generation Investment Company Limited  
ABN 97 063 935 553**

the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Directors' Responsibility for the Financial Report*

The Directors of Future Generation Investment Company Limited are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

**Independent Auditor's Report  
to the Members of Future Generation Investment Company Limited  
ABN 97 063 935 553**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 23 to 24 of the Directors' Report for the year ended 31 December 2018. In our opinion, the Remuneration Report of Future Generation Investment Company Limited for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The Directors of Future Generation Investment Company Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



S M WHIDDETT  
Partner



PITCHER PARTNERS  
Sydney

28 February 2019

# ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

## Shareholdings

### Substantial shareholders (as at 31 January 2019)

There are currently no substantial shareholders of Future Generation Investment Company Limited.

### Distribution of shareholders (as at 31 January 2019)

	Number of shareholders ordinary shares	Percentage of issued capital held
1 – 1,000	723	0.1%
1,001 – 9,999	2,063	2.8%
10,000 – 99,999	4,512	35.5%
100,000 – 999,999	550	29.7%
1,000,000 and over	38	31.9%
	<b>7,886</b>	<b>100.0%</b>

The number of shareholdings held in less than marketable parcels is 489.

### Twenty largest shareholders – Ordinary shares (as at 31 January 2019)

Name	Number of ordinary shares held	Percentage of issued capital held
HSBC Custody Nominees	32,287,640	8.1%
HSBC Custody Nominees (Australia) Limited – A/C 2	17,138,292	4.3%
Pineross Pty Limited	9,090,910	2.3%
Entities associated with Mr Geoff Wilson AO	7,204,999	1.8%
Netwealth Investments Limited <Wrap Services A/C>	5,976,525	1.5%
Clurname Pty Limited	5,221,969	1.3%
National Nominees Limited	4,730,977	1.2%
Snow Foundation Limited	3,679,000	0.9%
Charanda Nominee Company Pty Limited	3,000,000	0.8%
Jochr Pty Limited	2,952,405	0.7%
Bond Street Custodians Limited <Grant 2 – D06183 A/C>	2,425,000	0.6%
Netwealth Investments Limited <Super Services A/C>	2,061,391	0.5%
Ruapehu Holdings Pty Limited	1,831,817	0.5%
Victor Smorgon Institute at Epworth Pty Limited	1,545,456	0.4%
Victor Smorgon Charitable Fund	1,545,454	0.4%
The Anthony Super Fund A/C	1,503,065	0.4%
Navigator Australia Limited	1,496,390	0.4%
Mr Gary Ronald Poole and Mrs Leigh Margaret Poole	1,400,000	0.4%
The Wyatt Benevolent Institution Incorporation	1,305,001	0.3%
Bond Street Custodians Limited <Grant 2 – D09378 A/C>	1,285,789	0.3%
	<b>107,682,080</b>	<b>27.1%</b>

### Securities exchange listing

Quotation has been granted for all of the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

We are proud to support



---

With the assistance of our service providers



With thanks to the following fund managers

**BAEP**

**PARADICE**  
INVESTMENT MANAGEMENT

**REGAL**  
FUNDS MANAGEMENT

**Eley  
Griffiths  
Group**

**Tribeca**  
Investment Partners

**W' Wilson**  
Asset Management

**COOPER**  
INVESTORS

**L1 CAPITAL**

**WATERMARK**  
FUNDS MANAGEMENT

**SANDON CAPITAL**

**Bennelong**  
Long Short Equity

**Firetrail**  
INVESTMENTS

**ARCO**  
INVESTMENT MANAGEMENT

**vinva**

**CBG** ASSET  
MANAGEMENT

**LHC CAPITAL**

**CENTENNIAL**  
ASSET MANAGEMENT

**Smallco**  
Investment Manager

**QVG**  
**CAPITAL**

**LANYON**  
ASSET MANAGEMENT

futuregeninvest.com.au  
T +61 2 9247 9202  
F +61 2 9247 6855

info@futuregeninvest.com.au  
Level 26, Governor Phillip Tower, 1 Farrer  
Place,  
Sydney NSW 2000 Australia