

28 August 2014

The Manager
ASX Market Announcements
Australian Securities Exchange
Exchange Centre
Level 4
20 Bridge Street
Sydney NSW 2000

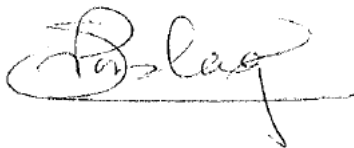
Electronic Lodgement

**Australian Foundation Investment Company Limited
Share Purchase Plan**

Dear Sir / Madam

Please find attached a letter, terms and conditions and application form being sent to eligible shareholders today regarding the Share Purchase Plan announced on 21 July 2014.

Yours faithfully,



Simon Pordage
Company Secretary

28 August 2014

└ 000001 000 AFI
MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Dear Shareholder

SHARE PURCHASE PLAN

The Company announced its intention with the release of the Annual Results on 21 July 2014 to make an offer to shareholders for additional funds under a Share Purchase Plan (SPP). Details of the SPP are enclosed with this letter and you should read them before participating in the SPP.

The SPP issue price will be the lower of \$5.93 per share (the dividend reinvestment plan price for the 2014 final dividend) or a 2.5% discount to the volume-weighted average price of AFIC shares traded on the Australian Securities Exchange (ASX) and Chi-X Australia Pty Ltd (Chi-X) automated trading systems over the 5 trading days up to, and including, the day on which the SPP offer is scheduled to close, rounded down to the nearest cent. Therefore, the maximum price that eligible shareholders will pay is \$5.93 per share. The Company will announce the final issue price after the SPP offer closes. The number of shares issued to shareholders will be determined by dividing the value of the shares applied for by the issue price. If this calculation produces a fractional number, the number of shares issued will be rounded up to the nearest whole share.

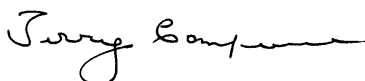
In addition, other key features of the SPP are:

- You may acquire a parcel of shares in the amount of \$500, \$1,000, \$2,500, \$5,000, \$7,500, \$10,000, \$12,500 or \$15,000.
- Shares allotted under the SPP will rank equally with existing fully paid shares. The shares issued under the SPP will be eligible for dividends that may be declared in respect of the financial year ending 30 June 2015.
- **Applications close at 5.00pm (AEST) on Thursday 25 September 2014.** If you wish to participate you can fill out the enclosed application form and attach a cheque or bank draft to the acceptance slip and mail it in the reply paid envelope. As an alternative you may subscribe to the Plan by paying through BPAY (facility open from 28 August 2014). Details of the Biller code and unique Customer Reference Number are on your application form. If you utilise BPAY then you do not need to return the application form.

Shares under the SPP are expected to be issued on 6 October 2014.

Thank you for your continuing support as a shareholder of the Company.

Yours faithfully



Terry Campbell
Chairman

2014 SHARE PURCHASE PLAN TERMS AND CONDITIONS

These are the Terms and Conditions of the 2014 Share Purchase Plan (the **Plan**) of Australian Foundation Investment Company Limited (**AFI**), ABN 56 004 147 120.

1. Participation in the Plan

Shareholders who are entered in the AFI register of members at 7.00pm Australian Eastern Standard Time (AEST) on 18 July 2014 (**Record Date**) and who have a registered address in Australia or New Zealand (**Eligible Shareholders**) may participate in the Plan, unless:

- in the case of such a holder with a registered address in New Zealand, they no longer hold any AFI shares as at the date of this offer; or
- such a holder is in the United States or they are, or are acting for the account or benefit of, a US Person (as defined in Regulation S under the US Securities Act of 1933 (the **Securities Act**), as amended (**US Person**)).

The following rules apply to participation by Eligible Shareholders in the Plan:

(a) Single holders – If you are the registered holder of a holding of AFI shares, but you receive more than one offer under the Plan (for example, due to multiple registered holdings), you may only apply for up to a maximum amount of A\$15,000 of shares.

(b) Joint holders – If you are recorded with one or more persons as the joint holder of a holding of shares, that joint holding is considered to be a single registered holding for the purpose of the Plan. Joint holders are only entitled to participate in the Plan in respect of that single holding. If the same joint holders receive more than one offer under the Plan due to multiple identical holdings, the joint holders may only apply for up to one maximum amount of A\$15,000 of shares.

(c) Custodians and nominees – Eligible Shareholders who hold AFI shares as a custodian, trustee or nominee (within the definition of 'Custodian' in ASIC Class Order (CO) 09/425, as amended) for one or more Beneficiaries (defined below), may apply for up to a maximum amount of A\$15,000 of shares for each Beneficiary, subject to the following:

- the Custodian must (i) hold an Australian financial services licence that covers the provision of a custodial or depository service (within the meaning of section 766E of the Corporations Act 2001 (the **Act**)) or the operation of an IDPS (as defined in CO 13/763); or (ii) be exempt, under paragraph 7.6.01(1)(k) or 7.6.01(1)(na) of the Corporation Regulations 2001; or under CO 05/1270 to the extent that it relates to CO 03/184; or under CO 03/1099, CO 03/1100, CO 03/1101, CO 03/1102, CO 04/829 or CO 04/1313; or under an individual instrument of relief granted by ASIC in similar terms; or under paragraph 911A(2)(h) of the Act, from the requirement to hold an Australian financial services licence for the provision of a custodial or depository service; or (iii) be a trustee of a self-managed superannuation fund or a superannuation master trust (as defined by CO 09/425); or (iv) be the responsible entity of an IDPS-like scheme (as defined by CO 13/762); or (v) be the registered holder of AFI shares and be noted on the AFI register of members as holding AFI shares on account of another person.
- the Custodian must certify to AFI in writing:
 - either or both of the following (as applicable):
 - (i) that on the Record Date the Custodian holds AFI shares on behalf of one or more other persons (each a Beneficiary) that are not Custodians;
 - (ii) that on the Record Date another Custodian (Downstream Custodian) holds beneficial interests in AFI shares on behalf of one or more other persons (each a Beneficiary), and the Custodian holds the shares to which those beneficial interests relate on behalf of the Downstream Custodian or another Custodian;
 - that each Beneficiary has subsequently instructed either the Custodian or the Downstream Custodian (as applicable) to apply for shares on their behalf under the Plan;
 - the number of Beneficiaries and the name and address of each Beneficiary;
 - in respect of each Beneficiary, the number of AFI shares that the Custodian holds on their behalf or the number of AFI shares to which the beneficial interests held by the Downstream Custodian relate (as applicable);
 - in respect of each Beneficiary, the dollar amount of shares they instructed the Custodian or Downstream Custodian (as applicable) to apply for on their behalf; and
 - that there are no Beneficiaries in respect of whom the total of the application price for (a) the AFI shares applied for by the Custodian under the Plan on their behalf; and (b) for any other AFI shares issued to the Custodian in the 12 months before the application as a result of an instruction given by the Beneficiary to the Custodian or a Downstream Custodian to apply for AFI shares on their behalf under an arrangement similar to the Plan, exceeds A\$15,000;
 - that a copy of this offer document was given to each Beneficiary; and
 - where (ii) above applies—the name and address of each Custodian who holds beneficial interests in AFI shares held by the Custodian in relation to each Beneficiary.

A '**Beneficiary**' is a client of a Custodian or Downstream Custodian on whose behalf the Custodian or Downstream Custodian held AFI shares on the Record Date. Eligible Shareholders who hold AFI shares in the capacity of a trustee or a nominee for another person but who do not meet the definition of Custodian (above) cannot participate for Beneficiaries in the manner outlined (above). In this case, the rules for multiple single holdings (above) apply. To the extent that a Custodian holds shares on behalf of a Beneficiary resident outside Australia and New Zealand, it is the responsibility of the Custodian to ensure that any acceptance complies with all applicable foreign laws.

Custodians should contact AFI's share registry and request a Custodian Certificate and Schedule when making an application on behalf of Beneficiaries.

Participation in the Plan is entirely optional and the offer of AFI shares under the Plan is not a recommendation. You should seek independent advice if you are unsure whether you should participate in the Plan. The offer of shares under the Plan is non-renounceable which means that Eligible Shareholders cannot transfer their entitlement to purchase shares under the Plan to another person.

The application form specifies parcels of a particular value of shares for which applications may be made and application may not be made for any other value of shares. If an Eligible Shareholder applies for (i) a value of shares that is higher than provided for in the application form, the maximum number of shares under the Plan will be issued and the excess amount paid will be refunded without interest; or (ii) for a value of shares that is not designated on the application form, the number of shares issued will be the highest designated value of shares that is less than the cheque, bank draft or BPAY® (registered to BPAY Pty Ltd ABN 69 079 137 518) amount received and the excess amount paid will be refunded without interest. The Plan will not be underwritten and it is not proposed that there be any scale back of applications under the Plan.

2. United States restrictions

AFI shares to be issued under this Plan have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. Therefore, the AFI shares to be issued under the Plan may not be offered, sold or otherwise transferred to shareholders located in the United States (as defined in Regulation S under the Securities Act) or to shareholders who are, or who are acting for the account or benefit of, US Persons. These Terms and Conditions and the enclosed materials do not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or from, any US Person, and these materials must not be sent or disseminated in the United States or to any US Person, directly or indirectly. Consistent with the warranties contained in these Terms and Conditions and the enclosed application form included with these Terms and Conditions, you must not submit any completed application forms or make any payment by BPAY in respect of the purchase of AFI shares under the Plan on behalf of any persons resident in the United States or who are, or are acting for the account or benefit of, US Persons. Failure to comply with these restrictions may result in violations of applicable securities laws.

3. Application form

Unless payment is made by using the BPAY facility, applications to participate in the Plan must be made on the enclosed application form and must be received by the AFI share registry (with the correct payment) no later than 5.00pm (AEST) on 25 September 2014 (**Closing Date**). AFI reserves the right to return any payment and not issue any AFI shares if payment is received after that time.

By returning the enclosed acceptance slip or by making a BPAY payment, you (a) agree to be bound by these Terms and Conditions; (b) represent that you are an Eligible Shareholder; (c) acknowledge that AFI is not liable for any exercise of its discretions referred to in these Terms and Conditions; (d) will be deemed to have made on behalf of each person on whose account you are acting the representations and acknowledgements referred to above under "United States restrictions"; and (e) certify that the aggregate of the application price paid by you for the AFI shares the subject of the application form or BPAY payment, and any other AFI shares applied for by you, or which you have instructed a Custodian to acquire on your behalf under the Plan, and any other AFI shares issued to you or a Custodian on your behalf under any similar arrangement operated by AFI in the 12 months prior to the date of your application under the Plan, does not exceed A\$15,000. Applications and payments under the Plan may not be withdrawn once they have been received by AFI. Application money will not bear interest as against AFI under any circumstances.

4. Payments by BPAY

If payment is made using the BPAY facility (Australian financial institution accounts only), there is no requirement for the application form to be returned. Payment must be received by AFI's share registry no later than 5.00pm (AEST) on 25 September 2014. Eligible Shareholders must ensure that funds submitted through BPAY are received by then as their own financial institutions may have earlier cut off times with regards to electronic payment.

5. Issue Price

The issue price under the Plan will be the lower of (a) the issue price of shares under the Dividend Reinvestment Plan for the 2014 Final Dividend (\$5.93 per share) or (b) a 2.5% discount to the volume-weighted average sale price of all AFI shares traded on the Australian Securities Exchange (ASX) and Chi-X Australia Pty Ltd (Chi-X) automated trading systems in the five trading days ending on, and including, 25 September 2014, rounded down to the nearest cent. Therefore, the maximum price that Eligible Shareholders will pay is \$5.93 per share. AFI will announce the final issue price for the Plan after the offer closes. The number of shares issued to a participating Eligible Shareholder will be determined by dividing the value of the shares applied for by the issue price. If this calculation produces a fractional number, the number of shares issued will be rounded up to the nearest whole share.

The market price of AFI shares may change between the date of this offer and the date when shares are issued under the Plan. This means that the issue price for the shares under the Plan may be higher or lower than the market price of AFI shares at the date of this offer or at the date of issue. AFI recommends that you monitor the AFI share price, which can be found in the financial pages of major Australian metropolitan newspapers, or on the ASX website at www.asx.com.au (ASX code: AFI).

6. Shares to be issued

Shares issued under the Plan will rank equally with existing fully paid ordinary shares of AFI. Promptly on or after 6 October 2014 (expected **Share Issue Date**), application will be made by AFI for shares issued under the Plan to be listed for quotation on the official list of the ASX. Transaction Confirmation Statements will then be dispatched to the Issuer Sponsored and CHES participants for shares issued under the Plan. You should confirm your holding before trading in any AFI shares you believe have been issued to you under the Plan.

No brokerage, commissions, stamp duty or other transaction costs will be payable by Eligible Shareholders for their application for, or issue of, shares under the Plan. This offer of shares under the Plan is made in accordance with ASIC Class Order 09/425 (as amended), which grants relief from the requirement to prepare a prospectus for the offer of AFI shares under the Plan.

7. Variations, waivers and resolution of disputes

The Plan is governed by the law in force in Victoria, Australia. By accepting this offer, shareholders submit to the non-exclusive jurisdiction of the courts of Victoria. AFI reserves the right to (a) vary the Closing Date and Share Issue Date for the Plan; (b) waive compliance with any of these Terms and Conditions (either generally or in specific cases); (c) refuse to issue shares where it believes there has been a breach of these Terms and Conditions; (d) amend or vary these Terms or Conditions or suspend or terminate the Plan at any time; (e) scale back applications at its discretion; and (f) settle in any manner it thinks fit any disputes or anomalies which may arise in connection with the Plan. Any determinations by AFI will be binding on all Eligible Shareholders and other persons to whom the determination relates, even where they are not notified by AFI of that event. AFI's rights may be exercised by the Board or any delegate thereof.

8. Applications and notices

Applications and notices given to AFI for the Plan must be in writing and in such form as AFI may from time to time require. Such applications and notices will be effective on receipt by AFI subject to (a) these Terms and Conditions and (b), in the case of applications, acceptance by AFI before the closing date for cash payments.

9. Questions

If you have any questions, please contact AFI's share registry on 1300 662 270 (within Australia) or +61 3 9415 4373 (outside Australia) between the hours of 8.30am and 5.00pm (AEST), Monday to Friday. For further details of how to apply for AFI shares under the Plan and details regarding how your personal shareholder information is used, please refer to the enclosed application form.

For all enquiries:

Phone:

(within Australia) 1300 662 270
(outside Australia) +61 3 9415 4373

Web:

www.investorcentre.com/contact

Make your payment:



See over for details of the Offer and how to make your payment

Australian Foundation Investment Company Limited 2014 Share Purchase Plan (the Plan) Application Form

Your payment must be received by 5.00pm (AEST) Thursday, 25 September 2014

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

The issue price under the 2014 Share Purchase Plan (the Plan) of Australian Foundation Investment Company Limited (AFI) will be the lower of:

- a) the issue price of shares under the Dividend Reinvestment Plan for the 2014 final dividend (\$5.93); or
- b) a 2.5% discount to the volume-weighted average sale price of all AFI shares traded on the ASX and Chi-X automated trading systems in the five days ending on, and including, 25 September 2014, rounded down to the nearest cent. AFI will announce the final issue price for the Plan after the offer closes.

The number of shares issued to you will be determined by dividing the value of the shares applied for by the issue price. If this calculation produces a fractional number, the number of shares issued will be rounded up to the nearest whole share.

If paying by cheque or bank draft, the slip below needs to be returned to the share registry. If paying by BPAY the slip below does not need to be returned. This offer is non-renounceable. No signature is required. Please indicate the value of ordinary shares you wish to acquire by ticking **ONLY ONE** of the boxes overleaf. Custodians should contact AFI's share registry and request a Custodian Certificate and schedule when making an application on behalf of Beneficiaries.

Step 1: Registration Name

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

Your payment must correspond to one of the options detailed overleaf. You may choose **ONE** option only. Note that the amount chosen may be subject to scale back in accordance with the terms of the Plan.

By returning the acceptance slip below or by making a BPAY payment, you a) agree to be bound by the attached Terms and Conditions; b) represent that you are an Eligible Shareholder; c) acknowledge that AFI is not liable for any exercise of its discretions referred to in the Terms and Conditions; d) will be deemed to have made on behalf of each person on whose account you are acting the representations and acknowledgements referred to in the Terms and Conditions under "United States restrictions"; and e) certify that the aggregate of the application price paid by you for the AFI shares the subject of this application form or BPAY payment, and any other AFI shares applied for by you, or which you have instructed a Custodian to acquire on your behalf under the Plan, and any other AFI shares issued to you or a Custodian on your behalf under any similar arrangement operated by AFI in the 12 months prior to the date of your application under the Plan, including as a result of an instruction given by you to a Custodian which has resulted in you holding beneficial interests in AFI shares, does not exceed A\$15,000. Applications and payments under the Plan may not be withdrawn once they have been received by AFI. Application money will not bear interest as against AFI under any circumstances.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the slip with BPAY payment.

By Mail: Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to **"Australian Foundation Investment Company Limited"** and cross **"Not Negotiable"**. The cheque or bank draft must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques or bank drafts received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) or bank draft to the slip below as indicated. Receipts will not be forwarded. Funds cannot be debited directly from your account.


Entering your contact details is not compulsory, but will assist us if we need to contact you.

Australian Foundation Investment Company Limited Share Purchase Plan Application Form

Payment must be received by **5.00pm (AEST) Thursday, 25 September 2014**

Australian Foundation Investment Company Limited

2014 Share Purchase Plan Application Form

 For your security keep your SRN/
HIN confidential.

STEP 1 Registration Name & Offer Details

Registration Name:

Entitlement No:

Offer Details:

Record date:

7.00pm (AEST) Friday 18 July 2014

Closing date:

5.00pm (AEST) Thursday 25 September 2014

Minimum value

available to purchase:

\$500

Maximum value

available to purchase:

\$15,000

STEP 2 Make Your Payment



Bill Code: 237016

Ref No:

Pay by Mail:



Make your cheque or bank draft payable to **"Australian Foundation Investment Company Limited"** and cross **"Not Negotiable"**.

Return your cheque or bank draft with the below slip to:

Australian Foundation Investment Company Limited

c/o Computershare Investor Services Pty Limited

GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your payment from your cheque or savings account.

Lodgement of Acceptance

If you are applying for shares and your payment is being made by BPAY®, you do not need to return the slip below. Your payment must be received by no later than **5.00pm AEST on Thursday 25 September 2014**. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor AFI accepts any responsibility for loss incurred through incorrectly completed BPAY® payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY® are received by this time.

If you are paying by cheque or bank draft the slip below must be received by CIS by no later than **5.00pm AEST on Thursday 25 September 2014**. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the slip below with cheque attached. Neither CIS nor AFI accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Statement

The personal information you provide on this form is collected by CIS, as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For Further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Detach here

Purchase Details for Australian Foundation Investment Company Limited (choose one option)

| | | | | |
|------------------------------------|----|------------------------------------|----|------------------------------------|
| <input type="checkbox"/> A\$500 | OR | <input type="checkbox"/> A\$1,000 | OR | <input type="checkbox"/> A\$2,500 |
| <input type="checkbox"/> A\$5,000 | OR | <input type="checkbox"/> A\$7,500 | OR | <input type="checkbox"/> A\$10,000 |
| <input type="checkbox"/> A\$12,500 | OR | <input type="checkbox"/> A\$15,000 | | |

Entitlement No:

Payment must be received by 5.00pm (AEST) Thursday, 25 September 2014

Contact Details

Contact
Name

Daytime

Telephone

Cheque Details

| Drawer | Cheque Number | BSB Number | Account Number | Amount of Cheque |
|----------------------|----------------------|----------------------|----------------------|--------------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | A\$ <input type="text"/> |