ABN. 56 004 147 120.

APPENDIX 4D STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

CONTENTS

- Results for announcement to the market
- Media release
- Appendix 4D Accounts
- Independent Auditors' Review Report

This half-year report is presented under listing rule 4.2A and should be read in conjunction with the Group's 2014 Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the half-year ended 31 December 2014 with the previous corresponding period being the half-year ended 31 December 2013. The results have been reviewed by the Company's auditors.

Results for announcement to the market

- Revenue from operating activities was $146.1 million, down $4.3 million or 2.8% from the previous corresponding period. This excludes capital gains on investments. The previous corresponding period included $11.0 million in demerger dividends received from the Brambles/Recall and Amcor/Orora demergers.

- Profit after tax attributable to members was $131.9 million (down 3.7% on the previous corresponding period's $137.0 million).

- The interim dividend is 9 cents per share, fully franked, up from 8 cents last year. It will be paid on 20 February 2015 to ordinary shareholders on the register on 9 February 2015 and the shares are expected to commence trading on an ex-dividend basis on 5 February 2015.

- A Dividend Reinvestment Plan (DRP) and Dividend Substitution Share Plan (DSSP) are available, the price for which will be set at a **2.5% discount** to the Volume Weighted Average Price of the Company's shares traded on the ASX and Chi-X automated trading systems over the five trading days after the shares trade ex-dividend. The last date for the receipt of an election notice for participation in the DRP & DSSP is 5.00 pm (Melbourne time) on 10 February 2015.

- The final dividend for the 2014 financial year was 14 cents per share (fully franked), and it was paid to shareholders on 29 August 2014.

- Net tangible assets per share before any provision for deferred tax on the unrealised gains on the long-term investment portfolio as at 31 December 2014 were $5.80, up from $5.78 at the end of the previous corresponding period (both before allowing for interim dividends).

- The interest payment on the 6.25% Convertible Notes issued in December 2011 will be $3.0993 per $100 Note, payable on 2 March 2015 to note holders on the register on 20 February 2015. The notes are expected to commence trading on an ex-interest basis on 18 February 2015. The last date for the receipt of Exit Notices for the conversion of Notes into ordinary shares is 13 February 2015.

AUSTRALIAN
FOUNDATION
INVESTMENT
COMPANY

MEDIA RELEASE – HALF YEAR RESULT TO 31 DECEMBER 2014

Despite a promising start to the financial year the market was significantly impacted by the fall in iron ore and oil prices as well the increased nervousness about global economic conditions outside of the US. AFIC's portfolio has not been immune from this but as a long term investor we remain confident the portfolio is well positioned in quality companies with strong balance sheets.

Profit and Dividend

Profit for the half year was $132.0 million. The corresponding period profit figure last year of $137.0 million included demerger dividends of $11.0 million received from Amcor and Brambles. Excluding these one-off dividends profit was up 4.7%.

As foreshadowed in the announcement in the financial year result to 30 June 2014, the Board has increased the interim dividend by 1 cent a share to 9 cents per share fully franked.

Portfolio

AFIC's portfolio return for the 6 months was 1.5% with strong contributions from Commonwealth Bank, Telstra, Amcor and Transurban offset by the performance of resource and energy companies such as BHP Billiton, Santos and Oil Search. The S&P ASX 200 Accumulation Index over this period was up 2.5%, although the Resources Accumulation Index was down 15.1%. The 12 month return for AFIC was 4.2% versus the S&P ASX 200 Accumulation Index return of 5.6%.

Consistent with its approach as a long term investor, the 10 year return to 31 December 2014 for AFIC was 8.4% per annum versus the Index return of 7.6% per annum. AFIC's performance numbers are after expenses and tax paid whereas the Index does not have expenses or tax.

AFIC continued to grow the diversity of the portfolio with new additions through IPO's such as Regis Healthcare, Healthscope, Ashley Services and the purchase of a holding in Cover-More Group. Major additions to existing holdings were CSL, AGL Energy via their capital raising, Asciano and Japara Healthcare.

Outlook

The Australian Equities market in our view is currently a challenging place to invest. Stocks with high dividend yields and/or a reliable earnings outlook such as in health, telecommunications and infrastructure have enjoyed strong share price growth. Also companies with exposure to US dollar earnings have risen as the US dollar has strengthened. Whilst value may well be starting to emerge in the resources and energy sectors and related service companies as investors have retreated from these areas, we are still cautious.

As long term investors we can afford to be patient. We currently have cash of $154 million to invest. The choppy markets we have been experiencing inevitably provide opportunities to acquire sound companies at attractive prices as other investors react to short term conditions. From time to time there are also opportunities from the active market in new companies seeking to be publically listed.

Please direct any enquiries to:

Ross Barker	Geoff Driver
Managing Director	General Manager
(03) 9225 2101	(03) 9225 2102

19 January 2015

Major Transactions in the Investment Portfolio

Acquisitions (above $5 million)	Cost ($'000)
CSL	16,612
AGL Energy	11,183
Regis Healthcare	9,000
Healthscope	8,000
Ashley Services Group	8,000
Asciano	7,600
Cover-More Group	7,021
Japara Healthcare	5,043

Disposals (above $5 million)	Proceeds ($'000)
Telstra Corporation (from the exercise of call options)	13,900
Transurban Group (from the exercise of call options)	11,171
Suncorp Group (from the exercise of call options)	10,877
Woolworths ($3.6 million from the exercise of call options)	10,054
APA Group	9,889
CSL (from the exercise of call options)	9,479
Insurance Australia Group (from the exercise of call options)	5,417

Major Transactions in the Trading Portfolio

Net Acquisitions (above $2 million)	Cost ($'000)
Diversified United Investment New	3,998

TOP 25 INVESTMENTS AS AT 31 DECEMBER 2014

Includes investments held in both the Investment and Trading Portfolios

Valued at closing prices at 31 December 2014

			Total Value $ million	% of Portfolio
1		Commonwealth Bank of Australia	726.6	11.4%
2		Westpac Banking Corporation	604.7	9.5%
3	*	BHP Billiton	416.2	6.6%
4	*	National Australia Bank	317.2	5.0%
5	*	Telstra Corporation	314.2	4.9%
6		Wesfarmers	309.7	4.9%
7		Australia and New Zealand Banking Group	272.4	4.3%
8		Rio Tinto	211.8	3.3%
9		Woolworths	184.1	2.9%
10		Amcor	174.7	2.7%
11		Transurban Group	157.3	2.5%
12	*	Oil Search	132.2	2.1%
13		Woodside Petroleum	124.8	2.0%
14		Brambles	118.8	1.9%
15		AMP	110.6	1.7%
16		Computershare	96.2	1.5%
17	*	CSL	93.4	1.5%
18		QBE Insurance Group	92.9	1.5%
19		AGL Energy	81.5	1.3%
20		Origin Energy	81.2	1.3%
21		Ramsay Health Care	77.7	1.2%
22		APA Group	77.0	1.2%
23		Incitec Pivot	70.3	1.1%
24		Santos	66.3	1.0%
25		Milton Corporation	64.5	1.0%
			4,976.2	
		As % of Total Portfolio Value (excludes Cash)	78.3%	

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

PORTFOLIO PERFORMANCE TO 31 DECEMBER 2014

		ANNUALISED RETURNS			
PERFORMANCE MEASURES	**6 MONTHS**	**1 YEAR**	**3 YEARS**	**5 YEARS**	**10 YEARS**
AFIC PORTFOLIO RETURN - NET ASSET BACKING INCLUDING DIVIDENDS REINVESTED*	***1.5%***	***4.2%***	***15.2%***	***7.3%***	***8.4%***
S&P/ASX 200 ACCUMULATION INDEX	2.5%	5.6%	15.1%	6.8%	7.6%

*Note: AFIC net asset per share growth plus dividend series is calculated after management fees, income tax and capital gains tax on realised sales of investments and does not reflect the value of franking credits or LIC credits attached to the dividends. It should also be noted that Index returns for the market do not include the impact of management expenses and tax on their performance.

AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED

ABN 56 004 147 120

HALF-YEAR REPORT

31 DECEMBER 2014

COMPANY PARTICULARS

Australian Foundation Investment Company Limited ("AFIC")

ABN 56 004 147 120

AFIC is a Listed Investment Company. As such it is an investor in equities and similar securities on the stock market primarily in Australia.

Directors:	Terrence A. Campbell AO, Chairman Ross E. Barker, Managing Director Jacqueline C. Hey Graeme R. Liebelt John Paterson David A. Peever Fergus D. Ryan AO Catherine M. Walter AM Peter J. Williams	
Company Secretaries:	Simon M. Pordage Andrew J.B. Porter	
Auditor:	PricewaterhouseCoopers, Chartered Accountants	
Country of incorporation:	Australia	
Registered office:	Level 21 101 Collins Street Melbourne, Victoria 3000	
Contact Details:	Mail Address:	Mail Box 146, 101 Collins St., Melbourne, Victoria 3000
	Telephone :	(03) 9650 9911
	Facsimile:	(03) 9650 9100
	Email:	invest@afi.com.au
	Internet address:	www.afi.com.au
	For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange):	
	Telephone:	1800 780 784 (toll free)
Share Registrar:	Computershare Investor Services Limited	
	Mail Address:	GPO Box 2975, Melbourne, Victoria 3001 Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067
	AFIC Shareholder enquiry lines :	1300 662 270 (Aus) 0800 333 501 (NZ) +613 9415 4373 (from overseas)
	Facsimile:	(03) 9473 2500
	Internet:	www.investorcentre.com/contact
	For all enquiries relating to shareholdings, dividends and related matters, please contact the share registrar.	
Securities Exchange Codes:	AFI	Ordinary shares (ASX and NZX)
	AFIG	6.25% 2017 Convertible Notes (ASX)

The Directors present their report in relation to the half-year to 31 December 2014 on the consolidated entity ("the Group") consisting of Australian Foundation Investment Company Limited ("the Company" and "AFIC") and its subsidiary, Australian Investment Company Services Limited ("AICS").

Directors

The following persons were Directors of the Company during the half-year and up to the date of this report:

T.A. Campbell AO (appointed September 1984)
R.E. Barker (appointed September 2001)
J.C. Hey (appointed July 2013)
G.R. Liebelt (appointed June 2012)
J. Paterson (appointed June 2005)
D.A. Peever (appointed November 2013)
F.D. Ryan AO (appointed August 2001)
C.M. Walter AM (appointed August 2002)
P.J. Williams (appointed February 2010)

Review of the Group's operations and results

Overview

The Company maintains a diversified portfolio of equity and similar securities, predominantly in entities listed on the Australian Securities Exchange. There has been no change in the nature of the Company's activities during the period. Its primary objectives are to pay dividends which, over time, will grow at a faster rate than inflation, and to generate attractive total returns in terms of growth in net asset backing plus dividends.

Profit Performance and Dividend

Profit for the half-year was $132.0 million, down 3.7% from the previous corresponding period which included $11.0 million of demerger dividends from the Brambles/Recall and Amcor/Orora demergers.

The net profit per share for the six months to 31 December 2014 was 12.35 cents per share with an interim dividend declared of 9 cents per share fully-franked, up from 8 cents the year before. As noted in the 2014 Annual Report, this increase is to adjust the disparity between the interim and final dividends.

The portfolio return for the 6 months (measured by change in net asset backing per share plus dividends reinvested) was 1.5% compared to the return of the S&P/ASX 200 Accumulation Index for the same period which was 2.5%. AFIC's portfolio return is calculated after management fees, income tax and capital gains tax on realised sales of investments and does not reflect the value of franking credits or LIC credits attached to the dividends. Index returns for the market do not include the impact of management expenses and tax on their performance.

During the half-year 37 million shares were issued under the DRP, DSSP, the conversion of Convertible Notes and a Share Purchase Plan, resulting in an additional $215.3 million of capital (after costs).

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Rounding of amounts to nearest thousand dollars

The Group is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Unless specifically stated otherwise, amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.

T.A. Campbell AO
Chairman
Melbourne
19 January 2015

pwc

Auditor's Independence Declaration

As lead auditor for the review of Australian Foundation Investment Company Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
19 January 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Half-year 2014 $'000	Half-year 2013 $'000
Dividends and distributions		142,273	144,980
Revenue from deposits and bank bills		1,632	3,331
Other revenue		2,187	2,057
Total revenue		**146,092**	**150,368**
Net gains on trading portfolio and non-equity investments		5,747	5,621
Income from operating activities	**3**	**151,839**	**155,989**
Finance & related costs		(8,491)	(10,591)
Administration expenses		(7,615)	(7,184)
Profit before income tax expense		**135,733**	**138,214**
Income tax expense		(3,743)	(1,179)
Profit for the half-year		**131,990**	**137,035**
Profit is attributable to :			
Equity holders (members) of Australian Foundation Investment Company Ltd		131,920	136,999
Minority Interest		70	36
		131,990	**137,035**
		Cents	**Cents**
Basic earnings per share	**9**	12.35	13.16
Diluted earnings per share	**9**	12.31	13.08

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Half-Year to 31 December 2014			Half-Year to 31 December 2013		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Net Profit for the half-year	**131,972**	**18**	**131,990**	**136,982**	**53**	**137,035**
Other Comprehensive Income						
Items that will not be recycled through the Income Statement						
Gains/(losses) for the period on equity securities in the investment portfolio	-	(33,007)	**(33,007)**	-	621,690	**621,690**
Deferred tax on above	-	9,301	**9,301**	-	(187,006)	**(187,006)**
Items that may be recycled through the Income Statement						
Net movement in fair value for interest rate swap	-	281	**281**	-	600	**600**
Total other comprehensive income [1]	**-**	**(23,425)**	**(23,425)**	**-**	**435,284**	**435,284**
Total comprehensive income [2]	**131,972**	**(23,407)**	**108,565**	**136,982**	**435,337**	**572,319**

[1] Net capital gains/(losses) not accounted for through the Income Statement
[2] This is the company's Net Return for the half-year, which includes the Net Profit plus the net realised and unrealised gains or losses on the Company's investment portfolio.

	Half-Year to 31 December 2014			Half-Year to 31 December 2013		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Total Comprehensive Income is attributable to:						
Equity holders of Australian Foundation Investment Company Ltd	131,902	(23,407)	**108,495**	136,946	435,337	**572,283**
Minority Interest	70	-	**70**	36	-	**36**
	131,972	**(23,407)**	**108,565**	**136,982**	**435,337**	**572,319**

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	31 Dec 2014 $'000	30 June 2014 $'000
Current assets			
Cash		154,438	69,084
Receivables		10,808	65,758
Trading portfolio	4	2,401	-
Total current assets		**167,647**	**134,842**
Non-current assets			
Fixtures & fittings		10	76
Investment portfolio		6,350,200	6,326,268
Deferred tax assets		1,414	864
Total non-current assets		**6,351,624**	**6,327,208**
Total assets		**6,519,271**	**6,462,050**
Current liabilities			
Payables		5,241	6,128
Tax payable		9,419	13,419
Borrowings		-	100,000
Provisions		1,878	1,980
Trading portfolio	4	-	2,598
Interest-rate hedging contracts		-	281
Total current liabilities		**16,538**	**124,406**
Non-current liabilities			
Provisions		1,770	1,704
Convertible Notes	5	202,669	203,779
Deferred tax liabilities - investment portfolio	6	935,322	948,009
Total non-current liabilities		**1,139,761**	**1,153,492**
Total liabilities		**1,156,299**	**1,277,898**
Net Assets		**5,362,972**	**5,184,152**
Shareholders' equity			
Share Capital	7	2,280,268	2,064,936
Revaluation Reserve		2,219,755	2,253,053
Realised Capital Gains Reserve		327,234	317,624
General Reserve		23,637	23,637
Interest-rate Hedging Reserve		-	(281)
Retained Profits		511,144	524,319
Parent Entity Interest		**5,362,038**	**5,183,288**
Minority Interest		934	864
Total equity		**5,362,972**	**5,184,152**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Half-Year to 31 December 2014	Note	Share Capital $'000	Revaluation Reserve $'000	Realised Capital Gains $'000	General Reserve $'000	Interest-Rate Hedging $'000	Retained Profits $'000	Total Parent Entity $'000	Minority Interest $'000	Total $'000
		Attributable to members of Australian Foundation Investment Company Ltd								
Total equity at the beginning of the half-year		**2,064,936**	**2,253,053**	**317,624**	**23,637**	**(281)**	**524,319**	**5,183,288**	**864**	**5,184,152**
Dividends paid	**8**	-	-	-	-	-	(145,077)	**(145,077)**	-	**(145,077)**
Shares issued - Dividend Reinvestment Plan	**7**	29,549	-	-	-	-	-	**29,549**	-	**29,549**
- Convertible Note Conversion	**7**	1,558	-	-	-	-	-	**1,558**	-	**1,558**
- Share Purchase Plan	**7**	184,671	-	-	-	-	-	**184,671**	-	**184,671**
Other Share Capital Adjustments	**7**	(446)	-	-	-	-	-	**(446)**	-	**(446)**
Total transactions with shareholders		**215,332**	**-**	**-**	**-**	**-**	**(145,077)**	**70,255**	**-**	**70,255**
Profit for the half-year		-	18	-	-	-	131,902	**131,920**	70	**131,990**
Other Comprehensive Income for the half-year										
Net gains for the period on equity securities in the investment portfolio		-	(23,706)	-	-	-	-	**(23,706)**	-	**(23,706)**
Net movement in fair value of swap contracts		-	-	-	-	281	-	**281**	-	**281**
Other Comprehensive Income for the half-year		**-**	**(23,706)**	**-**	**-**	**281**	**-**	**(23,425)**	**-**	**(23,425)**
Transfer to Realised Capital Gains Reserve of net cumulative gains on investments sold		-	(9,610)	9,610	-	-	-	**-**	-	**-**
Total equity at the end of the half-year		**2,280,268**	**2,219,755**	**327,234**	**23,637**	**-**	**511,144**	**5,362,038**	**934**	**5,362,972**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DEC. 2014 (CONT)

Half-Year to 31 December 2013	Note	Share Capital $'000	Revaluation Reserve $'000	Realised Capital Gains $'000	General Reserve $'000	Interest-Rate Hedging $'000	Retained Profits $'000	Total Parent Entity $'000	Minority Interest $'000	Total $'000
		Attributable to members of Australian Foundation Investment Company Ltd								
Total equity at the beginning of the half-year		**2,002,128**	**1,801,692**	**334,243**	**23,637**	**(1,493)**	**465,701**	**4,625,908**	**784**	**4,626,692**
Dividends paid	**8**	-	-	(30,814)	-	-	(112,986)	**(143,800)**	-	**(143,800)**
Shares issued - Dividend Reinvestment Plan		29,224	-	-	-	-	-	**29,224**	-	**29,224**
- Convertible Note Conversion		13	-	-	-	-	-	**13**	-	**13**
Other Share Capital Adjustments		44	-	-	-	-	-	**44**	-	**44**
Total transactions with shareholders		**29,281**	**-**	**(30,814)**	**-**	**-**	**(112,986)**	**(114,519)**	**-**	**(114,519)**
Profit for the half-year		-	53	-	-	-	136,946	**136,999**	36	**137,035**
Other Comprehensive Income for the half-year										
Net gains for the period on equity securities in the investment portfolio		-	434,684	-	-	-	-	**434,684**	-	**434,684**
Net movement in fair value of swap contracts		-	-	-	-	600	-	**600**	-	**600**
Other Comprehensive Income for the half-year		**-**	**434,684**	**-**	**-**	**600**	**-**	**435,284**	**-**	**435,284**
Transfer to Realised Capital Gains Reserve of net cumulative gains on investments sold		-	(10,490)	10,490	-	-	-	**-**	-	**-**
Total equity at the end of the half-year		**2,031,409**	**2,225,939**	**313,919**	**23,637**	**(893)**	**489,661**	**5,083,672**	**820**	**5,084,492**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Half-year 2014 $'000 INFLOWS/ (OUTFLOWS)	Half-year 2013 $'000 INFLOWS/ (OUTFLOWS)
Cash flows from operating activities		
Sales from trading portfolio	32,792	67,657
Purchases for trading portfolio	(27,106)	(8,498)
Interest received	1,697	3,826
Dividends and distributions received	174,164	164,612
	181,547	227,597
Other receipts	2,193	2,063
Administration expenses	(9,075)	(8,216)
Finance costs paid	(8,232)	(10,753)
Taxes paid	(3,732)	(6,189)
Net cash inflow/(outflow) from operating activities	**162,701**	**204,502**
Cash flows from investing activities		
Sales from investment portfolio	120,320	73,707
Purchases for investment portfolio	(158,746)	(260,330)
Taxes paid on capital gains	(7,886)	-
Net cash inflow/(outflow) from investing activities	**(46,312)**	**(186,623)**
Cash flows from financing activities		
Repayment of borrowings	(100,000)	-
Share issues	184,671	-
Share issue costs	(486)	(31)
Dividends paid	(115,220)	(114,265)
Net cash inflow/(outflow) from financing activities	**(31,035)**	**(114,296)**
Net increase/(decrease) in cash held	85,354	(96,417)
Cash at the beginning of the half-year	69,084	256,440
Cash at the end of the half-year	**154,438**	**160,023**

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

1. Basis of preparation of half-year financial report

This general purpose half-year financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. This report should be read in conjunction with the 2014 Annual Report and public announcements made by the Group during the half-year, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities

2. Financial reporting by segments

The Group consists of a Listed Investment Company and a subsidiary which provides administration services to it and to other Listed Investment Companies in Australia. It has no reportable business or geographic segments.

(a) Segment information provided to the Board

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

The relevant amounts as at 31 December 2014 and 31 December 2013 were as follows:

	2014	**2013**
	$	**$**
Net tangible asset backing per share		
Before Tax	5.80	5.78
After Tax	4.94	4.88

(b) Other segment information

Segment Revenue

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

The company is domiciled in Australia and the Group's dividend and distribution income is predominantly from entities which maintain a listing in Australia. The Group has a diversified portfolio of investments, with only the Group's investment in Commonwealth Bank : 12.2% and Westpac Bank : 11.0% comprising more than 10% of the Group's income (including trading portfolio) for the half-year ending 31 December 2014 (2013 : Westpac Bank : 11.5%, Commonwealth Bank 10.9%).

3. Income from operating activities

	Half-year 2014 $'000	Half-year 2013 $'000
Income from operating activities is comprised of the following:		
Dividends & distributions		
• securities held in investment portfolio	142,149	144,235
• securities held in trading portfolio	-	622
	142,149	144,857
Interest income		
• securities held in investment portfolio	124	123
• deposits and income from bank bills	1,632	3,331
	1,756	3,454
Net gains/(losses) and write downs		
• net gains from trading portfolio sales	6,021	6,343
• unrealised losses in trading portfolio	(300)	(798)
• gains on non-equity investments	26	76
	5,747	5,621
Administration fees received from other Listed Investment Companies	2,101	2,004
Expenses recovered from other Listed Investment Companies	12	10
Other expenses recovered	58	39
Other income	16	4
	151,839	**155,989**

4. Current assets/liabilities – trading portfolio

The Company enters into option contracts in the trading portfolio for the purpose of enhancing returns, offsetting risk or providing opportunities to acquire or sell securities at advantageous prices.

As at balance date there were call options outstanding which, if they were all exercised, would require the Company to deliver securities to the value of $50.7 million (30 June 2014: $79.9 million).

As at balance date the Company had outstanding put options which at the option of the purchaser may have required the Company to buy $1.1 million worth of securities prior to the respective expiry dates if they were all exercised (30 June 2014 : $1.95 million).

5. Non-current liabilities – convertible notes

	31 December 2014 $'000	30 June 2014 $'000
Non-current unsecured – convertible notes at amortised cost	202,669	203,779

There were 2,044,325 convertible notes outstanding at 31 December 2014 each with a face value of $100 which were issued on 19 December 2011 (30 June 2014: 2,059,906). These notes carry an interest entitlement of 6.25 per cent per annum. They may be converted at the option of the holder into ordinary shares based on a conversion price of $5.0864 per share on 28 February or 31 August each year until 28 February 2017. Notes not converted will be redeemed at their face value on 28 February 2017. At 31 December 2014, the face value of the convertible notes was $204.4 million (30 June 2014 : $206.0 million). Terms of the notes are regulated under a trust deed between the Company and Australian Executor Trustees Ltd. As per the 2014 Annual Report, at issuance the residual value of the equity component of the convertible notes was calculated as nil.

6. Deferred tax liabilities – investment portfolio

In accordance with AASB 112 *Income Taxes*, deferred tax liabilities have been recognised for Capital Gains Tax on the unrealised gain in the investment portfolio at current tax rates (30%) totalling $935.3 million (30 June 2014 : $948.0 million). As the Directors do not intend to dispose of the portfolio, this tax liability may not be crystallised at this amount.

7. Shareholders' equity – share capital

	31 Dec 2014 Shares '000	31 Dec 2014 $'000	30 June 2014 Shares '000	30 June 2014 $'000
(a) Share Capital				
Ordinary shares – fully paid	1,086,071	2,280,309	1,049,055	2,065,017
Less ELTIP shares adjustment	-	(41)	-	(81)
	1,086,071	2,280,268	1,049,055	2,064,936

ELTIP is the Executive Long Term Incentive Plan

(b) Movements in Share Capital of the Company during the half-year were as follows:

Date	Details	Notes	Number of shares '000	Issue price $	Paid-up Capital $'000
01/07/2014	Opening Balance		1,049,055		2,065,017
29/08/2014	Dividend Reinvestment Plan	i	4,983	5.93	29,549
29/08/2014	Dividend Substitution Share Plan	ii	303	n/a	-
31/08/2014	Convertible Note conversion	iii	306	5.09	1,558
06/10/2014	Share Purchase Plan	v	31,424	5.88	184,671
Various	Other Share Capital adjustments		-		(486)
31/12/2014	Balance		1,086,071		2,280,309

i The Company has a Dividend Reinvestment Plan under which some shareholders elected to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares was based on the average selling price of shares traded on the Australian Securities Exchange in the five days from the day the shares begin trading on an ex-dividend basis.

ii The Company has a Dividend Substitution Share Plan under which some shareholders elected to forego all or part of their dividend payment and receive shares instead. Pricing of the new DSSP shares was done on the same basis as the DRP.

iii During the period, 15,581 6.25% February 2017 convertible notes were converted into ordinary shares.

iv The Company introduced an on-market Buy-Back Programme in December 2000. This plan remains active. No shares were bought back during the period.

v The Group had a Share Purchase Plan during the period. Under this plan, shareholders were invited to purchase up to $15,000 of new shares at a price set at the lower of the DRP price for the previous final dividend or a 2.5% discount to the 5-day VWAP up to and including the closing date of the offer. 31,424,433 shares were issued at a price of $5.88.

(c) Movements in ELTIP shares adjustment during the half-year were as follows ($):

Date	Opening balance	Acquired on market	Expense recognised	Cancelled	Closing balance
01/07/2014	80,739	0	(39,901)	0	40,838

8. Dividends	**Half-year 2014 $'000**	**Half-year 2013 $'000**
Dividends (fully franked) paid during the period (excluding DSSP shares)	145,077 (14 cents per share)	143,800 (14 cents per share)
Dividends not recognised at period end		
Since the end of the half-year the Directors have declared an interim dividend of 9 cents per share fully franked. The aggregate amount of the proposed interim dividend expected to be paid on 20 February 2015, but not recognised as a liability at the end of the half-year is	97,746	

9. Earnings per Share

	Half-year 2014	Half-year 2013
	Number	**Number**
Weighted average number of ordinary shares used as the denominator	1,067,507,238	1,040,958,093
	$'000	**$'000**
Profit after tax for the half-year attributable to members of the company	131,920	136,999
	Cents	**Cents**
Basic earnings per share	12.35	13.16

Diluted*

	Number	**Number**
Weighted average number of ordinary shares attributable to members of the company	1,067,507,238	1,040,958,093
Weighted maximum number of potential shares as a result of possible conversion	40,261,212	43,771,351
	1,107,768,450	1,084,729,444
	$'000	**$'000**
Profit after tax for the half-year attributable to members of the company	131,920	136,999
Interest on convertible notes (after tax)	4,483	4,870
Adjusted profit after tax attributable to members of the company	136,403	141,869
	Cents	**Cents**
Diluted earnings per share	12.31	13.08

*The calculation of diluted earnings per share for the half-year ended 31 December 2014 adjusts the profit or the net operating result attributable to ordinary equity holders and the weighted average number of shares on issue for the effect of the convertible notes on issue at 31 December 2014.

10. Events subsequent to balance date

Since 31 December 2014 to the date of this report there has been no event specific to the Company of which the Directors are aware which has had a material effect on the Group or its financial position.

11. Contingencies

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

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 12 to 22 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance, as represented by the results of the operations, changes in equity and cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

T.A. Campbell AO
Chairman
Melbourne
19 January 2015

Independent auditor's review report to the members of Australian Foundation Investment Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Foundation Investment Company Limited, which comprises the consolidated balance sheet as at 31 December 2014, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Australian Foundation Investment Company (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Foundation Investment Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

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a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
19 January 2015