

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

LEVEL 20
101 COLLINS STREET
MELBOURNE VIC 3000
AUSTRALIA

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13 October 2015

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

Electronic Lodgement

Australian United Investment Company Limited One for Eight Renounceable Rights Issue

Dear Sir/Madam

Please find attached a letter to be mailed to shareholders today regarding the one for eight renounceable rights issue announced on 12 October 2015.

Yours sincerely,

A J Hancock
Company Secretary

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Dear Shareholder,

One for Eight Pro-rata Renounceable Rights Issue at \$6.50 per share ("Issue")

I am pleased to advise that the Directors have resolved to make a renounceable rights issue of approximately 13,691,614 fully paid ordinary shares ("**New Shares**") in Australian United Investment Company Limited ("**AUI**"). The offer will be made to existing shareholders on a one for eight basis at an offer price of \$6.50 per New Share payable in full on application ("**Entitlement Offer**"). The New Shares will not be entitled to receive the interim dividend in respect of the year ending 30 June 2016, expected to be paid in March 2016, after which time the New Shares will rank equally with Existing Shares. The issue of New Shares is intended to raise up to approximately \$88,695,490 after allowing for the estimated costs of the Issue. An announcement was made to the ASX on Monday, 12 October 2015.

Full details of the Entitlement Offer will be set out in an Entitlement Offer Booklet which will be sent to all shareholders who are eligible to participate in the Issue on or around 20 October 2015, together with a personalised Entitlement and Acceptance Form. Rights trading will occur from 14 October 2015 to 29 October 2015 and the Entitlement Offer will close at 5.00pm on 6 November 2015.

The Directors see advantages in the Company raising additional funds in order to invest in new opportunities and to re-balance the portfolio without having to sell long-term investments. The Issue will also provide shareholders with the opportunity to increase their investment in the Company, will lower the management expense ratio, and may increase liquidity in the trading of the Company's shares.

When the funds are received from the issue of New Shares it is the current expectation that we are likely to re-balance the portfolio by investing mainly in sectors other than the banking, energy, and mining sectors which are already well represented in the portfolio. Areas of focus will include the health and services sectors.

As the New Shares are being issued at a discount to the current market price of the existing listed shares, and it will take some time to fully invest the proceeds of the Issue, it is expected that dividends to shareholders are likely to be steady, or rise only modestly, over the next two years.

The Board expects to maintain the current interim dividend rate for Existing Shares of 15.5 cents per share in respect of the interim dividend for the year ending 30 June 2016 and expects, in the absence of unforeseen circumstances, to at least maintain the current final dividend rate of 18.5 cents per share on the increased capital in respect of the final dividend for the year ending 30 June 2016.

Based on the latest available market sale price of Existing Shares on the ASX of \$7.75 on 9 October 2015, being the last business day prior to the announcement of the Issue, the offer price of \$6.50 per share represents a discount of 13% on the theoretical price of the New Shares after taking into account that the New Shares will not be entitled to receive the interim dividend in respect of the year to 30 June 2016.

The unaudited estimated pre tax net tangible assets of the Company on 9 October 2015 was \$8.00 per share, before providing for the interim dividend in respect of the year to 30 June 2016 to which the New Shares will not be entitled.

Shareholder approval of the Issue is not required.

The Directors have been advised by The Ian Potter Foundation Ltd as trustee for The Ian Potter Foundation that it intends to subscribe for its entitlement to the Issue in full (including the Entitlement of its controlled entity, Dundee Trading Pty Ltd) in the absence of unforeseen circumstances.

Terms of Issue

The New Shares will not be entitled to receive the interim dividend in respect of the year ending 30 June 2016, expected to be paid in March 2016, and accordingly the first dividend receivable on the New Shares will be the final dividend in respect of the year ending 30 June 2016, expected to be paid in September 2016.

If permission is given for official quotation, the New Shares will trade under a separate ASX code (expected to be "AUIN") until the Existing Shares trade ex the interim dividend payable in respect of the year ending 30 June 2016 when the New Shares will trade under the Company's ASX Code of "AUI" for Existing Shares and will rank equally in all respects with Existing Shares.

Placing Agents

The Issue is not underwritten. Evans and Partners Pty Ltd, Baillieu Holst Ltd and Dixon Advisory & Superannuation Services Limited are Placing Agents to the Issue.

Dividends and Underlying Earnings per share

Dividends paid and underlying earnings per share in respect of each of the last 5 completed financial years are as follows:

Year Ended 30 June	Dividends (cents per share)	Underlying Earnings (cents per share)
2015	34.0	38.3
2014	32.0	36.1
2013	29.5	32.2
2012	28.0	31.0
2011	26.5	29.4

Underlying earnings per share exclude both special dividends received by the Company and net realised capital gains or losses on long term investments.

All dividends referred to above were fully franked. The balance of the Company's franking account at 30 June 2015 (after adjusting for the final dividend paid on 25 September 2015) was \$33,018,438. It is the Directors' expectation that both the next interim dividend (not to be paid on the New Shares) and the final dividend for the year ending 30 June 2016 will be fully franked.

Investment Performance

The Company's performance (assuming all dividends paid by the Company were re-invested in its shares) is as follows:

<u>Periods Ended</u> <u>30 June 2015</u>	<u>AUI Net Asset Backing Accumulation</u> <u>% p.a.</u>	<u>AUI Share Price Accumulation</u> <u>% p.a.</u>	<u>S&P ASX 300 Accumulation Index</u> <u>% p.a.</u>
1 Year	2.0	4.6	5.6
3 Years	14.7	18.7	14.7
5 Years	8.8	8.6	9.5
10 Years	7.1	7.8	6.9

Record date for Entitlements to New Shares

The record date to determine entitlements to New Shares is 7.00pm AEDT on Friday 16 October, 2015 ("Record Date").

Shareholders entered in the Register of Members of the Company will be entitled to one New Share for every eight Existing Shares held as at the Record Date ("Entitlement").

In calculating Entitlements to New Shares, fractional Entitlements will be rounded up to the nearest whole share. Shares held on separate sub-registers for the same holder will not be aggregated. If you have more than one registered holding of Existing Shares, you will be sent a personalised Entitlement and Acceptance Form for each separate holding.

Information on dealing with Entitlements is set out below.

Share capital on completion of the Issue

On completion of the Issue, on the assumption that it is fully subscribed, the share capital of the Company will be approximately 123,224,525 shares, comprising 109,532,911 Existing Shares and approximately 13,691,614 New Shares.

The Company has no unquoted securities.

Rights Trading

Trading in rights to the New Shares will begin on the Australian Securities Exchange ("ASX") on 14 October 2015 and cease on 29 October 2015.

The closing date for acceptances and payment of \$6.50 for each New Share under the Entitlement Offer is 5.00pm AEDT on 6 November 2015.

Who is eligible to participate

Shareholders with addresses in Australia and New Zealand who are not in the United States or a U.S. Person or acting for or on account of U.S. Persons are eligible to participate ("Eligible Shareholders").

Shareholders with addresses in countries other than Australia and New Zealand will not be eligible to participate because the Company has decided it is not reasonable to offer securities to persons in other countries having regard to the number of shareholders in each country, the number and value of the securities that would be offered to them and the cost of complying with the laws of such other country. However, AUI intends to appoint a nominee to act on its behalf to seek to arrange for the sale of the Entitlements of those shareholders and to pay such shareholders the net proceeds of sale (if any) in Australian dollars.

Dealing with Entitlements

You may choose to apply for all or some of your Entitlement, sell some or all of your Entitlement (subject to the availability of buyers), or do nothing. The Entitlements will trade on the Australian Securities Exchange during the rights trading period under a separate ASX code "AUIR".

If you wish to sell all or part of your Entitlement you should contact your broker or other professional advisor during that period.

Should you wish to purchase additional rights to New Shares during the rights trading period, please contact your broker or other professional advisor.

To accept all or part of your Entitlement your completed Entitlement and Acceptance Forms must be lodged with AUI's Share Registry (whose address will be on the Form) by 5.00pm AEDT on 6 November 2015 together with a cheque (or payment can be made by BPay) for the amount due in respect of the New Shares taken up. To transfer your Entitlements to another person, you should complete a standard renunciation form (obtainable from a broker or other professional advisor or the Share Registry) and send it with the Entitlement and Acceptance Form to the Share Registry by 5.00pm AEDT on 6 November 2015.

If during the rights trading period you buy additional rights, including through an online broker or by off-market transfer, please contact the Share Registry, obtain an acceptance form, and send the completed form, cheque, and a copy of the contract note to AUI's Share Registry by 5.00pm AEDT on 6 November 2015.

Process for dealing with Shortfall

To the extent that Entitlements are not taken up ("**Shortfall**") they may be placed, at the discretion of the Company after the conduct of a bookbuild by the Placing Agents, to Eligible Shareholders or new professional or sophisticated investors. Any net proceeds from such sale (being the gross proceeds from the sale less the offer price and the fees and other costs of the Placing Agents) will be distributed in due proportion among the shareholders whose entitlements were neither sold nor taken up. Neither the Company nor the Placing Agents will be liable for any failure to arrange for the issue of any New Shares in respect of Entitlements neither sold nor taken up by the closing date at a particular price or time, or at all. **As there can be no guarantee that there will be any net proceeds, it is important that Eligible Shareholders take action either to take up or sell their Entitlements.**

Should you wish to purchase additional New Shares through the Shortfall bookbuild, please contact one of the Placing Agents, whose contact details will be in the Corporate Directory in the Entitlement Offer Booklet.

Indicative timetable

Rights trading commences and ordinary shares quoted ex rights	Wednesday 14 October 2015
Record Date to determine Entitlements to New Shares	Friday 16 October 2015
Despatch of Entitlement Offer Booklet to Eligible Shareholders	Tuesday 20 October 2015
Last day of rights trading	Thursday 29 October 2015
New Shares quoted on a deferred settlement basis	Friday 30 October 2015
Closing date for receipt of applications (and/or renunciations) and payment	Friday 6 November 2015
Shortfall Bookbuild (if any)	Tuesday 10 November 2015
Announcement of Shortfall (if any)	Wednesday 11 November 2015
Issue of New Shares	Friday 13 November 2015
Issuer Sponsored Statements for New Shares despatched	Friday 13 November 2015
Normal trading of New Shares expected to commence	Monday 16 November 2015

This timetable is indicative only. The Company reserves the right to vary the above dates without notice subject to the Corporations Act, Listing Rules and any other applicable law. Any amendments to the timetable will be announced on ASX. Times are AEDT.

Please read the Entitlement Offer Booklet carefully and consult your broker or other professional advisor to evaluate whether or not to participate in the Entitlement Offer.

Your Directors have confidence in the future of Australian United Investment Company Limited, and commend the Issue to you.

Yours faithfully,

Charles Goode
Chairman