



Australian United Investment
Company Limited

ABN 37 004 268 679

2013

ANNUAL

FINANCIAL

REPORT

Directory

Directors

C B Goode AC - Chairman
P J B Rose AO
P J Wetherall
J S Craig

Company Secretary

Andrew J Hancock FCA

Registered Office

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101 Collins Street
Melbourne Vic 3000
Tel: (613) 9654 0499
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Email: info@au.com.au
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Bankers

National Australia Bank Limited
ANZ Banking Group Ltd

Auditors

KPMG
Chartered Accountants

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235
Tel: (+61) 1300 554 474
Email: registrars@linkmarketservices.com.au
Web: www.linkmarketservices.com.au

Securities Exchange

The Company is listed on the Australian Securities Exchange Ltd.
ASX Code: AUI

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Chairman's Report

I present the Annual Report of Australian United Investment Company Limited for the year ended 30 June 2013.

The operating profit after income tax, excluding net realised gains on the investment portfolio, was \$35,489,359 compared to \$32,559,847 in the previous year, an increase of 9%, or an increase of 6% if special dividends and distributions received in both periods are excluded. Special dividends of \$1,182,901 after tax of \$5,250 were received this year (\$37,874 in the previous year).

The total net profit after tax for the year of \$35,489,359 excludes net realised gains and losses which are transferred directly to the Asset Revaluation Reserve.

The weighted average number of ordinary shares for the year was 106,377,699 compared to 105,063,978 in the previous year, an increase of 1%.

The operating earnings per share excluding the special dividends were 32.2 cents compared to 31.0 cents for the previous year.

Bank borrowings were \$100 million at the end of the financial year (previous year \$100 million) amounting to around 11% of the investment portfolio at market values. Cash on hand, cash on deposit and short term receivables were \$37 million, or 4% of the investment portfolio at market values (previous year \$13 million, or 2%).

Annual interest expense was covered 7.2 times by investment revenue.

The net asset backing per share before provision for estimated tax on unrealised gains and before provision for the final dividend was \$7.49 at 30 June 2013, compared to \$6.26 at 30 June 2012.

Operating expenses (excluding borrowing costs) were 0.13% of the average market value of the portfolio compared to 0.13% in 2012.

The final dividend for the year ending 30 June 2013 is 16.0¢ per share fully franked which, with the interim dividend of 13.5¢ per share fully franked, makes 29.5¢ per share fully franked for the year. This compares with 28.0¢ per share fully franked in the previous year, an increase of 5.5%.

The final dividend will not include a Listed Investment Company capital gain dividend.

Dividends paid or payable for each of the last 5 financial years are as follows:

2012/13	29.5 cents per share
2011/12	28.0 cents per share
2010/11	26.5 cents per share
2009/10	25.5 cents per share
2008/09	25.0 cents per share

The Company's reported net tangible asset backing per share before provision for the final dividend (based on investments at market values and after provision for tax on realised gains but not on unrealised gains) over the last 5 years was as follows:

30 June 2013	\$7.49
30 June 2012	\$6.26
30 June 2011	\$7.24 (after the issue of 2,426,619 shares at \$6.42 per share under the share purchase plan, October 2010)
30 June 2010	\$6.68 (after the placement of 2,833,565 shares at \$7.28 per share, April 2010)
30 June 2009	\$6.02

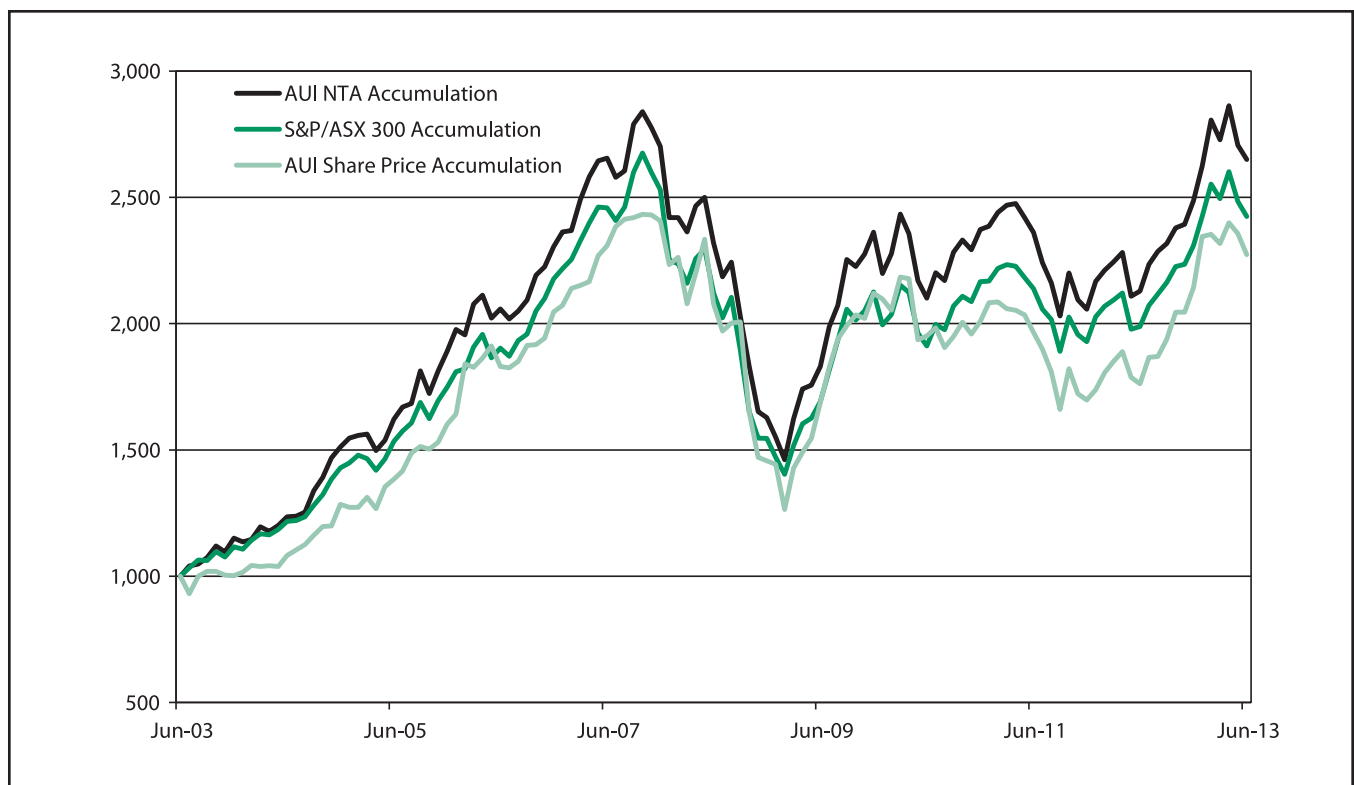
The Company's performance in recent years (assuming all dividends were re-invested) is as follows:

	AUI Net Asset Backing Accumulation % p.a.	AUI Share Price Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	24.5	29.1	21.9
3 Years	8.0	5.2	8.2
5 Years	2.7	1.8	2.7
10 Years	10.2	8.6	9.3

The Company's net asset backing accumulation performance is after tax and expenses and the impact of the Company's gearing for which no allowance is made in the index.

The following graph shows the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) assuming all dividends were re-invested, as compared to the S&P/ASX 300 Accumulation Index over the last ten years.

**AUI Accumulated Investment Return Vs S&P/ASX300 Accumulation Index
10 Years to 30 June 2013**



Source: Evans & Partners

Chairman's Report

The equity portfolio of the Company is invested in Australian equities and at 30 June 2013 was spread over 41 companies. The Annual Report provides a list of the shareholdings at 30 June 2013 and 30 June 2012, the changes to the portfolio during the year and the market values as at 30 June 2013 of each investment together with its percentage of the portfolio

As at 30 June 2013 the twenty-five largest shareholdings of the company, at market values were:

Company	Market Value \$'000	% of Market Value of Total Investment
1. ANZ Banking Group Ltd	78,595	8.7%
2. Commonwealth Bank of Australia Ltd	69,180	7.7%
3. Westpac Banking Corporation Ltd	67,868	7.5%
4. BHP Billiton Ltd	64,309	7.1%
5. National Australia Bank Ltd	62,328	6.9%
6. Wesfarmers Ltd	57,494	6.4%
7. Woodside Petroleum Ltd	43,763	4.9%
8. Rio Tinto Ltd	42,686	4.7%
9. Woolworths Ltd	39,372	4.4%
10. Diversified United Investment Ltd	36,000	4.0%
11. Orica Ltd	20,650	2.3%
12. Brambles Ltd	19,614	2.2%
13. Transurban Group	18,928	2.1%
14. CSL Ltd	18,474	2.0%
15. AGL Energy Ltd	16,893	1.9%
16. Origin Energy Ltd	15,084	1.7%
17. QBE Insurance Group Ltd	14,637	1.6%
18. SP AusNet	14,452	1.6%
19. Telstra Corporation Ltd	14,310	1.6%
20. AMP Ltd	13,600	1.5%
21. Santos Ltd	12,530	1.4%
22. Mystate Ltd	11,024	1.2%
23. Amalgamated Holdings Ltd	9,924	1.1%
24. Ramsay Health Care Ltd	9,848	1.1%
25. Tatts Group Ltd	9,510	1.1%
	781,073	86.7%
Total Investments at Market Value, Short Term Receivables and Cash	901,968	



Charles Goode
Chairman

Corporate Governance Statement

The Company has adopted corporate governance principles in accordance with the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations". Any material departures from the recommendations are referred to in this statement.

1. Accountability and Responsibility

The Board is accountable to the shareholders and is responsible for:

- Setting strategic and financial objectives;
- Monitoring the Company's performance and financial position and overseeing the financial accounts and reporting;
- Identifying and managing business and compliance risks;
- Managing the Company's investment portfolio;
- Overseeing relationships with outside service providers;
- Appointing the Company Secretary and setting and overseeing responsibilities delegated to the Company Secretary; and
- Setting ethical standards for the Company.

2. Composition

The Board currently comprises 4 directors. The Company's constitution requires 3 to 6 directors. Other than the Company Secretary the Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate using professional advice if this is deemed necessary. In this process the Company has a neutral approach to gender diversity. An appointed director then submits themselves for election by shareholders at the next Annual General Meeting.

Mr C B Goode and Dr P John B Rose, being governors of The Ian Potter Foundation, are associated with a substantial shareholder. These directors bring significant and relevant experience to the Board. However, in that the Chairman of the Board is not independent, and there is not a majority of independent directors the Company departs from the Australian Securities Exchange Corporate Governance Council's Recommendations. A lead independent director is not considered necessary given the small size of the Board. Appointed directors must stand for election at the next Annual General Meeting. One third of directors stand for re-election at each Annual General Meeting. There is no set retirement age or term for directors. Extensive experience in the investment markets is valued. Directors are not required to own shares in the Company. Directors have agreed not to enter into margin loans over their shareholdings in the Company.

3. Operation

The Board usually meets eleven times each year and consults on investment matters between meetings. The Board has day-to-day responsibility for management of the investment portfolio. Transaction levels are low as the portfolio is held for the long term. The Board reviews financial statements, forecasts, the investment portfolio, the net asset backing per share, and compliance reports monthly. The Company Secretary is responsible for either providing the information or co-ordinating it from outside service providers.

4. Delegation

The duties and responsibilities of the Company Secretary, the Company's only employee, are set out in a letter of engagement which the Board approves. The Board also approves letters of engagement for the externally provided accounting, tax, custody and audit services. Share registry services are purchased on commercial terms.

5. Directors' Terms of Appointment, Remuneration and Performance

Directors' fees are reviewed annually by the Nomination and Remuneration Committee in the light of the Company's activity, changing responsibilities and in comparison to fee levels of a peer group of companies. Independent remuneration advice may be sought. The maximum total of directors' fees is set by the shareholders in general meeting. Details of directors' remuneration are set out in the Remuneration Report in the Annual Report.

Each director appointed before October 2006 entered into a Retirement Agreement at that time to convert accrued retirement entitlements into shares in the Company to be held in the Non-Executive Directors 2006 Accrued Entitlements Share Plan until retirement, as approved by shareholders.

Each director has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance.

The duties of directors are as set out in the Corporations Law and in this statement. In addition to board meetings directors are expected to attend committee meetings where applicable, for no additional fee. They are expected to make a pro-active contribution to the management of the Company's investment portfolio from their reading, research, analysis, and information collected outside of board meetings.

After prior discussion with the Chairman, directors are entitled to seek independent advice at the expense of the Company, which advice will then be made available to all other directors. Directors are entitled to unlimited access to the Company's records.

The Board reviews its performance annually by discussion and by individual communication with the Chairman, and by reference to generally accepted Board performance standards. The Board also conducts an annual review of the performance of the Board Committees, the Company Secretary, and outside service providers.

6. Board Committees

The Board has a Nomination and Remuneration Committee comprising all directors and an Audit Committee comprising all directors except the Chairman. The Audit Committee meets at least twice and the Nomination and Remuneration Committee at least once per annum. The Charter of each committee is reviewed by the Board annually. The Audit Committee Charter includes inter-alia, appointment of the auditor, assessing their independence, managing the audit relationship, and overseeing risk management. The external audit partner rotates every 5 years.

The Audit Committee has an independent Chairman and a majority of independent directors. All members are non-executive. It is considered to have sufficient relevant expertise and to comply with the Australian Securities Exchange Corporate Governance Council's Recommendations.

The Nomination and Remuneration Committee has an independent chairman, and half of the members are independent directors. It considers and makes recommendations to the Board regarding Board composition and remuneration of the directors and the Company Secretary. The Company Secretary's remuneration is paid on a fee for services basis and is disclosed in the Remuneration Report in the Annual Report. No additional fees are paid to members of the Board committees.

Committee members' qualifications and attendance at meetings are set out in the Directors' Report in the Annual Report.

7. Disclosure Procedures and Share Trading

The Company has established procedures to ensure compliance with the Australian Securities Exchange listing rule disclosure requirements including monthly disclosure of the Company's net tangible asset backing per share. Directors and the Company Secretary are prohibited from dealing in the Company's securities (other than to participate in the Dividend Reinvestment Plan or any Share Purchase Plan or rights issue) from 1 January to the day after the announcement of the Company's half year results and interim dividend, and from 1 July to the day after the announcement of the Company's financial year results and final dividend.

8. Shareholder Communication

The Company communicates with shareholders through:

- The annual report
- The half year report
- The website, including email contact
- Telephone availability of the Company Secretary at the Company's office
- Annual General Meeting including Chairman's address and question time
- Mailing of Chairman's Address to all shareholders and posting to website.

The external auditor is to be available for questioning at the Annual General Meeting.

9. Risk Management

The Audit Committee reviews the internal control system and the management of risk half yearly after receiving reports from the Company Secretary on these matters, and makes appropriate recommendations to the board.

The Board receives a letter half yearly from the Company's external accountants regarding their procedures, and reporting that the financial records have been properly maintained and the financial statements comply with the Accounting Standards.

Based on his review of the internal control systems, management of risk, the financial statements and the letter from the Company's external accountants, the Company Secretary provides half yearly the declarations required by Section 295A of the Corporations Act and confirms that in his opinion the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view.

Details of the Company's financial risk management are set out in the notes to the financial statements in the Annual Report.

10. Ethical Conduct

The Company has no executives or executive directors other than the Company Secretary. Each director and the Company Secretary are expected to adopt high ethical standards in acting for the Company and in the interests of the shareholders. Directors are required to disclose potential conflicts of interest and to refrain from involvement in Board decisions, or leave the room, during discussion of the conflicted matter.

Directors' Report

The directors present their report together with the financial report of Australian United Investment Company Limited for the year ended 30 June 2013 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Charles Goode AC, B.Com. (Hons) (Melb), MBA (Columbia), Hon LLD (Melb), Hon LLD (Mon)
Non Executive Chairman, Appointed April 1990

Mr Goode is the Chairman of the Boards of Diversified United Investment Limited (since 1990), The Ian Potter Foundation Limited (governor since 1987) and Flagstaff Partners (since 2010).

Formerly Mr Goode was a director of Australia and New Zealand Banking Group Limited (1991 – 2010, Chairman 1996 – 2010), Woodside Petroleum Limited (1988 – 2007, Chairman 1999 – 2007) and Grosvenor Australia Properties Pty Limited (Chairman 2008 – 2012).

John Rose AO, BCom (NZ), DipEc (Camb), PhD(Melb). Hon D.Bus (Melb)
Non-executive Director, Appointed April 2000

Dr Rose is a governor of The Ian Potter Foundation Limited (since 2000). Formerly he was the Sidney Myer Professor of Commerce and Business Administration of the University of Melbourne, a Director of The Melbourne Business School, and a director of Woodside Petroleum Limited (1990 - 2005).

Peter Wetherall B.E. Hons (Qld), B.A. Hons (Oxon), GAICD
Non-executive Director, Appointed November 2001

Mr Wetherall has 32 years experience in the Australian share market as a stockbroker and funds manager. He was the founder and Managing Director of Wallara Asset Management Pty Ltd (1995 to 2012). He is Chairman of the Company's Audit Committee.

James Craig B.Ec/LLb (Adel), LLM (Melb)
Non-executive Director, Appointed October 2009

Mr Craig is a director of Cell Care Australia Pty Ltd, Lifestyle Communities Limited, Murdoch Childrens Research Institute, River Capital Pty Ltd and Trinity College (University of Melbourne). He is Chairman of the Company's Nomination and Remuneration Committee.

From 2003 to 2007 he was CEO of Macquarie Capital and Chairman of Macquarie Bank Ltd in Europe. He was founding CEO of Macquarie European Infrastructure Funds (MEIF) and then Chairman of the MEIF Investment Committee. From 1998 to 2002, he was Head of Macquarie Bank's global natural resources advisory business.

Giselle Roux B.Com Hons (UCT), B.Sc (UCT)
Non-executive Director, Appointed 1 September 2011, Retired 19 February 2013

Company Secretary

Andrew Hancock FCA, B.Ec (Mon), Grad. Dip. CDP (RMIT)
Company Secretary, Appointed October 1995

Mr Hancock is also the Company Secretary of Diversified United Investment Ltd (since 1991), has served as Chairman and is currently Secretary of the Australian Listed Investment Companies Association and is Chairman or a director of a number of private investment companies.

Operating and Financial Review

The principal activity of the Company is that of an investment company which seeks, through a portfolio of securities predominantly comprising shares of companies listed on the ASX, to provide income and capital appreciation over the longer term. There has been no significant change in the nature of the Company's activities during the financial year.

For the year ended 30 June 2013 the operating profit after income tax was \$35,489,359 compared to \$32,559,847 in the previous year – an increase of 9%. Special dividends received during the 2013 year were \$1,182,901 after tax of \$5,250 (2012: \$37,874 after tax of nil). If special dividends received are disregarded, operating profit increased 5.5%.

The weighted average number of ordinary shares for the year was 106,377,699 compared to 105,063,978 in previous year, an increase of 1.3%.

The basic and diluted earnings per share before special dividends was 33.4 cents (32.2 cents excluding special dividends) compared to 31.0 cents (31.0 cents excluding special dividends) for the previous year.

The Company incurred expenses (excluding finance costs) of \$1,039,881 (2012: \$1,022,834) which is equivalent to 0.125% (2012: 0.128%) of the average market value of the portfolio.

Bank borrowings were \$100 million at the end of the financial year (previous year \$100 million) gearing the investment portfolio by around 11%. Cash on hand, cash deposits and short term receivables were \$37 million or 4% of the investment portfolio at market values (2012: \$13 million, 2%). Annual interest expense was covered 7.2 times by investment revenue (2012: 6.2 times).

As at 30 June 2013 the Company's portfolio had a market value (including cash and receivables) of \$901,968,121 (2012: \$757,617,535). A list of the Company's top 25 investments is set out in note 23 to the financial statements. The net tangible asset backing of the Company's ordinary shares at 30 June 2013 was \$7.49 (2012: \$6.26). This net tangible asset backing calculation is based on investments at market value and is after the tax effect of realised gains and losses, before estimated tax on net unrealised gains and losses, and before the Company's final dividend. The Company is a long term investor and does not intend disposing of its portfolio. However if estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing would be \$6.57 (2012: \$5.69).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was a rise of 24.5%, as compared to the S&P/ASX 300 Accumulation Index rise of 21.9%.

Dividends declared by the Company for the 2013 financial year total 29.5 cents per share (2012: 28 cents per share).

It is the Directors intention to continue to invest in a portfolio of listed securities for long term capital gain and current income. The risks to which the Company is exposed are set out in notes 18 and 19 to the Financial Statements.

Dividends

Dividends paid or declared by the Company since the end of the previous financial year were:

	\$
Paid or declared during the year	
A final dividend in respect of the year ended 30 June 2012 of 15.0 cents per share fully franked paid on 21 September 2012.	15,784,550
An interim dividend in respect of the year ended 30 June 2013 of 13.5 cents per share fully franked paid on 15 March 2013.	14,360,133
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2013 of 16 cents per share fully franked payable on 25 September 2013.	17,159,451

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Directors' Meetings		Audit Committee Meetings		Nomination & Remuneration Committee Meetings	
	No. of Meetings attended	No. of Meetings eligible	No. of Meetings attended	No. of Meetings eligible	No. of Meetings attended	No. of Meetings eligible
Charles B Goode	10	11	2*	-	1	1
P John Rose	10	11	2	2	0	1
Peter J Wetherall	11	11	2	2	1	1
James S Craig	11	11	2	2	1	1
Giselle Roux	7	7	2	2	0	1

* In attendance – not a committee member.

The Audit Committee comprises Wetherall (Chairman), Rose and Craig.

All directors are members of the Nomination and Remuneration Committee, which is chaired by James Craig.

Directors' Interests

The relevant interest of each director in the issued capital of the Company as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	SHARES		
	1	2	3
Charles B. Goode	75,670	888,730	33,583
P. John Rose	68,139	-	10,915
Peter J. Wetherall	27,994	-	8,256
James S Craig	-	250,000	-

Note:

- Beneficial in own name
- Held by an entity/related party in which the director has a relevant interest
- Held for the Director in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan

Except as stated above, no director –

- has any relevant interest in shares of the Company or a related body corporate;
- has any relevant interests in debentures of, or interests in a registered scheme made available by, the company or a related body corporate;
- has any rights or options over shares in, debentures of, or interests in a registered scheme made available by, the Company or a related body corporate;
- is a party to a contract, or is entitled to a benefit under a contract, that confers a right to call for or deliver shares in, or debenture of or interests in a registered scheme made available by the Company or a related body corporate.

Remuneration report (audited)

	Fee	2013	Total	Fee	2012	Total
	\$	Superannuation	\$	\$	Superannuation	\$
		\$			\$	
Charles Goode	137,615	12,385	150,000	137,615	12,385	150,000
P John Rose	75,000	-	75,000	75,000	-	75,000
Peter Wetherall	68,807	6,193	75,000	68,807	6,193	75,000
James Craig	68,807	6,193	75,000	68,807	6,193	75,000
Giselle Roux	43,666	3,930	47,596	57,339	5,161	62,500
Total	393,895	28,701	422,596	407,568	29,932	437,500

(i) No additional fees are paid to members of the Board Committees.

The Nomination and Remuneration Committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the Company Secretary and directors of the Company, including superannuation entitlements, retirement and termination entitlements, and professional indemnity and liability insurance policies. Other than the Company Secretary, the Company has no executives or executive directors.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors. The Nomination and Remuneration Committee may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies and in light of Company activity and changing responsibilities. The remuneration structures are designed to attract suitably qualified candidates, and for the broader outcome of increasing the Company's net profit. Directors' fees are fixed and reviewed annually and the maximum total of directors' fees is set by the shareholders in general meeting.

Directors' fees are fixed and not conditional on the Company's performance. However, consideration of the Company's performance and benefits for shareholder wealth in respect of the current financial year and the previous four financial years include:

	2013	2012	2011	2010	2009
Operating Profit (\$ Millions)	35.5	32.6	32.7	26.6	29.3
Dividends paid (cents per share)	29.5	28.0	26.5	25.5	25.0
Share Price 30 June	\$6.85	\$5.55	\$6.49	\$6.56	\$5.88
Management Expense Ratio	0.13%	0.13%	0.12%	0.15%	0.13%
Net Asset Backing Per Share 30 June	\$7.49	\$6.26	\$7.24	\$6.68	\$6.02
S&P/ASX 300 Index 30 June	4,759	4,084	4,608	4,293	3,949

Each director has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance. Refer to Note 15 of the financial statements for information relating to the insurance. No director has entered into a material contract with the Company since the end of the previous financial year and there were no other material contracts involving directors' interests existing at year end.

The Company Secretary, Mr Andrew J Hancock, received \$77,000 (2012: \$75,000) for services provided to the Company.

Non-audit services

During the year KPMG, the Company's auditor, has provided taxation services in addition to their statutory duties. They received fees of \$8,800 for these services including GST.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review other than the value of the investment portfolio fluctuated broadly in line with market movements.

Environmental Regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Likely Developments

The directors do not anticipate any particular developments in the operations of the Company which will affect the results of future financial years other than the value of the investment portfolio is expected to fluctuate broadly in line with market movements.

Indemnification

Details of directors' indemnification are set out in Note 15 to the financial statements.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' Report for the year ended 30 June 2013.

Signed in accordance with a resolution of the Directors, for and on behalf of the board.



Charles Goode
Director
Melbourne, 14 August 2013

Lead Auditor's Independence Declaration



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Australian United Investment Company Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature in black ink, appearing to read 'Michelle Hinchliffe'.

Michelle Hinchliffe
Partner

Melbourne
14 August 2013

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards legislation.

Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue from investment portfolio	2	42,029,152	39,465,612
Administration and other expenses		(1,039,881)	(1,022,834)
Finance expenses	2	(5,834,201)	(6,379,777)
Operating profit before income tax		35,155,070	32,063,001
Income tax benefit	4(a)	334,289	496,846
Profit for the year		35,489,359	32,559,847
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Revaluation of investment portfolio for the year		126,140,701	(106,019,673)
Provision for tax (expense)/benefit on revaluation of investment portfolio for the year		(37,918,264)	31,793,626
Other comprehensive income/ (loss) net of income tax		88,222,437	(74,226,047)
Total comprehensive income		123,711,796	(41,666,200)
Basic and diluted earnings per share (cents)	5	33.4	31.0

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out pages 18 to 30.

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
Assets			
Cash assets	16	30,028,183	2,578,483
Receivables	7	7,164,200	10,545,481
Other	9	46,034	41,371
Total Current Assets		37,238,417	13,165,335
Investment portfolio	8	864,775,738	744,493,571
Other	9	-	9,874
Total Non-Current Assets		864,775,738	744,503,445
Total Assets		902,014,155	757,668,780
Liabilities			
Payables	10	77,792	167,451
Total Current Liabilities		77,792	167,451
Borrowings – interest bearing	11	99,123,752	98,828,722
Deferred tax liability	4(b)	97,781,861	60,197,884
Total Non-Current Liabilities		196,905,613	159,026,606
Total Liabilities		196,983,405	159,194,057
Net Assets		705,030,750	598,474,723
Equity			
Issued capital	13(a)	330,189,974	317,201,060
Reserves		374,840,776	281,273,663
Total Equity		705,030,750	598,474,723

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 18 to 30.

Statement of Changes in Equity for the Year Ended 30 June 2013

	Issued Capital \$	Revaluation Reserve \$	Realisation Reserve \$	Retained Earnings \$	Total \$
As at 1 July 2011	315,025,519	215,700,217	42,619,301	93,481,409	666,826,446
Comprehensive Income					
Revaluation of investment portfolio	-	(106,019,673)	-	-	(106,019,673)
Tax benefit on revaluation	-	31,793,626	-	-	31,793,626
Net realised gains and losses on investment portfolio	-	11,960,715	(11,960,715)	-	-
Tax benefit on net realised gains and losses	-	(3,064,905)	3,064,905	-	-
Net operating profit for the year	-	-	-	32,559,847	32,559,847
	-	(65,330,237)	(8,895,810)	32,559,847	(41,666,200)
Transactions with Shareholders					
Dividend Reinvestment Plan	2,175,541	-	-	-	2,175,541
Dividends paid	-	-	-	(28,861,064)	(28,861,064)
	2,175,541	-	-	(28,861,064)	(26,685,523)
As at 30 June 2012	317,201,060	150,369,980	33,723,491	97,180,192	598,474,723
As at 1 July 2012	317,201,060	150,369,980	33,723,491	97,180,192	598,474,723
Comprehensive Income					
Revaluation of investment portfolio	-	126,140,701	-	-	126,140,701
Tax expense on revaluation	-	(37,918,264)	-	-	(37,918,264)
Net realised gains and losses on investment portfolio	-	28,705,775	(28,705,775)	-	-
Tax benefit on net realised gains and losses	-	(7,826,164)	7,826,164	-	-
Net operating profit for the year	-	-	-	35,489,359	35,489,359
	-	109,102,048	(20,879,611)	35,489,359	123,711,796
Transactions with Shareholders					
Dividend Reinvestment Plan	12,988,914	-	-	-	12,988,914
Dividends paid	-	-	-	(30,144,683)	(30,144,683)
	12,988,914	-	-	(30,144,683)	(17,155,769)
As at 30 June 2013	330,189,974	259,472,028	12,843,880	102,524,868	705,030,750

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 18 to 30.

Statement of Cash Flows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Interest received		1,008,408	424,647
Dividends and trust distributions received		39,632,800	37,356,832
Option premium income received		619,525	692,263
Sub-underwriting fee received		5,000	76,745
Finance costs paid		(5,539,170)	(6,120,854)
Administration and other expenses paid		(1,124,330)	(994,241)
Net cash flow from operating activities	16	34,602,233	31,435,392
Cash flows from investing activities			
Proceeds from sale of investments		63,109,970	18,370,688
Purchases of investments		(53,106,734)	(37,345,383)
Net cash flow from/(used in) investing activities		10,003,236	(18,974,695)
Cash flows from financing activities			
Dividends paid		(17,155,769)	(26,685,523)
Net cash flow used in financing activities		(17,155,769)	(26,685,523)
Net increase/(decrease) in cash held		27,449,700	(14,224,826)
Cash and cash equivalents at 1 July		2,578,483	16,803,309
Cash and cash equivalents at 30 June	16	30,028,183	2,578,483

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 18 to 30.

1. Statement of significant accounting policies

Australian United Investment Company Limited (the 'Company') is a company domiciled in Australia.

The financial report was authorised for issue by the directors on 14 August 2013.

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of preparation

The financial report is presented in Australian dollars. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

From 1 July 2012 The Company applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income. The change in accounting policy only relates to disclosures and has no impact on earnings per share or net income. The changes have been applied retrospectively and require the Company to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes are included in the Statement of Profit or Loss and Other Comprehensive Income.

The Company has not applied any Australian Accounting Standards that have been issued as at balance date but are not yet operative for the year ended 30 June 2013 ("the inoperative standards").

The impact of other inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

The financial report is prepared on a historical cost basis except that financial instruments are stated at their fair value.

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

(c) Investments

The Company is a long term investor. Under IFRS, equity investments are classified as fair value through other comprehensive income. After initial recognition at fair value (being cost), investments are measured at fair value.

Unrealised gains or losses on equity investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, at which time the cumulative gain or loss is transferred to the Asset Realisation Reserve.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualifies for derecognition in accordance with AASB 139. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the revaluation reserve to the realisation reserve.

Interest bearing investments are recognised at fair value and then measured at amortised cost. Amortised cost is calculated with any difference between cost and redemption value being recognised in the income statement over the period of the investment on an effective interest basis.

(d) Revenue from investment portfolio

The activity of the Company is that of an investment company, returns being in the form of dividends, interest, trust income, option premiums and sub-underwriting income. Dividend income is recognised in the income statement at ex-dividend date and all other income is recognised on an accruals basis. Special dividends are those dividends received which have been designated as special and non-recurring by the declaring company.

1. Statement of significant accounting policies (cont.)

(e) Taxation

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the company tax rate adjusted by changes in deferred tax assets and liabilities which arise from items being brought to account in different periods for income tax and accounting purposes.

The expected tax on disposal of equity securities in the investment portfolio is recognised directly in equity and as a deferred tax liability. Where the Company disposes of such securities, tax is calculated on gains made according to the particular parcels allocated to the sale for tax purposes and offset against any capital losses carried forward. The associated deferred tax liability is similarly adjusted and transferred to current tax payable.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

(g) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2. Revenue and Expenses

	2013 \$	2012 \$
(a) Revenue		
Ordinary dividends received or due and receivable	37,259,344	36,363,783
Special dividends received or due and receivable	1,188,151	37,874
Dividends received or due and receivable	38,447,495	36,401,657
Interest received or due and receivable	1,008,407	424,647
Trust distributions received or due and receivable	1,953,725	1,865,300
Option premium income	619,525	692,263
Sub-underwriting fee	-	81,745
	42,029,152	39,465,612
(b) Expenses		
<i>Finance expenses</i>		
Interest and borrowing expenses	5,834,201	6,379,777

3. Auditor's Remuneration

	2013 \$	2012 \$
During the year, KPMG, the Company's auditor, received the following remuneration, inclusive of GST:		
- Audit and review of financial reports	44,000	42,000
- Tax related services	8,800	9,790

4. Taxation

	2013 \$	2012 \$
(a) Income Tax Expense		
(i) Recognised in the income statement		
Current tax benefit		
(Under)/over provision for prior years	(44,291)	9,405
	(44,291)	9,405
Deferred Tax Expense		
Tax benefit of excess imputation credits carried forward	387,265	502,651
Temporary differences	(8,685)	(15,210)
	378,580	487,441
Total income tax benefit in income statement	334,289	496,846
(ii) Reconciliation between tax expense and pre-tax net profit		
Prima facie tax expense calculated at 30% on the profit for the year	(10,546,521)	(9,618,900)
Increase in tax expense due to:		
Franking credits gross-up on dividends received	(4,554,765)	(4,217,418)
Decrease in tax expense due to:		
Sundry items	259,086	124,540
Tax deferred revenue received	38,229	141,160
Franking credits on dividends received	15,182,551	14,058,059
Tax benefit on operating profit	378,580	487,441
(Under)/over provision for prior years	(44,291)	9,405
Income tax benefit attributable to profit for the year	334,289	496,846
(iii) Deferred tax recognised directly in equity		
Increase/(decrease) in provision for tax on unrealised gains on the equity investment portfolio	37,918,264	(31,793,626)

4. Taxation (cont.)

	2013 \$	2012 \$
(b) Deferred Tax Assets and Liabilities		
Recognised deferred tax assets and liabilities		
Revaluation reserve – Provision for tax on unrealised gains on the equity investment portfolio	(112,807,911)	(67,063,481)
Other	(80,505)	(71,820)
Tax benefit of capital losses carried forward	13,677,096	5,850,933
Tax benefit of excess franking credits carried forward	1,429,459	1,086,484
Net tax liabilities	(97,781,861)	(60,197,884)

5. Earnings Per Share

	2013 cents	2012 cents
Basic earnings per share	33.4	31.0
Earnings per share excluding special dividends received (refer Note 1(d))	32.2	31.0

There are no factors which cause diluted earnings per share to be different from basic earnings per share.

The basic earnings per share for the 2013 year is calculated on a weighted average adjusted number of ordinary shares of 106,377,699 taking into account the shares issued in the dividend reinvestment program. The 2012 figure is based on a weighted average number of ordinary shares of 105,063,978.

6. Dividends

	2013 \$	2012 \$
Dividends recognised in the current year by the Company are:		
(i) 2012 final dividend of 15.0 cents per share (2012: 14.5 cents) fully franked paid 21 September 2012	15,784,550	15,202,976
(ii) 2013 interim dividend of 13.5 cents per share (2012: 13 cents) fully franked paid 15 March 2013	14,360,133	13,658,088
	30,144,683	28,861,064

Since 30 June 2013, the directors have declared the following dividend payable on 25 September:

- Final dividend of 16.0 cents per share fully franked (2012: 15.0 cents)	17,159,451	15,784,550
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The final dividend will not contain a Listed Investment Company (LIC) capital gain dividend (2012: nil).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2013.

6. Dividends (cont.)

Dividend Franking Account:

The balance of the Franking Account at 30 June 2013 is \$36,816,645 (2012: \$34,220,811) after adjusting for:

- (a) franking credits that will arise from any current income tax liability;
- (b) franking credits that will arise from the receipt of dividends recognised as receivables at year-end.

After allowing for the final 2013 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$29,462,594 (2012: \$27,455,931).

The ability to utilise the franking credits is dependent upon the ability of the Company to declare dividends.

LIC Capital Gain Account:

The balance of the LIC Capital Gain Account at 30 June 2013 was \$372,101 (2012: \$372,101). When distributed, LIC capital gains may entitle certain shareholders to a special deduction in their taxation return, as set out in the relevant dividend statement.

7. Receivables

	2013 \$	2012 \$
Current		
Dividends Receivable	6,730,200	5,851,126
Trust Distributions Receivable	434,000	715,000
Other	-	3,979,355
	7,164,200	10,545,481

8. Investments

Non-Current

Investments in equities quoted on prescribed stock exchanges (at fair value)	864,775,738	744,493,571
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9. Other Assets

Current

Prepayments	46,034	41,371
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Non - Current

Leasehold Improvements	-	9,874
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10. Payables

Current

Trade Creditors	77,792	167,451
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11. Interest Bearing Liabilities

Non-Current

Loan Facility – Secured	99,123,752	98,828,722
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The face value of the drawn facility is \$100 million (2012: \$100 million). The amounts disclosed above are at amortised cost. For more information regarding the Company's exposure to interest risk and liquidity risk, see Notes 18 and 19.

12. Financing Arrangements

	2013 \$	2012 \$
The Company has access to the following lines of credit:		
<i>Total facility available</i>		
Loan Facility – Secured	100,000,000	100,000,000
<i>Facilities utilised at balance date</i>		
Loan Facility – Secured	100,000,000	100,000,000

13. Capital and Reserves

	2013 \$	2012 \$
(a) Issued Capital		
Issued and paid-up share capital		
107,246,566 (2012: 105,231,459) ordinary fully paid shares	330,189,974	317,201,060
Movements in issued capital:		
Balance at beginning of the financial year	317,201,060	315,025,519
Shares issued		
- Dividend re-investment plan (i)	12,988,914	2,175,541
	330,189,974	317,201,060

(i) In respect of the final dividend paid in September 2012, 1,147,121 ordinary shares were issued at \$5.904 each and in respect of the interim dividend paid in March 2013, 867,986 ordinary shares were issued at \$7.162 each.

(b) Nature and Purpose of Reserves

Revaluation Reserve

Increments or decrements on the revaluation of long term equity investments after provision for deferred tax are recorded in this reserve. When an investment has been sold or de-recognised, realised gains or losses (after tax) are transferred from the revaluation reserve to the realisation reserve.

Realisation Reserve

The realisation reserve records realised gains and losses (after tax) from the sale of investments in equities which are transferred from the revaluation reserve.

14. Directors' Remuneration

The total director's remuneration for the year is \$422,596 (2012: \$437,500). Details of the directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report.

15. Related Parties

Directors and director-related entities

The names of each person holding the position of director of Australian United Investment Company Limited during the financial year are C B Goode (Chairman), P J Wetherall, P J B Rose, J S Craig and G Roux.

The Company has indemnified each current director and the company secretary against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position with the Company except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, insuring them against liabilities, costs and expenses arising out of conduct which does not involve a willful breach of duty. This insurance premium covers the period 18 June 2013 to 18 June 2014.

Directors' Holdings of Shares

The relevant interests of directors and their director related entities in shares of the Company as at year end are set out below:

Directors	Held at 01/07/12	Purchases	Sales	Held at 30/06/13
Charles B. Goode	955,250	42,733	-	997,983
P. John Rose	78,571	483	-	79,054
Peter J. Wetherall	34,698	1,552	-	36,250
James S Craig	250,000	-	-	250,000

Directors' Transactions in Shares

The movements in directors' holdings of ordinary shares resulted from the issue of shares under the Company's dividend reinvestment plan which were made on the same terms and conditions offered to other shareholders, and/or purchases on the open market.

16. Notes to the Statement of Cash Flows

	2013 \$	2012 \$
Reconciliation of Cash		
For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Units in Cash Management Trusts and Deposits at call	30,028,183	2,578,483
Reconciliation of operating profit after income tax to net cash provided by operating activities:		
Profit for the year	35,489,359	32,559,847
Net cash provided by operating activities before changes in assets and liabilities	35,489,359	32,559,847
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividends receivable	(879,074)	(433,125)
(Increase)/decrease in trust distributions receivable	281,000	(477,000)
(Increase)/decrease in sub-underwriting fee receivable	5,000	(5,000)
(Increase)/decrease in other debtors	-	738
(Increase)/decrease in deferred tax assets	(342,975)	(512,056)
Increase/(decrease) in deferred tax liability	8,685	15,210
Increase/(decrease) in accrued expenses	(89,659)	52,732
(Increase)/decrease in prepaid interest and borrowing costs	295,031	258,923
(Increase)/decrease in other prepayments	(4,663)	(27,392)
(Increase)/decrease in other assets	9,874	2,515
Add/(less) non-cash items:		
Non-cash dividends	(170,345)	-
Net cash provided by operating activities	34,602,233	31,435,392

17. Capital Management

The Company's objective in managing capital is to continue to provide shareholders with dividends and capital appreciation over the longer term.

The Company's capital will fluctuate in accordance with prevailing market movements, and it may adjust the amount of dividends paid, issue new shares or sell assets to reduce debt.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

18. Financial Risk Management

AASB 7 – *Financial Instruments: Disclosures* identifies three types of risk associated with financial instruments (i.e. investments, receivables, payables and borrowings).

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Credit Risk

Credit risk is 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 credit risk exposure of the Company lies principally in its cash and receivables to the extent of their carrying values and any accrued unpaid interest. Refer Notes 7 and 16.

Cash

The company invests in short-term bank backed securities, cash management units with the MF Cash Management Fund and cash deposits with Australian banks, with a direct or underlying AA or A.1 credit rating assigned by Standard & Poor's, being a Recognised Rating Agency.

Receivables

Receivables are non-interest bearing and represent dividends, proceeds of sales and distributions yet to be received. The credit risk exposure of the Company in relation to receivables is the carrying amount.

Given the nature of the counterparties with which the Company deals, management does not expect any counterparty to fail to meet its obligations. Additionally, none of these assets are overdue or considered to be impaired.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as they fall due. The Company monitors its cash flow requirements and ensures that it has cash or access to sufficient borrowing facilities or liquid securities to meet all its financial obligations as they fall due.

Bank borrowings were \$100 million at the end of the financial year (previous year \$100 million) representing approximately 11% of the asset value of the Company. The Company has interest bearing loan facilities in place with the National Australia Bank and Australia and New Zealand Banking Group which include both fixed and floating rate components. These facilities expire on various intervals through to 31 July 2018, unless these are renewed. Annual interest expense during the year was covered 7.2 times by investment revenue (previous year 6.2 times).

The major cash inflows for the Company include dividends, distributions and sales proceeds received. The major cash outflows are the purchase of securities, interest expense and dividends paid to shareholders, which are able to be managed by the Company. The Company's investments are quoted on a prescribed stock exchange and are able to be realised if required.

18. Financial Risk Management (cont.)

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income and the value of its holdings of financial instruments.

Inherently, the Company is not free of market risk as it invests its capital in securities whose market prices can fluctuate.

Based on a tax rate of 30%, a general movement in market prices of 5% and 10% would lead to a change in the Company's equity of \$30,267,151 (or 4%) and \$ 60,534,302 (or 8%) respectively, after tax.

Market risk is minimised by ensuring that the Company's investment portfolio is not over exposed to one company or one particular sector. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Board at each Director's meeting.

The Company also has exposure to interest rate risk on its borrowings as detailed in Note 19, which is minimised through conservative levels of gearing and ensuring that there is appropriate interest cover at all times.

All of the company's investments are quoted in Australian dollars therefore avoiding any direct exposure to currency risk. Nevertheless, a number of the underlying company's businesses may have currency risk exposures.

19. Financial Instruments Disclosure

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2013 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

	Note	Floating Interest Rate \$	Total \$
Financial Assets – 2013			
Cash	16	30,028,183	30,028,183
Weighted Average Interest Rate		3.47%	
Financial Assets – 2012			
Cash	16	2,578,483	2,578,483
Weighted Average Interest Rate		4.72%	

19. Financial Instruments Disclosure (cont.)

The Company has secured borrowing facilities in place with the National Australia Bank Ltd and Australia and New Zealand Banking Group Ltd totalling \$100,000,000 (2012: \$100,000,000) as follows:

National Australia Bank Ltd

Amount	Maturity	Interest Rate⁽¹⁾
\$10,000,000	31 July 2014	Fixed 7.45%
\$10,000,000	31 July 2014	Fixed 5.46%
\$20,000,000	31 March 2015	Fixed 5.63%
\$20,000,000	31 July 2017	Floating 4.55%
\$10,000,000	31 July 2018	Floating 4.37%
\$10,000,000	31 July 2018	Floating 4.54%

Australia and New Zealand Banking Group Ltd

Amount	Maturity	Interest Rate⁽¹⁾
\$20,000,000	21 March 2016	Fixed 4.95%

(1) Interest rate includes bank margins and fees.

Based on a tax rate of 30%, a change of 1% in floating interest rates at the reporting date would lead to a change in the Company's profit of \$ 280,000 (or 0.79%) and a change in the Company's equity of \$280,000 (or 0.04%).

The Company has pledged as collateral for the secured borrowing facilities, the following equity investments:

National Australia Bank Ltd

Equities	No. of Shares	Value at 30 June 2013
		\$
BHP Billiton Ltd	1,000,000	31,370,000
ANZ Bank Ltd	1,750,000	50,015,000
National Australia Bank Ltd	1,000,000	29,680,000
Woodside Petroleum Ltd	1,000,000	35,010,000
Total		146,075,000

The terms of the agreement require the market value of the securities to satisfy a minimum value of \$125,800,000.

Australia and New Zealand Banking Group Ltd

Equities	No. of Shares	Value at 30 June 2013
		\$
Commonwealth Bank of Australia Ltd	400,000	27,672,000
Westpac Ltd	500,000	14,440,000
Woolworths Ltd	400,000	13,124,000
Telstra Ltd	3,000,000	14,310,000
Total		69,546,000

The terms of the agreement require the market value of the securities to be no greater than a loan to value ratio of 50%. At 30 June this was 29% (2012: 37%).

19. Financial Instruments Disclosure (cont.)

Net Fair Values of Financial Assets and Liabilities

Valuation Approach

Net fair values of financial assets and liabilities are determined by the Company on the following basis:

Recognised Financial Instruments

Listed securities included in "Investments" are readily traded on organised markets in a standardised form. The net fair value of listed securities is determined by valuing them at the last quoted market price as at balance date. In accordance with Australian Accounting Standards, this is considered "level 1" under the fair value measurement hierarchy, which is defined as quoted prices (unadjusted) in active markets for identical assets or liabilities. The net fair value of investments is set out in notes 8 and 23.

For all other financial assets and liabilities, the carrying amount closely approximates its fair value.

20. Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 30 June 2013.

21. Segment Reporting

The Company operates as an investment company in Australia.

22. Events Subsequent to Balance Date

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial periods.

23. Holdings of Securities as at 30 June 2013

The following is a list of the Company's top 25 investments as at 30 June 2013, which represent 87% of the total investment portfolio (2012: 87%). All investments are valued at fair value through Other Comprehensive Income.

2013		2012	
Company	Market Value \$	Company	Market Value \$
1 ANZ Banking Group Ltd	78,595,000	BHP Billiton Ltd	66,045,000
2 Commonwealth Bank Of Australia Ltd	69,180,000	ANZ Banking Group Ltd	58,379,500
3 Westpac Banking Corporation	67,868,000	Commonwealth Bank Of Australia Ltd	53,100,000
4 BHP Billiton Ltd	64,308,500	Rio Tinto Ltd	51,697,500
5 National Australia Bank Ltd	62,328,000	National Australia Bank Ltd	47,080,000
6 Wesfarmers Ltd	57,494,000	Westpac Banking Corporation	46,486,000
7 Woodside Petroleum Ltd	43,762,500	Wesfarmers Ltd	43,521,000
8 Rio Tinto Ltd	42,685,844	Woodside Petroleum Ltd	38,775,000
9 Woolworths Ltd	39,372,000	Woolworths Ltd	32,160,000
10 Diversified United Investment Ltd	36,000,000	Diversified United Investment Ltd	28,440,000
11 Orica Ltd	20,650,000	Orica Ltd	24,690,000
12 Brambles Ltd	19,614,000	QBE Insurance Group Ltd	19,401,000
13 Transurban Group	18,928,000	AGL Energy Ltd	17,231,672
14 CSL Ltd	18,474,000	Origin Energy Ltd	14,640,000
15 AGL Energy Ltd	16,893,338	Brambles Ltd	12,936,000
16 Origin Energy Ltd	15,084,000	SP AusNet	12,399,172
17 QBE Insurance Group Ltd	14,637,300	AMP Ltd	12,320,000
18 SP AusNet	14,452,500	Transurban Group	11,949,000
19 Telstra Corporation Ltd	14,310,000	CSL Ltd	11,826,000
20 AMP Ltd	13,600,000	Telstra Corporation Ltd	11,070,000
21 Santos Ltd	12,530,000	Santos Ltd	10,650,000
22 Mystate Limited	11,024,000	Echo Entertainment Group	10,272,000
23 Amalgamated Holdings Ltd	9,924,000	Consolidated Media Holdings Ltd	10,110,000
24 Ramsay Health Care Ltd	9,847,750	Mystate Limited	7,930,000
25 Tatts Group Ltd	9,510,000	Amalgamated Holdings Ltd	7,740,000
Total Top 25 Investments	781,072,732		660,848,844
Total Investments at Market Value, Short Term Receivables and Cash	901,968,121		757,617,535

Directors' Declaration

1. In the opinion of the directors of Australian United Investment Company Limited ("the Company"):
 - (a) The financial statements and notes set out on pages 14 to 30, and the remuneration disclosures that are contained in the Remuneration Report on page 11 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2013 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - (b) The financial report also complies with International Financial Reporting Standards.
 - (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

Signed in accordance with a resolution of the directors.



Charles Goode
Director

Dated at Melbourne this 14th day of August 2013.

Independent Auditor's Report



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

Report on the financial report

We have audited the accompanying financial report of Australian United Investment Company Limited (the Company), which comprises the balance sheet as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards legislation.



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Australian United 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 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included on page 11 of the directors' report for the year ended 30 June 2013. The directors of the company 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Australian United Investment Company Limited for the Year Ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Michelle Hinchliffe
Partner

Melbourne
14 August 2013

Additional Information

Distribution of shareholders as at 31 July 2013

Category Holders	Ordinary Shares	No of Holders	%
1-1,000	249,722	494	0.23
1,001-5,000	4,460,393	1,593	4.16
5,001-10,000	5,375,645	741	5.01
10,001 and 100,000	14,579,351	660	13.60
100,001 and over	82,581,455	37	77.00
	107,246,566	3,525	100.00

There were 74 ordinary shareholders holding less than a marketable parcel (66 shares) at 31 July 2013.

Substantial Shareholders

The number of shares disclosed by the substantial shareholders and their associates in substantial shareholder notices received up to 31 July 2013 are set out below:

Substantial Shareholder	No. of Shares
The Ian Potter Foundation Limited and Dundee Trading Pty Ltd	40,150,897
Argo Investments Ltd	19,082,637
Lady Primrose Catherine Potter, Primrose Properties Pty Ltd and Decerna Pty Ltd	7,773,293

Voting Rights

All ordinary shares carry equal voting rights.

Twenty Largest Equity Security Holders

The twenty largest shareholders, listed below as at 31 July 2013, hold 80,379,531 ordinary shares which is 74.95% of the issued capital.

Ordinary Shares

Shareholder Name	No. of Shares	% Held
1. The Ian Potter Foundation Ltd	39,600,982	36.93
2. Argo Investments Ltd	19,622,272	18.30
3. Primrose Properties Pty Ltd	6,416,772	5.98
4. Robin Bernice Potter	5,475,000	5.11
5. Dundee Trading Pty Ltd	2,245,621	2.09
6. The Miller Foundation Ltd	1,600,000	1.49
7. Lady Primrose Catherine Potter	752,977	0.70
8. Beta Gamma Pty Ltd	721,553	0.67
9. Daryl Albert Dixon & Katherine Dixon	711,565	0.66
10. UBS Wealth Management Australia Nominees Pty Ltd	661,833	0.62
11. Decerna Pty Ltd	562,475	0.52
12. Matluc Nominees Pty Ltd	288,443	0.27
13. Equitas Nominees Pty Ltd	250,000	0.23
14. Pards Pty Ltd	248,001	0.23
15. National Nominees Limited	229,705	0.21
16. Duesburys Services Pty Ltd <Carolyn Anne Parker Bowles>	228,973	0.21
17. Mythia Pty Ltd	213,467	0.20
18. Estate Mrs Sheila Clare Audas Pitt	190,000	0.18
19. The Manly Hotels Pty Ltd	187,500	0.18
20. Dr Ray Dudley Paech (Est. Donald Graham Paech A/c)	180,000	0.17
	80,387,139	74.95

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2013 totalled \$238,232 (2012: \$95,622). None of that brokerage was paid to any stock or sharebroker, or any employee or nominee of any stock or sharebroker, who is an officer of the Company.

List of Investments as at 30 June 2013

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units. The industry percentages shown are based on market values of the listed share investments.

		30/6/2013			30/6/2012
	Market Value	% of Portfolio	Units Held	Capital Movements or Portfolio Adjustments	Units Held
	\$	at Market Value			
Energy (7.4%)					
Oil Search Ltd	3,865,000	0.4	500,000	500,000 Purchased	-
Santos Ltd	12,530,000	1.4	1,000,000		1,000,000
Woodside Petroleum Ltd	43,762,500	4.9	1,250,000		1,250,000
Worley Parsons Ltd	5,847,000	0.7	300,000		300,000
Materials (15.1%)					
Adelaide Brighton Ltd	6,600,000	0.7	2,000,000	2,000,000 Purchased	-
Alumina Ltd	2,649,705	0.3	2,690,056	6,999,944 Sold	9,690,000
BHP Billiton Ltd	64,308,500	7.1	2,050,000	50,000 Sold	2,100,000
Newcrest Mining Ltd	-	-	-	300,000 Sold	300,000
Orica Ltd	20,650,000	2.3	1,000,000		1,000,000
Rio Tinto Ltd	42,685,844	4.7	815,082	99,918 Sold	915,000
Industrials (6.5%)					
ALS Limited	2,011,800	0.2	210,000	210,000 Purchased	-
Aurizon Holdings Ltd (formerly QR National Ltd)	6,240,000	0.7	1,500,000		1,500,000
Bradken Ltd	6,465,000	0.7	1,500,000	1,500,000 Purchased	-
Brambles Ltd	19,614,000	2.2	2,100,000		2,100,000
Monadelphous Group Ltd	5,649,000	0.6	350,000	350,000 Purchased	-
Transurban Group	18,928,000	2.1	2,800,000	700,000 Purchased	2,100,000
Consumer Discretionary (3.6%)					
Amalgamated Holdings Ltd	9,924,000	1.1	1,200,000		1,200,000
Consolidated Media Holdings Ltd	-	-	-	3,000,000 Disposed Scheme of Arrangement	3,000,000
Echo Entertainment Group Ltd	7,344,000	0.8	2,400,000		2,400,000
Invocare Ltd	5,690,000	0.6	500,000		500,000
Tabcorp Holdings Ltd	-	-	-	2,000,000 Sold	2,000,000
Tatts Group Ltd	9,510,000	1.1	3,000,000	500,000 Purchased	2,500,000

List of Investments as at 30 June 2013

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units. The industry percentages shown are based on market values of the listed share investments.

		30/6/2013			30/6/2012
	Market Value \$	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
Consumer Staples (11.5%)					
Coca-Cola Amatil Ltd	6,355,000	0.7	500,000	500,000 Purchased	-
Wesfarmers Ltd	53,460,000	5.9	1,350,000		1,350,000
Wesfarmers Ltd PPS	4,034,000	0.5	100,000		100,000
Woolworths Ltd	39,372,000	4.4	1,200,000		1,200,000
Health Care Equipment & Services (3.1%)					
CSL Ltd	18,474,000	2.0	300,000		300,000
Ramsay Health Care Ltd	9,847,750	1.1	275,000		275,000
Sonic Healthcare Ltd	-	-	-	250,000 Sold	250,000
Financials (41.9%)					
AMP Ltd	13,600,000	1.5	3,200,000		3,200,000
Australia & New Zealand Banking Group Ltd	78,595,000	8.7	2,750,000	100,000 Purchased	2,650,000
BT Investment Management Ltd	6,120,000	0.7	2,000,000	147,734 Sold	2,147,734
Challenger Financial Services Group	-	-	-	1,500,000 Sold	1,500,000
Commonwealth Bank Of Australia Ltd	69,180,000	7.7	1,000,000		1,000,000
Diversified United Investment Ltd	36,000,000	4.0	12,000,000		12,000,000
Gowing Bros Ltd	4,800,000	0.5	2,000,000		2,000,000
Mystate Ltd	11,024,000	1.2	2,600,000		2,600,000
National Australia Bank Ltd	62,328,000	6.9	2,100,000	100,000 Purchased	2,000,000
Perpetual Ltd	3,540,000	0.4	100,000		100,000
QBE Insurance Group Ltd	14,637,300	1.6	970,000	480,000 Sold	1,450,000
The Trust Company Ltd	3,294,000	0.4	600,000		600,000
Washington H Soul Pattinson	7,232,500	0.8	550,000	150,000 Purchased	400,000
Westpac Banking Corporation	67,868,000	7.5	2,350,000	150,000 Purchased	2,200,000

List of Investments as at 30 June 2013

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units. The industry percentages shown are based on market values of the listed share investments.

		30/6/2013			30/6/2012
	Market Value	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
	\$				
Telecommunication Services (1.6%)					
Telstra Corporation Ltd	14,310,000	1.6	3,000,000		3,000,000
Utilities (5.2%)					
AGL Energy Ltd	16,893,338	1.9	1,166,667		1,166,667
Origin Energy Ltd	15,084,000	1.7	1,200,000		1,200,000
SP AusNet	14,452,500	1.6	12,300,000	143,949 Purchased	12,156,051
Real Estate (0.0%)					
Westfield Group	-	-	-	780,700 Sold	780,700
Cash Trust & Other Deposits (4.1%)					
Cash Trust units, Bank deposits and receivables	37,192,384	4.1	37,192,384		13,118,965
	901,968,121	100.0%			

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