

# **AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED**

**ABN 37 004 268 679**

---

## **APPENDIX 4E STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

---

### **CONTENTS**

- Results for announcement to the market
- Letter to Australian Securities Exchange
- Financial Statements
- Independent Audit Report

---

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

---

The reporting period is the year ended 30 June 2013 with the corresponding period being the year ended 30 June 2012.

### Results for announcement to the market

- Revenue from ordinary activities was \$42.0 million, up 6.5% from the prior period.
- Operating Profit after tax and before net realised gains on the investment portfolio was \$35.5 million, up 9% from the prior period.
- Total net profit for the period of \$35.5 million excludes net realised gains and losses which are transferred directly to the Asset Revaluation Reserve under the accounting standards.
- This year special dividends of \$1,182,901 after tax were received (last year \$37,874).
- Earnings per share based on net operating profit after tax were 33.4 cents, an increase of 7.7% from the prior period. Excluding the special dividends, earnings per share rose 3.9%. 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 final dividend is 16.0 cents per share (15.0 cents previous period) fully franked, bringing total dividends for the year to 29.5 cents fully franked (previous year 28.0 cents). The dividend is payable on 25 September 2013. The record date for determining entitlement to the final dividend is 29 August 2013.
- The final dividend will not include any Listed Investment Company capital gain dividend.
- The net tangible asset backing per share based on the market valuation of investments was \$7.49 at 30 June 2013, compared to \$6.26 at the end of the previous corresponding period. These calculations are after the tax effect of realised gains, before estimated tax on net unrealised gains/losses, and before provision for the final dividend.
- The Company operates a Dividend Reinvestment Plan (“DRP”) under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at the average selling price of shares traded on the Australian Securities Exchange in the five days commencing from the day the shares start trading on an ex dividend basis, without any discount. The last day for the receipt of an election notice for participation in the plan is 29 August 2013.

**AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED**

ABN 37 004 268 679

Level 20  
101 Collins Street  
Melbourne Vic 3000  
Australia

Tel (613) 9654 0499  
Fax (613) 9654 3499

14 August 2013

The General Manager  
Australian Securities Exchange  
P O Box H224  
Australia Square  
Sydney NSW 2000

Dear Sir,

**Financial Results and Dividend Announcement**  
**for the Financial Year Ended 30 June 2013**

The Directors make the following report concerning the company's performance and final dividend:-

**Operating Profit and Realised Capital Gains**

Profit after income tax for the year ended 30 June 2013 was \$35,489,359 (previous corresponding period: \$32,559,847). The profit includes special dividends after tax of \$1,182,901 received from Woolworths, Coca Cola Amatil, Woodside Petroleum and Westpac Bank. In the prior year special dividends of \$37,874 after tax were received from Newcrest.

Excluding special dividends received, profit after tax rose 5.5%.

Net realised losses on the investment portfolio after tax were \$20,879,611 (previously \$8,895,810), which under accounting standards are transferred directly to the Asset Revaluation Reserve and not included in Net Profit.

Operating expenses (excluding interest) for the year were 0.13% of the average market value of the portfolio (previously 0.13% ).

**Earnings Per Share**

The operating earnings per share based on the weighted average number of shares on issue for the year were 32.2 cents per share (excluding special dividends) compared to 31.0 cents for the year to 30 June 2012, a rise of 4%. 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%.

- 2 -

**Dividends**

The Directors also announce a final dividend of 16.0 cents per share fully franked to shareholders registered on 29 August 2013, to be paid on 25 September 2013. The comparable 2012 final dividend was 15.0 cents per share fully franked. Together with the interim dividend of 13.5 cents per share, total dividends for the year are 29.5 cents per share, fully franked (last year 28.0 cents).

**LIC Capital Gains**

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

**Dividend Reinvestment Plan**

The Company operates a Dividend Reinvestment Plan ("DRP") under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at the average selling price of shares traded on the Australian Securities Exchange in the five days beginning from the day the shares begin trading on an ex dividend basis, without any discount. The last day for the receipt of an election notice for participation in the plan is 29 August 2013.

**Asset Backing**

The net tangible asset backing per share based on the market valuation of investments was \$7.49 at 30 June 2013 and \$7.89 at 31 July 2013. These calculations are after the tax effect of realised gains, before estimated tax on unrealised gains and losses and before provision for the final dividend.

The Company is a long term investor and does not intend disposing of its total portfolio. If estimated tax on unrealised portfolio gains were to be deducted, the above figures would be \$6.57 at 30 June 2013 and \$6.86 at 31 July 2013.

**Performance**

The Company's net asset backing accumulation performance for the year to 30 June 2013 (assuming all dividends were reinvested) was an increase of 24.5% while the S&P/ASX 300 Accumulation Index rose 21.9% over the same period. The Company's returns are after expenses and the impact of the Company's gearing for which no allowance is made in the S&P/ASX Index.

**Annual General Meeting**

The Annual General Meeting of the Company will be held on Tuesday, 15 October 2013 at 11.00 am at the offices of KPMG, 147 Collins Street, Melbourne.

- 3 -

**Investment Portfolio**

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

<b>Company</b>	<b>Market Value \$'000</b>	<b>% of Market Value of Total Investments</b>
1. ANZ Banking Group Ltd	78,595	8.7%
2. Commonwealth Bank 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 PPS & Ordinary	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	1.0%
	<hr/>	
	781,073	86.6%
	<hr/>	

**Total Investments at Market Value, Short  
Term Receivables and Cash**

901,968

Yours faithfully

A J Hancock  
Company Secretary

**AUSTRALIAN UNITED INVESTMENT  
COMPANY LIMITED**  
(ABN 37 004 268 679)

**ANNUAL FINANCIAL REPORT**

**30 JUNE 2013**

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *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

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Directors' Report (Continued)*

### *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.



# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Directors' Report (Continued)

### Dividends

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

	\$
<i>Paid or declared during the year</i>	
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
<i>Paid or declared after end of year</i>	
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:

	<i>Director's Meetings</i>		<i>Audit Committee Meetings</i>		<i>Nomination &amp; Remuneration Committee Meetings</i>	
	<i>No. of Meetings attended</i>	<i>No. of Meetings eligible</i>	<i>No. of Meetings attended</i>	<i>No. of Meetings eligible</i>	<i>No. of Meetings attended</i>	<i>No. of Meetings eligible</i>
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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Directors' Report (Continued)

### 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:

1. Beneficial in own name
2. Held by an entity/related party in which the director has a relevant interest
3. 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 –

- (a) has any relevant interest in shares of the Company or a related body corporate;
- (b) has any relevant interests in debentures of, or interests in a registered scheme made available by, the company or a related body corporate;
- (c) 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;
- (d) 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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Directors' Report (Continued)

### Remuneration report (audited)

Non-executive Directors' Fees <sup>(i)</sup>						
	2013			2012		
	Fee	Superannuation	Total	Fee	Superannuation	Total
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
<b>Total</b>	<b>393,895</b>	<b>28,701</b>	<b>422,596</b>	<b>407,568</b>	<b>29,932</b>	<b>437,500</b>

(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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Directors' Report (Continued)*

### *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.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

*Directors' Report (Continued)*

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

The lead auditor's independence declaration is set out on page 8 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.

Melbourne, 14 August 2013

Signed in accordance with a resolution of the Directors:

Charles Goode  
Director



*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.

*KPMG*

KPMG

*Michelle Hinchliffe*

Michelle Hinchliffe  
*Partner*

Melbourne

14 August 2013

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## 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)
<b>Operating profit before income tax</b>		<b>35,155,070</b>	<b>32,063,001</b>
Income tax benefit	4(a)	334,289	496,846
<b>Profit for the year</b>		<b>35,489,359</b>	<b>32,559,847</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of investment portfolio for the year		126,140,701	(106,019,673)
Provision for (expense)/tax benefit on revaluation of investment portfolio for the year		(37,918,264)	31,793,626
<b>Other comprehensive income/ (loss) net of income tax</b>		<b>88,222,437</b>	<b>(74,226,047)</b>
<b>Total comprehensive income</b>		<b>123,711,796</b>	<b>(41,666,200)</b>
Basic and diluted earnings per share (cents)	5	33.4	31.0

The Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 13 to 27.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Balance Sheet as at 30 June 2013

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

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 13 to 27.



# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Statement of Changes in Equity for the year ended 30 June 2013

	<i>Issued Capital</i>	<i>Revaluation Reserve</i>	<i>Realisation Reserve</i>	<i>Retained Earnings</i>	<i>Total</i>
	\$	\$	\$		\$
<b>As at 1 July 2011</b>	315,025,519	215,700,217	42,619,301	93,481,409	666,826,446
<b>Comprehensive Income</b>					
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)
<b>Transactions with Shareholders</b>					
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)
<b>As at 30 June 2012</b>	317,201,060	150,369,980	33,723,491	97,180,192	598,474,723
<b>As at 1 July 2012</b>	317,201,060	150,369,980	33,723,491	97,180,192	598,474,723
<b>Comprehensive Income</b>					
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
<b>Transactions with Shareholders</b>					
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)
<b>As at 30 June 2013</b>	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 13 to 27.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Statement of Cash Flows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
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)
		<hr/>	<hr/>
<b>Net cash flow from operating activities</b>	16	<hr/> 34,602,233	<hr/> 31,435,392
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		63,109,970	18,370,688
Purchases of investments		(53,106,734)	(37,345,383)
		<hr/>	<hr/>
<b>Net cash flow (used in)/from investing activities</b>		<hr/> 10,003,236	<hr/> (18,974,695)
<b>Cash flows from financing activities</b>			
Dividends paid		(17,155,769)	(26,685,523)
		<hr/>	<hr/>
<b>Net cash flow used in financing activities</b>		<hr/> (17,155,769)	<hr/> (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
		<hr/>	<hr/>
<b>Cash and cash equivalents at 30 June</b>	16	<hr/> <hr/> 30,028,183	<hr/> <hr/> 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 13 to 27.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2013*

### **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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2013*

### **1. Statement of significant accounting policies (continued)**

#### **(c) Investments (continued)**

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.

#### **(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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2013*

2. <i>Revenue and Expenses</i>	2013 \$	2012 \$
<i>(a) Revenue</i>		
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
	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
<i>(b) Expenses</i>		
<i>Finance expenses</i>		
Interest and borrowing expenses	5,834,201	6,379,777
<b>3. Auditor's Remuneration</b>		
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
<b>4. Taxation</b>		
<i>(a) Income Tax Expense</i>		
<i>(i) Recognised in the income statement</i>		
<b>Current tax benefit</b>		
(Under)/over provision for prior years	(44,291)	9,405
	(44,291)	9,405
<b>Deferred Tax Expense</b>		
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

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2013*

	2013	2012
	\$	\$
<b>4. Taxation (continued)</b>		
<b><i>(ii) Reconciliation between tax expense and pre-tax net profit</i></b>		
Prima facie tax expense calculated at 30% on the profit for the year	(10,546,521)	(9,618,900)
<b>Increase in tax expense due to:</b>		
Franking credits gross-up on dividends received	(4,554,765)	(4,217,418)
<b>Decrease in tax expense due to:</b>		
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
<b><i>(iii) Deferred tax recognised directly in equity</i></b>		
Increase/(decrease) in provision for tax on unrealised gains on the equity investment portfolio	37,918,264	(31,793,626)
<b>(b) Deferred Tax Assets and Liabilities</b>		
<b><i>Recognised deferred tax assets and liabilities</i></b>		
	2013	2012
	\$	\$
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)

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the Year Ended 30 June 2013

	2013 Cents	2012 Cents
<b>5. Earnings Per Share</b>		
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.

	2013 \$	2012 \$
<b>6. Dividends</b>		
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	<u>14,360,133</u>	<u>13,658,088</u>
	<u>30,144,683</u>	<u>28,861,064</u>

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)	<u>17,159,451</u>	<u>15,784,550</u>
---	-------------------	-------------------

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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the Year Ended 30 June 2013

### 6. Dividends (continued)

#### 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.

	2013 \$	2012 \$
<b>7. Receivables</b>		
<i>Current</i>		
Dividends Receivable	6,730,200	5,851,126
Trust Distributions Receivable	434,000	715,000
Other	-	3,979,355
	<u>7,164,200</u>	<u>10,545,481</u>
<b>8. Investments</b>		
<i>Non-Current</i>		
Investments in equities quoted on prescribed stock exchanges (at fair value)	<u>864,775,738</u>	<u>744,493,571</u>
<b>9. Other Assets</b>		
<i>Current</i>		
Prepayments	<u>46,034</u>	<u>41,371</u>
<i>Non - Current</i>		
Leasehold Improvements	<u>-</u>	<u>9,874</u>
<b>10. Payables</b>		
<i>Current</i>		
Trade Creditors	<u>77,792</u>	<u>167,451</u>



# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the Year Ended 30 June 2013

	2013 \$	2012 \$
<b>11. Interest Bearing Liabilities</b>		
<i>Non-Current</i>		
Loan Facility – Secured	<u>99,123,752</u>	<u>98,828,722</u>

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

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

### (a) Issued Capital

Issued and paid-up share capital		
107,246,566 (2012: 105,231,459) ordinary fully paid shares	<u>330,189,974</u>	<u>317,201,060</u>
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
	<u>330,189,974</u>	<u>317,201,060</u>

- (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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2013

### 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.

# AUSTRALIAN UNITED INVESTMENT LIMITED

## Notes to the Financial Statements for the year ended 30 June 2013

	2013 \$	2012 \$
<b>16. Notes to the Statement of Cash Flows</b>		
<i>Reconciliation of Cash</i>		
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	<u>30,028,183</u>	<u>2,578,483</u>
<i>Reconciliation of operating profit after income tax to net cash provided by operating activities:</i>		
Profit for the year	<u>35,489,359</u>	<u>32,559,847</u>
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	<u><u>34,602,233</u></u>	<u><u>31,435,392</u></u>

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2013*

### **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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2013*

### 18. *Financial Risk Management (Continued)*

#### 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.

#### 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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the Year Ended 30 June 2013

### 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.

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

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 <sup>(1)</sup>
\$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 <sup>(1)</sup>
\$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%).

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the Year Ended 30 June 2013

### 19. Financial Instruments Disclosure (Continued)

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
<b>Total</b>		<b>146,075,000</b>

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 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
<b>Total</b>		<b>69,546,000</b>

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%).

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2013*

### **19. *Financial Instruments Disclosure (Continued)***

#### **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.



# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the Year Ended 30 June 2013

### 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 represents 87% of the total investment portfolio (2012: 87%). All investments are valued at fair value through Other Comprehensive Income.

Company		2013 Market Value \$		2012 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
<b>Total Top 25 Investments</b>		<b>781,072,732</b>		<b>660,848,844</b>
<b>Total Investments at Market Value, Short Term Receivables and Cash</b>		<b>901,968,121</b>		<b>757,617,535</b>

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *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 9 to 27, and the remuneration disclosures that are contained in the Remuneration report on page 5 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.

*Dated at Melbourne this 14th day of August 2013.*

Signed in accordance with a resolution of the directors.

Charles Goode  
Director



## **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.



*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 5 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

KPMG

Michelle Hinchliffe  
*Partner*

Melbourne

14 August 2013