



2014

Australian United Investment Company Limited
ABN 37 004 268 679

ANNUAL
FINANCIAL
REPORT

Directory

Directors

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

Company Secretary

Andrew J Hancock FCA

Registered Office

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Melbourne Vic 3000
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Website: www.au.com.au

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 2014.

The profit for the year after income tax was \$40,314,659 compared to \$35,489,359 in the previous year, an increase of 13.6%, or an increase of 13.9% if special dividends received in both periods are excluded. Special dividends of \$1,250,550 after tax were received this year (\$1,182,901 in the previous year).

The total net profit after tax for the year of \$40,314,659 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 108,261,729 compared to 106,377,699 in the previous year, an increase of 1.8%.

The operating earnings per share excluding the special dividends were 36.1 cents compared to 32.2 cents for the previous year.

Bank borrowings were \$100 million at the end of the financial year (previous year \$100 million) amounting to around 9.6% of the investment portfolio at market values. Cash on hand, cash on deposit and short term receivables were \$71 million, or 7% of the investment portfolio at market values (previous year \$37 million, or 4%).

Annual interest expense was covered 9.5 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 \$8.57 at 30 June 2014, compared to \$7.49 at 30 June 2013.

Operating expenses (excluding borrowing costs) were 0.11% of the average market value of the portfolio compared to 0.13% in 2013.

The final dividend for the year ending 30 June 2014 is 17.5¢ per share fully franked which, with the interim dividend of 14.5¢ per share fully franked, makes 32.0¢ per share fully franked for the year. This compares with 29.5¢ per share fully franked in the previous year, an increase of 8.5%.

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:

2013/14	32.0 cents per share
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

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 2014	\$8.57
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)

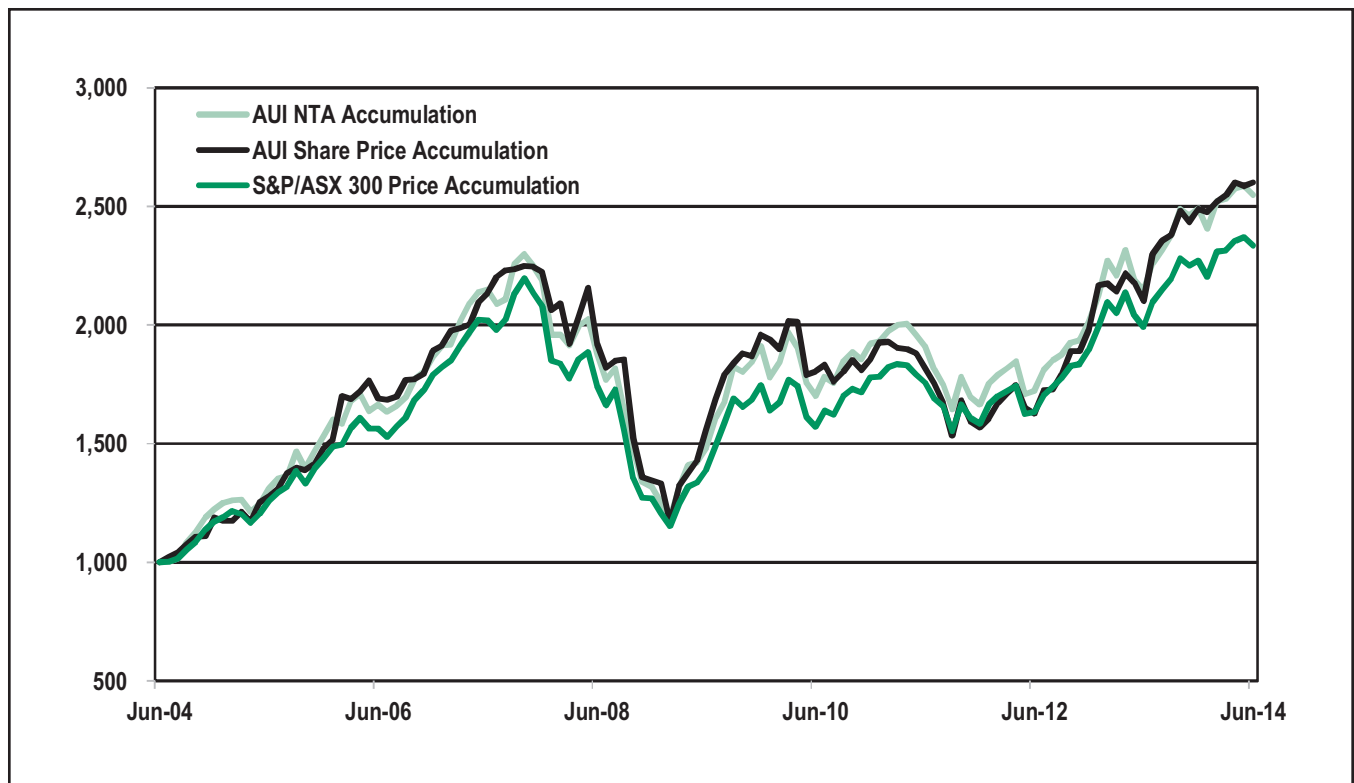
The Company's performance in recent years (assuming all dividends were re-invested) is as follows:

	AUI Net Asset Backing Accumulation % p.a.	AUI Share Price Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	18.7	23.7	17.3
3 Years	10.0	12.7	10.0
5 Years	11.5	10.8	11.0
10 Years	9.8	10.0	8.9

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/ASX 300 Accumulation Index
10 Years to 30 June 2014**



Source: Evans & Partners

Chairman's Report

The equity portfolio of the Company is invested in Australian equities and at 30 June 2014 was spread over 39 companies. The Annual Report provides a list of the shareholdings at 30 June 2014 and 30 June 2013, the changes to the portfolio during the year and the market values as at 30 June 2014 of each investment together with its percentage of the portfolio.

As at 30 June 2014 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	91,685	8.8%
2. Commonwealth Bank of Australia Ltd	80,880	7.8%
3. Westpac Banking Corporation Ltd	79,618	7.6%
4. BHP Billiton Ltd	73,595	7.1%
5. National Australia Bank Ltd	68,838	6.6%
6. Wesfarmers Ltd	60,668	5.8%
7. Rio Tinto Ltd	56,345	5.4%
8. Woodside Petroleum Ltd	51,337	4.9%
9. Diversified United Investment Ltd	43,200	4.2%
10. Woolworths Ltd	42,264	4.1%
11. Transurban Group	25,865	2.5%
12. Origin Energy Ltd	21,930	2.1%
13. Oil Search Ltd	21,274	2.0%
14. CSL Ltd	19,965	1.9%
15. Orica Ltd	19,480	1.9%
16. Brambles Ltd	19,299	1.9%
17. Santos Ltd	15,686	1.5%
18. Telstra Corporation Ltd	15,630	1.5%
19. Washington H Soul Pattinson	14,750	1.4%
20. Amalgamated Holdings Ltd	13,995	1.3%
21. AMP Ltd	13,250	1.3%
22. Ramsay Health Care Ltd	12,512	1.2%
23. Mystate Ltd	12,064	1.2%
24. QBE Insurance Group Ltd	10,544	1.0%
25. Invocare Ltd	10,110	1.0%
	894,784	86.0%
Total Investments at Market Value, Short Term Receivables and Cash	1,040,296	



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. This Statement is available in both the Company's Annual Report and on its website.

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 5 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. A director who is appointed during the year is required to stand for election 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. All other directors are regarded as independent. However, in that the Chairman of the Board is not independent 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. Details of the qualifications, experience and length of service of directors are set out in the Annual Report

3. Operation

The Board usually meets eleven times each year and consults on investment matters between meetings. The Board has responsibility for day to day 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 Company Secretary is directly accountable to the Board, through the Chairman. The Board also approves letters of engagement for the externally provided accounting, tax, custody and audit services. Share registry services are on commercial terms.

5. Directors' Terms of Appointment, Remuneration and Performance

Directors' terms of appointments are set out by letter at the time of their appointment and new directors are inducted by the Chairman and the Company Secretary.

Directors' fees are reviewed annually by the Nomination and Remuneration Committee with reference to 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, in this statement and by letter at the time of their appointment. 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.

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.

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 and Risk Management Committee comprising all directors except the Chairman. The Audit and Risk Management 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 and is published on the Company's website. The Audit and Risk Management Committee Charter includes inter-alia, appointment of the auditor, assessing its independence, managing the audit relationship, and overseeing internal controls and risk management. The external audit partner rotates every 5 years.

The Audit and Risk Management 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 a majority of 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 policies and 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 on both a pre and post tax basis. 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 Company's website
- Telephone and email 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

Shareholders may opt to receive Company communications electronically.

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

9. Risk Management

The Company does not have an internal audit function. The Audit and Risk Management 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 and custodian (The Myer Family Company) regarding their procedures, and reporting whether the financial records have been properly maintained and the financial statements comply with the Accounting Standards. The Company receives a copy of The Myer Family Company's external report on their agreed upon procedures engagement with regard to The Myer Family Company's controls and certain of their custody procedures.

The Board receives a report half yearly from the auditors on matters arising from their audit procedures.

The Company Secretary, based on his review of the internal control systems, management of risk, the financial statements and the letter from the Company's external accountants, 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.

The Company does have direct material exposure to economic, environmental and social sustainability risk through its diversified portfolio of investments and through its borrowings. 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 is 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 a conflicted matter.

Directors' Report

The directors of Australian United Investment Company Limited present their Directors' Report together with the financial report for the year ended 30 June 2014 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, 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 over 30 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 currently the Investment Executive of the Helen Macpherson Smith Trust, and a member of the Investment Committees of the Geelong Grammar Foundation and the Royal Australasian College of Surgeons. He is the Chairman of the Company's Audit and Risk Committee.

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

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

Fred Grimwade B.Com/LLB(Hons)(Melb), MBA (Columbia), FAICD
Non-executive Director, Appointed 18 March 2014

Mr Fred Grimwade is Principal and a Director of Fawkner Capital Management Pty Ltd. Mr Grimwade is currently Chairman of Fusion Retail Brands Pty Ltd and CPT Global Limited and a Director of XRF Scientific Limited, Troy Resources Limited and Select Harvests Limited. Formerly he held senior executive positions with Colonial First State Investment Group, Colonial Mutual Group, Western Mining Corporation and Goldman, Sachs & Co.

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 2014 the operating profit after income tax was \$40,314,659 compared to \$35,489,359 in the previous year – an increase of 13.6%. Special dividends received during the 2014 year were \$1,250,550 after tax (2013: \$1,182,901). If special dividends received are disregarded, operating profit increased 13.9%.

The weighted average number of ordinary shares for the year was 108,261,729 compared to 106,377,699 in the previous year, an increase of 1.8%.

The basic and diluted earnings per share before special dividends was 37.2 cents (36.1 cents excluding special dividends) compared to 33.4 cents (32.2 cents excluding special dividends) for the previous year.

The Company incurred expenses (excluding finance costs) of \$1,044,712 (2013: \$1,039,881) which is equivalent to 0.11% (2013: 0.13%) 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 9.6%. Cash on hand, cash deposits and short term receivables were \$71 million or 6.8% of the investment portfolio at market values (2013: \$37 million, 4.1%). Annual interest expense was covered 9.5 times by investment revenue (2013: 7.2 times).

As at 30 June 2014 the Company's portfolio had a market value (including cash and receivables) of \$1,040,296,204 (2013: \$901,968,121). 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 2014 was \$8.57 (2013: \$7.49). 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 \$7.36 (2013: \$6.57).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was a rise of 18.7%, compared to the S&P/ASX 300 Accumulation Index rise of 17.3%.

Dividends declared by the Company for the 2014 financial year total 32.0 cents per share (2013: 29.5 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 2013 of 16.0 cents per share fully franked paid on 25 September 2013.	17,159,127
An interim dividend in respect of the year ended 30 June 2014 of 14.5 cents per share fully franked paid on 17 March 2014.	15,693,062
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2014 of 17.5 cents per share fully franked payable on 25 September 2014.	19,099,158

Directors' Report

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 and Risk Management Management 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	11	11	2*	-	2	2
P John Rose	10	11	2	2	2	2
Peter J Wetherall	10	11	2	2	2	2
James S Craig	11	11	2	2	2	2
Fred Grimwade	4	4	-	-	-	-

* In attendance – not a committee member.

The Audit and Risk Management Committee comprises Messrs Wetherall (Chairman), Rose, Craig and Grimwade. 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:

	1	SHARES 2	3
Charles B. Goode	80,009	924,021	33,583
P. John Rose	68,568	-	10,915
Peter J. Wetherall	34,335	-	8,256
James S Craig	-	250,000	-
Fred Grimwade	-	-	-

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.

Remuneration report (audited)

Non-executive Directors' Fees ⁽ⁱ⁾

	2014			2013		
	Fee \$	Superannuation \$	Total \$	Fee \$	Superannuation \$	Total \$
Charles Goode	140,961	13,039	154,000	137,615	12,385	150,000
P John Rose	70,481	6,519	77,000	75,000	-	75,000
Peter Wetherall	70,481	6,519	77,000	68,807	6,193	75,000
James Craig	70,481	6,519	77,000	68,807	6,193	75,000
Fred Grimwade ⁽ⁱⁱ⁾	20,331	1,881	22,212	-	-	-
Giselle Roux ⁽ⁱⁱⁱ⁾	-	-	-	43,666	3,930	47,596
Total	372,735	34,477	407,212	393,895	28,701	422,596

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

(ii) Appointed 18 March 2014

(iii) Retired 19 February 2013

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:

	2014	2013	2012	2011	2010
Operating Profit (\$ Millions)	40.3	35.5	32.6	32.7	26.6
Earnings Per Share (including special dividends)	37.2	33.4	31.0	31.4	26.8
Dividends paid (cents per share)	30.5	28.5	28.0	26.5	25.5
Share Price 30 June	\$8.15	\$6.85	\$5.55	\$6.49	\$6.56
Management Expense Ratio	0.11%	0.13%	0.13%	0.12%	0.15%
Net Asset Backing Per Share 30 June	\$8.57	\$7.49	\$6.26	\$7.24	\$6.68
S&P/ASX 300 Index 30 June	5,340	4,759	4,084	4,608	4,293

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 \$80,000 (2013: \$77,000) 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 \$9,350 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 2014.

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



Charles Goode
Director
Melbourne, 25 August 2014

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 2014 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
25 August 2014

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 2014

	Note	2014 \$	2013 \$
Revenue from investment portfolio	2	46,455,741	42,029,152
Administration and other expenses		(1,044,712)	(1,039,881)
Finance expenses	2	(4,872,019)	(5,834,201)
Operating profit before income tax		40,539,010	35,155,070
Income tax (expense)/benefit	4(a)	(224,351)	334,289
Profit for the year		40,314,659	35,489,359
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Revaluation of investment portfolio for the year		109,825,171	126,140,701
Provision for tax (expense)/benefit on revaluation of investment portfolio for the year		(33,232,216)	(37,918,264)
Other comprehensive income/ (loss) net of income tax		76,592,955	88,222,437
Total comprehensive income		116,907,614	123,711,796
Basic and diluted earnings per share (cents)	5	37.2	33.4

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 2014

	Note	2014 \$	2013 \$
Assets			
Cash assets	16	60,074,562	30,028,183
Receivables	7	10,552,362	7,164,200
Other	9	49,772	46,034
Total Current Assets		70,676,696	37,238,417
Investment portfolio	8	969,669,280	864,775,738
Total Non-Current Assets		969,669,280	864,775,738
Total Assets		1,040,345,976	902,014,155
Liabilities			
Payables	10	6,157,520	77,792
Total Current Liabilities		6,157,520	77,792
Borrowings – interest bearing	11	99,180,604	99,123,752
Deferred tax liability	4(b)	131,238,424	97,781,861
Total Non-Current Liabilities		230,419,028	196,905,613
Total Liabilities		236,576,548	196,983,405
Net Assets		803,769,428	705,030,750
Equity			
Issued capital	13(a)	344,873,227	330,189,974
Reserves		458,896,201	374,840,776
Total Equity		803,769,428	705,030,750

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 2014

	Issued Capital \$	Revaluation Reserve \$	Realisation Reserve \$	Retained Earnings \$	Total \$
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
As at 1 July 2013	330,189,974	259,472,028	12,843,880	102,524,868	705,030,750
Comprehensive Income					
Revaluation of investment portfolio	-	109,825,171	-	-	109,825,171
Tax expense on revaluation	-	(33,232,216)	-	-	(33,232,216)
Net realised gains and losses on investment portfolio	-	(7,051,468)	7,051,468	-	-
Tax expense on net realised gains and losses	-	2,450,415	(2,450,415)	-	-
Net operating profit for the year	-	-	-	40,314,659	40,314,659
	-	71,991,902	4,601,053	40,314,659	116,907,614
Transactions with Shareholders					
Dividend Reinvestment Plan	14,683,253	-	-	-	14,683,253
Dividends paid	-	-	-	(32,852,189)	(32,852,189)
	14,683,253	-	-	(32,852,189)	(18,168,936)
As at 30 June 2014	344,873,227	331,463,930	17,444,933	109,987,338	803,769,428

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 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Interest received		1,322,611	1,008,408
Dividends and trust distributions received		42,294,696	39,632,800
Option premium income received		1,466,759	619,525
Sub-underwriting fee received		-	5,000
Finance costs paid		(4,815,162)	(5,539,170)
Administration and other expenses paid		(982,257)	(1,124,330)
Net cash flow from operating activities	16	39,286,647	34,602,233
Cash flows from investing activities			
Proceeds from sale of investments		68,572,533	63,109,970
Purchases of investments		(59,643,865)	(53,106,734)
Net cash flow from investing activities		8,928,668	10,003,236
Cash flows from financing activities			
Dividends paid net of dividend reinvestment plan		(18,168,936)	(17,155,769)
Net cash flow used in financing activities		(18,168,936)	(17,155,769)
Net increase in cash held		30,046,379	27,449,700
Cash and cash equivalents at 1 July		30,028,183	2,578,483
Cash and cash equivalents at 30 June	16	60,074,562	30,028,183

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 25 August 2014.

(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.

The Company has adopted AASB 13 Fair Value Measurement in the financial year, which establishes a single framework for measuring fair value and making disclosures about fair value measurements. In particular it defines fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. Notwithstanding the above, the adoption of the standard had no impact on the measurements of the Company's assets and liabilities.

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 2014 ("the inoperative standards").

The impact of the 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

	2014 \$	2013 \$
(a) Revenue		
Ordinary dividends received or due and receivable	40,791,696	37,259,344
Special dividends received or due and receivable	1,254,300	1,188,151
Dividends received or due and receivable	42,045,996	38,447,495
Interest received or due and receivable	1,377,186	1,008,407
Trust distributions received or due and receivable	1,565,800	1,953,725
Option premium income	1,466,759	619,525
	46,455,741	42,029,152
(b) Expenses		
<i>Finance expenses</i>		
Interest and borrowing expenses	4,872,019	5,834,201

3. Auditor's Remuneration

	2014 \$	2013 \$
During the year, KPMG, the Company's auditor, received the following remuneration, inclusive of GST:		
- Audit and review of financial reports	42,900	44,000
- Tax related services	9,350	8,800

4. Taxation

	2014 \$	2013 \$
(a) Income Tax Expense		
(i) Recognised in the income statement		
Current tax benefit/(expense)		
(Under)/over provision for prior years	31,722	(44,291)
	31,722	(44,291)
Deferred Tax Expense		
Recognition of tax losses and deferred tax balances	(233,378)	387,265
Temporary differences	(22,695)	(8,685)
	(256,073)	378,580
Total income tax (expense)/benefit in income statement	(224,351)	334,289
(ii) Reconciliation between tax expense and pre-tax net profit		
Prima facie tax expense calculated at 30% on the profit for the year	(12,161,703)	(10,546,521)
Increase in tax expense due to:		
Franking credits gross-up on dividends received	(4,947,069)	(4,554,765)
Decrease in tax expense due to:		
Sundry items	319,857	259,086
Tax deferred revenue received	42,612	38,229
Franking credits on dividends received	16,490,230	15,182,551
Tax (expense)/benefit on operating profit	256,073	378,580
(Under)/over provision for prior years	31,722	(44,291)
Income tax (expense)/benefit attributable to profit for the year	(224,351)	334,289
(iii) Deferred tax recognised directly in equity		
Increase in provision for tax on unrealised gains on the equity investment portfolio	33,232,216	37,918,264

4. Taxation (cont.)

	2014 \$	2013 \$
(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	(142,258,409)	(112,807,911)
Other	(103,200)	(80,505)
Tax benefit of capital losses carried forward	9,921,651	13,677,096
Tax benefit of income tax losses carried forward	1,201,534	1,429,459
Net deferred tax liabilities	(131,238,424)	(97,781,861)

5. Earnings Per Share

	2014 cents	2013 cents
Basic earnings per share	37.2	33.4
Earnings per share excluding special dividends received (refer Note 1(d))	36.1	32.2

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 2014 year is calculated on a weighted average adjusted number of ordinary shares of 108,261,729 taking into account the shares issued in the dividend reinvestment program. The 2013 figure is based on a weighted average number of ordinary shares of 106,377,699.

6. Dividends

	2014 \$	2013 \$
Dividends recognised in the current year by the Company are:		
(i) 2013 final dividend of 16.0 cents per share (2013: 15.0 cents) franked paid 25 September 2013	17,159,127	15,784,550
(ii) 2014 interim dividend of 14.5 cents per share (2013: 13.5 cents) fully franked paid 17 March 2014	15,693,062	14,360,133
	32,852,189	30,144,683

Since 30 June 2014, the directors have declared the following dividend payable on 25 September 2014:

- Final dividend of 17.5 cents per share fully franked (2013: 16.0 cents)	19,099,158	17,159,451
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The final dividend will not contain a Listed Investment Company (LIC) capital gain dividend (2013: nil).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014.

6. Dividends (cont.)

Dividend Franking Account:

The balance of the Franking Account at 30 June 2014 is \$39,315,489 (2013: \$36,816,645) 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 2014 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$31,130,136 (2013: \$29,462,594).

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 2014 was \$372,101 (2013: \$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

	2014 \$	2013 \$
Current		
Dividends Receivable	7,036,500	6,730,200
Trust Distributions Receivable	630,000	434,000
Interest Receivable	54,575	-
Other - Unsettled equity sales	2,831,287	-
	10,552,362	7,164,200

8. Investments

Non-Current

Investments in equities quoted on prescribed stock exchanges (at fair value)	969,669,280	864,775,738
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9. Other Assets

Current

Prepayments	49,772	46,034
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10. Payables

Current

Trade Creditors	144,264	77,792
Other - Unsettled equity purchases	6,013,256	-
	6,157,520	77,792

11. Interest Bearing Liabilities

Non-Current

Loan Facility – Secured	99,180,604	99,123,752
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The face value of the drawn facility is \$100 million (2013: \$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

	2014 \$	2013 \$
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

	2014 \$	2013 \$
(a) Issued Capital		
Issued and paid-up share capital		
109,138,045 (2013: 107,246,566) ordinary fully paid shares	344,873,227	330,189,974
Movements in issued capital:		
Balance at beginning of the financial year	330,189,974	317,201,060
Shares issued		
- Dividend re-investment plan*	14,683,253	12,988,914
	344,873,227	330,189,974

* In respect of the final dividend paid in September 2013, 982,877 ordinary shares were issued at \$7.5706 each and in respect of the interim dividend paid in March 2014, 908,602 ordinary shares were issued at \$7.9708 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 \$407,212 (2013: \$422,596). 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 F S Grimwade.

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 wilful breach of duty. This insurance premium covers the period 18 June 2014 to 18 June 2015.

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 30/06/13	Purchases	Sales	Held at 30/06/14
Charles B Goode	997,983	39,630	-	1,037,613
P John Rose	79,054	429	-	79,483
Peter J Wetherall	36,250	6,341	-	42,591
James S Craig	250,000	-	-	250,000
Fred S Grimwade	-	-	-	-

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

	2014 \$	2013 \$
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	60,074,562	30,028,183
Reconciliation of operating profit after income tax to net cash provided by operating activities:		
Profit for the year	40,314,659	35,489,359
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividends receivable	(306,300)	(879,074)
(Increase)/decrease in trust distributions receivable	(196,000)	281,000
(Increase)/decrease in sub-underwriting fee receivable	-	5,000
(Increase)/decrease in other debtors	(54,575)	-
(Increase)/decrease in deferred tax assets	201,656	(342,975)
Increase/(decrease) in deferred tax liability	22,695	8,685
Increase/(decrease) in accrued expenses	66,472	(89,659)
(Increase)/decrease in prepaid interest and borrowing costs	56,852	295,031
(Increase)/decrease in other prepayments	(2,400)	(4,663)
(Increase)/decrease in other assets	(1,338)	9,874
Add/(less) non-cash items:		
Non-cash dividends	(814,800)	(170,345)
Net cash provided by operating activities	39,286,921	34,602,233

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, and receives advice from the Audit and Risk Management Committee.

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) gearing the investment portfolio by around 9.6%. 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 2019, unless these are renewed. Annual interest expense during the year was covered 9.5 times by investment revenue (previous year 7.2 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 \$33,938,425 (or 4%) and \$67,876,850 (or 8%) respectively, after tax.

Market risk is minimised by ensuring that the Company's investment portfolio is not overly 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 2014 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 – 2014			
Cash	16	60,074,562	60,074,562
Weighted Average Interest Rate		3.02%	
Financial Assets – 2013			
Cash	16	30,028,183	30,028,183
Weighted Average Interest Rate		3.47%	

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 (2013: \$100,000,000) as follows::

National Australia Bank Ltd

Amount	Maturity	Interest Rate⁽¹⁾
\$20,000,000	31 July 2015	Fixed 5.63%
\$10,000,000	31 July 2017	Floating 4.44%
\$10,000,000	31 July 2017	Floating 4.44%
\$10,000,000	31 July 2018	Floating 4.33%
\$10,000,000	31 July 2018	Floating 4.33%
\$10,000,000	31 July 2019	Floating 4.20%
\$10,000,000	31 July 2019	Fixed 5.15%

Australia and New Zealand Banking Group Ltd

Amount	Maturity	Interest Rate⁽¹⁾
\$20,000,000	31 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 \$350,000 (or 0.87%) and a change in the Company's equity of \$350,000 (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 2014
		\$
BHP Billiton Ltd	1,000,000	35,900,000
Commonwealth Bank Ltd	500,000	40,440,000
ANZ Bank Ltd	1,750,000	58,345,000
National Australia Bank Ltd	1,000,000	32,780,000
Woodside Petroleum Ltd	1,000,000	41,070,000
Total		208,535,000

The terms of the agreement require the market value of the securities to satisfy a minimum value of \$165,000,000.

Australia and New Zealand Banking Group Ltd

Equities	No. of Shares	Value at 30 June 2014
		\$
Commonwealth Bank of Australia Ltd	400,000	32,352,000
Westpac Ltd	500,000	16,940,000
Woolworths Ltd	400,000	14,088,000
Telstra Ltd	3,000,000	15,630,000
Total		79,010,000

The terms of the agreement require that the loan to value ratio shall not exceed 50% of the market value of the equities. At 30 June this was 25% (2013: 29%).

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 2014.

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 2014

The following is a list of the Company's top 25 investments as at 30 June 2014, which represent 86% of the total investment portfolio (2013: 87%). All investments are valued at fair value through Other Comprehensive Income.

2014		2013	
Company	Market Value \$	Company	Market Value \$
1 ANZ Banking Group Ltd	91,685,000	ANZ Banking Group Ltd	78,595,000
2 Commonwealth Bank Of Australia Ltd	80,880,000	Commonwealth Bank of Australia Ltd	69,180,000
3 Westpac Banking Corporation	79,618,000	Westpac Banking Corporation	67,868,000
4 BHP Billiton Ltd	73,595,000	BHP Billiton Ltd	64,308,500
5 National Australia Bank Ltd	68,838,000	National Australia Bank Ltd	62,328,000
6 Wesfarmers Ltd	60,668,000	Wesfarmers Ltd	57,494,000
7 Rio Tinto Ltd	56,344,500	Woodside Petroleum Ltd	43,762,500
8 Woodside Petroleum Ltd	51,337,500	Rio Tinto Ltd	42,685,844
9 Diversified United Investment Ltd	43,200,000	Woolworths Ltd	39,372,000
10 Woolworths Ltd	42,264,000	Diversified United Investment Ltd	36,000,000
11 Transurban Group	25,865,000	Orica Ltd	20,650,000
12 Origin Energy Ltd	21,930,000	Brambles Ltd	19,614,000
13 Oil Search Ltd	21,274,000	Transurban Group	18,928,000
14 CSL Ltd	19,965,000	CSL Ltd	18,474,000
15 Orica Ltd	19,480,000	AGL Energy Ltd	16,893,338
16 Brambles Ltd	19,299,000	Origin Energy Ltd	15,084,000
17 Santos Ltd	15,686,000	QBE Insurance Group Ltd	14,637,300
18 Telstra Corporation Ltd	15,630,000	SP AusNet	14,452,500
19 Washington H Soul Pattinson Ltd	14,750,000	Telstra Corporation Ltd	14,310,000
20 Amalgamated Holdings Ltd	13,995,000	AMP Ltd	13,600,000
21 AMP Ltd	13,250,000	Santos Ltd	12,530,000
22 Ramsay Health Care Ltd	12,512,500	Mystate Limited	11,024,000
23 Mystate Ltd	12,064,000	Amalgamated Holdings Ltd	9,924,000
24 QBE Insurance Group Ltd	10,543,900	Ramsay Health Care Ltd	9,847,750
25 Invocare Ltd	10,110,000	Tatts Group Ltd	9,510,000
Total Top 25 Investments	894,784,400		781,072,732
Total Investments at Market Value, Short Term Receivables and Cash	1,040,296,204		901,968,121

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 2014 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 2014.

Signed in accordance with a resolution of the directors.



Charles Goode
Director

Dated at Melbourne this 25th day of August 2014.

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 2014, 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 2014 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 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Michelle Hinchliffe
Partner

Melbourne
25 August 2014

Additional Information

Distribution of shareholders as at 31 July 2014

Category Holders	Ordinary Shares	No of Holders	%
1-1,000	259,487	527	0.24
1,001-5,000	4,457,177	1,589	4.08
5,001-10,000	5,443,444	745	4.99
10,001 and 100,000	15,212,220	677	13.94
100,001 and over	83,765,717	34	76.75
	109,138,045	3,572	100.00

There were 75 ordinary shareholders holding less than a marketable parcel (57 shares) at 31 July 2014.

Substantial Shareholders

The number of shares disclosed by the substantial shareholders and their associates in substantial shareholder notices received up to 31 July 2014 are set out below:

Substantial Shareholder	No. of Shares
The Ian Potter Foundation Limited and Dundee Trading Pty Ltd	44,446,603
Argo Investments Ltd	17,039,172
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 2014, hold 82,013,168 ordinary shares which is 75.15% of the issued capital.

Ordinary Shares

Shareholder Name	No. of Shares	% Held
1. The Ian Potter Foundation Ltd	43,820,844	40.15
2. Argo Investments Ltd	16,990,102	15.57
3. Primrose Properties Pty Ltd	6,416,772	5.88
4. Robin Bernice Potter	5,475,000	5.02
5. Dundee Trading Pty Ltd	2,245,621	2.06
6. The Miller Foundation Ltd	1,600,000	1.47
7. Lady Primrose Catherine Potter	752,977	0.69
8. Beta Gamma Pty Ltd	750,206	0.69
9. Aldack Pty Ltd (Dixon Family Superannuation Fund A/c)	711,565	0.65
10. UBS Wealth Management Australia Nominees Pty Ltd	657,500	0.60
11. Decerna Pty Ltd	562,475	0.52
12. Matluc Nominees Pty Ltd	288,443	0.26
13. Willpower Investments Pty Ltd	252,195	0.23
14. Equitas Nominees Pty Ltd	250,000	0.23
15. Pards Pty Ltd	248,001	0.23
16. Duesburys Services Pty Ltd (Carolyn Anne Parker Bowles)	228,973	0.21
17. Mythia Pty Ltd	213,467	0.19
18. The Manly Hotels Pty Ltd	187,500	0.17
19. Mr John Astley Pitt	181,527	0.17
20. Dr Ray Dudley Paech (Est. Donald Graham Paech A/c)	180,000	0.16
	82,013,168	75.15

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2014 totalled \$232,322 (2013: \$238,232). 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 2014

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.

		30/6/2014			30/6/2013
	Market Value \$	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
Energy (11.1%)					
Oil Search Ltd	21,274,000	2.1	2,200,000	1,700,000 Purchased	500,000
Origin Energy Ltd	21,930,000	2.1	1,500,000	300,000 Purchased	1,200,000
Santos Ltd	15,686,000	1.5	1,100,000	100,000 Purchased	1,000,000
Woodside Petroleum Ltd	51,337,500	4.9	1,250,000		1,250,000
Worley Parsons Ltd	5,223,000	0.5	300,000		300,000
Materials (14.9%)					
Adelaide Brighton Ltd	1,035,000	0.1	300,000	1,700,000 Sold	2,000,000
Alumina Ltd	-	-	-	2,690,056 Sold	2,690,056
BHP Billiton Ltd	73,595,000	7.1	2,050,000		2,050,000
Brickworks Pty Ltd	4,101,000	0.4	300,000	300,000 Purchased	-
Orica Ltd	19,480,000	1.9	1,000,000		1,000,000
Rio Tinto Ltd	56,344,500	5.4	950,000	134,918 Purchased	815,082
Industrials (6.1%)					
ALS Limited	-	-	-	210,000 Sold	210,000
Aurizon Holdings Ltd	7,470,000	0.7	1,500,000		1,500,000
Bradken Ltd	5,700,000	0.5	1,500,000		1,500,000
Brambles Ltd	19,299,000	1.9	2,100,000		2,100,000
Monadelphous Group Ltd	5,498,500	0.5	350,000		350,000
Transurban Group	25,865,000	2.5	3,500,000	700,000 Purchased	2,800,000
Consumer Discretionary (3.5%)					
Amalgamated Holdings Ltd	13,995,000	1.3	1,500,000	300,000 Purchased	1,200,000
Echo Entertainment Group Ltd	2,938,236	0.3	935,744	1,464,256 Sold	2,400,000
Invocare Ltd	10,110,000	1.0	1,000,000	500,000 Purchased	500,000
Tatts Group Ltd	9,810,000	0.9	3,000,000		3,000,000

List of Investments as at 30 June 2014

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.

		30/6/2014			30/6/2013
	Market Value \$	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
Consumer Staples (9.9%)					
Coca-Cola Amatil Ltd	-	-	-	500,000 Sold	500,000
Wesfarmers Ltd	60,668,000	5.8	1,450,000	100,000 Acquired – WES/WESN Scheme of Arrangement	1,350,000
Wesfarmers Ltd PPS	-	-	-	100,000 Disposed – WES/WESN Scheme of Arrangement	100,000
Woolworths Ltd	42,264,000	4.1	1,200,000		1,200,000
Health Care Equipment & Services (4.2%)					
CSL Ltd	19,965,000	1.9	300,000		300,000
Ramsay Health Care Ltd	12,512,500	1.2	275,000		275,000
Resmed Inc.	8,220,000	0.8	1,500,000	1,500,000 Purchased	-
Sonic Healthcare Ltd	3,521,144	0.3	203,182	203,182 Purchased	-
Financials (41.5%)					
AMP Ltd	13,250,000	1.3	2,500,000	700,000 Sold	3,200,000
Australia & New Zealand Banking Group Ltd	91,685,000	8.8	2,750,000		2,750,000
BT Investment Management Ltd	6,450,000	0.6	1,000,000	1,000,000 Sold	2,000,000
Commonwealth Bank Of Australia Ltd	80,880,000	7.8	1,000,000		1,000,000
Diversified United Investment Ltd	43,200,000	4.2	12,000,000		12,000,000
Gowing Bros Ltd	5,400,000	0.5	2,000,000		2,000,000
Mystate Ltd	12,064,000	1.2	2,600,000		2,600,000
National Australia Bank Ltd	68,838,000	6.6	2,100,000		2,100,000
Perpetual Ltd	4,738,000	0.5	100,000		100,000
QBE Insurance Group Ltd	10,543,900	1.0	970,000		970,000
The Trust Company Ltd	-	-	-	600,000 Sold	600,000

List of Investments as at 30 June 2014

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.

		30/6/2014			30/6/2013
	Market Value	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
	\$				
Financials (cont.)					
Washington H Soul Pattinson	14,750,000	1.4	1,000,000	450,000 Purchased	550,000
Westpac Banking Corporation	79,618,000	7.6	2,350,000		2,350,000
Information Technology (0.5%)					
Recall Holdings Ltd	4,780,000	0.5	1,000,000	420,000 Brambles demerger 580,000 Purchased	-
Telecommunication Services (1.5%)					
Telstra Corporation Ltd	15,630,000	1.5	3,000,000		3,000,000
Utilities (0.0%)					
AGL Energy Ltd	-	-	-	1,166,667 Sold	1,166,667
SP AusNet	-	-	-	12,300,000 Sold	12,300,000
Real Estate (0.0%)					
Westfield Group	-	-	-	780,700 Sold	-
Cash Trust & Other Deposits (6.8%)					
Cash Trust units, Bank deposits and receivables	70,626,925	6.8	70,626,925		37,192,384
	1,040,296,204	100.0%			

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Australian United Investment
Company Limited

ABN 37 004 268 679