

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

APPENDIX 4E STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

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 2017** with the prior corresponding period being the year ended 30 June 2016.

This report is based on audited financial statements. A copy of the audit report can be found on page 28.

Results for announcement to the market

- Revenue from ordinary activities was \$51.0 million, up 5.5% from the prior year.
- Profit after tax was \$44.1 million, up 4.5% from the prior year.
- Total net profit for the period of \$44.1 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 \$435,000 after tax were received (prior year \$163,700).
- Excluding the special dividends received revenue rose 5.0% and profit after tax rose 3.8%.
- Earnings per share based on profit after tax were 35.7 cents, an increase of 1.4%. Excluding the special dividends received earnings per share rose 0.9% to 35.3 cents*. The weighted average number of ordinary shares for the year was 123,557,412 compared to 120,054,058 in the prior year, an increase of 2.9%.
- The final dividend is 18.5 cents per share (18.5 cents prior year) fully franked, bringing total dividends for the year to 34.0 cents fully franked (prior year 34.0 cents). The dividend is payable on 22 September 2017. The record date for determining entitlement to the final dividend is 31 August 2017.
- The final dividend will not include any Listed Investment Company capital gain 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 volume weighted 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 1 September 2017.
- The net tangible asset backing per share based on the market valuation of investments was \$8.57 at 30 June 2017, compared to \$7.57 at the end of the prior year. These calculations are after tax on net realised gains, before any future tax benefit of net realised losses, before estimated tax on net unrealised gains/losses, and before provision for the final dividend.

* Additional non IRFS information.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

Level 20
101 Collins Street
Melbourne Vic 3000
Australia

Tel (613) 9654 0499
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16 August 2017

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 2017

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 2017 was \$44,086,600 (last year: \$42,209,639). The profit includes special dividends received after tax of \$435,000 (last year: \$163,700).

Excluding special dividends received, profit after tax rose 3.8%*.

Net realised gains on the investment portfolio after tax were \$2,633,910 (last year losses of \$2,840,687), which under accounting standards are transferred directly to the Asset Realisation Reserve and not included in Net Profit.

Earnings Per Share

Earnings per share based on the weighted average number of shares on issue for the year were 35.7 cents, a rise of 1.4%. Excluding special dividends received, earnings per share rose 0.9% to 35.3 cents*.

The weighted average number of ordinary shares for the year was 123,557,412 compared to 120,054,058 last year, taking into account the shares issued on the dividend re-investment plan, an increase of 2.9%.

Dividends

The Directors also announce a final dividend of 18.5 cents per share fully franked to shareholders registered on 31 August 2017, to be paid on 22 September 2017. The comparable 2016 final dividend was 18.5 cents per share fully franked. Together with the interim dividend of 15.5 cents per share, total dividends for the year are 34.0 cents per share fully franked (last year 34.0 cents).

* Additional non IFRS information.

- 2 -

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 volume weighted 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 1 September 2017.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$8.57 at 30 June 2017 and \$8.58 at 31 July 2017. These calculations are after tax on net realised gains, before any future tax benefit of net realised losses, before estimated tax on net 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 net portfolio gains were to be deducted, the above figures would be \$7.46 at 30 June 2017 and \$7.46 at 31 July 2017.

Performance

The Company's net asset backing accumulation performance for the year to 30 June 2017 was a rise of 18.0% while the S&P/ASX 200 Accumulation Index rose 14.1%% over the same period. The Company's returns are after tax and expenses and the impact of the Company's gearing for which no allowance is made in the S&P/ASX Index.

Including the benefit of franking credits for shareholders who can fully utilise them, the Company's accumulation return for the year to 30 June 2017 was a rise of 20.1% compared to a rise of 15.9% in the S&P/ASX 200 Franking Credit Adjusted Index.

The Company's relative performance for the year was assisted by strong contributions from stocks such as South32, Orica, Challenger, BT Investments, Rio Tinto, Perpetual and Lend Lease, all of which saw price appreciation in excess of 30%. The portfolio also benefitted from being underweight the REIT and Telecommunications sectors and from its modest level of gearing.

Operating expenses for the year (including the management fees of the Small Caps managed funds, and excluding interest) were 0.10% of the average market value of the portfolio (last year 0.10%).

Annual General Meeting

The Annual General Meeting of the Company will be held on Monday, 16 October 2017 at 9.00 am at the offices of Evans & Partners, Mayfair Building, 171 Collins Street, Melbourne.

- 3 -

Investment Portfolio

As at 30 June 2017 the twenty-five largest shareholdings of the company, at market values were:

Company	Market Value \$'000	% of Market Value of Total Investments
1. Commonwealth Bank Ltd	105,583	8.9%
2. ANZ Banking Group Ltd	81,134	6.8%
3. Westpac Banking Corporation Ltd	76,275	6.4%
4. National Australia Bank Ltd	66,577	5.6%
5. Wesfarmers Ltd	56,168	4.7%
6. CSL Ltd	55,212	4.6%
7. Diversified United Investment Ltd	53,568	4.5%
8. Transurban Group	50,362	4.2%
9. Rio Tinto Ltd	47,452	4.0%
10. BHP Billiton Ltd	43,068	3.6%
11. Woodside Petroleum Ltd	37,337	3.1%
12. Woolworths Ltd	30,648	2.6%
13. Telstra Corporation Ltd	25,800	2.2%
14. Sonic Healthcare Ltd	24,220	2.0%
15. AMP Ltd	23,355	2.0%
16. Ramsay Health Care Ltd	22,080	1.9%
17. Brambles Ltd	20,462	1.7%
18. Event Hospitality and Entertainment Ltd	20,055	1.7%
19. Sydney Airport	18,434	1.5%
20. Lend Lease Group	18,315	1.5%
21. Macquarie Atlas Roads Group	16,830	1.4%
22. Link Administration Holdings Ltd	16,782	1.4%
23. Washington H Soul Pattinson	16,670	1.4%
24. Orica Ltd	15,540	1.3%
25. Oil Search Ltd	15,004	1.3%
	956,931	80.3%

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

1,191,370

Note: At 30 June bank borrowings were \$130M, and cash and net short term receivables (included in the above figures) were \$53M.

Yours faithfully

A J Hancock
Company Secretary

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED
(ABN 37 004 268 697)

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

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 2017 and the auditor's 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 1991), The Ian Potter Foundation Limited (Governor since 1987, Chairman since 1994) and Flagstaff Partners (since 2010).

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

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

Mr Wetherall has over 37 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, a director of Bolton Clarke Ltd and a member of the Investment Committees of the Geelong Grammar Foundation, the Royal Australasian College of Surgeons, and Trinity College (University of Melbourne). He is the Chairman of the Company's Audit and Risk Management 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 Cell Care Australia Pty Ltd, and a director of Lifestyle Communities Limited and Australian Super. He is Chair of the investment committee of Australian Super. 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 March 2015

Mr Grimwade is a Principal and Director of Fawkner Capital Management Pty Ltd. He is currently Chairman of CPT Global Limited and a director of Select Harvests Limited and XRF Scientific Limited. Formerly he held senior executive positions with Colonial First State Investments 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.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report (Continued)

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 2017 the profit after income tax was \$44,086,600 compared to \$42,209,639 in the previous year – an increase of 4.5%. Special dividends received during the 2017 year were \$435,000 (2016: \$163,700). Excluding special dividends received, operating profit increased 3.8%.

The weighted average number of ordinary shares for the year was 123,557,412 compared to 120,054,058 in the previous year, an increase of 2.9%.

The earnings per share was 35.3 cents per share excluding special dividends received (2016: 35.0 cents) or was 35.7 cents per share including special dividends (2016: 35.2 cents). The Company incurred expenses (excluding finance costs) of \$1,110,018 (2016: \$1,099,643) which is equivalent to 0.10% (2016: 0.10%) of the average market value of the portfolio. Including the management fees of the Small Cap managed funds in which the Company invested this year, the expense ratio was 0.10%.

Bank borrowings were \$130 million at the end of the financial year (previous year \$122 million) gearing the investment portfolio by 10.9%. Cash on hand, cash deposits and net short term receivables were \$53 million or 4.5% of the investment portfolio at market values (2016: \$27 million, 2.5%). Annual interest expense was covered 10.1 times by investment revenue (2016: 9.8 times).

As at 30 June 2017 the Company's portfolio had a market value (including cash and net receivables) of \$1,191,370,451 (2016: \$1,055,716,399). 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 2017 was \$8.57 (2016: \$7.57). This net tangible asset backing calculation is based on investments at market value and is after tax on net realised gains, before any future tax benefit of net realised 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 net unrealised portfolio gains were to be deducted, the net tangible asset backing would be \$7.46 (2016: \$6.76).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was an increase of 18.0%, compared to the S&P/ASX 200 Accumulation Index increase of 14.1%

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report (Continued)

Operating and Financial Review (continued)

Dividends declared by the Company for the 2017 financial year total 34.0 cents per share fully franked (2016: 34.0 cents per share fully franked).

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 2016 of 18.5 cents per share fully franked paid on 23 September 2016.	22,823,692
An interim dividend in respect of the year ended 30 June 2017 of 15.5 cents per share fully franked paid on 15 March 2017.	19,150,971
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2017 of 18.5 cents per share fully franked payable on 22 September 2017.	22,884,991

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's Meetings		Audit and Risk Management Committee Meetings		Nomination & Remuneration Committee Meetings	
	<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*	2*	-	1
Peter J Wetherall	10	11	1	2	1	1
James S Craig	11	11	2	2	1	1
Fred S Grimwade	11	11	2	2	1	1

* In attendance – not a committee member.

The Audit and Risk Management Committee comprises Messrs Wetherall (Chairman), Craig and Grimwade. All directors are members of the Nomination and Remuneration Committee, which is chaired by Mr 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:

Notes	Shares		
	1	2	3
Charles B Goode	108,453	1,155,397	33,583
Peter J Wetherall	46,048	-	8,256
James S Craig	-	350,000	-
Fred S Grimwade	-	10,000	-

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.

Remuneration report (audited)

Non-executive Directors' Fees ⁽ⁱ⁾						
	2017			2016		
	Fee \$	Superannuation \$	Total \$	Fee \$	Superannuation \$	Total \$
Charles Goode	150,685	14,315	165,000	150,685	14,315	165,000
Peter Wetherall	75,342	7,158	82,500	75,342	7,158	82,500
James Craig	61,421	21,079	82,500	47,500	35,000	82,500
Fred Grimwade	75,342	7,158	82,500	75,342	7,158	82,500
Total	362,790	49,710	412,500	348,869	63,631	412,500

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

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

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report (Continued)

Remuneration report (audited) (continued)

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:

	2017	2016	2015	2014	2013
Operating Profit (\$ Million)	44.1	42.2	47.8	40.3	35.5
Earnings Per Share (including special dividends)	35.7	35.2	43.0	36.6	32.8
Earnings Per Share (excluding special dividends)	35.3	35.0	37.7	35.5	31.7
Dividends paid (cents per share)	34.0	34.0	33.4	31.5	29.0
Share Price 30 June	\$8.09	\$7.15	\$8.06	\$8.01	\$6.74
Management Expense Ratio	0.10%	0.10%	0.10%	0.11%	0.13%
Net Asset Backing Per Share 30 June	\$8.57	\$7.57	\$8.28	\$8.43	\$7.37
S&P/ASX 200 Index 30 June	5,722	5,233	5,459	5,396	4,803

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 \$120,000 (2016: \$102,750) 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 \$9,866 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 and Risk Management Committee to ensure they do not affect the integrity and objectivity of the auditor; and

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report (Continued)

Non-audit services (continued)

- 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.

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 8 and forms part of the Directors' Report for the year ended 30 June 2017.

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

Charles Goode
Director
Melbourne, 16 August 2017



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 of Australian United Investment Company Limited for the financial year ended 30 June 2017 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

Maria Trinci

Maria Trinci

Partner

Melbourne

16 August 2017

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue from investment portfolio	2(a)	51,047,451	48,366,609
Administration and other expenses		(1,110,018)	(1,099,643)
Finance expenses	2(b)	(5,057,166)	(4,950,974)
Profit before income tax		44,880,267	42,315,992
Income tax expense	4(a)	(793,667)	(106,353)
Profit		44,086,600	42,209,639
Other Comprehensive Income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of investment portfolio for the year		121,488,131	(82,798,012)
Provision for tax (expense) / benefit on revaluation of investment portfolio for the year		(37,180,929)	24,484,212
Other comprehensive profit / (loss) net of income tax		84,307,202	(58,313,800)
Total comprehensive income / (loss)		128,393,802	(16,104,161)
Basic and diluted earnings per share (cents)	5	35.7	35.2

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 on pages 13 to 26.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Balance Sheet
as at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Cash assets	16	41,476,805	18,325,528
Receivables	7	15,756,290	8,479,000
Current tax receivable	4(c)	33,814	63,700
Other	9	68,603	164,710
Total Current Assets		57,335,512	27,032,938
Investment portfolio	8	1,138,120,986	1,028,911,871
Total Non-Current Assets		1,138,120,986	1,028,911,871
Total Assets		1,195,456,498	1,055,944,809
Liabilities			
Payables	10	4,137,362	168,592
Total Current Liabilities		4,137,362	168,592
Provision for long service leave		42,726	40,969
Borrowings – interest bearing	11	130,657,743	121,953,740
Deferred tax liability	4(b)	138,152,191	100,203,735
Total Non-Current Liabilities		268,852,660	222,198,444
Total Liabilities		272,990,022	222,367,036
Net Assets		922,466,476	833,577,773
Equity			
Issued capital	13(a)	440,395,756	437,926,192
Reserves		482,070,720	395,651,581
Total Equity		922,466,476	833,577,773

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 13 to 26.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

**Statement of Changes in Equity
for the year ended 30 June 2017**

	Issued Capital \$	Revaluation Reserve \$	Realisation Reserve \$	Retained Earnings \$	Total \$
As at 1 July 2015	346,928,075	308,657,044	18,575,249	121,735,599	795,895,967
Comprehensive Income					
Revaluation of investment portfolio	-	(82,798,012)	-	-	(82,798,012)
Tax benefit on revaluation	-	24,484,212	-	-	24,484,212
Net realised losses on investment portfolio	-	3,741,030	(3,741,030)	-	-
Tax benefit on net realised losses	-	(900,343)	900,343	-	-
Profit	-	-	-	42,209,639	42,209,639
	-	(55,473,113)	(2,840,687)	42,209,639	(16,104,161)
Transactions with shareholders					
Renounceable rights issue	88,723,160				88,723,160
Dividend reinvestment plan	2,274,957	-	-	-	2,274,957
Dividends paid	-	-	-	(37,212,150)	(37,212,150)
	90,998,117	-	-	(37,212,150)	53,785,967
As at 30 June 2016	437,926,192	253,183,931	15,734,562	126,733,088	833,577,773

	Issued Capital \$	Revaluation Reserve \$	Realisation Reserve \$	Retained Earnings \$	Total \$
As at 1 July 2016	437,926,192	253,183,931	15,734,562	126,733,088	833,577,773
Comprehensive Income					
Revaluation of investment portfolio	-	121,488,131	-	-	121,488,131
Tax expense on revaluation	-	(37,180,929)	-	-	(37,180,929)
Net realised gains on investment portfolio	-	(4,485,093)	4,485,093	-	-
Tax expense on net realised gains	-	1,851,183	(1,851,183)	-	-
Profit	-	-	-	44,086,600	44,086,600
	-	81,673,292	2,633,910	44,086,600	128,393,802
Transactions with shareholders					
Dividend reinvestment plan	2,469,564	-	-	-	2,469,564
Dividends paid	-	-	-	(41,974,663)	(41,974,663)
	2,469,564	-	-	(41,974,663)	(39,505,099)
As at 30 June 2017	440,395,756	334,857,223	18,368,472	128,845,025	922,466,476

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 26.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

**Statement of Cash Flows
for the year ended 30 June 2017**

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Interest received		346,120	875,450
Dividends and trust distributions received		47,477,569	46,477,785
Option premium income received		1,380,471	424,578
Finance costs paid		(4,240,382)	(4,197,816)
Administration and other expenses paid		(1,139,872)	(1,091,417)
Withholding taxes refunded		63,700	-
Net cash flow from operating activities	16	43,887,606	42,488,580
Cash flows from investing activities			
Proceeds from sale of investments		88,090,094	59,174,232
Purchases of investments		(77,321,327)	(149,037,402)
Net cash flow from investing activities		10,768,767	(89,863,170)
Cash flows from financing activities			
Proceeds from renounceable rights issue (net of costs)		-	88,723,160
Proceeds from additional borrowings - NAB		8,000,000	22,000,000
Borrowings repaid – ANZ		-	(20,000,000)
Dividends paid net of dividend reinvestment plan		(39,505,096)	(34,937,191)
Net cash flow used in financing activities		(31,505,096)	55,785,969
Net increase / (decrease) in cash held		23,151,277	8,411,379
Cash and cash equivalents at 1 July		18,325,528	9,914,149
Cash and cash equivalents at 30 June		41,476,805	18,325,528

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 13 to 26.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

1. Statement of Significant Accounting Policies

Australian United Investment Company Limited (the 'Company') is a for-profit Company domiciled in Australia.

The financial report was authorised for issue by the directors on 16 August 2017.

(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 early adopted AASB 9 Financial Instruments with initial application from 7 December 2009 (being the earliest available date of application). The Company has not applied any other Australian Accounting Standards that have been issued as at balance date but are not yet operative for the year ended 30 June 2017 ("the inoperative standards"). The effect of inoperative standards has been assessed and the effect has been identified as not being material.

The financial report is prepared on a historical cost basis except that the investment portfolio is stated at its 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 Australian Accounting Standards, the Company has elected to classify equity investments at fair value through other comprehensive income, as they are not held for trading. 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 in the Asset Realisation Reserve 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 9. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the Revaluation Reserve to the Realisation Reserve.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

1. Statement of Significant Accounting Policies (cont.)

(c) Investments (continued)

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 and option premiums. 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 or receivable 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 the Asset Realisation Reserve 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. At this time, the tax recognised directly in the Revaluation Reserve is transferred to the Realisation Reserve. 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 2017

2. Revenue and Expenses

	2017	2016
	\$	\$
(a) Revenue		
Ordinary dividends received or due and receivable	43,799,902	44,617,995
Special dividends received or due and receivable	435,000	163,700
Dividends received or due and receivable	44,234,902	44,781,695
Interest received or due and receivable	346,116	875,442
Trust distributions received or due and receivable	5,085,962	2,284,894
Option premium income	1,380,471	424,578
	51,047,451	48,366,609
(b) Expenses		
<i>Finance expenses</i>		
Interest and borrowing expenses	5,057,166	4,950,974

3. Auditor's Remuneration

	2017	2016
	\$	\$
During the year, KPMG, the Company's auditor, received the following remuneration, inclusive of GST:		
- Audit and review of financial reports	46,453	45,507
- Tax related services	9,866	9,625

4. Taxation

	2017	2016
	\$	\$
(a) Income Tax Expense		
<i>(i) Recognised in the income statement</i>		
Current tax benefit		
Over provision for prior years	6,540	57,679
	6,540	57,679
Deferred Tax Expense		
Recognition of tax losses and deferred tax balances	(814,446)	(199,147)
Temporary differences	14,239	35,115
	(800,207)	(164,032)
Total income tax expense in income statement	(793,667)	(106,353)

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

4. Taxation (continued)

	2017	2016
	\$	\$
(ii) Reconciliation between tax expense and pre-tax net profit		
Prima facie tax expense calculated at 30% on the profit for the year	(13,464,080)	(12,694,798)
Increase in tax expense due to:		
Franking credits gross-up on dividends received	(5,121,426)	(5,162,878)
Decrease in tax expense due to:		
Non-taxable dividend received	-	-
Tax deferred revenue received	400,297	403,603
Franking credits on dividends received	17,071,419	17,209,594
Sundry items	313,583	80,447
Tax expense on operating profit	(800,207)	(164,032)
Over provision for prior years	6,540	57,679
Income tax expense attributable to profit for the year	(793,667)	(106,353)
(iii) Deferred tax recognised directly in equity		
Increase / (decrease) in provision for tax on unrealised gains on the equity investment portfolio	37,180,929	(24,484,212)
(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	(147,415,418)	(112,085,671)
Tax effect of unfranked dividend receivable	(72,063)	(73,484)
Tax benefit of capital losses carried forward	9,170,557	11,021,741
Tax benefit of income tax losses carried forward	151,915	933,679
Tax benefit of long service leave	12,818	-
Net deferred tax liabilities	(138,152,191)	(100,203,735)
(c) Current Tax Receivable		
Current year tax liability	-	-
Less: withholding taxes receivable	33,814	63,700
Current tax receivable	33,814	63,700

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

5. Earnings Per Share

	2017 Cents	2016 Cents
Basic and diluted earnings per share	35.7	35.2
Earnings per share excluding special dividends received (refer Note 1(d))	35.3	35.0

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

The earnings per share for the year is calculated on a weighted average adjusted number of ordinary shares of 123,557,412 (2016: 120,054,058, taking into account the bonus element in the 1:8 renounceable rights issue in November 2015). The weighted average adjusted number of ordinary shares takes into account the shares issued in the dividend re-investment plan.

6. Dividends

	2017 \$	2016 \$
Dividends recognised in the current year by the Company are:		
(i) 2016 final dividend of 18.5 cents per share (2016: 18.5 cents) fully franked paid 23 September 2016	22,823,692	20,234,128
(ii) 2017 interim dividend of 15.5 cents per share (2016: 15.5 cents) fully franked paid 15 March 2017	19,150,971	16,978,022
	41,974,663	37,212,150

Since 30 June 2017, the directors have declared the following dividend payable on 22 September 2017:

Final dividend of 18.5 cents per share fully franked (2016: 18.5 cents)	22,884,991	22,824,284
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The final dividend will not contain a Listed Investment Company (LIC) capital gain dividend (2016: nil).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2017.

Dividend Franking Account:

The balance of the Franking Account at 30 June 2017 is \$42,080,133 (2016: \$43,046,502) 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.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

6. Dividends (continued)

After allowing for the final 2017 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$32,272,280 (2016: \$33,264,666). The ability to utilise the franking credits is dependent upon the ability of the Company to declare dividends.

Listed Investment Company (LIC) Capital Gain Account:

The balance of the LIC Capital Gain Account at 30 June 2017 was \$372,101 (2016: \$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

	2017	2016
	\$	\$
Current		
Dividends Receivable	7,286,000	7,425,250
Trust Distributions Receivable	2,976,340	1,053,750
Other - Unsettled equity sales	5,493,950	-
	15,756,290	8,479,000

8. Investments

	2017	2016
	\$	\$
Non-Current		
Investments in equities quoted on prescribed stock exchanges (at fair value)	1,138,120,986	1,028,911,871

9. Other Assets

	2017	2016
	\$	\$
Current		
Prepayments	68,603	51,929
Sundry debtors	-	112,781
	68,603	164,710

10. Payables

	2017	2016
	\$	\$
Current		
Trade Creditors	153,732	168,592
Other - Unsettled equity purchases	3,983,630	-
	4,137,362	168,592

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

11. Borrowings

	2017 \$	2016 \$
Non-Current		
Loan Facility – Secured	130,657,743	121,953,740

The face value of the drawn facility is \$130 million (2016: \$122 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

	2017 \$	2016 \$
The Company has access to the following lines of credit:		
<i>Total facility available</i>		
Loan Facility – Secured	130,000,000	130,000,000
<i>Facilities utilised at balance date</i>		
Loan Facility – Secured	130,000,000	122,000,000

13. Capital and Reserves

(a) Issued Capital

	2017 \$	2016 \$
Issued and paid-up share capital		
123,702,655 (2016: 123,374,507) fully paid ordinary shares	440,395,756	437,926,192
Movements in issued capital:		
Balance at beginning of the financial year	437,926,192	346,928,075
Shares issued		
- Dividend re-investment plan ⁽¹⁾	2,469,564	2,274,957
- Renounceable rights issue (net of costs) ⁽²⁾	-	88,723,160
	440,395,756	437,926,192

(1) In respect of the final dividend paid in September 2016, 182,724 ordinary shares were issued at \$7.2857 each and in respect of the interim dividend paid in March 2017, 145,424 ordinary shares were issued at \$7.8274 each.

(2) In respect of the one for eight renounceable rights issue on 13 November 2015, 13,692,944 shares were issued at \$6.50 each under the ASX security code AUIN.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

13. Capital and Reserves (continued)

(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 \$412,500 (2016: \$412,500). 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, 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 2017 to 17 June 2018.

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 01/07/2016	Purchases	Sales	Held at 30/06/2017
Charles B. Goode	1,240,736	56,697	-	1,297,433
Peter J. Wetherall	51,931	2,373	-	54,304
James S Craig	350,000	-	-	350,000
Fred S Grimwade	10,000	-	-	10,000

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

15. Related Parties (continued)

Directors' Transactions in Shares

The movements in directors' holdings of ordinary shares resulted from purchases 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

	2017	2016
	\$	\$
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 is shown in the statement of cash flows and the balance sheet as follows:		
Units in Cash Management Trusts and Deposits at call	41,476,805	18,325,528
Reconciliation of operating profit after income tax to net cash provided by operating activities:		
Profit for the year	44,086,600	42,209,639
<i>Add / (less) changes in assets and liabilities:</i>		
(Increase) / decrease in dividends receivable	139,250	(79,992)
(Increase) / decrease in trust distributions receivable	(1,922,590)	(445,112)
(Increase) / decrease in other prepayments	(5,810)	(1,403)
(Increase) / decrease in deferred tax assets	807,906	141,468
(Increase) / decrease in other assets	(10,937)	(4,108)
Increase / (decrease) in deferred tax liability	(14,239)	(35,115)
(Increase) / decrease in other taxes	3,745	(63,700)
(Increase) / decrease in prepaid interest and borrowing costs	816,784	753,157
Increase / (decrease) in accrued expenses	(14,858)	(8,359)
Increase / (decrease) in provisions	1,755	22,105
Net cash provided by operating activities	43,887,606	42,488,580

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

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 assets 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.

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 cash management units with the MF Cash Management Fund and cash deposits with Australian banks, with a direct or underlying AA- 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 2017

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 \$130 million at the end of the financial year (previous year \$122 million) gearing the investment portfolio by 10.9% (previous year 11.6%). The Company has interest bearing loan facilities in place with the National Australia Bank which include both fixed and floating rate components. These facilities expire on various intervals through to 2 July 2022, unless renewed. Annual interest expense during the year was covered 10.1 times by investment revenue (previous year 9.8 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 in securities whose market prices can fluctuate.

Based on a tax rate of 30% (2016: 30%), a general movement in market prices of 5% and 10% would lead to a change in the Company's equity of \$39,834,235, or 4.3% (2016: \$36,011,915, or 4.3%) and \$79,668,469, or 8.6% (2016: \$72,023,831, or 8.6%) respectively, after tax.

Market risk is managed 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.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

19. Financial Instruments Disclosure

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2017 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

	Note	Floating Interest Rate \$
Financial Assets - 2017		
Cash	16	41,476,805
Weighted Average Interest Rate		1.67%
Financial Assets - 2016		
Cash	16	18,325,528
Weighted Average Interest Rate		2.36%

The Company has secured borrowing facilities in place with the National Australia Bank Ltd totalling \$130,000,000 (2016: \$122,000,000) as follows:

National Australia Bank Ltd

Amount	Maturity	Interest Rate ⁽¹⁾
\$20,000,000	31 July 2018	Floating 3.305%
\$10,000,000	30 November 2018	Fixed 4.280%
\$10,000,000	31 July 2019	Fixed 3.880%
\$10,000,000	19 June 2019	Fixed 5.150%
\$10,000,000	30 November 2019	Fixed 4.510%
\$20,000,000	23 June 2020	Fixed 4.050%
\$10,000,000	30 October 2020	Fixed 3.600%
\$5,000,000	2 July 2021	Fixed 3.760%
\$15,000,000	2 July 2021	Fixed 4.010%
\$20,000,000 ⁽²⁾	2 July 2022	Fixed 3.940%

(1) Interest rate includes bank margins and fees.

(2) During the year ended 30 June 2017, an additional \$8 million borrowings were drawn.

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 \$140,000 (or 0.32%) and a change in the Company's equity of \$140,000 (or 0.02%).

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

19. Financial Instruments Disclosure (continued)

Interest Rate Risk (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 2017
		\$
ANZ Bank Ltd	2,750,000	78,980,000
BHP Billiton Ltd	1,750,000	40,740,000
Commonwealth Bank Ltd	775,000	64,177,750
National Australia Bank Ltd	2,000,000	59,180,000
Rio Tinto Ltd	500,000	31,635,000
South32 Ltd	1,000,000	2,680,000
Transurban Group	4,000,000	47,400,000
Westpac Banking Corporation Ltd	2,500,000	76,275,000
Wesfarmers Ltd	1,000,000	40,120,000
Woodside Petroleum Ltd	1,000,000	29,870,000
Total		471,057,750

The terms of the agreement require the market value of the securities to satisfy a minimum value of \$380,000,000.

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 2017.

21. Segment Reporting

The Company operates as an investment company in Australia.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2017

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 2017

The following is a list of the Company's top 25 investments as at 30 June 2017, which represent 80% of the total investment portfolio (2016: 83%). All investments are valued at fair value through Other Comprehensive Income.

	2017	Market Value	2016	Market Value
Company		\$	Company	\$
1 Commonwealth Bank Of Australia Ltd		105,582,750	Commonwealth Bank of Australia Ltd	89,244,000
2 Australia & New Zealand Banking Group Ltd		81,134,000	Westpac Banking Corporation Ltd	73,500,000
3 Westpac Banking Corporation Ltd		76,275,000	ANZ Banking Group Ltd	68,139,000
4 National Australia Bank Ltd		66,577,500	National Australia Bank Ltd	57,217,500
5 Wesfarmers Ltd		56,168,000	Wesfarmers Ltd	56,140,000
6 CSL Ltd		55,212,000	Transurban Group	50,957,500
7 Diversified United Investment Ltd		53,568,000	Diversified United Investment Ltd	47,088,000
8 Transurban Group		50,362,500	BHP Billiton Ltd	43,827,500
9 Rio Tinto Ltd		47,452,500	Rio Tinto Ltd	43,225,000
10 BHP Billiton Ltd		43,068,000	CSL Ltd	39,263,000
11 Woodside Petroleum Ltd		37,337,500	Woodside Petroleum Ltd	33,550,000
12 Woolworths Ltd		30,648,000	Telstra Corporation Ltd	33,360,000
13 Telstra Corporation Ltd		25,800,000	Brambles Ltd	26,019,000
14 Sonic Healthcare Ltd		24,220,000	Woolworths Ltd	25,068,000
15 AMP Ltd		23,355,000	AMP Ltd	23,220,000
16 Ramsay Health Care Ltd		22,080,000	Event Hospitality and Entertainment Ltd	21,795,000
17 Brambles Ltd		20,461,560	Sonic Healthcare Ltd	21,550,000
18 Event Hospitality and Entertainment Ltd		20,055,000	Ramsay Health Care Ltd	19,734,000
19 Sydney Airport		18,434,000	Suncorp Group Ltd	17,052,000
20 LendLease Group		18,315,000	Washington H Soul Pattinson & Co Ltd	17,000,000
21 Macquarie Atlas Roads Group		16,830,000	Perpetual Ltd	16,448,000
22 Link Administration Holdings Ltd		16,781,545	Oil Search Ltd	14,674,000
23 Washington H Soul Pattinson & Co Ltd		16,670,000	Invocare Ltd	13,140,000
24 Orica Ltd		15,539,550	Macquarie Atlas Roads Group	12,950,000
25 Oil Search Ltd		15,004,000	Orica Ltd	12,330,000
Total Top 25 Investments		956,931,405		876,491,500
Total Investments at Market Value, Net Short Term Receivables and Cash		1,191,370,451		1,055,716,399

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 26, and the remuneration disclosures that are contained in the Remuneration Report on pages 5 and 6 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 2017 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 2017.

Signed in accordance with a resolution of the directors.

Charles Goode

Director

Dated at Melbourne this 16th day of August 2017.



Independent Auditor's Report

To the shareholders of Australian United Investment Company Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Australian United Investment Company Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the period ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Balance sheet as at 30 June 2017
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Liability limited by a scheme approved under Professional Standards Legislation.



Key Audit Matters

The **Key Audit Matters** we identified are:

- Valuation and existence of the investment portfolio
- Completeness of the deferred tax liability

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and existence of investment portfolio (\$1,138,120,986)

Refer to Note 8 – Investments

The key audit matter

The Company's investment portfolio is \$1,138,120,986 which constitutes 94% of the Company's total assets as at 30 June 2017 and is considered to be one of the key drivers of operations and performance results.

We do not consider the fair value of the investment portfolio to be judgemental in nature as it is comprised of equity securities listed on the ASX and some unlisted unit funds. However, due to the size of the investment portfolio, valuation and existence is considered a key audit matter. It is an area which had the greatest effect on our overall audit strategy and allocation of time and resources in planning and completing our audit.

How the matter was addressed in our audit

Our procedures included:

- Documenting and assessing the processes in place to buy and sell equities in the portfolio, including the process to value the portfolio;
- Agreeing the valuation for the entire investment portfolio to externally quoted prices;
- Checking the number of shares or units in each equity investment for the entire investment portfolio to electronic share registry records; and
- Performing a recalculation of the market value of investments based on the last quoted market price.



Completeness of Deferred tax liability (\$147,487,480)

Refer to Note 4 – Taxation

The key audit matter

The Company's deferred tax liability is \$147,487,480 which constitutes 52% of the Company's total liabilities as at 30 June 2017.

The deferred tax liability relates to the expected tax on disposal of equity securities in the investment portfolio and is recognised in equity and as a deferred tax liability. The deferred tax liability is determined as the difference between the carrying amount of the investment portfolio as per the financial statements and the tax base recorded.

The Company's deferred tax assets are set off against the deferred tax liability arising on the unrealised gains on the equity investment portfolio in the Balance Sheet.

The completeness of the deferred tax liability is a key audit matter given it represents a significant portion of the total liabilities of the Company and involved the use of senior audit team members, including tax specialists.

How the matter was addressed in our audit

Our procedures included:

- Engaging KPMG tax specialists to review and assess the reasonableness of the deferred tax liability;
- Performing a proof of the deferred tax liability by reconciling the opening and closing deferred tax balances;
- Recalculating the deferred tax liability, including checking the valuation and accuracy of the market value of the investment portfolio and checking the tax base to the Company's investment register;
- Recalculating the closing tax cost base by adding the total purchases and sales for the year, stated at their tax cost base, to the opening balance of the equity portfolio and reconciling this to the Company's portfolio valuation report; and
- Assessing whether the tax effects of significant events identified during the audit, such as fair value or tax base adjustments, have been appropriately identified, calculated and recorded, as applicable.

Other Information

Other Information is financial and non-financial information in Australian United Investment Company Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Australian United Investment Company Limited for the ended 30 June 2017, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in page 5 to 6 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Maria Trinci

Partner

Melbourne

16 August 2017