

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

APPENDIX 4E STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the **year ended 30 June 2019** with the prior corresponding period being the year ended 30 June 2018.

This report is based on audited financial statements. A copy of the audit report can be found on page 29.

Results for announcement to the market

- Revenue from ordinary activities was \$62.5 million, up 14.6% from the prior year.
- Profit after tax was \$55.8 million, up 16.8% from the prior year.
- Total net profit for the period of \$55.8 million excludes net realised gains and losses which are transferred directly to the Asset Realisation Reserve under the accounting standards.
- Total net profit includes special dividends and capital gains distributed from managed funds of \$6,806,000 after tax (prior year \$1,927,000). Excluding these items revenue rose 7.0%* and profit after tax rose 6.8%*.
- Earnings per share based on profit after tax were 44.9 cents, an increase of 16.3%. Excluding the special dividends distributed and capital gains received as income, earnings per share rose 6.5% to 39.4 cents*. The weighted average number of ordinary shares for the year was 124,180,194 compared to 123,869,817 in the prior year, an increase of 0.3%.
- The final dividend is 19.0 cents per share (19.0 cents prior year) fully franked at 30%, bringing total dividends for the year to 36.0 cents fully franked at 30% (prior year 35.0 cents). The dividend is payable on 20 September 2019. The record date for determining entitlement to the final dividend is 3 September 2019.
- 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 4 September 2019.
- The net tangible asset backing per share based on the market valuation of investments was \$9.85 at 30 June 2019, compared to \$9.21 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

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Melbourne Vic 3000
Australia

Tel (613) 9654 0499
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14 August 2019

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 2019

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 2019 was \$55,777,000 (last year: \$47,768,000).

The profit includes special dividends and capital gains distributed from managed funds in which the Company invests of \$6,806,000 (prior year \$1,927,000). Excluding these items profit after tax rose 6.8%*.

Net realised losses on the Company's direct investment portfolio after tax were \$4,315,000 (last year net gains: \$1,954,000), 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 44.9 cents, a rise of 16.3%. Excluding special dividends and capital gains received as income, earnings per share rose 6.5% to 39.4 cents*.

The weighted average number of ordinary shares for the year was 124,180,194 compared to 123,869,817 last year, taking into account the shares issued under the dividend re-investment plan, an increase of 0.3%.

Dividends

The Directors also announce a final dividend of 19.0 cents per share fully franked at 30% to shareholders registered on 3 September 2019, to be paid on 20 September 2019. The comparable 2018 final dividend was 19.0 cents per share fully franked at 30%. Together with the interim dividend of 17.0 cents per share, total dividends for the year are 36.0 cents per share fully franked (last year 35.0 cents).

This is the 26th consecutive year in which the Company has increased or maintained its dividend.

* Additional non IFRS information.

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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 4 September 2019.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$9.85 at 30 June 2019 and \$10.09 at 31 July 2019, and is estimated to be \$9.72 at 13 August 2019. 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 \$8.38 at 30 June 2019 and \$8.55 at 31 July 2019, and is estimated to be \$8.29 as at 13 August 2019.

Performance

The Company's net asset backing accumulation performance for the year to 30 June 2019 was a rise of 11.2% while the S&P/ASX 200 Accumulation Index rose 11.6% 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 2019 was a rise of 13.4% compared to a rise of 13.1% in the S&P/ASX 200 Franking Credit Adjusted Index.

The Company's relative performance for the year was assisted by overweight allocations to Rio Tinto and Infrastructure stocks, but was held back by the underweight allocation to the strong property trust and gold sectors. The Company continues to avoid what appear to us very highly valued technology stocks, many of which are yet to earn profits. At 30 June 2019 the Company had cash reserves and undrawn debt of \$146m.

Operating expenses (excluding interest) were 0.10% of the average market value of the portfolio (last year: 0.09%).

Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday, 16 October 2019 at 11.00 am at the offices of Evans & Partners, Mayfair Building, 171 Collins Street, Melbourne.

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Investment Portfolio

As at 30 June 2019 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 of Australia Ltd	107,614	8.1%
2. CSL Ltd	86,000	6.5%
3. Westpac Banking Corporation	85,080	6.4%
4. Australia & New Zealand Banking Group Ltd	84,630	6.4%
5. Transurban Group	81,070	6.1%
6. Rio Tinto Ltd	77,820	5.9%
7. BHP Group Ltd	76,146	5.8%
8. Woodside Petroleum Ltd	69,084	5.2%
9. Diversified United Investment Ltd	62,784	4.7%
10. National Australia Bank Ltd	53,440	4.0%
11. Wesfarmers Ltd	50,624	3.8%
12. Sydney Airport	36,180	2.8%
13. Woolworths Group Ltd	33,230	2.5%
14. Atlas Arteria	26,656	2.0%
15. Washington H Soul Pattinson & Company Ltd	21,990	1.7%
16. Seek Ltd	21,160	1.6%
17. Brambles Ltd	20,930	1.6%
18. Invocare Ltd	19,188	1.4%
19. Event Hospitality and Entertainment Ltd	18,750	1.4%
20. Coles Group Ltd	18,690	1.4%
21. Aurizon Holdings Ltd	16,200	1.2%
22. Orica Ltd	15,203	1.1%
23. Origin Energy Ltd	14,620	1.1%
24. Ramsay Health Care Ltd	14,448	1.1%
25. LendLease Group	14,300	1.1%
	1,125,837	84.9%
Total Investments at Market Value, Net Short Term Receivables and Cash	1,325,504	

Note: At 30 June bank facilities were \$150M, drawn as to \$100M and cash and net short term receivables (included in the above figures) were \$96M.

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 2019

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 2019 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 is Chairman Emeritus of Flagstaff Partners (having been Chairman 2010 – 2019).

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

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

Mr Craig is Chairman of River Capital Pty Ltd and IP Generation Pty Ltd, and a director of SC Storage Holdings Pty Ltd 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 2014

Mr Grimwade is a Principal and Director of Fawkner Capital Management Pty Ltd. He is currently Chairman of CPT Global Limited and XRF Scientific Limited, and a director of Select Harvests Limited. Formerly he held senior executive positions with Colonial First State Investments Group, Colonial Mutual Group, Western Mining Corporation and Goldman, Sachs & Co. He is the Chairman of the Company's Audit and Risk Management Committee.

Dion Hershan B.Com/B.A. (Mon), MBA (Columbia)
Non-executive Director, Appointed April 2018

Mr Hershan is Managing Director and Head of Australian Equities at Yarra Capital Management. He has more than 20 years' finance industry experience. Formerly he held senior executive positions with Goldman Sachs Asset Management, Citadel Investment Group (New York), Fidelity Investments (Boston) and Boston Consulting Group.

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 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 2019 the profit after income tax was \$55,777,000 compared to \$47,768,000 in the previous year – an increase of 16.8%. Special dividends received and capital gains distributed from managed funds during the 2019 year were \$6,806,000 (2018: \$1,927,000). Excluding these items, operating profit increased 6.8%.

The weighted average number of ordinary shares for the year was 124,180,194 compared to 123,869,817 in the previous year, an increase of 0.3%.

The earnings per share was 39.4 cents per share excluding special dividends and capital gains received (2018: 37.0 cents) or were 44.9 cents per share including special dividends and capital gains (2018: 38.6 cents). The Company incurred expenses (excluding finance costs) of \$1,273,000 (2018: \$1,155,000) which is equivalent to 0.10% (2018: 0.09%) of the average market value of the portfolio.

Bank borrowings facilities were \$150 million, drawn as to \$100 million at the end of the financial year (previous year \$150 million, drawn as to \$130M) gearing the investment portfolio by 7.5%. Cash on hand, cash deposits and net short term receivables were \$96 million or 7.2% of the investment portfolio at market values (2018: \$39 million, 3.1%). Annual interest expense was covered 13.5 times by investment revenue (2018: 10.5 times).

As at 30 June 2019 the Company's portfolio had a market value (including cash and net receivables) of \$1,325,504,000 (2018: \$1,273,659,000). A list of the Company's top 25 investments is set out in Note 24 to the financial statements. The net tangible asset backing of the Company's ordinary shares at 30 June 2019 was \$9.85 (2018: \$9.21). 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 \$8.38 (2018: \$7.91).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was an increase of 11.2%, compared to the S&P/ASX 200 Accumulation Index increase of 11.6%.

Dividends declared by the Company for the 2019 financial year total 36.0 cents per share fully franked (2018: 35.0 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 19 and 20 to the Financial Statements.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report (Continued)

Dividends

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

	\$ \$'000
Paid or declared during the year	
A final dividend in respect of the year ended 30 June 2018 of 19.0 cents per share fully franked at 30% paid on 21 September 2018.	23,561
An interim dividend in respect of the year ended 30 June 2019 of 17.0 cents per share fully franked at 30% paid on 14 March 2019.	21,109
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2019 of 19.0 cents per share fully franked at 30% payable on 20 September 2019.	23,622

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*	2	2
James S Craig	10	11	2	2	2	2
Fred S Grimwade	11	11	2	2	2	2
Dion C Hershan	11	11	2	2	2	2

* In attendance – not a committee member.

The Audit and Risk Management Committee comprises Messrs Grimwade (Chairman), Craig and Hershan.

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	120,692	1,254,951	33,583
James S Craig	-	350,000	-
Fred S Grimwade	-	10,000	-
Dion C Hershan	-	12,000	-

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⁾					
	2019			2018		
	Fee \$	Superannuation \$	Total \$	Fee \$	Superannuation \$	Total \$
Charles B Goode	155,708	14,792	170,500	154,338	14,662	169,000
Peter J Wetherall	-	-	-	46,598	4,427	51,025
James S Craig	78,539	7,461	86,000	77,169	7,331	84,500
Fred S Grimwade	78,539	7,461	86,000	77,169	7,331	84,500
Dion C Hershan	78,539	7,461	86,000	15,924	1,513	17,437
Total	391,325	37,175	428,500	371,198	35,264	406,462

- (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 policies. The Company's Key Management Personnel are the Directors and the Company Secretary.

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 annual 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:

	2019	2018	2017	2016	2015
Operating Profit (\$ Million)	55.8	47.8	44.1	42.2	47.8
Earnings Per Share (total) (cents)	44.9	38.6	35.7	35.2	43.0
Earnings Per Share (excluding special dividends and capital gains from managed funds) (cents)	39.4	37.0	34.3	35.0	37.7
Dividends paid (cents per share)	36.0	35.0	34.0	34.0	33.4
Share Price 30 June	\$9.08	\$8.65	\$8.09	\$7.15	\$8.06
Management Expense Ratio	0.10%	0.09%	0.10%	0.10%	0.10%
Net asset backing per share before tax on unrealised gains 30 June	\$9.85	\$9.21	\$8.57	\$7.57	\$8.28
AUI net asset backing accumulation return before tax or unrealised gains	11.2	11.8	18.0	(4.2)	2.0
S&P/ASX 200 Index accumulation return	11.6	13.0	14.1	0.6	5.6

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 16 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 \$126,000 (2018: \$123,000) 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 \$10,429 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 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 16 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 2019.

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that instrument, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

Charles Goode
Director
Melbourne, 14 August 2019



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 2019 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

Chris Sargent

Partner

Melbourne

14 August 2019

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Revenue from investment portfolio	2(a)	62,530	54,580
Administration and other expenses		(1,273)	(1,155)
Finance expenses	2(b)	(4,634)	(5,184)
Profit before income tax		56,623	48,241
Income tax expense	4(a)	(846)	(473)
Profit		55,777	47,768
Other Comprehensive Income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of investment portfolio for the year		68,013	74,060
Provision for tax benefit/(expense) on revaluation of investment portfolio for the year		(21,017)	(23,082)
Other comprehensive profit net of income tax		46,996	50,978
Total comprehensive income		102,773	98,746
Basic and diluted earnings per share (cents)	5	44.9	38.6

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 27.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Balance Sheet
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Assets			
Cash assets	17	83,837	22,816
Receivables	7	11,855	16,559
Other	9	87	107
Total Current Assets		95,779	39,482
Investment portfolio	8	1,229,812	1,234,284
Plant and equipment	10	3	-
Total Non-Current Assets		1,229,815	1,234,284
Total Assets		1,325,594	1,273,766
Liabilities			
Payables	11	873	978
Borrowings – interest bearing	13	20,000	10,000
Current tax payable	4(c)	411	292
Total Current Liabilities		21,284	11,270
Provision for long service leave		50	47
Borrowings – interest bearing	13	80,000	120,000
Deferred tax liability	4(b)	182,370	161,387
Total Non-Current Liabilities		262,420	281,434
Total Liabilities		283,704	292,704
Net Assets		1,041,890	981,062
Equity			
Issued capital	14(a)	445,673	442,948
Reserves	14(b)	596,217	538,114
Total Equity		1,041,890	981,062

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

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

**Statement of Changes in Equity
for the year ended 30 June 2019**

	Issued Capital \$'000	Revaluation Reserve \$'000	Realisation Reserve \$'000	Retained Earnings \$'000	Total \$'000
As at 1 July 2017	440,396	334,857	18,368	128,845	922,466
Comprehensive Income					
Revaluation of investment portfolio	-	74,060	-	-	74,060
Tax expense on revaluation	-	(23,081)	-	-	(23,081)
Net realised gains on investment portfolio	-	(2,166)	2,166	-	-
Tax expense on net realised gains	-	212	(212)	-	-
Profit	-	-	-	47,768	47,768
	-	49,025	1,954	47,768	98,747
Transactions with shareholders					
Dividend reinvestment plan	2,552	-	-	-	2,552
Dividends paid	-	-	-	(42,703)	(42,703)
	2,552	-	-	(42,703)	(40,151)
As at 30 June 2018	442,948	383,882	20,322	133,910	981,062

	Issued Capital \$'000	Revaluation Reserve \$'000	Realisation Reserve \$'000	Retained Earnings \$'000	Total \$'000
As at 1 July 2018	442,948	383,882	20,322	133,910	981,062
Comprehensive Income					
Revaluation of investment portfolio	-	68,013	-	-	68,013
Tax expense on revaluation	-	(21,017)	-	-	(21,017)
Net realised losses on investment portfolio	-	2,794	(2,794)	-	-
Tax benefit on net realised gains	-	1,521	(1,521)	-	-
Profit	-	-	-	55,777	55,777
	-	51,311	(4,315)	55,777	102,773
Transactions with shareholders					
Dividend reinvestment plan	2,725	-	-	-	2,725
Dividends paid	-	-	-	(44,670)	(44,670)
	2,725	-	-	(44,670)	(41,945)
As at 30 June 2019	445,673	435,193	16,007	145,017	1,041,890

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 13 to 27.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

**Statement of Cash Flows
for the year ended 30 June 2019**

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Interest received		1,046	677
Dividends and trust distributions received		65,535	52,962
Option premium income received		96	208
Finance costs paid		(4,821)	(4,938)
Administration and other expenses paid		(1,167)	(1,271)
Income taxes paid		(693)	34
Net cash flow from operating activities	17	59,996	47,672
Cash flows from investing activities			
Proceeds from sale of investments		164,307	44,987
Purchases of investments		(91,334)	(71,170)
Purchases of fixed assets		(3)	-
Net cash flow from investing activities		72,970	(26,183)
Cash flows from financing activities			
Repayment of borrowings		(30,000)	-
Dividends paid net of dividend reinvestment plan		(41,945)	(40,150)
Net cash flow used in financing activities		(71,945)	(40,150)
Net increase / (decrease) in cash held		61,021	(18,661)
Cash and cash equivalents at 1 July	17	22,816	41,477
Cash and cash equivalents at 30 June	17	83,837	22,816

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 13 to 27.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

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 14 August 2019.

(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 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 2019 ("the inoperative standards"). The effect of inoperative standards has been assessed and the effect has been identified as not being material.

On 1 July 2018 AASB 15 Revenue from Contracts with Customers became effective. This standard did not have an impact on the financial statements.

AASB 16 Leases is applicable for the year ending 30 June 2020. The Company has assessed the impact of the new standard and has determined that it will have no material impact to the Company's financial statements. As at 1 July 2019 (the date of adoption by the Company), the Company's office lease will give rise to a right of use asset of \$309,000 and be recognised together with an offsetting lease liability of \$309,000.

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.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

1. Statement of Significant Accounting Policies (continued)

(c) Investments (continued)

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualifies for derecognition in accordance with AASB 9. 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 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.

The managed funds in which the Company invests distribute realised capital gains from time to time and these are included in operating revenue, as required under accounting standards.

The Company may write covered call options where it is prepared to sell or reduce an investment at prices higher than current market. Open options contracts are marked to market through the profit and loss account.

(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.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

1. Statement of Significant Accounting Policies (continued)

(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

	2019 \$'000	2018 \$'000
(a) Revenue		
Ordinary dividends received or due and receivable	48,640	46,443
Special dividends received or due and receivable	6,806	670
Dividends received or due and receivable	55,446	47,113
Interest received or due and receivable	1,046	677
Trust distributions received or due and receivable	5,942	6,582
Option premium income	96	208
	62,530	54,580
(b) Expenses		
<i>Finance expenses</i>		
Interest and borrowing expenses	4,634	5,184

3. Auditor's Remuneration

	2019 \$	2018 \$
During the year, KPMG, the Company's auditor, received the following remuneration, inclusive of GST:		
- Audit and review of financial reports	48,785	47,054
- Tax related services	10,429	10,148

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2019**

4. Taxation

	2019 \$'000	2018 \$'000
(a) Income Tax Expense		
<i>(i) Recognised in the income statement</i>		
Current tax expense		
Current year tax payment accrued	(832)	(292)
Withholding tax on foreign dividends	(27)	(27)
	(859)	(319)
Deferred Tax Expense		
Recognition of tax losses and deferred tax balances	-	(393)
Temporary differences	33	(1)
Tax expense on operating profit	33	(393)
(Under)/Over provision for prior years	(20)	240
Total income tax expense in income statement	(846)	(473)
<i>(ii) Reconciliation between tax expense and pre-tax net profit</i>		
Prima facie tax expense calculated at 30% on the profit for the year	(16,987)	(14,480)
Increase in tax expense due to:		
Franking credits gross-up on dividends received	(7,007)	(5,471)
Sundry Items	(838)	-
Decrease in tax expense due to:		
Tax deferred revenue received	650	287
Franking credits on dividends received	23,356	18,236
Sundry items	-	715
Tax expense on operating profit	(826)	(713)
(Under)/Over provision for prior years	(20)	240
Income tax expense attributable to profit for the year	(846)	(473)
<i>(iii) Deferred tax recognised directly in equity</i>		
Increase in provision for tax on unrealised gains on the equity investment portfolio	21,017	23,082

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2019**

4. Taxation (continued)

	2019 \$'000	2018 \$'000
(b) Deferred Tax Assets and Liabilities		
<i>Recognised Deferred Tax Assets and Liabilities</i>		
Revaluation reserve – Provision for tax on unrealised gains on the equity investment portfolio	(189,780)	(170,285)
Tax effect of unfranked dividend receivable	(49)	(81)
Tax benefit of audit fee accrual	7	7
Tax benefit of capital losses carried forward	7,437	8,958
Tax benefit of income tax losses carried forward	-	-
Tax benefit of long service leave	15	14
Net deferred tax liabilities	(182,370)	(161,387)

(c) Current Tax Payable

Current year tax liability	833	292
Less: tax instalments paid	(381)	-
Less: withholding taxes receivable	(41)	-
Current tax payable	411	292

5. Earnings Per Share

	2019 cents	2018 cents
Basic and diluted earnings per share	44.9	38.6
Earnings per share excluding special dividends received and capital gains distributed from managed funds net of tax (refer Note 1(d))	39.4	37.0

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 124,180,194 (2018: 123,869,817). The weighted average adjusted number of ordinary shares takes into account the shares issued in the dividend re-investment plan.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

6. Dividends

	2019 \$'000	2018 \$'000
Dividends recognised in the current year by the Company are:		
(i) 2018 final dividend of 19 cents per share (2018: 18.5 cents) fully franked paid 21 September 2018	23,561	22,885
(ii) 2019 interim dividend of 17.0 cents per share (2018: 16 cents) fully franked paid 14 March 2019	21,109	19,818
	44,670	42,703

Since 30 June 2019, the directors have declared the following dividend payable on 20 September 2019:

Final dividend of 19.0 cents per share fully franked (2018: 19.0 cents)	23,622	23,561
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The final dividend will not contain a Listed Investment Company (LIC) capital gain dividend (2018: nil).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2019.

Dividend Franking Account:

The balance of the Franking Account at 30 June 2019 is \$46,300,435 (2018: \$42,479,883) 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 2019 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$36,176,608 (2018: \$32,382,214). 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 2019 was \$372,101 (2018: \$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.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2019**

7. Receivables

	2019 \$'000	2018 \$'000
Current		
Dividends Receivable	4,225	7,245
Trust Distributions Receivable	2,527	3,723
Other - Unsettled equity sales	5,103	5,591
	11,855	16,559

8. Investments

	2019 \$'000	2018 \$'000
Non-Current		
Investments in equities quoted on prescribed stock exchanges (at fair value)	1,229,812	1,234,284

9. Other Assets

	2019 \$'000	2018 \$'000
Current		
Prepayments	82	99
Input Tax Credits	5	8
	87	107

10. Plant and equipment

	2019 \$'000	2018 \$'000
Plant and equipment at cost	3	-
Accumulated depreciation	-	-
Movements		
Carrying amount at beginning of year	-	-
Additions	3	-
Depreciation	-	-
Carrying amount at end of year	3	-

11. Payables

	2019 \$'000	2018 \$'000
Current		
Trade Creditors	159	75
Accrued Interest	714	903
	873	978

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2019**

12. Finance Facilities

	2019 \$'000	2018 \$'000
The Company has access to the following lines of credit:		
<i>Total facility available</i>		
Loan Facility – Secured	150,000	150,000
<i>Facilities utilised at balance date</i>		
Loan Facility – Secured	100,000	130,000

13. Borrowings Drawn

	2019 \$'000	2018 \$'000
Current		
Loan Facility Drawn – Secured	20,000	10,000
Non-Current		
Loan Facility Drawn – Secured	80,000	120,000

For information regarding the Company's exposure to interest risk and liquidity risk, see Notes 19 and 20.

14. Capital and Reserves

(a) Issued Capital

	2019 \$'000	2018 \$'000
Issued and paid-up share capital		
124,327,707 (2018: 124,006,471) fully paid ordinary shares	445,673	442,948
Movements in issued capital:		
Balance at beginning of the financial year	442,948	440,396
Shares issued		
- Dividend re-investment plan ⁽¹⁾	2,725	2,552
	445,673	442,948

(1) In respect of the final dividend paid in September 2018, 163,673 ordinary shares were issued at \$8.55 each and in respect of the interim dividend paid in March 2019, 157,563 ordinary shares were issued at \$8.41 each.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

(b) Nature and Purpose of Reserves

	2019 \$'000	2018 \$'000
Retained Earnings	145,017	133,910
Revaluation Reserve	435,193	383,882
Realisation Reserve	16,007	20,322
	596,217	538,114

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.

15. Directors' Remuneration

The total director's remuneration for the year is \$428,500 (2018: \$406,461). Details of the directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report.

16. 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), J S Craig, F S Grimwade and D C Hershan.

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 2019 to 18 June 2020.

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 01/07/2018	Purchases	Sales	Held at 30/06/2019
Charles B Goode	1,351,265	57,961	-	1,409,226
James S Craig	350,000	-	-	350,000
Fred S Grimwade	10,000	-	-	10,000
Dion C Hershan	12,000	-	-	12,000

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

Directors' Transactions in Shares

The movements in directors' holdings of ordinary shares resulted from purchases on market, or 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.

17. Notes to the Statement of Cash Flows

	2019 \$'000	2018 \$'000
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	83,837	22,816
Reconciliation of operating profit after income tax to net cash provided by operating activities:		
Profit for the year	55,777	47,768
<i>Add / (less) changes in assets and liabilities:</i>		
(Increase) / decrease in dividends receivable	3,020	41
(Increase) / decrease in trust distributions receivable	1,195	(747)
(Increase) / decrease in other prepayments	18	(54)
(Increase) / decrease in deferred tax assets	879	472
(Increase) / decrease in other assets	2	14
Increase / (decrease) in deferred tax liability	(33)	1
Increase / (decrease) in other taxes	(761)	7
Increase / (decrease) in prepaid interest and borrowing costs	(189)	246
Increase / (decrease) in accrued expenses	84	(79)
Increase / (decrease) in provisions	4	3
Net cash provided by operating activities	59,996	47,672

18. 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.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

19. 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 17.

Cash

The Company invests in cash management units with the Mutual Trust 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.

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 \$130 million) gearing the investment portfolio by 7.5% (previous year 10.2%). 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 31 July 2023, unless renewed. Annual interest expense during the year was covered 13.5 times by investment revenue (previous year 10.5 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.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

19. Financial Risk Management (continued)

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% (2018: 30%), a general movement in market prices of 5% and 10% would lead to a change in the Company's equity of \$43,043,420 or 4.1% (2018: \$43,199,940, or 4.4%) and \$86,086,840 or 8.3% (2018: \$86,399,879 or 8.8%) 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 20, 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 investee companies' businesses may have currency risk exposures.

20. Financial Instruments Disclosure

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2019 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

	Note	Floating Interest Rate \$'000
Financial Assets - 2019		
Cash	17	83,837
Weighted Average Interest Rate		1.67%
Financial Assets - 2018		
Cash	17	22,816
Weighted Average Interest Rate		1.70%

The Company has secured borrowing facilities in place with the National Australia Bank Ltd totalling \$150,000,000 (2018: \$150,000,000) as follows:

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

20. Financial Instruments Disclosure (continued)

Interest Rate Risk (continued)

National Australia Bank Ltd

	Amount	Maturity	Interest Rate⁽¹⁾
1	\$10,000,000	31 July 2019	Fixed 3.88%
2	\$10,000,000	30 November 2019	Fixed 4.51%
3	\$20,000,000	31 July 2020	Fixed 4.05%
4	\$10,000,000	31 October 2020	Fixed 3.60%
5	\$5,000,000	2 July 2021	Fixed 3.76%
6	\$15,000,000	2 July 2021	Fixed 4.01%
7	\$20,000,000	31 July 2022	Fixed 3.94%
8	\$10,000,000	31 July 2023	Floating 4.28%
9	\$50,000,000 (undrawn)	31 July 2020	Floating 2.80%
Total	\$150,000,000		

(1) Interest rate includes bank margins and fees

The terms of the agreement require the market value of the securities pledged as collateral for the drawn secured borrowings (Facilities 1-8) to satisfy a minimum value of \$380 million. As at 30 June 2019 the market value of the securities pledged as collateral was \$427 million (2018: \$500 million).

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 unlisted managed funds is determined by valuing them at the net asset value provided by the fund manager as at balance date. Unlisted managed funds included in "Investments" are considered "level 2" under the fair value measurement hierarchy, which is defined as inputs other than quoted prices, which can be observed either directly (as prices) or indirectly (derived from prices). As at 30 June 2019 the Company does not hold any Level 2 investments (2018: \$19,508,185). The net fair value of investments is set out in notes 8 and 24.

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

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

21. Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 30 June 2019.

22. Segment Reporting

The Company operates as an investment company in Australia.

23. Events Subsequent to Balance Date

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

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the year ended 30 June 2019

24. Holdings of Securities as at 30 June 2019

The following is a list of the Company's top 25 investments as at 30 June 2019, which represent 85% of the total investment portfolio (2018: 81%). All investments are valued at fair value through Other Comprehensive Income.

2019		Market Value	2018	
Company		\$'000	Company	Market Value \$'000
1	Commonwealth Bank of Australia Ltd	107,614	Commonwealth Bank of Australia Ltd Australia & New Zealand Banking Group	92,909
2	CSL Ltd	86,000	Ltd	79,778
3	Westpac Banking Corporation	85,080	CSL Ltd	77,048
4	Australia & New Zealand Banking Group Ltd	84,630	Westpac Banking Corporation	73,250
5	Transurban Group	81,070	Wesfarmers Ltd	69,104
6	Rio Tinto Ltd	77,820	BHP Group Ltd	62,734
7	BHP Group Ltd	76,146	Rio Tinto Ltd	62,580
8	Woodside Petroleum Ltd	69,084	National Australia Bank Ltd	61,672
9	Diversified United Investment Ltd	62,784	Diversified United Investment Ltd	59,040
10	National Australia Bank Ltd	53,440	Woodside Petroleum Ltd	56,984
11	Wesfarmers Ltd	50,624	Transurban Group	55,062
12	Sydney Airport	36,180	Woolworths Ltd	30,520
13	Woolworths Group Ltd	33,230	Sydney Airport	25,060
14	Atlas Arteria Washington H Soul Pattinson & Company Ltd	26,656	Sonic Healthcare Ltd	24,530
15	Seek Ltd	21,990	Atlas Arteria	21,862
16		21,160	LendLease Group Washington H Soul Pattinson & Company Ltd	21,791
17	Brambles Ltd	20,930	Event Hospitality and Entertainment Ltd	20,690
18	Invocare Ltd	19,188	Oil Search Ltd	20,085
19	Event Hospitality and Entertainment Ltd	18,750	Brambles Ltd	19,580
20	Coles Group Ltd	18,690	South32 Ltd	18,648
21	Aurizon Holdings Ltd	16,200	Invocare Ltd	18,050
22	Orica Ltd	15,203	Ramsay Health Care Ltd	16,488
23	Origin Energy Ltd	14,620	AMP Ltd	16,194
24	Ramsay Health Care Ltd	14,448	Telstra Corporation Ltd	16,020
25	LendLease Group	14,300		15,720
Total Top 25 Investments		1,125,837		1,035,399
Total Investments at Market Value, Net Short Term Receivables and Cash		1,325,504		1,273,659

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Declaration

1. In the opinion of the directors of Australian United Investment Company Limited ("the Company"):
 - a. The financial statements and notes set out on pages 9 to 27, and the remuneration disclosures that are contained in the Remuneration Report on 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 2019 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 2019.

Signed in accordance with a resolution of the directors.

Charles Goode

Director

Dated at Melbourne this 14th day of August 2019



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 2019 and of its financial performance for the year 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 2019
- 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.



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 (\$1,229.8 million)

Refer to Note 8 - Investments

The key audit matter

The Company's investment portfolio is \$1,229.8 million which constitutes 93% of the Company's total assets as at 30 June 2019 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 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 assessing the controls over transactions;
- Checking the number of shares or units in each equity investment for the entire investment portfolio to electronic share registry records;
- Performing a recalculation of the market value of investments based on the last quoted market price; and
- Assessing the disclosures in the financial statements with reference to the requirements of accounting standards.



Completeness of the net deferred tax liability (\$182.4 million)

Refer to Note 4 - Taxation

The key audit matter

The Company's net deferred tax liability is \$182.4 million which constitutes 64% of the Company's total liabilities as at 30 June 2019.

The deferred tax liability relates to the expected tax on disposal of equity securities in the investment portfolio. 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 of the individual investments, multiplied by the applicable company tax rate.

The Company's deferred tax assets are set off against the deferred tax liability to the extent that it is probable taxable profit will be available against which the deductible temporary difference can be utilised.

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 assess the reasonableness of the deferred tax liability;
- Performing a proof of the net deferred tax liability by reconciling the opening and closing deferred tax balances, including the offset of deferred tax assets and liabilities;
- 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 the 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_responsibilities/ar2.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 year ended 30 June 2019 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 the Directors' report for the year ended 30 June 2019.

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

KPMG

Chris Sargent

Partner

Melbourne

14 August 2019