

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

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HALF YEARLY REPORT TO SHAREHOLDERS

14 March 2018

Dear Shareholder,

Dividend Payment

The 16.0¢ per share fully franked interim dividend has been paid today, by way of cheque, notification of direct banking, or notification of allotment of shares under the Dividend Reinvestment Plan, according to your instructions.

Net Asset Backing 28 February 2018: \$8.86 per share

At 28 February 2018 the unaudited net asset backing of the Company's ordinary shares, based on investments at market value, after tax on net realised gains, before any future tax benefit of net realised losses, and before estimated tax on net unrealised gains and losses and after provision for the interim dividend of 16.0 cents per share, was \$8.86 per share, or \$7.63 per share after providing for estimated tax on unrealised portfolio gains.

Results for Half Year Ended 31 December 2017

On 15 February 2018 the Directors made the following report to the Australian Securities Exchange concerning the Company's performance and the interim dividend:-

Profit and Realised Capital Gains/Losses

Profit after income tax for the half year ended 31 December 2017 was \$23,141,480 (previous corresponding period: \$21,345,411). The Profit includes special dividends received after tax of \$480,000 (previously: \$435,000).

Excluding special dividends Profit after tax rose 8.4%.*

Net realised gains on the investment portfolio after tax were \$2,779,299 (previous corresponding period losses of \$2,689,267), which under accounting standards are transferred directly to the Asset Realisation Reserve and are not included in Net Profit.

Operating expenses (including external management fees of the Small Cap managed funds, and excluding interest) for the half year were 0.05% of the average market value of the portfolio (previous corresponding period 0.05%).

* Additional non IFRS information, not subject to external review.

Earnings Per Share

Earnings per share based on the weighted average number of shares on issue for the half year were 18.7 cents per share compared to 17.3 cents for the prior corresponding period. Excluding the special dividends, earnings per share rose 8.3% to 18.3 cents.*

The weighted average number of ordinary shares for the period rose 0.3% to 123,793,021 after taking into account the shares issued in the dividend reinvestment plan.

Dividends

The Directors have declared an interim dividend of 16.0 cents per share fully franked to shareholders registered on 23 February 2018, to be paid on 14 March 2018. The comparable 2017 interim dividend was 15.5 cents per share fully franked.

LIC Capital Gains

The interim 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 trading days beginning 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 26 February 2018.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$9.04 at 31 December 2017 and \$9.01 at 31 January 2018. 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 interim dividend.

The Company is a long term investor and does not intend disposing of its total portfolio. If estimated tax on unrealised portfolio gains were to be deducted, the above figures would be \$7.79 at 31 December 2017 and \$7.77 at 31 January 2018.

Performance

The Company's net asset backing accumulation performance for the six months to 31 December 2017 (assuming all dividends were reinvested) was a rise of 7.8%, compared to the rise of 8.4% in the S&P ASX 200 Accumulation index. 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 index.

Including the value of franking credits, the Company's accumulation return for the half year to 31 December 2017 was a rise of 9.0% compared to a rise of 9.2% in the S&P/ASX 200 Franking Credit Adjusted Total Return Index.

** Additional non IFRS information, not subject to external review.*

Investment Portfolio

As at 31 December 2017 the twenty-five largest shareholdings of the Company, at market value, were:

Company	Market Value \$'000	% of Market Value of Total Investments
1. Commonwealth Bank Ltd	102,434	8.2%
2. Australian & New Zealand Banking Group Ltd	81,191	6.5%
3. Westpac Banking Corporation Ltd	78,375	6.3%
4. National Australia Bank Ltd	66,532	5.3%
5. Wesfarmers Ltd	62,188	5.0%
6. Diversified United Investment Ltd	58,176	4.6%
7. Transurban Group Ltd	57,111	4.6%
8. Rio Tinto Ltd	56,857	4.5%
9. CSL Ltd	56,520	4.5%
10. BHP Billiton Ltd	54,704	4.4%
11. Woodside Petroleum Ltd	41,350	3.3%
12. Woolworths Ltd	32,760	2.6%
13. AMP Ltd	23,355	1.9%
14. Sonic Healthcare Ltd	22,860	1.8%
15. Telstra Corporation Ltd	21,780	1.7%
16. Macquarie Atlas Roads Group	21,386	1.7%
17. Brambles Ltd	21,147	1.7%
18. Ramsay Health Care Ltd	21,036	1.7%
19. Event Hospitality and Entertainment Ltd	19,905	1.6%
20. Sydney Airport	18,330	1.5%
21. Lend Lease Group	17,985	1.4%
22. Washington H Soul Pattinson	17,800	1.4%
23. South32 Ltd	17,450	1.4%
24. Oil Search Ltd	17,138	1.4%
25. Invocare Ltd	16,100	1.3%
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	1,004,470	80.3%

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

1,251,677

*Note: At 31 December 2017 bank borrowings were \$130M, and cash and short term receivables (included in the above figures) were \$53M.

Yours faithfully,

A J Hancock
Company Secretary