

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

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## **HALF YEARLY REPORT TO SHAREHOLDERS**

14 March 2019

Dear Shareholder,

### **Dividend Payment**

The 17.0¢ 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 2019: \$9.13 per share**

At 28 February 2019 the unaudited net tangible asset backing of the Company's ordinary shares, based on investments at market value, after tax on realised gains, before any future tax benefit of realised losses, and before estimated tax on net unrealised gains and losses and after provision for the interim dividend of 17.0 cents per share, was \$9.13 per share, or \$7.84 per share after providing for estimated tax on unrealised portfolio gains.

### **Results for Half Year Ended 31 December 2018**

On 14 February 2019 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 2018 was \$24,688,988 (previous corresponding period: \$23,141,480). The Profit includes special dividends received after tax of \$180,000 (previously: \$480,000).*

*Excluding special dividends Profit after tax rose 8.2%\*.*

*Net realised losses on the investment portfolio after tax were \$6,549,919 (previous corresponding period gains of \$2,779,299), which under accounting standards are transferred directly to the Asset Realisation Reserve and are not included in Net Profit.*

*Operating expenses 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 19.9 cents per share compared to 18.7 cents for the prior corresponding period. Excluding the special dividends, earnings per share rose 7.7% to 19.7 cents\*.*

*The weighted average number of ordinary shares for the period rose 0.1% to 124,097,203 after taking into account the shares issued in the dividend reinvestment plan.*

### **Dividends**

*The Directors have declared an interim dividend of 17.0 cents per share fully franked to shareholders registered on 25 February 2019, to be paid on 14 March 2019. The comparable 2018 interim dividend was 16.0 cents per share fully franked.*

### **LIC Capital Gains**

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

### **Franking Balance and Franking Credit Refunds**

*The Company has a modest franking account balance which would fully frank approximately 1.7 years of future dividends at the current rate of dividend per share.*

*Directors monitor the level of the franking account carefully and are cognisant the franking credits have value to shareholders and in particular those shareholders on lower marginal tax rates, self managed superannuation funds and charities.*

*As the Chairman said at last year's Annual General Meeting, directors believe the Australian Labor Party's proposal to deny some shareholders franking credit refunds is an unfair policy which will potentially disadvantage many older self funded retirees while not affecting others such as those in larger superannuation funds.*

*There remain real uncertainties - as to whether the ALP policy will be implemented in its current form, including the results of the next Federal election and successful passage of legislation through the new parliament; and then the effective start date of the new policy.*

*Directors will continue to monitor developments closely and will continue to advocate against the implementation of this inequitable proposal.*

### **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 2019.*

### **Asset Backing**

*The net tangible asset backing per share based on the market valuation of investments was \$8.44 at 31 December 2018 and \$8.68 at 31 January 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/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 \$7.37 at 31 December 2018 and \$7.55 at 31 January 2019.*

### **Performance**

*The Company’s net asset backing accumulation performance for the six months to 31 December 2018 (assuming all dividends were reinvested) was a fall of 6.5%, compared to the fall of 6.8% 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 2018 was a fall of 5.7% compared to a fall of 6.2% in the S&P/ASX 200 Franking Credit Adjusted Total Return Index.*

**Investment Portfolio**

As at 31 December 2018 the twenty-five largest shareholdings of the Company, at market value, were:

<b>Company</b>	<b>Market Value \$'000</b>	<b>% of Market Value of Total Investments</b>
1. Commonwealth Bank Ltd	94,107	8.1%
2. CSL Ltd	74,064	6.4%
3. Australian & New Zealand Banking Group Ltd	73,380	6.3%
4. Westpac Banking Corporation Ltd	67,608	5.8%
5. Transurban Group Ltd	64,075	5.5%
6. BHP Billiton Ltd	63,326	5.5%
7. Rio Tinto Ltd	58,852	5.1%
8. Woodside Petroleum Ltd	56,376	4.9%
9. Diversified United Investment Ltd	55,440	4.8%
10. National Australia Bank Ltd	55,361	4.8%
11. Wesfarmers Ltd	45,108	3.9%
12. Sydney Airport	30,285	2.6%
13. Woolworths Ltd	29,420	2.5%
14. Washington H Soul Pattinson	24,890	2.1%
15. Brambles Ltd	21,315	1.8%
16. Atlas Arteria Ltd	21,284	1.8%
17. Event Hospitality and Entertainment Ltd	20,400	1.8%
18. Challenger Financial Services Group	17,082	1.5%
19. Seek Ltd	16,920	1.5%
20. Coles Group Ltd	16,436	1.4%
21. Orica Ltd	12,937	1.1%
22. Aurizon Holdings Ltd	12,840	1.1%
23. Lend Lease Group	12,793	1.1%
24. Suncorp Group Ltd	12,630	1.1%
25. Invocare Ltd	12,360	1.1%
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	969,289	83.6%
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**\*Total Investments at Market Value, Short Term  
Receivables and Cash**

1,159,311

\*Note: At 31 December 2018 bank facilities were \$150M, drawn as to \$110M, and cash and short term receivables (included in the above figures) were \$58M.

Yours faithfully,

A J Hancock  
Company Secretary