AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

APPENDIX 4E STATEMENT
FOR THE YEAR ENDING 30 JUNE 2007

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2007 with the corresponding period being the year ended 30 June 2006.

Results for announcement to the market

- Revenue from operating activities was $31.1 million, 21% up from the prior year.
- Operating profit after tax and before net realised gains on the investment portfolio was $25.7 million, up 16% from the prior year.
- Net realised capital gains on the investment portfolio after tax were $10.8 million, up 54% from the prior year.
- The total net profits (including capital gains) were $36.5 million, 26% up from the prior year.
- In the current year special dividends and distributions of $1,345,375 after tax were received. In the previous corresponding year special dividends of $2,269,000 after tax were received
- The final dividend for the year is 12.5 cents per share (11 cents previous period) fully franked payable on 15 October 2007. Of the final 12.5 cent final dividend, 0.9 cents will be a Listed Investment Company capital gain dividend. The record date for determining entitlement to the final dividend is 19 September 2007.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

Level 4
45 Exhibition Street
Melbourne Victoria 3000
Australia

Telephone (03) 9654 0499
Facsimile (03) 9654 3499

16 August 2007

The General Manager
Australian Stock Exchange
P O Box H224
Australia Square
Sydney NSW 2000

Dear Sir,

Annual Financial Results and Dividend Announcement for the Financial Year Ended 30 June 2007

The Directors are pleased to make the following report concerning the company's performance and final dividend:-

Operating Profit and Realised Capital Gains

Operating profit after income tax and before net realised gains on the investment portfolio for the year ended 30 June 2007 was $25,710,394 (previous corresponding period: $22,085,534). Operating profit includes special dividends and distributions of $1,345,375 (previously $2,269,000).

Net realised gains on the investment portfolio after tax were $10,815,684 (previously $7,003,951). In accordance with accounting standards, these gains include the non-cash, scrip based deemed sales arising from the scheme of arrangement affecting our holdings in Alinta Limited and Australian Gas Light Company and the takeover of Unitab by Tattersalls.

Operating expenses (excluding interest) were 0.10 % of the average market value of the portfolio (previously 0.13%).

Earnings Per Share

The operating earnings per share based on the weighted average number of shares on issue for the year was 30.2 cents per share (28.6 cents excluding the special dividends) compared to 26.3 cents for the year to 30 June 2006 (23.6 cents excluding special dividends). Excluding special dividends, earnings per share rose 21%.

Including realised capital gains and special dividends, earnings per share were 42.9 cents (previously 34.6 cents).

Dividends

The Directors also announce a final dividend of 12.5 cents per share fully franked to shareholders registered on 19 September 2007, to be paid on 15 October 2007. The comparable 2006 final dividend was 11.0 cents per share fully franked. Together with the interim dividend of 10.5 cents per share, total dividends for the year are 23 cents per share (19.5 cents last year).

LIC Capital Gains

The final dividend will include a Listed Investment Company capital gain dividend of 0.9¢ per share which will give rise to an "attributable part" of 1.29¢ per share. This will enable some shareholders to claim a tax deduction in their income tax return. Details will be provided on the dividend statement.

Dividend Reinvestment Plan

The last date for receipt of election notices under the Dividend Reinvestment Plan is 19 September 2007. The Plan offers shares in lieu of the cash dividend, at current market prices without discount.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was $9.35 at 30 June 2007 and $9.08 at 31 July 2007. These calculations are after provision for tax on net realised gains, before tax on unrealised gains 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 portfolio gains were to be deducted, the above figures would be $7.52 at 30 June 2007 and $7.34 at 31 July 2007.

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday, 11 October 2007 at 11.00 am at the offices of KPMG, 147 Collins Street, Melbourne.

Investment Portfolio

As at 30 June 2007 the twenty-five largest shareholdings of the company, at market values were:

	Company	**Market Value $'000**	**% of Market Value of Total Investments**
1.	BHP Billiton Ltd	73,563	8.1%
2.	Rio Tinto Ltd	59,274	6.6%
3.	ANZ Banking Group Ltd	50,732	5.6%
4.	Diversified United Investment Ltd	48,120	5.3%
5.	Woodside Petroleum Ltd	45,750	5.1%
6.	National Australia Bank Ltd	41,020	4.5%
7.	Westpac Banking Corporation Ltd	34,641	3.8%
8.	Alumina Ltd	33,887	3.8%
9.	Commonwealth Bank Ltd	30,387	3.4%
10.	Tabcorp Holdings Ltd	27,440	3.0%
11.	Wesfarmers Ltd	27,438	3.0%
12.	Woolworths Ltd	27,000	3.0%
13.	Orica Ltd	22,350	2.5%
14.	Brambles Ltd	21,924	2.4%
15.	QBE Insurance Group Ltd	21,840	2.4%
16.	Suncorp Metway Ltd	20,170	2.2%
17.	Westfield Group	19,960	2.2%
18.	AXA Asia Pacific Holdings Ltd	18,575	2.1%
19.	Alesco Corporation Ltd	18,282	2.0%
20.	Southern Cross Broadcasting (Aust) Ltd	16,000	1.8%
21.	St George Bank Ltd	15,943	1.8%
22.	Perpetual Trustees Australia Ltd	15,702	1.7%
23.	Alinta Ltd	12,444	1.4%
24.	Telstra - Instalment Receipts	12,440	1.4%
25.	Bluescope Steel Ltd	12,408	1.4%
		727,290	80.5%
Total Investments at Market Value and Cash		903,581	

Yours faithfully

A J Hancock
Company Secretary

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

(ABN 37 004 268 679)

ANNUAL FINANCIAL REPORT

30 JUNE 2007

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report

The directors present their report together with the financial report of Australian United Investment Company Limited for the year ended 30 June 2007 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 B. Goode AC, B.Com. (Hons) (Melb), MBA (Columbia), Hon LLD (Melb), Hon LLD (Mon).
Chairman, Appointed April 1990
Age 68

Mr Goode is the Chairman of the Boards of Australia and New Zealand Banking Group Limited (director since 1991), Diversified United Investment Limited (since 1991) and The Ian Potter Foundation Limited (governor since 1987).

Since the end of the financial year Mr Goode has resigned as a director of Woodside Petroleum Limited

Graeme E. Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.
Director, Appointed March 1976
Age 75

Mr Moir has had 45 years experience in the share investment field. He is the principal of Moir's Investment Service Pty. Ltd. (since 1965), is a director of Graeme Moir and Associates Pty. Ltd. (since 1965) and Diversified United Investment Limited (since 1991).

Dr P. John B. Rose AO, BCom (NZ), DipEc (Camb), PhD(Melb). Hon D.Bus (Melb).
Director, Appointed April 2000
Age 71

Dr Rose is a governor of The Ian Potter Foundation Limited (since 2000). Formerly he was the Sidney Myer Professor of Commerce and Business Administration of the University of Melbourne, the Director of The Melbourne Business School, and a director of Woodside Petroleum Limited.

Peter J. Wetherall B.E. Hons (Qld), B.A. Hons (Oxon)
Director, Appointed November 2001
Age 51

Mr Wetherall has 27 years experience in the Australian share market as a stockbroker and funds manager. He is the founder and Managing Director of Wallara Asset Management Pty Ltd (since 1995). He is Chairman of the Company's Audit Committee.

Ronald R. Dewhurst
Director, Appointed June 2005
Age 55

Mr Dewhurst has over 30 years domestic and international experience in investment and financial services management. He is a director of Acctrak21 International Limited (since 2003), Breast Cancer Network of Australia (since 2003), National Gallery of Victoria (since 2003) and Pride Capital Partners LLC (since 2002).

During the year he resigned as a director of IOOF Holdings Limited and Orchard Petroleum Limited.

Company Secretary

Andrew J. Hancock FCA, B.Ec (Mon), Grad. Dip. CDP (RMIT)
Company Secretary,
Appointed 11 October 1995
Age 55

Mr Hancock is also 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.

Principal Activity of the Company

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.

As at 30 June 2007 the Company's portfolio had a market value (including cash management trust investments) of $903,581,348 (2006: $692,752,730). The net tangible asset backing of the Company's ordinary shares at 30 June 2007 was $9.35 (2006: $7.44). This net asset backing calculation is based on investments at market value and is after provision for tax on net realised gains, before tax on unrealised gains and before the final dividend. The Company is a long term investor and does not intend disposing of its portfolio. However if estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing would be $7.52 (2006: $6.15).

No significant change in the nature of the Company's activities has occurred during the financial year.

Results and Review of Operations

The operating profit after income tax before net realised gains from the investment portfolio was $25,710,394 compared to $22,085,534 in the previous year - an increase of 16%. If special dividends received are disregarded, operating profit before net realised gains on the investment portfolio increased 23%. The operating profit after tax includes $1,345,375 of special dividends and distributions received (2006: $2,268,674).

The basic and diluted earnings per share before net realised gains from the investment portfolio and special dividends was 28.6 cents compared to 23.6 cents for the previous year.

The Company incurred expenses (excluding finance costs) of $827,767 (2006: $812,317) which is equivalent to 0.10% (2006: 0.13%) of the average market value of the portfolio.

Bank Borrowings were $110 million at the end of the financial year (previous year $65 million) gearing the investment portfolio by around 12%. Annual interest expense was covered six times by investment revenue.

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 2006 of 11.0 cents per share fully franked paid on 16 October 2006	$9,305,600
An interim dividend in respect of the year ended 30 June 2007 of 10.5 cents per share fully franked paid on 12 April 2007.	$8,940,631
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2007 of 12.5¢ per share fully franked payable on 15 October 2007	$10,702,081

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 Committee Meetings***		***Remuneration & Nomination Committee Meetings***	
	No. of Meetings attended	*No. of Meetings eligible*	*No. of Meetings attended*	*No. of Meetings eligible*	*No. of Meetings attended*	*No. of Meetings eligible*
Charles B Goode	10	12	2*	2*	2	2
Graeme E Moir	12	12	2	2	2	2
P John Rose	10	12	2	2	2	2
Peter J Wetherall	10	12	2	2	2	2
Ron R Dewhurst	9	12	2	2	2	2

During the year there were ten scheduled meetings, and two special meetings for the purpose of bank borrowing resolutions.

* In attendance – not a Committee member.

Directors' Interests

The relevant interest of each director in the issued capital of the Company as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	SHARES		
	1	**2**	**3**
Charles B. Goode	54,987	692,691	33,583
Graeme E. Moir	70,000	-	16,792
P. John Rose	61,264	-	10,915
Peter J. Wetherall	10,103	-	8,256
Ron Dewhurst	-	-	-

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

Directors' Interests (cont.)

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	Directors' Fees (1) $		Retirement benefits $		Total $	
	2007	2006	2007	2006	2007	2006
Charles Goode	112,833	90,000	29,247	20,000	142,080	110,000
Graeme Moir	56,417	45,000	14,624	10,000	71,041	55,000
P John Rose	56,417	45,000	5,400	7,463	61,817	52,463
Peter Wetherall	56,417	45,000	5,140	7,462	61,557	52,462
Ron Dewhurst	60,666	57,150	-	-	60,666	57,150
Total	342,750	282,150	54,411	44,925	397,161	327,075

(1) Directors fees include superannuation contributions elected by Directors to be paid to their nominated superannuation fund.

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.

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 to effect 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.

Each director is entitled to enter a Deed of Access, Indemnity and Insurance with the Company and to be covered by the Company's Directors and Officers Liability Insurance. Amounts disclosed for directors' remuneration exclude insurance premiums of $39,884 paid by the Company in respect of Directors' and Officers' liability insurance as the contracts do not specify premiums paid in respect of individual directors and officers. Refer to Note 16 of the financial statements for information relating to the insurance contracts.

Remuneration report (audited) (Cont.)

In accordance with the restructure of Directors' remuneration which was approved at the Company's annual general meeting on 12 October 2006, the following shares have been purchased for the Directors and held for each Director in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan:

Charles B Goode	33,583
Graeme E Moir	16,792
P John Rose	10,915
Peter J Wetherall	8,256

The Company Secretary, Mr Andrew J Hancock, received $59,770 (2006: $56,925) 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 $6,325 for these services. KPMG also received $2,860 for other assurance services.

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 during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

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, except that the market value of the investment portfolio moves broadly in line with the overall Australian share market and the Australian All Ordinaries Index fell 8.1% from 30 June 2007 to 15 August 2007.

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.

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 7 and forms part of the Directors' Report for the year ended 30 June 2007.

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

Melbourne, 16 August 2007

Signed in accordance with a resolution of the Directors:

Charles Goode
Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Australian United Investment Company Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 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

Mitch Craig
Partner

Melbourne

16 August 2007

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Income Statement for the Year Ended 30 June 2007

	Note	*2007* *$*	*2006* *$*
Revenue from investment portfolio	2	31,066,642	25,714,992
Administration and other expenses		(827,767)	(812,317)
Finance expenses	2	(5,477,714)	(3,137,445)
Operating profit before income tax expense and net realised gains on investment portfolio		24,761,161	21,765,230
Income tax benefit *	4(a)	949,233	320,304
Net operating profit before net realised gains on investment portfolio		25,710,394	22,085,534
Net realised gains on investment portfolio transferred from revaluation reserve		15,611,019	10,194,403
Income tax expense thereon *	4(a)	(4,795,335)	(3,190,452)
		10,815,684	7,003,951
Profit for the year		36,526,078	29,089,485
Basic and diluted earnings per share (cents)	5	42.9	34.6

Basic and diluted operating earnings per share (cents) before realised gains on investment portfolio are shown in Note 5.

		2007 *$*	*2006* *$*
* Total income tax expense	4(a)	(3,846,102)	(2,870,148)

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 12 to 24.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Balance Sheet as at 30 June 2007

	Note	*2007*	*2006*
		$	*$*
CURRENT ASSETS			
Cash assets	17	415,095	1,536,001
Receivables	7	4,374,695	3,825,670
Other	9	32,809	37,341
TOTAL CURRENT ASSETS		4,822,599	5,399,012
NON-CURRENT ASSETS			
Investment portfolio	8	903,166,253	691,216,729
Deferred tax assets	4(b)	945,683	169,830
TOTAL NON-CURRENT ASSETS		904,111,936	691,386,559
TOTAL ASSETS		908,934,535	696,785,571
CURRENT LIABILITIES			
Payables	10	127,977	75,785
Current tax liability	4(a)	-	2,759,201
TOTAL CURRENT LIABILITIES		127,977	2,834,986
NON-CURRENT LIABILITIES			
Borrowings – interest bearing	11	108,802,863	64,002,605
Deferred tax liability	4(b)	156,291,034	109,522,673
Employee benefits	13	-	566,100
TOTAL NON-CURRENT LIABILITIES		265,093,897	174,091,378
TOTAL LIABILITIES		265,221,874	176,926,364
NET ASSETS		643,712,661	519,859,207
EQUITY			
Issued capital	14(a)	174,674,642	166,690,421
Revaluation reserve	14(b)	364,286,261	263,164,416
Realisation reserve	14(b)	49,348,896	49,256,496
Retained earnings	14(b)	55,402,862	40,747,874
TOTAL EQUITY		643,712,661	519,859,207

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 12 to 24.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Statement of Changes in Equity for the year ended 30 June 2007

	Note	*2007* *$*	*2006* *$*
Total equity at the beginning of the year		519,859,207	424,272,319
Revaluation of investment portfolio	14(b)	155,414,108	116,128,869
Net realised gains on investment portfolio after tax transferred to income statement	14(b)	(10,815,684)	(7,003,951)
Provision for tax on unrealised gains	14(b)	(47,009,038)	(36,001,071)
Total direct equity adjustments		97,589,386	73,123,847
Profit for the year		36,526,078	29,089,485
Total direct equity adjustments and profit for the year		134,115,464	102,213,332
Transactions with shareholders			
Dividend reinvestment plan	14(b)	7,984,221	8,026,334
Dividends paid from retained earnings	14(b)	(11,055,407)	(13,402,658)
Dividends paid from realisation reserve	14(b)	(7,190,824)	(1,250,120)
Total transactions with shareholders		(10,262,010)	(6,626,444)
Total equity at the end of the year		643,712,661	519,859,207

The statement of changes in equity is to be read in conjunction with the notes to the financial report set out on pages 12 to 24.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Statement of Cash Flows
for the Year Ended 30 June 2007

	Note	*2007* $	*2006* $
Cash flows from operating activities			
Interest received		158,195	381,031
Dividends and trust distributions received		30,012,697	24,872,338
Finance costs paid		(5,677,455)	(3,528,582)
Administration and other expenses paid		(1,336,927)	(730,337)
Income taxes paid		(2,826,497)	-
Net cash flow from operating activities	17	20,330,013	20,994,450
Cash flows from investing activities			
Proceeds from sale of investments		10,523,321	42,688,502
Purchases of investments		(66,712,230)	(73,920,365)
Net cash flow from investing activities		(56,188,909)	(31,231,863)
Cash flows from financing activities			
Dividends paid		(10,262,010)	(6,626,444)
Cash proceeds from borrowings		45,000,000	15,000,000
Net cash flow from financing activities		34,737,990	8,373,556
Net increase/(decrease) in cash held		(1,120,906)	(1,863,857)
Cash and cash equivalents at 1 July		1,536,001	3,399,858
Cash and cash equivalents at 30 June	17	415,095	1,536,001

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 24.

Notes to the Financial Statements
for the Year Ended 30 June 2007

1. Statement of significant accounting policies

Australian United Investment Company Limited (the 'Company') is a company domiciled in Australia.

The financial report was authorised for issue by the directors on 16 August 2007.

(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 Standard Board ('AASB') and the Corporations Act 2001. The financial report of the Company also complies with the International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board.

(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 entity has elected to early adopt the following accounting standards and amendments:

- AASB 8 *Operating Segments*, and
- AASB 101 *Presentation of Financial Statements* (October 2006), and
- ED 151 *Australian Additions to, and Deletions from, IFRSs.*

.
The following accounting standard has not been early adopted by the Company in these financial statements; AASB 7 *Financial Instruments: Disclosures.*

The financial report is prepared on a historical cost basis except that financial instruments classified as available-for-sale are stated at their fair value.

(c) Investments

The Company is a long term investor. Under IFRS, investments are classified as available-for-sale. After initial recognition at fair value (being cost), investments are measured at fair value.

Unrealised gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement as a realised gain or loss.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualified for derecognition in accordance with AASB 139. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the revaluation reserve to the income statement.

The Company reviews its investment portfolio at each balance sheet date to determine whether there is any objective evidence of impairment. When a decline in the fair value of an investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss (after tax) that had been recognised directly in equity is immediately recognised in profit or loss. Any subsequent reversal of an impairment loss is not reversed through profit or loss.

(d) Revenue from investment portfolio

The activity of the Company is that of an investment company, returns being in the form of dividends, interest and trust income. Dividend income is recognised in the income statement at ex-dividend date and all other income is recognised on an accruals basis.

(e) Taxation

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the company tax rate adjusted by changes in deferred tax assets and liabilities which arise from items being brought to account in different periods for income tax and accounting purposes.

The expected tax on disposal of securities in the investment portfolio is recognised directly in equity and as a deferred tax liability. Where the Company disposes of such securities, tax is calculated on gains made according to the particular parcels allocated to the sale for tax purposes and offset against any capital losses carried forward. At this time, the tax recognised directly in equity is transferred to Net Profit and adjusted to income tax expense. The associated deferred tax liability is similarly adjusted and transferred to current tax payable.

When Capital Gains Tax rollover relief is elected on the disposal of securities, tax is still calculated on gains made (even though the income tax liability has been deferred until subsequent disposal of the replacement securities) and recognised in income tax expense for accounting purposes.

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) Provision for directors' retirement

In accordance with the restructure of directors remuneration which was approved at the Company's Annual General Meeting on 12 October 2006, the directors entitlement to retirement benefits ceased on 31 October 2006.

The resolution provided that directors who had accrued retirement benefits as at 31 October 2006 would be entitled to receive on retirement either a cash payment or shares in satisfaction of their accrued entitlement.

All directors elected to receive shares in the Company on retirement as compensation for their entitlement and in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan.

	2007	*2006*
	$	*$*

2. Revenue and Expenses

(a) Revenue

Dividends received or due and receivable	28,458,986	23,910,007
Interest received or due and receivable	158,195	381,029
Trust distributions received or due and receivable	2,449,461	1,423,956
	31,066,642	25,714,992

(b) Expenses

Provision for directors' retirement benefits	(12,682)	126,100
Finance expenses		
Interest expenses	5,458,428	3,127,861
Other	19,286	9,584

3. Auditor's Remuneration

During the year, KPMG, the Company's auditor, received $34,650 for the audit and review of financial reports (2006: $34,650), $6,325 for the provision of taxation services (2006: $4,675) and $2,860 (2006: Nil) for other assurance services.

4. Taxation

(a) Income Tax Expense

(i) Recognised in the income statement

Current tax expense		
Current Year	-	2,759,201
Adjustments for prior years	67,296	(844)
	67,296	2,758,357
Deferred Tax Expense		
Tax deferred through CGT rollover relief	4,567,108	-
Temporary differences	(788,302))	111,791
	3,778,806	111,791
Total income tax expense in income statement	3,846,102	2,870,148

	2007 *$*	*2006* *$*
4. Taxation (Cont.)		
(ii) Reconciliation between tax expense and pre-tax net profit		
Prima facie tax expense calculated At 30% on the profit for the year	12,111,654	9,587,890
Increase in tax expense due to:		
Franking credits gross-up on dividends received	3,375,507	2,832,803
Sundry items	-	217,547
Decrease in tax expense due to:		
Sundry items	(3)	-
Tax Deferred revenue received	(456,662)	(278,772)
Franking credits on dividends received	(11,251,690)	(9,442,677)
Effect of tax losses utilised	-	(45,799)
Tax expense on operating profit	3,778,806	2,870,992
Under/ (over) provided in prior years	67,296	(844)
Income Tax Expense attributable to profit for the year	3,846,102	2,870,148
(iii) Deferred tax recognised directly in equity		
Increase/(decrease) in provision for tax on unrealised gains on investment portfolio	47,009,038	36,001,071

(b) Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities

	Assets		**Liabilities**	
	2007 *$*	*2006* *$*	*2007* *$*	*2006* *$*
Revaluation reserve – Provision for tax on unrealised gains on investment portfolio	-	-	(156,215,434)	(109,434,623)
Other	-	-	(75,600)	(88,050)
Provision for directors retirement	-	169,830	-	-
Value of tax loss carry-forwards *	945,683	-	-	-
Tax assets/(liabilities)	945,683	169,830	(156,291,034)	(109,522,673)
Net tax assets/(liabilities)	945,683	169,830	(156,291,034)	(109,522,673)

** Value of tax loss carry-forwards relates to unutilised tax credits.*

Notes to the Financial Statements
for the Year Ended 30 June 2007

5. Earnings Per Share

	2007 Cents	*2006 Cents*
Basic earnings per share	42.9	34.6
Basic operating earnings per share before net realised gains on investment portfolio	30.2	26.3
Basic operating earnings per share before special dividends and net realised gains on investment portfolio.	28.6	23.6

There were no factors which cause diluted earnings to be different from basic earnings per share. Net realised gains on the investment portfolio for the period include non-cash, scrip based deemed sales arising from the scheme of arrangement affecting our holdings in Alinta Ltd and Australian Gas Light Company and the takeover of Unitab by Tattersalls.

Profit reconciliation used in the calculation of earnings per share	*2007 $*	*2006 $*
Profit for the year	36,526,078	29,089,485
Net realised gains on investment portfolio	(10,815,684)	(7,003,951)
Special dividends	(1,345,375)	(2,268,674)
Net profit before net realised gains on investment portfolio and special dividends	24,365,019	19,816,860

Weighted average number of ordinary shares

Issued ordinary shares at 1 July	84,597,931	83,341,329
Effect of shares issued in October 2006	387,916	576,390
Effect of shares issued in April 2007	102,528	98,180
Weighted average number of ordinary shares for the year	85,088,375	84,015,899

6. Dividends	*2007* $	*2006* $
Dividends recognised in the current year by the Company are:		
(i) 2006 final dividend of 11.0 cents per share (2006: 9.0 cents) fully franked paid 16 October 2006	9,305,600	7,500,510
(ii) 2007 interim dividend of 10.5 cents per share (2006: 8.5 cents) fully franked paid 12 April 2007	8,940,631	7,152,268
	18,246,231	14,652,778
Subsequent to reporting date: Since 30 June 2007, the directors have declared the following dividend payable on 15 October 2007: - Final dividend of 12.5 cents per share fully franked	10,702,081	9,305,600

The final dividend will contain a Listed Investment Company capital gain dividend of 0.9 cents per share (2006: 8.5 cents per share).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2007.

Dividend Franking Account:

The balance of the Franking Account at 30 June 2007 is $19,442,033 (2006: $15,747,152) after adjusting for:

(a) franking credits that will arise from the current income tax liability;
(b) franking credits that will arise from the receipt of dividends recognised as receivables at year-end;
(c) franking credits that the entity may be prevented from distributing in subsequent years (none at 30 June 2007).

After allowing for the final 2007 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be $14,855,427 (2006: $11,758,964).

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

LIC Capital Gain Account:

The balance of the Listed Investment Company (LIC) Capital Gain Account at 30 June 2007 was $787,356 (2006: $7,445,652). 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.

After allowing for the final dividend the balance of the LIC Capital Gain Account at 30 June 2007 would be $16,806.

Notes to the Financial Statements
for the Year Ended 30 June 2007

		2007	*2006*
		$	*$*
7.	***Receivables***		
	Current		
	Dividends Receivable	3,733,500	3,355,500
	Trust Distributions Receivable	635,000	463,750
	Other	6,195	6,420
		4,374,695	3,825,670
8.	***Investments***		
	Non-Current		
	Investments quoted on prescribed stock exchanges (at fair value)	903,166,253	691,216,729
9.	***Other Assets***		
	Current		
	Prepayments	32,809	37,341
10.	***Payables***		
	Current		
	Trade Creditors	127,977	75,785
11.	***Interest Bearing Liabilities***		
	Non-Current		
	Bills payable – Secured	108,802,863	64,002,605

The face value of the drawn facility is $110 million (2006: $65 million). The amount disclosed above is net of prepaid interest.

12. Financing Arrangements

The Company has access to the following lines of credit:		
Total facility available		
Commercial Bill Facility – Secured	110,000,000	65,000,000
Facilities utilised at balance date		
Commercial Bill Facility – Secured	110,000,000	65,000,000

	Note	2007 $	2006 $
13. Employee Benefits			
Non-Current			
Directors' retirement allowance	15	-	566,100
14. Capital and Reserves			
(a) Issued Capital			
Issued and paid-up share capital			
85,616,644 (2006: 84,597,931) ordinary fully paid shares		174,674,642	166,690,421
Movements in issued capital			
Balance at beginning of the financial year		166,690,421	158,664,087
Shares issued			
- Dividend re-investment plan (i)		7,984,221	8,026,334
		174,674,642	166,690,421

(i) In respect of the final dividend paid in October 2006 550,931 ordinary shares were issued at $7.36 each and in respect of the interim dividend paid in April 2007 467,782 ordinary shares were issued at $8.40 each.

(b) Reconciliation of movements in capital and reserves

	Issued Capital $	Revaluation Reserve $	Realisation Reserve $	Retained Earnings $	Total Equity $
As at 1 July 2005	158,664,087	190,040,569	43,502,665	32,064,998	424,272,319
Revaluation of investment portfolio	-	116,128,869	-	-	116,128,869
Provision for tax on unrealised gains	-	(36,001,071)	-	-	(36,001,071)
Net realised gains on investment portfolio	-	(10,194,403)	-	10,194,403	-
Income tax on net realised gains	-	3,190,452	-	(3,190,452)	-
Net operating profit for the period	-	-	-	22,085,534	22,085,534
Dividend reinvestment plan	8,026,334	-	-	-	8,026,334
Dividends paid	-	-	(1,250,120)	(13,402,658)	(14,652,778)
Realised gains transferred after tax	-	-	7,003,951	(7,003,951)	-
As at 30 June 2006	166,690,421	263,164,416	49,256,496	40,747,874	519,859,207
As at 1 July 2006	166,690,421	263,164,416	49,256,496	40,747,874	519,859,207
Revaluation of investment portfolio	-	155,414,108	-	-	155,414,108
Provision for tax on unrealised gains	-	(47,009,038)	-	-	(47,009,038)
Net realised gains on investment portfolio	-	(15,611,019)	-	15,611,019	-
Income tax on net realised gains	-	4,795,335	-	(4,795,335)	-
Transfer of tax relating to previously recognised gains	-	3,532,459	(3,532,459)	-	-
Net operating profit for the period	-	-	-	25,710,394	25,710,394
Dividend reinvestment plan	7,984,221	-	-	-	7,984,221
Dividends paid	-	-	(7,190,824)	(11,055,407)	(18,246,231)
Realised gains transferred after tax	-	-	10,815,683	(10,815,683)	-
As at 30 June 2007	174,674,642	364,286,261	49,348,896	55,402,862	643,712,661

15. Directors' Remuneration

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 Messrs C B Goode (Chairman), G E Moir, P J Wetherall, P J B Rose and R R Dewhurst.

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 willful breach of duty. This insurance premium covers the period 18 June 2007 to 18 June 2008.

Apart from the details disclosed in this note, 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.

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 1/7/06	Purchases	Acquired and held under Directors Share Plan	Sales	Held at 30/6/07
Charles B. Goode	727,167	20,511	33,583	-	781,261
Graeme E. Moir	70,000	-	16,792	-	86,792
Peter J. Wetherall	10,000	103	8,256	-	18,359
P. John B. Rose	59,484	1,780	10,915	-	72,179
Ron R. Dewhurst	-	-	-	-	-

16. Related Parties (Cont.)

DIRECTORS' TRANSACTIONS IN SHARES

The movements in directors' holdings of ordinary shares resulted from the issue of shares under the Company's dividend reinvestment plan which were made on the same terms and conditions offered to other shareholders, and shares acquired in accordance with the restructure of directors remuneration as set out in note 1(g).

17. Notes to the Statement of Cash Flows

	2007 $	2006 $
Reconciliation of Cash For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	1,217	2,061
Units in Cash Management Trusts and Deposits at call	413,878	1,533,940
	415,095	1,536,001
Reconciliation of operating profit after income tax to net cash provided by operating activities:		
Operating profit after tax	36,526,078	29,089,485
Add/(less) net realised capital gains	(10,815,684)	(7,003,951)
Net cash provided by operating activities before changes in assets and liabilities	25,710,394	22,085,534
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividend receivable	(378,000)	(201,000)
(Increase)/decrease in interest receivable	-	2
(Increase)/decrease in distributions receivable	(171,250)	(260,625)
(Increase)/decrease in other debtors	225	(2,880)
(Increase)/decrease in deferred tax assets	(1,004,088)	22,897
Increase/(decrease) in deferred tax liability	(12,450)	88,050
Increase/(decrease) in current tax	(2,759,201)	(431,251)
Increase/(decrease) in accrued expenses	52,192	(3,899)
(Increase)/decrease prepayments	(195,209)	(428,478)
Increase/(decrease) in provisions	(566,100)	126,100
Add/(less) non-cash items:		
Distribution reinvested	(32,500)	-
Non-cash income	(314,000)	-
Net cash provided by operating activities	20,330,013	20,994,450

18. Additional Financial Instruments Disclosure

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2007 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

Financial Assets – 2007	*Note*	*Floating Interest Rate*	*Total*
		$	*$*
Cash	17	415,095	415,095
Weighted Average Interest Rate		5.25%	

Financial Assets – 2006	*Note*	*Floating Interest Rate*	*Total*
		$	*$*
Cash	17	1,536,001	1,536,001
Weighted Average Interest Rate		5.23%	

The Company has secured borrowing facilities in place with the National Australia Bank Ltd totalling $110,000,000 (2006: $65,000,000) as follows:

Amount	**Maturity**	**Interest Rate**
$10,000,000	30 September 2007	Floating *
$17,000,000	31 March 2008	Floating *
$10,000,000	31 March 2009	Fixed 5.98%
$7,000,000	31 March 2009	Floating *
$10,000,000	31 March 2010	Fixed 5.99%
$7,000,000	31 March 2010	Floating *
$10,000,000	31 March 2011	Fixed 6.00%
$7,000,000	31 March 2011	Floating *
$10,000,000	31 March 2012	Fixed 6.02%
$7,000,000	31 March 2012	Floating *
$10,000,000	31 May 2013	Fixed 6.65%
$5,000,000	31 May 2013	Floating *

* Normally rolled (reset) on a 90 day basis.

Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company minimises concentration of credit risk by undertaking transactions with a number of counterparties which are recognised banks, cash management trusts or members of the Australian Stock Exchange.

18. Additional Financial Instruments Disclosure (Cont.)

Net Fair Values of Financial Assets and Liabilities

Valuation Approach

Net fair values of financial assets and liabilities are determined by the Company on the following basis:

Recognised Financial Instruments

Listed securities included in "Investments" are readily traded on organised markets in a standardised form. The net fair value of listed securities is determined by valuing them at current quoted market closing prices at balance date. No adjustment for transaction costs necessary to realise the assets has been included as these are deemed to be immaterial. The net fair value of investments is set out in note 8.

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

19. Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 30 June 2007, with the exception of a final call payable on the Telstra Corporation Limited Instalment Receipts. Based on the Company's current holding of 4,000,000 instalment receipts, the Company expects to pay $6,400,000 in May 2008 if the shares are held at that time.

20. Segment Reporting

The Company operates as an investment company in Australia.

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 8 to 24, and the remuneration disclosures that are contained in the Remuneration report on pages 4 to 5 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 2006 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 and the Corporations Regulations 2001; and

   (b) The remuneration report on pages 4 to 5 of the Directors' Report complies with Australian Accounting Standard AASB 124 Related Party Disclosures.

   (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 2007.

Dated at Melbourne this 16 day of August 2007.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

KPMG

Independent auditor's report to the members of Australian United Investment Company Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Australian United Investment Company Limited ("the Company"), which comprises the balance sheet as at 30 June 2007 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 20 and the directors' declaration set out on pages 8 to 25.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australia Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Australian United Investment Company Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance 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 as disclosed in note 1(a).

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the section "remuneration report" of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

Mitch Craig
Partner

Melbourne

16 August 2007