Australian United Investment Company Limited

ABN 37 004 268 679

07

2007 Annual Financial Report

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors
C B Goode AC Chairman
G E Moir
P J B Rose AO
P J Wetherall
R R Dewhurst

Company Secretary
Andrew J Hancock FCA

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45 Exhibition Street
Melbourne Vic 3000
Tel: (613) 9654 0499
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Email: info@aui.com.au
Website: www.aui.com.au

Registered Office
Australian United Investment Company Limited
C/- KPMG
147 Collins Street
Melbourne Vic 3000

Bankers
National Australia Bank Limited

Auditors
KPMG
Chartered Accountants

Share Registry
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Tel: 1300 850 505 or (613) 9415 5000
Fax: (613) 9473 2500
Website: www.computershare.com

Stock Exchange
The Company is listed on the Australian Securities Exchange Ltd.
ASX Code: AUI

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

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Chairman's Report

I am pleased to present the Annual Report of Australian United Investment Company Limited for the year ended 30 June 2007.

The operating profit after income tax, excluding realised gains on the investment portfolio, was $25,710,394 compared to $22,085,534 in the previous year, an increase of 16%, or 23% if special dividends received in both periods are excluded.

The operating earnings per share (excluding realised gains) were 30.2 cents compared to 26.3 cents for the previous year, or 28.6 cents excluding special dividends received (previously 23.6 cents).

This year special dividends totalling $1,345,375 after tax were received from Perpertual Trustees, Over Fifty's Group, Brambles, AGL, Alinta, DCA Group and Toll Holdings. In 2006, special dividends of $2,269,000 were received.

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

The net asset backing per share before provision for estimated tax on unrealised gains and the final dividend was $9.35 at 30 June 2007, compared to $7.44 at 30 June 2006.

Operating expenses (excluding borrowing costs) were 0.10% of the average market value of the portfolio compared to 0.13% in 2006.

The final dividend for the year ending 30 June 2007, is 12.5¢ per share fully franked which with the interim dividend of 10.5¢ per share fully franked makes 23.0¢ per share fully franked for the year. This compares with 19.5¢ per share fully franked in the previous year, an increase of 18%, and the fourteenth consecutive year in which dividends have been increased.

0.9¢ per share of the final dividend will be paid in the form of a Listed Investment Company capital gain dividend which will enable some shareholders to claim a tax deduction in their income tax return. Details will be set out on the dividend payment advice. The ability of the Company to pay LIC dividends is dependent on a number of factors including gains realised from time to time on the long term investment portfolio.

Dividends paid or payable for each of the last 5 financial years are as follows:

2002/03	14.0 cents per share
2003/04	15.0 cents per share
2004/05	17.0 cents per share
2005/06	19.5 cents per share
2006/07	23.0 cents per share

The Company's net tangible asset backing per share before provision for the final dividend (based on investments at market values and after provision for tax on net realised gains but not on unrealised gains) over the last 5 years was as follows:

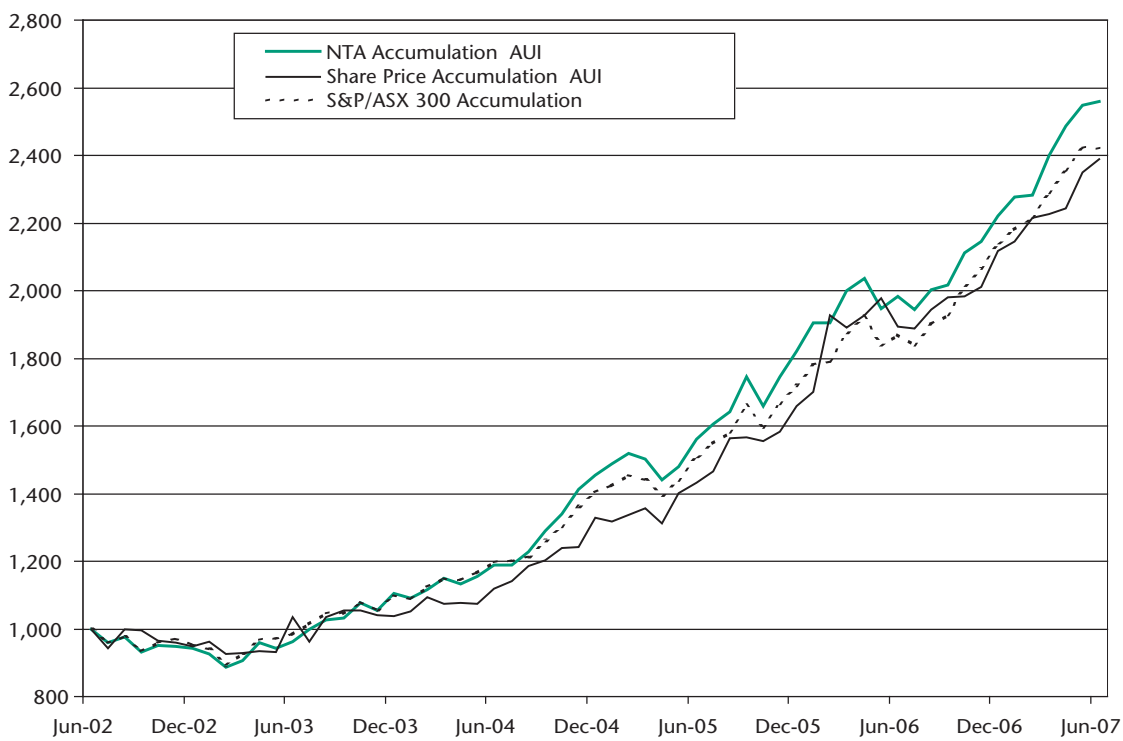
30 June 2003	$3.95
30 June 2004	$4.72
30 June 2005	$6.01
30 June 2006	$7.44
30 June 2007	$9.35

The Company's net asset backing accumulation performance in recent years (assuming all dividends were re-invested) is as follows:

	AUI Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	29.1	29.2
3 Years	29.2	26.4
5 Years	20.7	19.3

The following graph shows the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) assuming all dividends were re-invested, as compared to the S&P/ASX 300 Accumulation Index over the last five years.

Accumulated Investment Return vs S&P/ASX 300 Accumulation Index
5 Years to June 2007



Source: Goldman Sachs JB Were

Chairman's Report
continued

The equity portfolio of the Company is invested in Australian equities and at 30 June 2007 was spread over 57 companies. The Annual Report provides a list of the shareholdings at 30 June 2007 and 30 June 2006, the changes to the portfolio during the year, and the market values as at 30 June 2007 of each investment together with its percentage of the 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

Charles Goode
Chairman

Corporate Governance Statement

The Company has adopted corporate governance principles in accordance with the Australian Securities Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations". Any material departures from the recommendations are referred to in this statement.

1. Accountability and Responsibility

The Board is accountable to the shareholders and is responsible for:

- Setting strategic and financial objectives;
- Monitoring the Company's performance and financial position and overseeing the financial accounts and reporting;
- Identifying and managing business and compliance risks;
- Managing the Company's investment portfolio;
- Overseeing relationships with outside service providers;
- Appointing the Company Secretary and setting and overseeing responsibilities delegated to the Company Secretary; and
- Setting ethical standards for the Company.

2. Composition

The Board currently comprises 5 directors. The Company's constitution requires 3 to 5 directors. The Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate after wide, and if necessary professional consultation for appointment and subsequent consideration at the next Annual General Meeting.

The Chairman and P John B Rose, being governors of The Ian Potter Foundation, are associated with substantial shareholders. These directors bring significant and relevant experience to the Board. However, in that the Chairman of the Board is not independent, the Company departs from the Australian Securities Exchange Corporate Governance Council's "Best Practice Recommendations". A lead independent director is not considered necessary given the small size of the Board. Appointed directors must stand for election at the next Annual General Meeting. One third of directors stand for re-election at each Annual General Meeting. There is no set retirement age or term for directors. Extensive experience in the investment markets is valued. Directors are not required to own shares in the Company.

3. Operation

The Board usually meets ten times each year and consults on investment matters between meetings. The Board has day-to-day responsibility for management of the investment portfolio. Transaction levels are low as the portfolio is held for the long term. The Board reviews financial statements, forecasts, the investment portfolio, the net asset backing per share, and compliance reports monthly. The Company Secretary is responsible for either providing the information or co-ordinating it from outside service providers.

Corporate Governance Statement

continued

4. Delegation

The duties and responsibilities of the Company Secretary are set out in his letter of engagement which the Board approves. The Board also approves letters of engagement for accounting, tax, custody and audit services. Share registry services are purchased on commercial terms.

5. Directors' Terms of Appointment, Remuneration and Performance

Directors' fees are reviewed annually by the Nomination and Remuneration Committee in the light of Company activity, changing responsibilities and in comparison to fee levels of a peer group of companies. Independent remuneration advice may be sought. The maximum total of director's fees is set by the shareholders in general meeting.

Previously each director appointed before 1 July 2003 was entitled to receive a retirement benefit set out in an agreement, the terms of which were approved by shareholders in Annual General Meeting. Fees for directors appointed after that date took into account the absence of a retirement agreement. Shareholder approval was granted at the 2006 Annual General Meeting to terminate the Directors Retirement Agreements and give Directors the alternative of converting accrued entitlements to either an equivalent cash benefit on retirement, with interest, or the Company's shares (to be held under a Share Plan until retirement). Directors' fees paid thereafter have been adjusted in line with market practice and independent advice.

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.

The duties of directors are as set out in the Corporations Law and in this statement. In addition to board meetings directors are expected to attend, for no additional fee, 2 committee meetings per year where applicable. They are expected to make a pro-active contribution to the management of the Company's investment portfolio by reading, research, and information collected outside of board meetings.

After prior discussion with the Chairman, directors are entitled to seek independent advice at the expense of the Company, which advice will then be made available to all other directors. Directors are entitled to unlimited access to the Company's records.

The Board reviews its performance annually by discussion and by individual communication with the Chairman, and by reference to generally accepted Board performance standards. The Board also conducts an annual review of the performance of the Board Committees, the Company Secretary, and outside service providers.

6. Board Committees

The Board has a Nomination and Remuneration Committee comprising all directors and an Audit Committee comprising all directors except the Chairman. The Audit Committee meets at least twice and the Nomination and Remuneration Committee at least once per annum. The terms of reference of each committee are reviewed by the Board annually. The Audit Committee terms include inter-alia, appointment of the auditor, assessing their independence, managing the audit relationship, and overseeing risk management. The external audit partner rotates every 5 years.

The Audit Committee has an independent Chairman and a majority of independent directors. All members are non-executive. It is considered to have sufficient relevant expertise and to comply with the Australian Securities Exchange Corporate Governance Council's "Best Practice Recommendations" and Australian Securities Exchange listing rule 12.7.

The Nomination and Remuneration Committee considers and makes recommendations to the Board regarding Board composition and remuneration of the directors and the Company Secretary.

7. Disclosure Procedures

The Company has established procedures to ensure compliance with the Australian Securities Exchange listing rule disclosure requirements including monthly disclosure of the Company's net tangible asset backing per share.

8. Shareholder Communication

The Company communicates with shareholders through:

- The annual report
- The half year report
- The website, including email contact.
- Telephone availability of the Company Secretary at the representative office.
- Annual General Meeting including Chairman's address and question time.
- Mailing of Chairman's address to all shareholders and posting to website.

The external auditor is to be available for questioning at the Annual General Meeting.

9. Risk Management

The Audit Committee reviews the Company's risk management procedures half yearly.

10. Ethical Conduct

The Company has no employees other than directors and the Company Secretary. Each director and the Company Secretary is expected to adopt high ethical standards in acting for the Company and in the interests of the shareholders. Directors are required to disclose potential conflicts of interest and to refrain from involvement in Board decisions, or leave the room, during discussion of the conflicted matter. The directors and the Company Secretary are aware of the Corporations Law regarding dealing in securities in which they possess market sensitive information. The Company's net tangible asset backing per share is announced monthly to the Australian Securities Exchange and the Company has procedures to ensure compliance with Australian Securities Exchange continuous disclosure requirements.

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 Securities 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

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 (continued)

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.

Directors' Report
continued

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 15 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

KPMG

MCraig

Mitch Craig
Partner

Melbourne

16 August 2007

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.			
* 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 20 to 32.

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 20 to 32.

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 20 to 32.

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 20 to 32.

Notes to the Financial Statements

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.

1. Statement of significant accounting policies (continued)

(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.

2. Revenue and Expenses

	2007 $	2006 $
(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

	2007 $	2006 $
(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

4. Taxation (continued)

	2007 $	2006 $
(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.*

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.

	2007 $	2006 $
Profit reconciliation used in the calculation of earnings per share		
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.

7. Receivables

	2007 $	2006 $
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

13. Employee Benefits

	Note	2007 $	2006 $
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.

14. Capital and Reserves (continued)

	Issued Capital $	Revaluation Reserve $	Realisation Reserve $	Retained Earnings $	Total Equity $
(b) Reconciliation of movements of capital and reserves					
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	-	-	-	-	-

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.

	Note	Floating Interest Rate $	Total $
Financial Assets – 2007			
Cash		415,095	415,095
Weighted Average Interest Rate	17	5.25%	
Financial Assets – 2006			
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 Securities Exchange.

18. Additional Financial Instruments Disclosure (continued)

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.

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 16 to 32, and the remuneration disclosures that are contained in the Remuneration Report on pages 12 and 13 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 2007 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 12 and 13 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 16th day of August 2007.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

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 16 to 33.

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.

KPMG

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

Mcraig

Mitch Craig
Partner

Melbourne

16 August 2007

Additional Information

Distribution of shareholders as at 31 July 2007.

Category Holders – Ordinary Shares

	Units Held	No of Holders	%
1 1,000	107,752	210	0.13
1,001 5,000	1,971,431	692	2.30
5,001 10,000	2,698,039	369	3.15
10,001 and 100,000	9,591,368	383	11.20
100,001 and over	71,248,054	37	83.22
	85,616,644	1,691	100.00

There were 8 ordinary shareholders holding less than a marketable parcel (56 shares) at 31 July 2007.

Substantial Shareholders

The number of shares held by substantial shareholders and their associates as at 31 July 2007 are set out below:

Substantial Shareholder	Number of Shares to which Substantial Shareholder is "entitled" Ordinary
The Ian Potter Foundation Limited and Dundee Trading Pty Ltd	35,874,660
Argo Investments Ltd	14,823,881
Lady Primrose Catherine Potter, Primrose Properties Pty Ltd and Decerna Pty Ltd	7,723,293

Voting Rights

All ordinary shares carry equal voting rights.

Twenty Largest Equity Security Holders - Ordinary

The twenty largest shareholders, listed below as at 31 July 2007, hold 69,050,672 ordinary shares which is 80.65% of the issued capital.

Ordinary Shares

Shareholder Name	No. of Shares	% Held
The Ian Potter Foundation Ltd	33,631,376	39.28
Argo Investments Ltd	14,823,881	17.31
Primrose Properties Pty Ltd	6,413,795	7.49
Robin Bernice Potter	5,475,000	6.39
Dundee Trading Pty Ltd	2,243,284	2.62
The Miller Foundation Ltd	1,590,000	1.86
Lady Primrose Catherine Potter	750,000	0.88
Beta Gamma Pty Ltd	563,666	0.66
Decerna Pty Ltd	559,498	0.65
Daryl Albert Dixon & Katherine Dixon	556,875	0.65
UBS Wealth Management Australia Nominees Pty Ltd	486,725	0.57
Matluc Nominees Pty Ltd	288,443	0.34
St Hilda's College Nominees Pty Ltd	253,778	0.30
Pards Pty Ltd	248,001	0.29
Duesburys Services Pty Ltd	224,850	0.26
Chikenfeed Pty Ltd	196,500	0.23
Mrs Sheila Clare Audas Pitt	190,000	0.22
Mr J F Henry, Mr J M Lester & Dr G L Blackman	187,500	0.22
The Manly Hotels Pty Ltd	187,500	0.22
HMS Nominees Ltd	180,000	0.21
	69,050,672	80.65

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2007 totalled $93,723 (2006: $135,786). None of that brokerage was paid to any stock or sharebroker, or any employee or nominee of any stock or share broker, who is an officer of the Company.

List of Investments

as at 30 June 2007

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units. The industry percentages shown are based on market values of the listed share investments.

	30/6/2007				30/6/2006
	Market Value $	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
Oil & Gas (6.6%)					
Australian Worldwide Exploration Ltd	3,640,000	0.4	1,000,000	1,000,000 purchased	-
Origin Energy Ltd	7,952,000	0.9	800,000		800,000
Santos Ltd	2,788,000	0.3	200,000	200,000 purchased	-
Woodside Petroleum Ltd	45,750,000	5.0	1,000,000	150,000 purchased	850,000
Chemicals (2.5%)					
Orica Ltd	22,350,000	2.5	750,000	-	750,000
Construction Material (2.1%)					
Bluescope Steel Ltd	12,408,000	1.4	1,200,000	-	1,200,000
Boral Ltd	2,631,000	0.3	300,000	-	300,000
CSR Ltd	3,828,000	0.4	1,100,000	-	1,100,000
Metals & Mining (19.5%)					
Alumina Ltd	33,886,500	3.8	4,350,000	-	4,350,000
BHP Billiton Ltd	73,563,000	8.1	2,100,000	250,000 purchased	1,850,000
Iluka Resources Ltd	9,240,000	1.0	1,500,000	-	1,500,000
Rio Tinto Ltd	59,274,000	6.6	600,000	-	600,000
Building Products (0.3%)					
GWA International Ltd	3,094,000	0.3	700,000	-	700,000
Industrial Conglomerates (3.0%)					
Wesfarmers Ltd	27,438,000	3.0	600,000	-	600,000
Trading Co & Distributors (2.0%)					
Alesco Corporation Ltd	18,282,000	2.0	1,320,000	-	1,320,000
Commercial Services Supplies (2.6%)					
ABC Learning Centres Ltd	2,076,000	0.2	300,000	150,000 purchased	150,000
Brambles Ltd	21,924,000	2.4	1,800,000	-	1,800,000
Air Freight & Couriers (0.3%)					
Toll Holdings Ltd	2,898,000	0.3	200,000	200,000 purchased	-

List of Investments

as at 30 June 2007 continued

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units. The industry percentages shown are based on market values of the listed share investments.

	30/6/2007				30/6/2006
	Market Value $	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
Road & Rail (0.2%)					
Asciano Group	2,026,000	0.2	200,000	200,000 acquired in Toll Holdings demerger	-
Transportation Infrastructure (2.5%)					
Connecteast Group	4,770,000	0.5	3,000,000	3,000,000 purchased	-
Macquarie Airports	2,020,000	0.2	500,000	-	500,000
Macquarie Communications Infrastructure Group	4,747,500	0.5	750,000	250,000 purchased	500,000
Macquarie Infrastructure Group	-	-	-	1,000,000 sold	1,000,000
Transurban Group	12,015,000	1.3	1,500,000	750,000 purchased	750,000
Hotels Restaurants & Leisure (4.2%)					
Tabcorp Holdings Ltd	27,440,000	3.0	1,600,000	-	1,600,000
Tattersall's Ltd	10,340,000	1.2	2,200,000	2,165,000 acquired in Tattersall's/Unitab takeover and 35,000 purchased	-
Unitab Ltd	-	-	-	500,000 disposed in Tattersall's/Unitab takeover	500,000
Media (5.2%)					
APN News & Media Ltd	2,925,000	0.3	500,000	-	500,000
Amalgamated Holdings Ltd	6,450,000	0.7	1,000,000	200,000 purchased	800,000
News Corporation Inc Class B Common CDI	6,787,500	0.8	250,000	-	250,000
Publishing & Broadcasting Ltd	7,840,000	0.9	400,000	400,000 purchased	-
Southern Cross Broadcasting (Aust) Ltd	16,000,000	1.8	1,000,000	-	1,000,000
Ten Network Holdings Ltd	-	-	-	500,000 sold	500,000
Village Roadshow Ltd 'A' Class Pref	6,380,000	0.7	2,000,000	-	2,000,000
Food & Drug Retailing (4.2%)					
Coles Group Ltd	10,478,000	1.2	650,000	-	650,000
Woolworths Ltd	27,000,000	3.0	1,000,000	-	1,000,000
Beverages (0.3%)					
Coca-Cola Amatil Ltd	2,862,000	0.3	300,000	-	300,000

List of Investments
as at 30 June 2007 continued

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units. The industry percentages shown are based on market values of the listed share investments.

	30/6/2007				30/6/2006
	Market Value $	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
Health Care Providers & Services (1.4%)					
CSL Ltd	8,800,000	1.0	100,000	-	100,000
DCA Group Ltd	-	-	-	1,000,000 taken over	1,000,000
Ramsay Health Care Ltd	3,363,000	0.4	300,000	150,000 purchased	150,000
Banks (19.1%)					
Australia & New Zealand Banking Group Ltd	50,732,500	5.6	1,750,000	-	1,750,000
Commonwealth Bank Of Australia Ltd	30,387,500	3.4	550,000	100,000 purchased	450,000
National Australia Bank Ltd	41,020,000	4.5	1,000,000	-	1,000,000
St George Bank Ltd	15,943,500	1.8	450,000	-	450,000
Westpac Banking Corporation	34,641,000	3.8	1,350,000	-	1,350,000
Diversified Financials (10.4%)					
Diversified United Investment Ltd	48,120,000	5.3	12,000,000	254,246 purchased	9,804,795
Diversified United Investment Ltd – New Shares	-	-	-	1,940,959 converted to Ordinary shares	1,940,959
Macquarie Bank Ltd	8,500,000	0.9	100,000	-	100,000
Over Fifty Group Ltd	2,220,000	0.3	1,000,000	-	1,000,000
Perpetual Trustees Australia Ltd	15,702,000	1.7	200,000	-	200,000
Suncorp Metway Ltd	20,170,000	2.2	1,000,000	200,000 purchased	800,000
Insurance (7.0%)					
AMP Ltd	6,072,000	0.7	600,000	-	600,000
AXA Asia Pacific Holdings Ltd	18,575,000	2.1	2,500,000	-	2,500,000
Henderson Group Plc	7,420,000	0.8	2,000,000	-	2,000,000
IOOF Holdings Ltd	5,095,000	0.6	500,000	-	500,000
Insurance Australia Group Ltd	3,135,000	0.4	550,000	50,000 purchased	500,000
Promina Group Ltd	-	-	-	200,000 sold	200,000
QBE Insurance Group Ltd	21,840,000	2.4	700,000	-	700,000

List of Investments

as at 30 June 2007 continued

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units. The industry percentages shown are based on market values of the listed share investments.

	30/6/2007				30/6/2006
	Market Value $	**% of Portfolio at Market Value**	**Units Held**	**Capital Movements or Portfolio Adjustments**	**Units Held**
Diversified Telecommunication Services (1.4%)					
Telstra Corporation Ltd Instalment Receipts	12,440,000	1.4	4,000,000	4,000,000 purchased	-
Gas Utilities (2.9%)					
AGL Energy Ltd	9,102,000	1.0	600,000	AGL/Alinta scheme	-
Alinta Ltd	12,444,253	1.4	817,625	AGL/Alinta scheme	-
Alintagas Ltd	-	-	-	AGL/Alinta scheme	500,000
Australian Gas Light Company	-	-	-	AGL/Alinta scheme	550,000
SP Ausnet	4,380,000	0.5	3,000,000	1,250,000 purchased	1,750,000
Listed Property Groups (2.2%)					
Westfield Group	19,960,000	2.2	1,000,000	-	1,000,000
Cash Trust & Other Deposits (0.1%)					
M F Cash Management Fund	392,378	0.1	392,378	1,120,133 redeemed	1,512,511
NAB - 11 Am Deposit	22,717		1,288	1,288 deposited	21,429
	903,581,348	100.0%			

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Australian United Investment Company Limited
2007 Annual Financial Report

Notice of Annual General Meeting

Australian United Investment Company Limited ABN 37 004 268 679

The Annual General Meeting of the shareholders of Australian United Investment Company Limited ("the Company) will be held at the offices of KPMG, 147 Collins Street, Melbourne, Victoria on Thursday, 11 October 2007 at 11.00 am.

Business:

Financial Statements and Reports:

1. To receive the Statement and Report of the Directors, the Report of the Auditor and the Financial Statements for the financial year ended 30 June 2007. The auditor will be available at the meeting to receive questions from shareholders about the preparation of the auditor's report and the conduct of the audit.

Remuneration Report:

2. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

   "That the Remuneration Report that forms part of the directors report for the Company for the financial year ended 30 June 2007 be adopted."

   The Remuneration Report is set out on page 12 of the Annual Report.

   Please note that the vote on this resolution is advisory only and does not bind the directors or the Company.

Directors

3. To consider, and, if thought fit, to pass the following resolution as an ordinary resolution:

   *"That **Dr P J B Rose**, a Director retiring from office by rotation in accordance with article 10.3 of the Constitution, being eligible, is re-elected as a Director of the Company."*

4. To consider, and, if thought fit, to pass the following resolution as an ordinary resolution:

   *"That **Mr P J Wetherall**, a Director retiring from office by rotation in accordance with article 10.3 of the Constitution, being eligible, is re-elected as a Director of the Company."*

Other Business

To deal with any other business that may be brought forward in accordance with the Constitution and the Corporations Act.

Dated this 10th day of September 2007

By order of the Board

Andrew J Hancock
Company Secretary

Voting entitlements

The Board has determined, in accordance with the Company's Constitution and the Corporations Act 2001 that a shareholder's voting entitlement at the meeting will be taken to be the entitlement of that person shown in the register of members as at 7.00pm on Tuesday 9th October 2007.

Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. The Proxy Form must be deposited at the share registry of the Company, Computershare Investor Services Pty Limited, located at GPO Box 242, Melbourne Victoria 3001 or by facsimile to Computershare on (03) 9473 2555 or to the Company on (03) 9654 3499, no later than 48 hours before the commencement of the meeting.

Australian United Investment Company Ltd

ABN 37 004 268 679

Proxy Form

All correspondence to:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2555
www.computershare.com

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

000001 000 AUI
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)

I 1234567890 I N D

Appointment of Proxy

I/We being a member/s of Australian United Investment Company Ltd and entitled to attend and vote hereby appoint

X the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Australian United Investment Company Ltd to be held at the offices of KPMG, 147 Collins Street, Melbourne, Victoria on Thursday, 11 October 2007 at 11.00am and at any adjournment of that meeting.

Voting directions to your proxy - please mark X to indicate your directions

		For	Against	Abstain*
Item 2	Adopt Remuneration Report			
Item 3	To re-elect a Director - Dr P J B Rose			
Item 4	To re-elect a Director - Mr P J Wetherall			

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

In addition to signing the Proxy Form in the above box(es) please provide the information below in case we need to contact you.

Contact Name _____ Contact Daytime Telephone _____ Date / /

AUI 13PR

How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's Share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's Share registry or you may copy this form.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual:	where the holding is in one name, the holder must sign.
Joint Holding:	where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney:	to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies:	where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's Share registry or at **www.computershare.com**.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 11.00am on Thursday, 11 October 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON	Business Office - Level 4, 45 Exhibition Street Melbourne VIC 3000 Share Registry - Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067 Australia
BY MAIL	Business Office - Level 4, 45 Exhibition Street Melbourne VIC 3000 Share Registry - Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001 Australia
BY FAX	61 3 9473 2555