



Australian United
Investment
Company Limited

ABN 37 004 268 679

**Annual Report
2015**

Directory

Directors

C B Goode AC – Chairman
P J Wetherall
J S Craig
F S Grimwade

Company Secretary

Andrew J Hancock FCA

Registered Office

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101 Collins Street
Melbourne Vic 3000
Tel: (613) 9654 0499
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Email: info@au.com.au
Website: www.au.com.au

Bankers

Australia and New Zealand Banking Group Limited
National Australia Bank Limited

Auditors

KPMG
Chartered Accountants

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235
Tel: (+61) 1300 554 474
Email: registrars@linkmarketservices.com.au
Web: www.linkmarketservices.com.au

Securities Exchange

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

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Chairman's Report

I present the Annual Report of Australian United Investment Company Ltd which is for the year ended 30 June 2015.

The profit for the year after income tax was \$47,780,565 compared to \$40,314,659 in the previous year, an increase of 18.5%, or an increase of 7.2% if special dividends received in both periods are excluded. Special dividends of \$5,896,269 after tax were received this year (\$1,250,550 in the previous year). This year special dividends received include a non-cash non-taxable demerger dividend of \$5,287,500 received as a result of the demerger of South32 from BHP Billiton (last year \$814800 on the Recall demerger from Brambles).

The total net profit after tax for the year of \$47,780,565 excludes net realised gains and losses which are transferred directly to the Asset Revaluation Reserve.

The weighted average number of ordinary shares for the year was 109,259,811 compared to 108,261,729 in the previous year, an increase of 0.9%.

The operating earnings per share excluding the special dividends were 38.3 cents compared to 36.1 cents for the previous year.

Bank borrowings were \$120 million at the end of the financial year (previous year \$100 million) amounting to around 11.4% of the investment portfolio at market values. Cash on hand, cash on deposit and net short term receivables were \$10 million, or 1.0% of the investment portfolio at market values (previous year \$71 million, or 6.8%).

Annual interest expense was covered 10.9 times by investment revenue.

The net asset backing per share before provision for estimated tax on unrealised gains and before provision for the final dividend was \$8.42 at 30 June 2015, compared to \$8.57 at 30 June 2014.

Operating expenses (excluding borrowing costs) were 0.10% of the average market value of the portfolio compared to 0.11% in 2014.

The final dividend for the year ending 30 June 2015 is 18.5¢ per share fully franked which, with the interim dividend of 15.5¢ per share fully franked, makes 34.0¢ per share fully franked for the year. This compares with 32.0¢ per share fully franked in the previous years, an increase of 6.3%.

The final dividend will not include a Listed Investment Company capital gain dividend.

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

2014/15	34.0 cents per share
2013/14	32.0 cents per share
2012/13	29.5 cents per share
2011/12	28.0 cents per share
2010/11	26.5 cents per share

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

30 June 2015	\$8.42
30 June 2014	\$8.57
30 June 2013	\$7.49
30 June 2012	\$6.29
30 June 2011	\$7.24 (after the issue of 2,426,619 shares at \$6.42 per share under the share purchase plan, October)

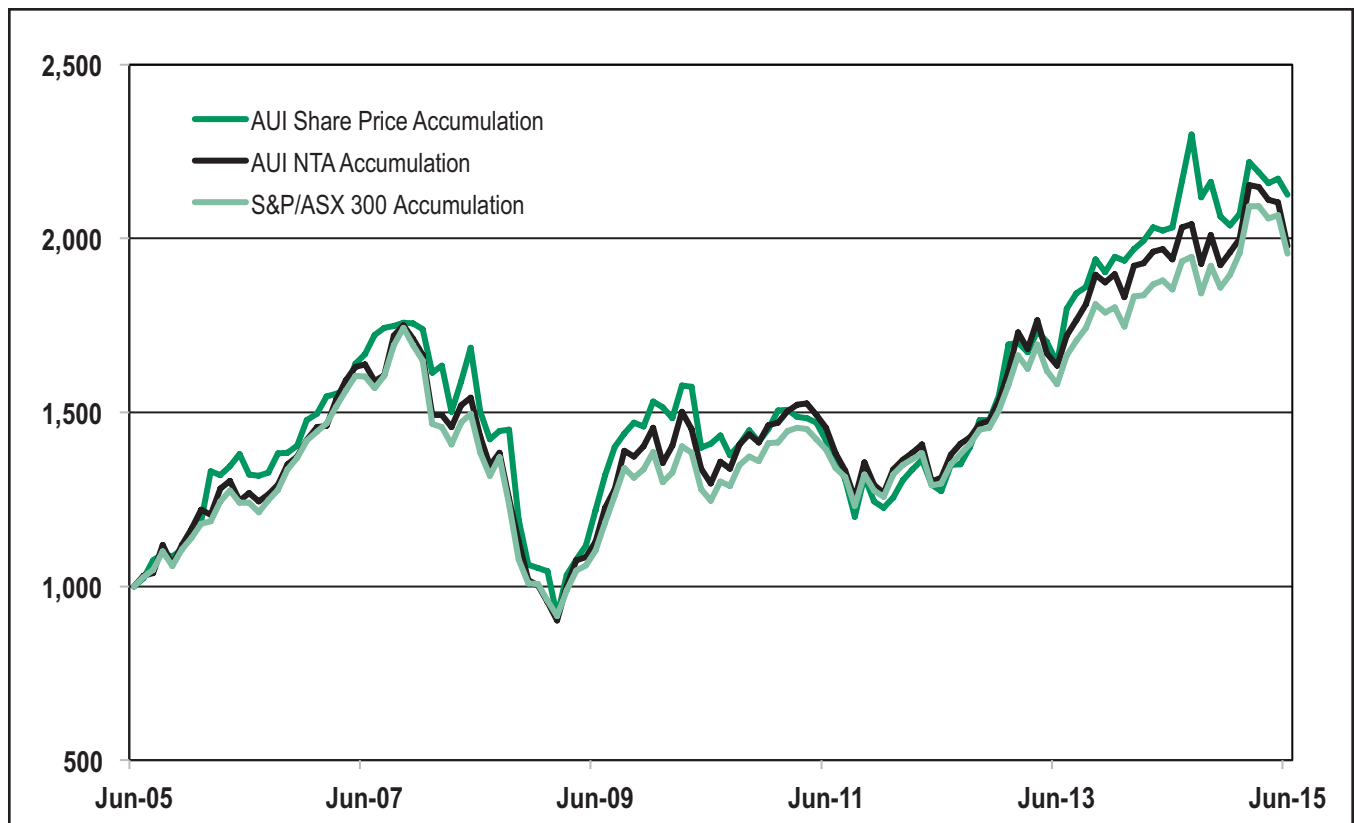
The Company's performance in recent years (assuming all dividends were re-invested) is as follows:

	AUI Net Asset Backing Accumulation % p.a.	AUI Share Price Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	2.0	4.6	5.6
3 Years	14.7	18.7	14.7
5 Years	8.8	8.6	9.5
10 Years	7.1	7.8	6.9

The Company's net asset backing accumulation performance is after tax and expenses and the impact of the Company's gearing for which no allowance is made in the index.

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 ten years.

**AUI Accumulated Investment Return vs S&P/ASX 300 Accumulation Index
10 Years to 30 June 2015**



Source: Evans & Partners

Chairman's Report

The equity portfolio of the Company is invested in Australian equities and at 30 June 2015 was spread over 46 companies. The Annual Report provides a list of the shareholdings at 30 June 2015 and 30 June 2014, the changes to the portfolio during the year and the market values as at 30 June 2015 of each investment together with its percentage of the portfolio.

As at 30 June 2015 the twenty-five largest shareholdings of the Company, at market value were:

Company	Market Value \$'000	% of Market Value of Total Investment
1. ANZ Banking Group Ltd	88,550	8.5%
2. Commonwealth Bank of Australia Ltd	85,130	8.2%
3. Westpac Banking Corporation Ltd	75,553	7.3%
4. National Australia Bank Ltd	74,948	7.2%
5. BHP Billiton Ltd	63,568	6.1%
6. Wesfarmers Ltd	54,642	5.3%
7. Rio Tinto Ltd	51,062	4.9%
8. Diversified United Investment Ltd	50,544	4.9%
9. Woodside Petroleum Ltd	42,787	4.1%
10. Transurban Group	37,200	3.6%
11. Woolworths Ltd	32,352	3.1%
12. CSL Ltd	30,265	2.9%
13. Brambles Ltd	22,260	2.1%
14. Orica Ltd	21,280	2.0%
15. Medibank Private Ltd	19,437	1.9%
16. Amalgamated Holdings Ltd	18,810	1.8%
17. Telstra Corporation Ltd	18,420	1.8%
18. Sonic Healthcare Ltd	18,164	1.8%
19. Origin Energy Ltd	17,955	1.7%
20. Ramsay Health Care Ltd	16,904	1.6%
21. Oil Search Ltd	15,686	1.5%
22. AMP Ltd	15,050	1.4%
23. Washington H Soul Pattinson & Co Ltd	13,440	1.3%
24. Invocare Ltd	12,100	1.2%
25. Mystate Ltd	11,640	1.1%
	907,747	87.3%
Total Investments at Market Value, Net Short Term Receivables and Cash	1,039,715	



Charles Goode
Chairman

Corporate Governance Statement

The Company has adopted corporate governance principles in accordance with the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations". Any material departures from the recommendations are referred to in this statement. This Statement is available in both the Company's Annual Report and on its website.

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 4 directors. The Company's constitution requires 3 to 6 directors. Other than the Company Secretary the Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate using professional advice if this is deemed necessary. In this process the Company has a neutral approach to gender diversity. A director who is appointed during the year is required to stand for election at the next Annual General Meeting.

Mr C B Goode, being a governor of The Ian Potter Foundation, is associated with a substantial shareholder. He brings significant and relevant experience to the Board. All other directors are regarded as independent. However, in that the Chairman of the Board is not independent the Company departs from the Australian Securities Exchange Corporate Governance Council's 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. Details of the qualifications, experience and length of service of directors are set out in the Annual Report.

3. Operation

The Board usually meets eleven times each year and consults on investment matters between meetings. The Board has responsibility for day to day 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.

4. Delegation

The duties and responsibilities of the Company Secretary, the Company's only employee, are set out in a letter of engagement which the Board approves. The Company Secretary is directly accountable to the Board, through the Chairman. The Board also approves letters of engagement for the externally provided accounting, tax, custody and audit services. Share registry services are on commercial terms.

5. Directors' Terms of Appointment, Remuneration and Performance

Directors' terms of appointment are set out by letter at the time of their appointment and new directors are inducted by the Chairman and the Company Secretary.

Directors' fees are reviewed annually by the Nomination and Remuneration Committee with reference to the Company's 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 directors' fees is set by the shareholders in general meeting. Details of directors' remuneration are set out in the Remuneration Report in the Annual Report.

Each director appointed before October 2006 entered into a Retirement Agreement at that time to convert accrued retirement entitlements into shares in the Company to be held in the Non-Executive Directors 2006 Accrued Entitlements Share Plan until retirement, as approved by shareholders.

Each director has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance.

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

Directors are not required to own shares in the Company. Directors have agreed not to enter into margin loans over their shareholdings in the Company.

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 and Risk Management Committee comprising all directors except the Chairman. The Audit and Risk Management Committee meets at least twice and the Nomination and Remuneration Committee at least once per annum. The Charter of each committee is reviewed by the Board annually and is published on the Company's website. The Audit and Risk Management Committee Charter includes inter-alia, appointment of the auditor, assessing its independence, managing the audit relationship, and overseeing internal controls and risk management. The external audit partner rotates every 5 years.

The Audit and Risk Management 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 Recommendations.

The Nomination and Remuneration Committee has an independent Chairman, and a majority of independent directors. It considers and makes recommendations to the Board regarding Board composition and remuneration of the directors and the Company Secretary. The Company Secretary's remuneration is disclosed in the Remuneration Report in the Annual Report.

No additional fees are paid to members of the Board committees.

Committee members' qualifications and attendance at meetings are set out in the Directors' Report in the Annual Report.

7. Disclosure Procedures and Share Trading

The Company has established policies and 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 on both a pre and post tax basis. Directors and the Company Secretary are prohibited from dealing in the Company's securities (other than to participate in the Dividend Reinvestment Plan or any Share Purchase Plan or rights issue) from 1 January to the day after the announcement of the Company's half year results and interim dividend, and from 1 July to the day after the announcement of the Company's financial year results and final dividend.

8. Shareholder Communication

The Company communicates with shareholders through:

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

Shareholders may opt to receive Company communications electronically.

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

9. Risk Management

The Company does not have an internal audit function. The Audit and Risk Management Committee reviews the internal control system and the management of risk half yearly after receiving reports from the Company Secretary on these matters, and makes appropriate recommendations to the board.

The Board receives a letter half yearly from the Company's external accountants and custodian (The Myer Family Company) regarding their procedures, and reporting whether the financial records have been properly maintained and the financial statements comply with the Accounting Standards. The Company receives a copy of The Myer Family Company's external report on their agreed upon procedures engagement with regard to The Myer Family Company's controls and certain of their custody procedures.

The Board receives a report half yearly from the auditors on matters arising from their audit procedures.

The Company Secretary, based on his review of the internal control systems, management of risk, the financial statements and the letter from the Company's external accountants, provides half yearly the declarations required by Section 295A of the Corporations Act and confirms that in his opinion the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view.

The Company does have direct material exposure to economic, environmental and social sustainability risk through its diversified portfolio of investments and through its borrowings. Details of the Company's financial risk management are set out in the notes to the financial statements in the Annual Report.

10. Ethical Conduct

The Company has no executives or executive directors other than 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 a conflicted matter.

By approval of the Board
14 July 2015

Directors' Report

The directors of Australian United Investment Company Limited present their Directors' Report together with the financial report for the year ended 30 June 2015 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Charles Goode AC, B.Com (Hons) (Melb), MBA (Columbia), Hon LLD (Melb), Hon LLD (Mon)
Non executive Chairman, Appointed April 1990

Mr Goode is the Chairman of the Boards of Diversified United Investment Limited (since 1991), The Ian Potter Foundation Limited (governor since 1987) and Flagstaff Partners (since 2010).

Formerly Mr Goode was a director of Australia and New Zealand Banking Group Limited (1991 – 2010, Chairman 1996 – 2010), Woodside Petroleum Limited (1988 – 2007, Chairman 1999 – 2007) and Grosvenor Australia Properties Pty Limited (Chairman 2008 – 2012).

Peter Wetherall B.E. Hons (Qld), B.A. Hons (Oxon), GAICD
Non-executive Director, Appointed November 2001

Mr Wetherall has over 30 years' experience in the Australian share market as a stockbroker and funds manager. He was the founder and Managing Director of Wallara Asset Management Pty Ltd (1995 to 2012). He is currently the Investment Executive of the Helen Macpherson Smith Trust, a director of the Royal District Nursing Service and a member of the Investment Committees of the Geelong Grammar Foundation and the Royal Australasian College of Surgeons. He is the Chairman of the Company's Audit and Risk Management Committee.

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

Mr Craig is Chairman of River Capital Pty Ltd and Trinity College (University of Melbourne), Chairman of Cell Care Australia Pty Ltd, and a director of Lifestyle Communities Limited. He is Chairman of the Company's Nomination and Remuneration Committee.

Fred Grimwade B.Com/LLB (Hons) (Melb), MBA (Columbia), FAICD
Non-executive Director, Appointed March 2014

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

John Rose AO, B.Com (NZ), DipEc (Camb), PhD (Melb), Hon D.Bus (Melb)
Non-executive Director, Appointed April 2000 (Retired October 2014)

Dr Rose was formerly a governor of The Ian Potter Foundation Limited (2000 - 2015), The Sidney Myer Professor of Commerce and Business Administration of the University of Melbourne, a Director of The Melbourne Business School, and a director of Woodside Petroleum Limited (1990 - 2005).

Company Secretary

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

Mr Hancock is also the Company Secretary of Diversified United Investment Ltd (since 1991), has served as Chairman and is currently Secretary of the Australian Listed Investment Companies Association and is Chairman or a director of a number of private investment companies.

Operating and Financial Review

The principal activity of the Company is that of an investment company which seeks, through a portfolio of securities predominantly comprising shares of companies listed on the ASX, to provide income and capital appreciation over the longer term. There has been no significant change in the nature of the Company's activities during the financial year.

For the year ended 30 June 2015 the profit after income tax was \$47,780,565 compared to \$40,314,659 in the previous year – an increase of 18.5%. Special dividends received during the 2015 year were \$5,896,269 after tax (2014: \$1,250,550). If special dividends received are disregarded, operating profit increased 7.2%.

This year special dividends received include a non-cash non-taxable demerger dividend of \$5,287,500 received as a result of the demerger of South32 from BHP Billiton (last year \$814,800 on the Recall demerger from Brambles).

The weighted average number of ordinary shares for the year was 109,259,811 compared to 108,261,729 in the previous year, an increase of 0.9%.

The basic earnings per share before special dividends was 43.7 cents (38.3 cents excluding special dividends) compared to 37.2 cents (36.1 cents excluding special dividends) for the previous year.

The Company incurred expenses (excluding finance costs) of \$1,085,839 (2014: \$1,044,712) which is equivalent to 0.10% (2014: 0.11%) of the average market value of the portfolio.

Bank borrowings were \$120 million at the end of the financial year (previous year \$100 million) gearing the investment portfolio by around 11.4%. Cash on hand, cash deposits and net short term receivables were \$10 million or 1.0% of the investment portfolio at market values (2014: \$65 million, 6.2%). Annual interest expense was covered 10.9 times by investment revenue (2014: 9.5 times).

As at 30 June 2015 the Company's portfolio had a market value (including cash and net receivables) of \$1,039,714,762 (2014: \$1,034,282,948). A list of the Company's top 25 investments is set out in note 23 to the financial statements. The net tangible asset backing of the Company's ordinary shares at 30 June 2015 was \$8.42 (2014: \$8.57). This net tangible asset backing calculation is based on investments at market value and is after tax on realised gains, before any future tax benefit of realised losses, before estimated tax on net unrealised gains and losses, and before the Company's final dividend. The Company is a long term investor and does not intend disposing of its portfolio. However if estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing would be \$7.28 (2014: \$7.36).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was a rise of 2.0%, compared to the S&P/ASX 300 Accumulation Index rise of 5.6%.

Dividends declared by the Company for the 2015 financial year total 34.0 cents per share (2014: 32.0 cents per share).

It is the Directors' intention to continue to invest in a portfolio of listed securities for long term capital gain and current income. The risks to which the Company is exposed are set out in notes 18 and 19 to the Financial Statements.

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 2014 of 17.5 cents per share fully franked paid on 25 September 2014.	19,098,464
An interim dividend in respect of the year ended 30 June 2015 of 15.5 cents per share fully franked paid on 17 March 2015.	16,933,841
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2015 of 18.5 cents per share fully franked payable on 25 September 2015.	20,234,119

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	Directors' Meetings		Audit and Risk Management Committee Meetings		Nomination & Remuneration 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	11	11	2*	2	1	1
P John Rose	3	4	1	1	1	1
Peter J Wetherall	10	11	2	2	1	1
James S Craig	10	11	2	2	1	1
Fred Grimwade	11	11	2	2	1	1

* In attendance – not a committee member.

The Audit and Risk Management Committee comprises Messrs Wetherall (Chairman), Craig and Grimwade. All directors are members of the Nomination and Remuneration Committee, which is chaired by Mr Craig.

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	82,062	940,722	33,583
Peter J Wetherall	35,958	-	8,256
James S Craig	-	300,000	-
Fred Grimwade	-	5,000	-

Note:

- Beneficial in own name
- Held by an entity/related party in which the director has a relevant interest
- 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 –

- has any relevant interest in shares of the Company or a related body corporate;
- has any relevant interests in debentures of, or interests in a registered scheme made available by, the company or a related body corporate;
- 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;
- is a party to a contract, or is entitled to a benefit under a contract, that confers a right to call for or deliver shares in, or debenture of or interests in a registered scheme made available by the Company or a related body corporate.

Remuneration report (audited)

Non-executive Directors' Fees ⁽ⁱ⁾

	2015			2014		
	Fee	Superannuation	Total \$	Fee	Superannuation	Total \$
Charles Goode	146,119	13,881	160,000	140,961	13,039	154,000
P John Rose ⁽ⁱⁱ⁾	21,075	2,002	23,077	70,481	6,519	77,000
Peter Wetherall	73,059	6,941	80,000	70,481	6,519	77,000
James Craig	50,000	30,000	80,000	70,481	6,519	77,000
Fred Grimwade	73,059	6,941	80,000	20,331	1,881	22,212
Total	363,312	59,765	423,077	372,735	34,477	407,212

(i) No additional fees are paid to members of the Board Committees.

(ii) Retired 14 October 2014

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. Other than the Company Secretary, the Company has no executives or executive directors.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors. The Nomination and Remuneration Committee may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies and in light of Company activity and changing responsibilities. The remuneration structures are designed to attract suitably qualified candidates, and for the broader outcome of increasing the Company's net profit. Directors' fees are fixed and reviewed annually and the maximum total of directors' fees is set by the shareholders in general meeting.

Directors' fees are fixed and not conditional on the Company's performance. However, consideration of the Company's performance and benefits for shareholder wealth in respect of the current financial year and the previous four financial years include:

	2015	2014	2013	2012	2011
Operating Profit (\$ Millions)	47.8	40.3	35.5	32.6	32.7
Earnings Per Share (including special dividends)	43.7	37.2	33.4	31.0	31.4
Earnings Per Share (excluding special dividends)	38.3	36.1	32.2	31.0	29.4
Dividends paid (cents per share)	33.0	30.5	28.5	28.0	26.5
Share Price 30 June	\$8.20	\$8.15	\$6.85	\$5.55	\$6.49
Management Expense Ratio	0.10%	0.11%	0.13%	0.13%	0.12%
Net Asset Backing Per Share 30 June	\$8.42	\$8.57	\$7.49	\$6.26	\$7.24
S&P/ASX 300 Index 30 June	5,401	5,340	4,759	4,084	4,608

Each director has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance. Refer to Note 15 of the financial statements for information relating to the insurance. No director has entered into a material contract with the Company since the end of the previous financial year and there were no other material contracts involving directors' interests existing at year end.

The Company Secretary, Mr Andrew J Hancock, received \$83,000 (2014: \$80,000) for services provided to the Company.

Non-audit services

During the year KPMG, the Company's auditor, has provided taxation services in addition to their statutory duties. They received fees of \$9,350 for these services including GST.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were 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 other than the value of the investment portfolio fluctuated broadly in line with market movements.

Environmental Regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events Subsequent to Balance Date

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

Likely Developments

The directors do not anticipate any particular developments in the operations of the Company which will affect the results of future financial years other than the value of the investment portfolio is expected to fluctuate broadly in line with market movements.

Indemnification

Details of directors' indemnification are set out in Note 15 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 13 and forms part of the Directors' Report for the year ended 30 June 2015.

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



Charles Goode
Director
Melbourne, 19 August 2015

Lead Auditor's Independence Declaration



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 2015 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

Maria Trinci

Maria Trinci
Partner

Melbourne
19 August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards legislation.

Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue from investment portfolio	2	53,959,846	46,455,741
Administration and other expenses		(1,085,839)	(1,044,712)
Finance expenses	2	(4,961,655)	(4,872,019)
Operating profit before income tax		47,912,352	40,539,010
Income tax (expense)/benefit	4(a)	(131,787)	(224,351)
Profit for the year		47,780,565	40,314,659
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Revaluation of investment portfolio for the year		(28,465,187)	109,825,171
Provision for tax benefit / (expense) on revaluation of investment portfolio for the year		6,788,617	(33,232,216)
Other comprehensive income/ (loss) net of income tax		(21,676,570)	76,592,955
Total comprehensive income		26,103,995	116,907,614
Basic and diluted earnings per share (cents)	5	43.7	37.2

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out pages 18 to 30.

Balance Sheet as at 30 June 2015

	Note	2015 \$	2014 \$
Assets			
Cash assets	16	9,914,149	60,074,562
Receivables	7	8,436,854	10,552,362
Other	9	46,419	49,772
Total Current Assets		18,397,422	70,676,696
Investment portfolio	8	1,029,619,289	969,669,280
Total Non-Current Assets		1,029,619,289	969,669,280
Total Assets		1,048,016,711	1,040,345,976
Liabilities			
Payables	10	8,432,484	6,157,520
Total Current Liabilities		8,432,484	6,157,520
Borrowings – interest bearing	11	119,087,802	99,180,604
Deferred tax liability	4(b)	124,581,594	131,238,424
Provision for Long Service Leave		18,864	-
Total Non-Current Liabilities		243,688,260	230,419,028
Total Liabilities		252,120,744	236,576,548
Net Assets		795,895,967	803,769,428
Equity			
Issued capital	13(a)	346,928,075	344,873,227
Reserves		448,967,892	458,896,201
Total Equity		795,895,967	803,769,428

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 18 to 30.

Statement of Changes in Equity for the Year Ended 30 June 2015

	Issued Capital \$	Revaluation Reserve \$	Realisation Reserve \$	Retained Earnings \$	Total \$
As at 1 July 2013	330,189,974	259,472,028	12,843,880	102,524,868	705,030,750
Comprehensive Income					
Revaluation of investment portfolio	-	109,825,171	-	-	109,825,171
Tax expense on revaluation	-	(33,232,216)	-	-	(33,232,216)
Net realised gains and losses on investment portfolio	-	(7,051,468)	7,051,468	-	-
Tax expense on net realised gains and losses	-	2,450,415	(2,450,415)	-	-
Net operating profit for the year	-	-	-	40,314,659	40,314,659
	-	71,991,902	4,601,053	40,314,659	116,907,614
Transactions with Shareholders					
Dividend Reinvestment Plan	14,683,253	-	-	-	14,683,253
Dividends paid	-	-	-	(32,852,189)	(32,852,189)
	14,683,253	-	-	(32,852,189)	(18,168,936)
As at 30 June 2014	344,873,227	331,463,930	17,444,933	109,987,338	803,769,428
As at 1 July 2014	344,873,227	331,463,930	17,444,933	109,987,338	803,769,428
Comprehensive Income					
Revaluation of investment portfolio	-	(28,465,187)	-	-	(28,465,187)
Tax benefit on revaluation	-	6,788,617	-	-	6,788,617
Net realised gains and losses on investment portfolio	-	(1,558,400)	1,558,400	-	-
Tax expense on net realised gains and losses	-	428,084	(428,084)	-	-
Net operating profit for the year	-	-	-	47,780,565	47,780,565
	-	(22,806,886)	1,130,316	47,780,565	26,103,995
Transactions with Shareholders					
Dividend Reinvestment Plan	2,054,848	-	-	-	2,054,848
Dividends paid	-	-	-	(36,032,304)	(36,032,304)
	346,928,075	-	-	(36,032,304)	(33,977,456)
As at 30 June 2015	346,928,075	308,657,044	18,575,249	121,735,599	795,895,967

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 18 to 30.

Statement of Cash Flows for the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Interest received		983,285	1,322,611
Dividends and trust distributions received		46,617,218	42,294,696
Option premium income received		839,030	1,466,759
Finance costs paid		(5,054,457)	(4,815,162)
Administration and other expenses paid		(1,030,934)	(982,257)
Net cash flow from operating activities	16	42,354,142	39,286,647
Cash flows from investing activities			
Proceeds from sale of investments		27,102,428	68,572,533
Purchases of investments		(105,639,526)	(59,643,865)
Net cash flow from investing activities		(78,537,098)	8,928,668
Cash flows from financing activities			
Dividends paid net of dividend reinvestment plan		(33,977,457)	(18,168,936)
Proceeds from additional borrowings		20,000,000	-
Net cash flow used in financing activities		(13,977,457)	(18,168,936)
Net increase in cash held		(50,160,413)	30,046,379
Cash and cash equivalents at 1 July		60,074,562	30,028,183
Cash and cash equivalents at 30 June	16	9,914,149	60,074,562

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 18 to 30.

1. Statement of significant accounting policies

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

The financial report was authorised for issue by the directors on 19 August 2015.

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of preparation

The financial report is presented in Australian dollars. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company has not applied any Australian Accounting Standards that have been issued as at balance date but are not yet operative for the year ended 30 June 2015 ("the inoperative standards").

The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

The financial report is prepared on a historical cost basis except that financial instruments are stated at their fair value.

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

(c) Investments

The Company is a long term investor. Under IFRS, equity investments are classified as fair value through other comprehensive income. After initial recognition at fair value (being cost), investments are measured at fair value.

Unrealised gains or losses on equity investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, at which time the cumulative gain or loss is transferred to the Asset Realisation Reserve.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualifies 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 realisation reserve.

Interest bearing investments are recognised at fair value and then measured at amortised cost. Amortised cost is calculated with any difference between cost and redemption value being recognised in the income statement over the period of the investment on an effective interest basis.

(d) Revenue from investment portfolio

The activity of the Company is that of an investment company, returns being in the form of dividends, interest, trust income, option premiums and sub-underwriting income. Dividend income is recognised in the income statement at ex-dividend date and all other income is recognised on an accruals basis. Special dividends are those dividends received which have been designated as special and non-recurring by the declaring company.

1. Statement of significant accounting policies (cont.)

(e) Taxation

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

The expected tax on disposal of equity securities in the investment portfolio is recognised directly in 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 the Revaluation Reserve is transferred to the Realisation Reserve. The associated deferred tax liability is similarly adjusted and transferred to current tax payable.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

(g) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2. Revenue and Expenses

	2015 \$	2014 \$
(a) Revenue		
Ordinary dividends received or due and receivable	45,092,570	40,791,696
Special dividends received or due and receivable	5,930,906	1,254,300
Dividends received or due and receivable	51,023,476	42,045,996
Interest received or due and receivable	928,702	1,377,186
Trust distributions received or due and receivable	1,168,638	1,565,800
Option premium income	839,030	1,466,759
	53,959,846	46,455,741
(b) Expenses		
<i>Finance expenses</i>		
Interest and borrowing expenses	4,961,655	4,872,019

3. Auditor's Remuneration

	2015 \$	2014 \$
During the year, KPMG, the Company's auditor, received the following remuneration, inclusive of GST:		
- Audit and review of financial reports	44,616	42,900
- Tax related services	9,350	9,350

4. Taxation

(a) Income Tax Expense

(i) Recognised in the income statement

Current tax benefit

Over provision for prior years	35,796	31,722
	<u>35,796</u>	<u>31,722</u>

Deferred Tax Expense

Recognition of tax losses and deferred tax balances	(162,183)	(233,378)
Temporary differences	(5,400)	(22,695)
	<u>(167,583)</u>	<u>(256,073)</u>

Total income tax expense in income statement	(131,787)	(224,351)
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(ii) Reconciliation between tax expense and pre-tax net profit

Prima facie tax expense calculated at 30% on the profit for the year	(14,373,706)	(12,161,703)
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Increase in tax expense due to:

Franking credits gross-up on dividends received	(5,299,497)	(4,947,069)
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Decrease in tax expense due to:

Non-taxable dividend received	1,586,250	244,440
Tax deferred revenue received	168,355	42,612
Franking credits on dividends received	17,664,990	16,490,230
Sundry items	86,025	75,417
Tax expense on operating profit	(167,583)	(256,073)
Over provision for prior years	35,796	31,722
Income tax expense attributable to profit for the year	<u>(131,787)</u>	<u>(224,351)</u>

(iii) Deferred tax recognised directly in equity

Increase/(Decrease) in provision for tax on unrealised gains on the equity investment portfolio	(6,788,617)	33,232,216
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4. Taxation (cont.)

	2015 \$	2014 \$
(b) Deferred Tax Assets and Liabilities		
Recognised deferred tax assets and liabilities		
Revaluation reserve – Provision for tax on unrealised gains on the equity investment portfolio	(134,992,851)	(142,258,409)
Other	(108,600)	(103,200)
Tax benefit of capital losses carried forward	9,444,710	9,921,651
Tax benefit of income tax losses carried forward	1,075,147	1,201,534
Net deferred tax liabilities	(124,581,594)	(131,238,424)

5. Earnings Per Share

	2015 cents	2014 cents
Basic earnings per share	43.7	37.2
Earnings per share excluding special dividends received (refer Note 1(d))	38.3	36.1

There are no factors which cause diluted earnings per share to be different from basic earnings per share.

The basic earnings per share for the 2015 year is calculated on a weighted average adjusted number of ordinary shares of 109,259,811 taking into account the shares issued in the dividend reinvestment program. The 2014 figure is based on a weighted average number of ordinary shares of 108,261,729.

6. Dividends

	2015 \$	2014 \$
Dividends recognised in the current year by the Company are:		
(i) 2014 final dividend of 17.5 cents per share (2013: 16.0 cents) fully franked paid 25 September 2014	19,098,464	17,159,127
(ii) 2015 interim dividend of 15.5 cents per share (2014: 14.5 cents) fully franked paid 17 March 2015	16,933,841	15,693,062
	36,032,305	32,852,189

Since 30 June 2015, the directors have declared the following dividend payable on 25 September 2015:

- Final dividend of 18.5 cents per share fully franked (2014: 17.5 cents)	20,234,119	19,099,158
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The final dividend will not contain a Listed Investment Company (LIC) capital gain dividend (2014: nil).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2015.

6. Dividends (cont.)

Dividend Franking Account:

The balance of the Franking Account at 30 June 2015 is \$41,690,203 (2014: \$39,315,489) after adjusting for:

- (a) franking credits that will arise from any current income tax liability;
- (b) franking credits that will arise from the receipt of dividends recognised as receivables at year-end.

After allowing for the final 2015 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$33,018,438 (2014: \$31,130,136).

The ability to utilise the franking credits is dependent upon the ability of the Company to declare dividends.

Listed Investment Company (LIC) Capital Gain Account:

The balance of the LIC Capital Gain Account at 30 June 2015 was \$372,101 (2014: \$372,101). When distributed, LIC capital gains may entitle certain shareholders to a special deduction in their taxation return, as set out in the relevant dividend statement.

7. Receivables

	2015 \$	2014 \$
Current		
Dividends Receivable	7,345,258	7,036,500
Trust Distributions Receivable	608,638	630,000
Interest Receivable	-	54,575
Other - Unsettled equity sales	482,958	2,831,287
	8,436,854	10,552,362

8. Investments

Non-Current

Investments in equities quoted on prescribed stock exchanges (at fair value)	1,029,619,289	969,669,280
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9. Other Assets

Current

Prepayments	46,419	49,772
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10. Payables

Current

Trade Creditors	176,954	144,264
Other - Unsettled equity purchases	8,255,530	6,013,256
	8,432,484	6,157,520

11. Borrowings

	2015 \$	2014 \$
Non-Current		
Loan Facility – Secured	119,087,802	99,180,604

The face value of the drawn facility is \$120 million (2014: \$100 million). The amounts disclosed above are at amortised cost. For more information regarding the Company's exposure to interest risk and liquidity risk, see Notes 18 and 19.

During the year ended 30 June 2015, an additional \$20 million of secured bank bills were drawn down as follows:

Amount	Maturity
\$10,000,000	30 November 2018
\$10,000,000	30 November 2019

12. Financing Arrangements

The Company has access to the following lines of credit:

<i>Total facility available</i>		
Loan Facility – Secured	120,000,000	100,000,000
<i>Facilities utilised at balance date</i>		
Loan Facility – Secured	120,000,000	100,000,000

13. Capital and Reserves

(a) Issued Capital

Issued and paid-up share capital		
109,373,614 (2014: 109,138,045) ordinary fully paid shares	346,928,075	344,873,227
Movements in issued capital:		
Balance at beginning of the financial year	344,873,227	330,189,974
Shares issued		
- Dividend re-investment plan*	2,054,848	14,683,253
	346,928,075	344,873,227

* In respect of the final dividend paid in September 2014, 112,568 ordinary shares were issued at \$8.883 each and in respect of the interim dividend paid in March 2015, 123,001 ordinary shares were issued at \$8.5764 each.

13. Capital and Reserves (cont.)

(b) Nature and Purpose of Reserves

Revaluation Reserve

Increments or decrements on the revaluation of long term equity investments after provision for deferred tax are recorded in this reserve. When an investment has been sold or de-recognised, realised gains or losses (after tax) are transferred from the revaluation reserve to the realisation reserve.

Realisation Reserve

The realisation reserve records realised gains and losses (after tax) from the sale of investments in equities which are transferred from the revaluation reserve.

14. Directors' Remuneration

The total director's remuneration for the year is \$423,077 (2014: \$407,212). Details of the directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report.

15. Related Parties

Directors and director-related entities

The names of each person holding the position of director of Australian United Investment Company Limited during the financial year are C B Goode (Chairman), P J Wetherall, J S Craig, F S Grimwade and P J B Rose.

The Company has indemnified each current director and the company secretary against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position with the Company except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, insuring them against liabilities, costs and expenses arising out of conduct which does not involve a wilful breach of duty. This insurance premium covers the period 18 June 2015 to 18 June 2016.

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 30/06/14	Purchases	Sales	Held at 30/06/15
Charles B Goode	1,037,613	18,754	-	1,056,367
Peter J Wetherall	42,591	1,623	-	44,214
James S Craig	250,000	50,000	-	300,000
Fred S Grimwade	-	5,000	-	5,000

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/or purchases on the open market.

16. Notes to the Statement of Cash Flows

	2015 \$	2014 \$
Reconciliation of Cash		
For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year is shown in the statement of cash flows and the balance sheet as follows:		
Units in Cash Management Trusts and Deposits at call	9,914,149	60,074,562
Reconciliation of operating profit after income tax to net cash provided by operating activities:		
Profit for the year	47,780,565	40,314,659
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividends receivable	(308,758)	(306,300)
(Increase)/decrease in trust distributions receivable	21,362	(196,000)
(Increase)/decrease in other debtors	54,575	(54,575)
(Increase)/decrease in other prepayments	(131)	(2,400)
(Increase)/decrease in deferred tax assets	126,395	201,656
(Increase)/decrease in other assets	3,485	(1,338)
Increase/(decrease) in deferred tax liability	5,400	22,695
(Increase)/decrease in prepaid interest and borrowing costs	(92,802)	56,852
Increase/(decrease) in accrued expenses	32,687	66,472
Increase/(decrease) in provisions	18,864	-
Add/(less) non-cash items:		
Non-cash dividends	(5,287,500)	(814,800)
Net cash provided by operating activities	42,354,142	39,286,921

17. Capital Management

The Company's objective in managing capital is to continue to provide shareholders with dividends and capital appreciation over the longer term.

The Company's capital will fluctuate in accordance with prevailing market movements, and it may adjust the amount of dividends paid, issue new shares or sell assets to reduce debt.

There were no changes in the Company's approach to capital management during the year. The Company announced an extension to the on-market buy-back facility which has a potential of purchasing up to 5.5 million shares from 1st June 2015 to 31 May 2016. The Company is not subject to any externally imposed capital requirements.

18. Financial Risk Management

AASB 7 – Financial Instruments: Disclosures identifies three types of risk associated with financial instruments (i.e. investments, receivables, payables and borrowings).

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework, and receives advice from the Audit and Risk Management Committee.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk exposure of the Company lies principally in its cash and receivables to the extent of their carrying values and any accrued unpaid interest. Refer Notes 7 and 16.

Cash

The company invests in cash management units with the MF Cash Management Fund and cash deposits with Australian banks, with a direct or underlying AA- credit rating assigned by Standard & Poor's, being a Recognised Rating Agency.

Receivables

Receivables are non-interest bearing and represent dividends, proceeds of sales and distributions yet to be received. The credit risk exposure of the Company in relation to receivables is the carrying amount.

Given the nature of the counterparties with which the Company deals, management does not expect any counterparty to fail to meet its obligations. Additionally, none of these assets are overdue or considered to be impaired.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as they fall due. The Company monitors its cash flow requirements and ensures that it has cash or access to sufficient borrowing facilities or liquid securities to meet all its financial obligations as they fall due.

Bank borrowings were \$120 million at the end of the financial year (previous year \$100 million) gearing the investment portfolio by around 11.5% (previous year 9.6%). The Company has interest bearing loan facilities in place with the National Australia Bank and Australia and New Zealand Banking Group which include both fixed and floating rate components. These facilities expire on various intervals through to 31 July 2020, unless these are renewed. Annual interest expense during the year was covered 10.9 times by investment revenue (previous year 9.5 times).

The major cash inflows for the Company include dividends, distributions and sales proceeds received. The major cash outflows are the purchase of securities, interest expense and dividends paid to shareholders, which are able to be managed by the Company. The Company's investments are quoted on a prescribed stock exchange and are able to be realised if required.

18. Financial Risk Management (cont.)

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income and the value of its holdings of financial instruments.

Inherently, the Company is not free of market risk as it invests its capital in securities whose market prices can fluctuate.

Based on a tax rate of 30%, a general movement in market prices of 5% and 10% would lead to a change in the Company's equity of \$36,036,675 (or 5%) and \$72,073,350 (or 9%) respectively, after tax.

Market risk is managed by ensuring that the Company's investment portfolio is not overly exposed to one company or one particular sector. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Board at each Director's meeting.

The Company also has exposure to interest rate risk on its borrowings as detailed in Note 19, which is minimised through conservative levels of gearing and ensuring that there is appropriate interest cover at all times.

All of the company's investments are quoted in Australian dollars therefore avoiding any direct exposure to currency risk. Nevertheless, a number of the underlying company's businesses may have currency risk exposures.

19. Financial Instruments Disclosure

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2015 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 – 2014			
Cash	16	9,914,149	9,914,149
Weighted Average Interest Rate		2.68%	
Financial Assets – 2013			
Cash	16	60,074,562	60,074,562
Weighted Average Interest Rate		3.02%	

19. Financial Instruments Disclosure (cont.)

The Company has secured borrowing facilities in place with the National Australia Bank Ltd and Australia and New Zealand Banking Group Ltd totalling \$120,000,000 (2014: \$100,000,000) as follows:

National Australia Bank Ltd

Amount	Maturity	Interest Rate ⁽¹⁾
\$10,000,000	31 July 2017	Floating 4.07%
\$10,000,000	31 July 2017	Floating 4.07%
\$10,000,000	31 July 2018	Floating 3.90%
\$10,000,000	31 July 2018	Floating 3.90%
\$10,000,000	30 November 2018	Fixed 4.28%
\$10,000,000	30 June 2019	Fixed 5.15%
\$10,000,000	31 July 2019	Floating 3.73%
\$10,000,000	30 November 2019	Fixed 4.51%
\$20,000,000	31 July 2020	Fixed 4.05%

Australia and New Zealand Banking Group Ltd

Amount	Maturity	Interest Rate ⁽¹⁾
\$20,000,000	31 July 2016	Fixed 4.95%

(1) Interest rate includes bank margins and fees.

Based on a tax rate of 30%, a change of 1% in floating interest rates at the reporting date would lead to a change in the Company's profit of \$350,000 (or 0.73%) and a change in the Company's equity of \$350,000 (or 0.04%).

The Company has pledged as collateral for the secured borrowing facilities, the following equity investments:

National Australia Bank Ltd

Equities	No. of Shares	Value at 30 June 2015 \$
ANZ Bank Ltd	1,750,000	56,350,000
BHP Billiton Ltd	2,000,000	54,100,000
Rio Tinto Ltd	950,000	51,062,500
Westpac Banking Corp Ltd	1,400,000	45,010,000
Commonwealth Bank Ltd	500,000	42,565,000
Wesfarmers Ltd	1,000,000	39,030,000
Woodside Petroleum Ltd	1,000,000	34,230,000
National Australia Bank Ltd	1,000,000	33,310,000
Total		355,657,500

The terms of the agreement require the market value of the pledged securities to satisfy a minimum value of \$340,000,000.

Australia and New Zealand Banking Group Ltd

Equities	No. of Shares	Value at 30 June 2015 \$
Commonwealth Bank of Australia Ltd	400,000	34,052,000
Telstra Ltd	3,000,000	18,420,000
Westpac Ltd	500,000	16,075,000
Woolworths Ltd	400,000	10,784,000
Total		79,331,000

The terms of the agreement require that the loan to value ratio shall not exceed 50% of the market value of the pledged securities. At 30 June this was 25% (2014: 25%).

19. 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 the last quoted market price as at balance date. In accordance with Australian Accounting Standards, this is considered "level 1" under the fair value measurement hierarchy, which is defined as quoted prices (unadjusted) in active markets for identical assets or liabilities. The net fair value of investments is set out in notes 8 and 23.

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

20. Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 30 June 2015.

21. Segment Reporting

The Company operates as an investment company in Australia.

22. Events Subsequent to Balance Date

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

23. Holdings of Securities as at 30 June 2015


The following is a list of the Company's top 25 investments as at 30 June 2015, which represent 87% of the total investment portfolio (2014: 86%). All investments are valued at fair value through Other Comprehensive Income.

2015		2014	
Company	Market Value \$	Company	Market Value \$
1 ANZ Banking Group Ltd	88,550,000	ANZ Banking Group Ltd	91,685,000
2 Commonwealth Bank of Australia	85,130,000	Commonwealth Bank of Australia	80,880,000
3 Westpac Banking Corporation	75,552,500	Westpac Banking Corporation	79,618,000
4 National Australia Bank Ltd	74,947,500	BHP Billiton Ltd	73,595,000
5 BHP Billiton Ltd	63,567,500	National Australia Bank Ltd	68,838,000
6 Wesfarmers Ltd	54,642,039	Wesfarmers Ltd	60,668,000
7 Rio Tinto Ltd	51,062,500	Rio Tinto Ltd	56,344,500
8 Diversified United Investment Ltd	50,544,000	Woodside Petroleum Ltd	51,337,500
9 Woodside Petroleum Ltd	42,787,500	Diversified United Investment Ltd	43,200,000
10 Transurban Group	37,200,000	Woolworths Ltd	42,264,000
11 Woolworths Ltd	32,352,000	Transurban Group	25,865,000
12 CSL Ltd	30,264,500	Origin Energy Ltd	21,930,000
13 Brambles Ltd	22,260,000	Oil Search Ltd	21,274,000
14 Orica Ltd	21,280,000	CSL Ltd	19,965,000
15 Medibank Private Limited	19,436,700	Orica Ltd	19,480,000
16 Amalgamated Holdings Ltd	18,810,000	Brambles Ltd	19,299,000
17 Telstra Corporation Ltd	18,420,000	Santos Ltd	15,686,000
18 Sonic Healthcare Ltd	18,164,500	Telstra Corporation Ltd	15,630,000
19 Origin Energy Ltd	17,955,000	Washington H Soul Pattinson Ltd	14,750,000
20 Ramsay Health Care Ltd	16,904,250	Amalgamated Holdings Ltd	13,995,000
21 Oil Search Ltd	15,686,000	AMP Ltd	13,250,000
22 AMP Ltd	15,050,000	Ramsay Health Care Ltd	12,512,500
23 Washington H Soul Pattinson Ltd	13,440,000	Mystate Ltd	12,064,000
24 Invocare Limited	12,100,000	QBE Insurance Group Ltd	10,543,900
25 Mystate Limited	11,640,300	Invocare Ltd	10,110,000
Total Top 25 Investments	907,746,789		894,784,400
Total Investments at Market Value, Short Term Net Receivables and Cash	1,039,714,762		1,034,282,948

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 14 to 30, and the remuneration disclosures that are contained in the Remuneration Report on page 11 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 2015 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) The financial report also complies with International Financial Reporting Standards;
 - (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

Signed in accordance with a resolution of the directors.



Charles Goode

Director

Dated at Melbourne this 19th day of August 2015.

Independent Auditor's Report



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

Report on the financial 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 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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.

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, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards legislation.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

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 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included on page 11 of the directors' report for the Year Ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Australian United Investment Company Limited for the Year Ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Maria Trinci
Partner

Melbourne
19 August 2015

Additional Information

Distribution of shareholders as at 31 July 2015

Category Holders	Ordinary Shares	No of Holders	%
1-1,000	278,440	557	0.26
1,001-5,000	4,434,694	1,591	4.06
5,001 10,000	5,318,369	732	4.86
10,001 and 100,000	15,622,967	691	14.28
100,001 and over	83,719,144	36	76.54
	109,373,614	3,607	100.00

There were 81 ordinary shareholders holding less than a marketable parcel (60 shares) at 31 July 2015.

Substantial Shareholders

The number of shares disclosed by the substantial shareholders and their associates in substantial shareholder notices received up to 31 July 2015 are set out below:

Substantial Shareholder	No. of Shares
The Ian Potter Foundation Limited and Dundee Trading Pty Ltd	44,446,603
Argo Investments Ltd	17,039,172
Lady Primrose Catherine Potter, Primrose Properties Pty Ltd and Decerna Pty Ltd	7,773,293

Voting Rights

All ordinary shares carry equal voting rights.

Twenty Largest Equity Security Holders

The twenty largest shareholders, listed below as at 31 July 2015, hold 81,699,949 ordinary shares which is 74.70% of the issued capital.

Ordinary Shares

Shareholder Name	No. of Shares	% Held
1. The Ian Potter Foundation Ltd	43,820,844	40.07
2. Argo Investments Ltd	16,711,022	15.28
3. Primrose Properties Pty Ltd	6,416,772	5.87
4. Robin Bernice Potter	5,500,000	5.03
5. Dundee Trading Pty Ltd	2,245,621	2.05
6. The Miller Foundation Ltd	1,600,000	1.46
7. Beta Gamma Pty Ltd	763,765	0.70
8. Lady Primrose Catherine Potter	752,977	0.69
9. UBS Wealth Management Australia Nominees Pty Ltd	648,562	0.59
10. Decerna Pty Ltd	562,475	0.51
11. Mr James Gordon Maxwell Moffatt	455,000	0.42
12. Aldack Pty Ltd (Dixon Family Superannuation Fund A/c)	395,000	0.36
13. Equitas Nominees Pty Ltd	300,000	0.27
14. Matluc Nominees Pty Ltd	288,443	0.26
15. Pards Pty Ltd	248,001	0.23
16. Duesburys Services Pty Ltd (Carolyn Anne Parker Bowles)	228,973	0.21
17. Mythia Pty Ltd	213,467	0.20
18. The Manly Hotels Pty Ltd	187,500	0.17
19. Mr John Astley Pitt	181,527	0.17
20. Dr Ray Dudley Paech (Est. Donald Graham Paech A/c)	180,000	0.16
	81,699,949	74.70

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2015 totalled \$195,539 (2014: \$232,322). None of that brokerage was paid to any stock or sharebroker, or any employee or nominee of any stock or sharebroker, who is an officer of the Company.

List of Investments as at 30 June 2015

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.

	30/6/2015			30/6/2014	
	Market Value \$	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
Banks (32.3%)					
Australia & New Zealand Banking Group Ltd	88,550,000	8.5	2,750,000	-	2,750,000
Commonwealth Bank Of Australia Ltd	85,130,000	8.2	1,000,000	-	1,000,000
Mystate Ltd	11,640,300	1.1	2,410,000	190,000 Sold	2,600,000
National Australia Bank Ltd	74,947,500	7.2	2,250,000	150,000 Purchased	2,100,000
Westpac Banking Corporation	75,552,500	7.3	2,350,000	-	2,350,000
Consumer (12.2%)					
Amalgamated Holdings Ltd	18,810,000	1.8	1,500,000	-	1,500,000
Carsales.com Ltd	5,095,000	0.5	500,000	500,000 Purchased	-
Echo Entertainment Group Ltd	-	-	-	935,744 Sold	935,744
Seek Ltd	2,812,000	0.3	200,000	200,000 Purchased	-
Tatts Group Ltd	11,160,000	1.1	3,000,000	-	3,000,000
Vocus Communications Ltd	2,308,000	0.2	400,000	400,000 Purchased	-
Wesfarmers Ltd	54,642,039	5.2	1,400,000	50,000 Sold	1,450,000
Woolworths Ltd	32,352,000	3.1	1,200,000	-	1,200,000
Energy (8.3%)					
Oil Search Ltd	15,686,000	1.5	2,200,000	-	2,200,000
Origin Energy Ltd	17,955,000	1.7	1,500,000	-	1,500,000
Santos Ltd	10,179,000	1.0	1,300,000	200,000 Purchased	1,100,000
Woodside Petroleum Ltd	42,787,500	4.1	1,250,000	-	1,250,000
Health Care (8.4%)					
CSL Ltd	30,264,500	2.9	350,000	50,000 Purchased	300,000
Invocare Ltd	12,100,000	1.2	1,000,000	-	1,000,000
Ramsay Health Care Ltd	16,904,250	1.6	275,000	-	275,000
Resmed Inc.	10,905,000	1.0	1,500,000	-	1,500,000
Sonic Healthcare Ltd	18,164,500	1.7	850,000	646,818 Purchased	203,182
Infrastructure & Utilities (3.6%)					
Transurban Group	37,200,000	3.6	4,000,000	500,000 Purchased	3,500,000

List of Investments as at 30 June 2015

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.

	30/6/2015		Units Held	Capital Movements or Portfolio Adjustments	30/6/2014
	Market Value \$	% of Portfolio at Market Value			Units Held
Information Storage (0.7%)					
Recall Holdings Ltd	6,930,000	0.7	1,000,000	-	1,000,000
Insurance (2.3%)					
Medibank Private Ltd	19,436,700	1.9	9,670,000	10,000,000 Purchased	
330,000 Sold	-				
Suncorp Group Ltd	4,029,000	0.4	300,000	300,000 Purchased	-
Materials (0.5%)					
Adelaide Brighton Ltd	-	-	-	300,000 Sold	300,000
Arcor Ltd	5,488,000	0.5	400,000	400,000 Purchased	-
Mining (11.9%)					
BHP Billiton Ltd	63,567,500	6.1	2,350,000	300,000 Purchased	2,050,000
Rio Tinto Ltd	51,062,500	4.9	950,000	-	950,000
South32 Ltd	8,950,000	0.9	5,000,000	2,350,000 BHP Billiton demerger 2,650,000 Purchased	-
Mining Services (2.7%)					
Bradken Ltd	1,435,000	0.1	1,000,000	500,000 Sold	1,500,000
Monadelphous Group Ltd	3,279,500	0.3	350,000	-	350,000
Orica Ltd	21,280,000	2.0	1,000,000	-	1,000,000
Worley Parsons Ltd	3,123,000	0.3	300,000	-	300,000
Other Financials (10.5%)					
AMP Ltd	15,050,000	1.5	2,500,000	-	2,500,000
ASX Ltd	3,990,000	0.4	100,000	100,000 Purchased	-
Brickworks Pty Ltd	4,140,000	0.4	300,000	-	300,000
BT Investment Management Ltd	10,985,000	1.1	1,300,000	300,000 Sold	1,000,000
Diversified United Investment Ltd	50,544,000	4.9	14,400,000	2,400,000 Purchased	12,000,000
IOOF Holdings Ltd	4,495,000	0.4	500,000	500,000 Purchased	-
Perpetual Ltd	4,836,000	0.5	100,000	-	100,000
QBE Insurance Group Ltd	-	-	-	970,000 Sold	970,000
Washington H Soul Pattinson	13,440,000	1.3	1,000,000	-	1,000,000

List of Investments as at 30 June 2015

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.

	30/6/2015				30/6/2014
	Market Value \$	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
Property (0.6%)					
Gowing Bros Ltd	6,200,000	0.6	2,000,000	-	2,000,000
Transportation (3.2%)					
Asciano Ltd	3,325,000	0.3	500,000	500,000 Purchased	-
Aurizon Holdings Ltd	8,208,000	0.8	1,600,000	100,000 Purchased	1,500,000
Brambles Ltd	22,260,000	2.1	2,100,000	-	2,100,000
Telecommunication Services (1.8%)					
Telstra Corporation Ltd	18,420,000	1.8	3,000,000	-	3,000,000
Cash Trust & Other Deposits (1.0%)					
Cash Trust Units, Bank Deposits and Net Short Term Receivables	10,095,472	1.0	10,095,472	70,626,925	
	1,039,714,761	100.0%			

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Australian United Investment
Company Limited

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