

Australian United  
Investment  
Company Limited

ABN 37 004 268 679



Annual  
Report  
**2016**

# Directory

## Directors

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

## Company Secretary

Andrew J Hancock FCA

## Registered Office

Level 20  
101 Collins Street  
Melbourne Vic 3000  
Tel: (613) 9654 0499  
Fax: (613) 9654 3499  
Email: [info@aii.com.au](mailto:info@aii.com.au)

## Website

[www.aii.com.au](http://www.aii.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](mailto:registrars@linkmarketservices.com.au)  
Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Securities Exchange

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

	<b>Page</b>
Chairman's Report	2
Corporate Governance Statement	6
Directors' Report	9
Lead Auditor's Independence Declaration	14
Statement of Profit or Loss and Other Comprehensive Income	15
Balance Sheet	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	32
Independent Auditor's Report	33
Additional Information	35
List of Investments	37

# Chairman's Report

I present the Annual Report of Australian United Investment Company Ltd which is for the year ended 30 June 2016.

The Company's objective is to take a medium to long term view and to invest in a diversified portfolio of listed Australian equities which have the potential to provide income and capital appreciation over the longer term.

In November 2015 the Company raised \$88.7M in a one for eight renounceable rights issue at \$6.50 per share. The purpose of the issue was to invest in new opportunities and re-balance the portfolio without having to sell long term investments. The funds raised were invested gradually and by the end of June 2016 were fully deployed. The average dividend yield of these purchases was 4.8% with a high degree of franking. New investments have been made in the Healthcare, Telecommunications, Non-bank Financials, Property, Consumer and Infrastructure sectors.

The profit for the year after income tax was \$42,209,639 compared to \$47,780,565 in the previous year, a decrease of 11.7%, or an increase of 0.4% if special dividends received in both periods are excluded. Special dividends of \$163,700 after tax were received this year compared to \$5,896,269 in the previous year. The special dividends received in the prior year included a non-cash non-taxable demerger dividend of \$5,287,500 received as a result of the demerger of South32 from BHP Billiton.

The total net profit after tax for the year of \$42,209,639 excludes net realised gains and losses on the investment portfolio which are transferred directly to the Asset Revaluation Reserve.

The weighted average number of ordinary shares for the year was 120,054,058 against 111,104,140 last year, taking into account the shares issued on the dividend re-investment plan and having adjusted for the bonus element in the one for eight renounceable rights issue, an increase of 8.1%.

Earnings per share based on profit after tax was 35.0 cents excluding the special dividends received, a decrease of 7.2% from the prior corresponding period (having adjusted for the bonus element in the November 2015 one for eight renounceable rights issue). Including the special dividends received, earnings per share fell by 18.1% to 35.2 cents.

The decline in earnings per share (excluding special dividends) was caused primarily by a reduction in income from investments. One of the notable features of the last financial year was the decision by both BHP Billiton and Rio Tinto to abandon their long-standing progressive dividend policies in the face of a substantial cyclical downturn in profits. Many other companies in the mining and energy sector also reduced their dividends and the effect of this was to reduce the Company's dividend income compared with last year. Administration expenses and finance costs were little changed from the previous year.

Operating expenses (excluding borrowing costs) were 0.10% of the average market value of the portfolio compared to 0.10% in 2015.

Bank borrowings were \$122 million at the end of the financial year (previous year \$120 million) amounting to around 11.6% of the investment portfolio at market values. Cash on hand, cash on deposit and net short term receivables were \$27 million, or 2.5% of the investment portfolio at market values (previous year \$10 million, or 1.0%).

Annual interest expense was covered 9.8 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 \$7.57 at 30 June 2016, compared to \$8.28 at 30 June 2015 (adjusted for the bonus element in the rights issue).

The final dividend for the year ending 30 June 2016 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 is on par with the 34.0¢ per share fully franked paid in the previous year. Shares issued in the rights issue in November 2015 did not rank for the interim dividend.

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:

Year	Dividend paid (reported)	Dividend paid (adjusted*)
2015/16	34.0 cents per share	34.0 cents per share
2014/15	34.0 cents per share	33.4 cents per share
2013/14	32.0 cents per share	31.5 cents per share
2012/13	29.5 cents per share	29.0 cents per share
2011/12	28.0 cents per share	27.5 cents per share

\* Adjusted for the bonus element in the November 2015 1:8 Rights Issue.

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 net realised gains but not on unrealised gains) over the last 5 years are as follows:

Date	NTA per share (reported)	NTA per share (adjusted*)
30 June 2016	\$7.57	\$7.57
30 June 2015	\$8.42	\$8.28
30 June 2014	\$8.57	\$8.43
30 June 2013	\$7.49	\$7.37
30 June 2012	\$6.26	\$6.16

\* Adjusted for the bonus element in the November 2015 1:8 Rights Issue.

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 200 Accumulation Index % p.a.
1 Year	(4.21)	(7.00)	0.56
3 Years	5.12	6.42	7.66
5 Years	5.47	6.91	7.40
10 Years	4.15	4.17	4.86

\* Incorporating the bonus element in the November 2015 1:8 Rights Issue.

Including the benefit of franking credits for shareholders who can fully utilise them, the Company's accumulation return for the year to 30 June 2016, was a fall of 2.3% compared to the index rise of 2.1%.

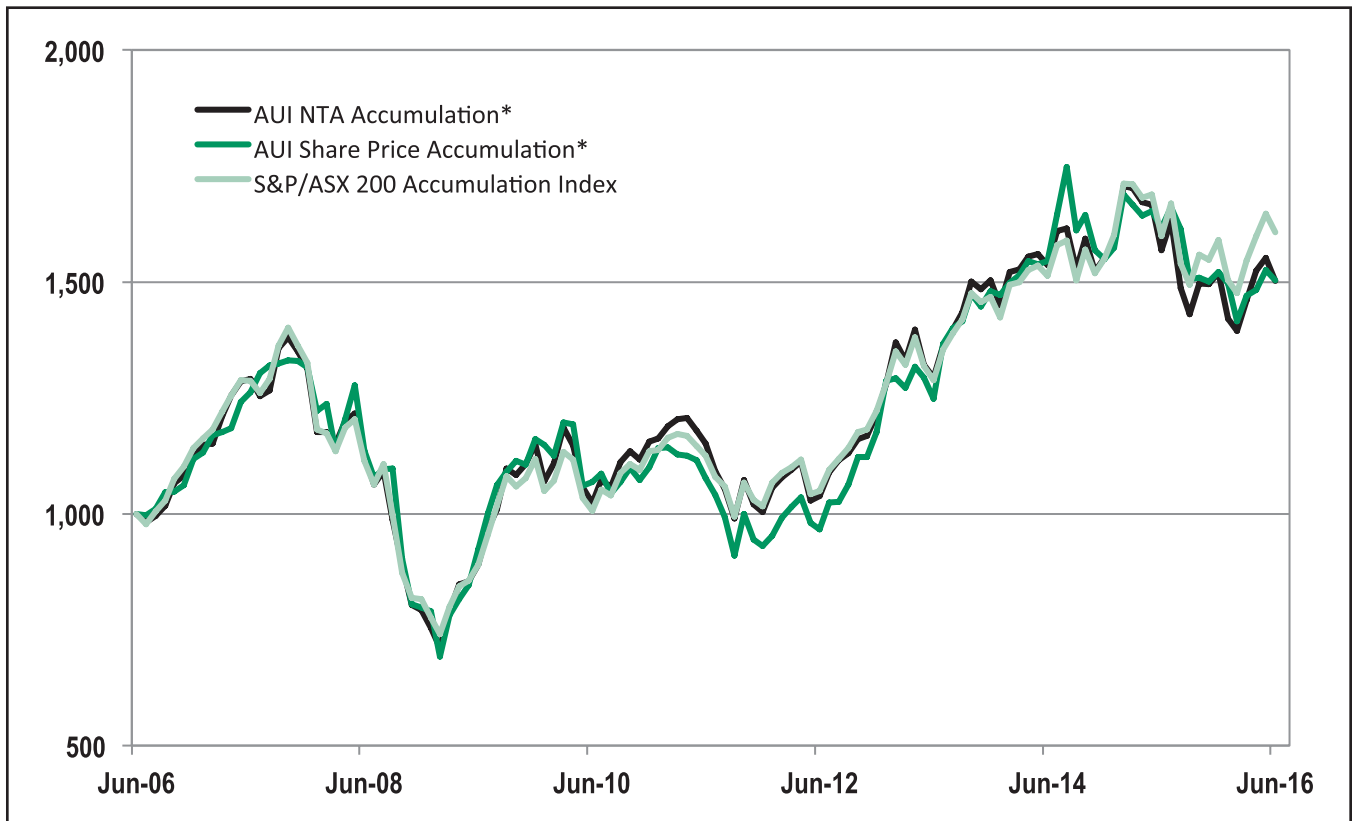
The Company's net asset backing accumulation performance is after tax and expenses and the impact of the Company's gearing for which no allowance is made in the index.

One of the defining features of the 2016 financial year was the continued decline in government bond yields to unprecedented lows, including negative yields in some countries. This led to sectors of the market with bond-like characteristics performing very strongly. For example, the Property Trust and Utilities sectors both rose 25% over the year. The Company has traditionally had a low exposure to these less equity like sectors which also have lower franking in their distributions. In the past year this proved to be the principal reason the portfolio underperformed the S&P/ASX Index. An above-index weighting to Energy also detracted from relative performance as the sector struggled during a cyclical downturn in the oil price. Partly offsetting this was a substantial exposure to the Healthcare and Industrials sectors which performed strongly.

The ASX top 20 accumulation index fell 7% for the year while the combined small and mid-cap 50 sectors rose 16%. Two thirds of the portfolio is held in the top 20 stocks which generally provide a good stream of franked dividends.

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 200 Accumulation Index over the last ten years.

**AUI Accumulated Investment Return vs S&P/ASX 200 Accumulation Index  
10 Years to 30 June 2016**



\* incorporating the bonus element in November 2015 1:8 Rights Issue.

Source: Evans & Partners

The equity portfolio of the Company is invested in Australian equities and at 30 June 2016 was spread over 49 companies. The Annual Report provides a list of the shareholdings at 30 June 2016 and 30 June 2015, the changes to the portfolio during the year and the market values as at 30 June 2016 of each investment together with its percentage of the portfolio.

As at 30 June 2016 the twenty-five largest shareholdings of the Company, at market value were:

Company	Market Value \$'000	% of Market Value of Total Investment
Commonwealth Bank of Australia Ltd	89,244,000	8.5%
Westpac Banking Corporation Ltd	73,500,000	7.0%
Australia & New Zealand Banking Group Ltd	68,139,000	6.4%
National Australia Bank Ltd	57,217,500	5.4%
Wesfarmers Ltd	56,140,000	5.3%
Transurban Group	50,957,500	4.8%
Diversified United Investment Ltd	47,088,000	4.5%
BHP Billiton Ltd	43,827,500	4.1%
Rio Tinto Ltd	43,225,000	4.1%
CSL Ltd	39,263,000	3.7%
Woodside Petroleum Ltd	33,550,000	3.2%
Telstra Corporation Ltd	33,360,000	3.1%
Brambles Industries Ltd	26,019,000	2.5%
Woolworths Ltd	25,068,000	2.4%
AMP Ltd	23,220,000	2.2%
Event Hospitality and Entertainment Ltd	21,795,000	2.1%
Sonic Healthcare Ltd	21,550,000	2.0%
Ramsay Health Care Ltd	19,734,000	1.9%
Suncorp Group Ltd	17,052,000	1.6%
Washington H Soul Pattinson & Co Ltd	17,000,000	1.6%
Perpetual Ltd	16,448,000	1.6%
Oil Search Ltd	14,674,000	1.4%
Invocare Ltd	13,140,000	1.2%
Macquarie Atlas Roads Ltd	12,950,000	1.2%
Orica Ltd	12,330,000	1.2%
	876,491,500	83.0%
<b>Total Investments at Market Value, Net Short Term Receivables and Cash</b>	<b>1,055,716,399</b>	



Charles Goode  
Chairman  
Melbourne, 17 August 2016

# 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 Independent Audit Report to the Management of The Myer Family Company Ltd in relation to the control procedures of their portfolio administration operations.

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  
19 July 2016

The directors of Australian United Investment Company Limited present their Directors' Report together with the financial report for the year ended 30 June 2016 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, Chairman since 1994) 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 35 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 RSL Care - RDNS and a member of the Investment Committees of the Geelong Grammar Foundation, the Royal Australasian College of Surgeons, and Trinity College (University of Melbourne). 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, Trinity College (University of Melbourne), and Cell Care Australia Pty Ltd. He is also a director of Lifestyle Communities Limited and sits on the investment committee of Australian Super. 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 2015

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.

## 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, other than in November 2015 the Company raised \$88.7M in a 1:8 renounceable rights issue at \$6.50 per share. The funds were invested gradually and by the end of June 2016 were fully deployed. The average dividend yield of these purchases was 4.8% with a high degree of franking. As foreshadowed at the time of the issue, the funds were used to re-balance and diversify the portfolio with new investments being made in the Healthcare, Telecommunications, Non-bank Financials, Property, Consumer and Infrastructure sectors.

For the year ended 30 June 2016 the profit after income tax was \$42,209,639 compared to \$47,780,565 in the previous year – a decrease of 11.7%. Special dividends received during the 2016 year were \$163,700 after tax (2015: \$5,896,269). Excluding special dividends received, operating profit increased 0.4%.

The weighted average number of ordinary shares for the year having adjusted for the bonus element in November 2015 one for eight renounceable rights issue was 120,054,058 compared to 111,104,140 in the previous year, an increase of 8.1%.

Having adjusted for the bonus element in November 2015 one for eight renounceable rights issue, the earnings per share was 35.0 cents per share excluding special dividends received (2015: 37.7 cents) or was 35.2 cents per share including special dividends (2015: 43.0 cents). The decline in earnings per share (excluding special dividends) was caused primarily by a reduction in income from investments. One of the notable features of last financial year was the decision by both BHP Billiton and Rio Tinto to abandon their long-standing progressive dividend policies in the face of a substantial cyclical downturn in profits. Many other companies in the mining and energy sector also reduced their dividends and the effect of this was to reduce the Company's dividend income compared with last year. Administration expenses and finance costs were little changed from the previous year. The Company incurred expenses (excluding finance costs) of \$1,099,643 (2015: \$1,085,839) which is equivalent to 0.10% (2015: 0.10%) of the average market value of the portfolio.

Bank borrowings were \$122 million at the end of the financial year (previous year \$120 million) gearing the investment portfolio by around 11.6%. Cash on hand, cash deposits and net short term receivables were \$27 million or 2.5% of the investment portfolio at market values (2015: \$10 million, 1.0%). Annual interest expense was covered 9.8 times by investment revenue (2015: 10.9 times).

As at 30 June 2016 the Company's portfolio had a market value (including cash and net receivables) of \$1,055,716,399 (2015: \$1,039,714,762). 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 2016 was \$7.57 (2015: \$8.42). This net tangible asset backing calculation is based on investments at market value and is after tax on net realised gains, before any future tax benefit of net 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 net unrealised portfolio gains were to be deducted, the net tangible asset backing would be \$6.76 (2015: \$7.28).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was a decrease of 4.2%, compared to the S&P/ASX 200 Accumulation Index rise of 0.6%. Two thirds of the Company's investments are in the top 20 ASX stocks and the accumulation performance of the top 20 sector was a decrease of 7.0% for the year. The Property Trust and Utilities sectors both rose 25% over the year. The Company has traditionally had a low exposure to these less equity like sectors which also have lower franking in their distributions. In the past year this proved to be the principal reason the portfolio underperformed the S&P/ASX Index. An above-index weighting to Energy also detracted from relative performance as the sector struggled during a cyclical downturn in the oil price. Partly offsetting this was a substantial exposure to the Healthcare and Industrials sectors which performed strongly.

Dividends declared by the Company for the 2016 financial year total 34.0 cents per share (2015: 34.0 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:

	\$
<b>Paid or declared during the year</b>	
A final dividend in respect of the year ended 30 June 2015 of 18.5 cents per share fully franked paid on 25 September 2015.	20,234,128
An interim dividend in respect of the year ended 30 June 2016 of 15.5 cents per share fully franked paid on 17 March 2016.*	16,978,022
<b>Paid or declared after end of year</b>	
A final dividend in respect of the year ended 30 June 2016 of 18.5 cents per share fully franked payable on 23 September 2016.*	22,824,284

\*New shares issued in the November 2015 1:8 rights issue did not participate in the interim dividend but thereafter ranked pari passu

## 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	13	14	2*	2	1	2
Peter J Wetherall	13	14	2	2	2	2
James S Craig	13	14	2	2	2	2
Fred S Grimwade	14	14	2	2	2	2

\* 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	102,246	1,104,907	33,583
Peter J Wetherall	43,675	-	8,256
James S Craig	-	350,000	-
Fred S Grimwade	-	10,000	-

### 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 <sup>(i)</sup>					
	Fee	2016 Superannuation	Total \$	Fee	2015 Superannuation	Total \$
Charles Goode	150,685	14,315	165,000	146,119	13,881	160,000
Peter Wetherall	75,342	7,158	82,500	73,059	6,941	80,000
James Craig	47,500	35,000	82,500	50,000	30,000	80,000
Fred Grimwade	75,342	7,158	82,500	73,059	6,941	80,000
P John Rose (ii)	-	-	-	21,075	2,002	23,077
<b>Total</b>	<b>348,869</b>	<b>63,631</b>	<b>412,500</b>	<b>363,312</b>	<b>59,765</b>	<b>423,077</b>

(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:

	2016	2015	2014	2013	2012
Operating Profit (\$ Millions)	42.2	47.8	40.3	35.5	32.6
Earnings Per Share (including special dividends)*	35.2	43.0	36.6	32.8	30.5
Earnings Per Share (excluding special dividends)*	35.0	37.7	35.5	31.7	30.4
Dividends paid (cents per share)*	34.0	33.4	31.5	29.0	27.5
Share Price 30 June*	\$7.15	\$8.06	\$8.01	\$6.74	\$5.46
Management Expense Ratio	0.10%	0.10%	0.11%	0.13%	0.13%
Net Asset Backing Per Share 30 June*	\$7.57	\$8.28	\$8.43	\$7.37	\$6.16
S&P/ASX 200 Index 30 June	5,233	5,459	5,396	4,803	4,095

\* Figures for the current and comparative years have been adjusted for the bonus element in the one for eight renounceable rights issue, completed November 2015. Refer Note 5 of the Financial Statements for details of the adjustment.

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 \$102,750 (2015: \$83,000) for services provided to the Company. In addition, Mr Hancock received a payment of \$20,000 for services provided in respect of the one for eight renounceable rights issue in November 2015.

## 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 \$9,625 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 and Risk Management 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 one for eight renounceable rights issue which raised \$88,723,160 in November 2015 as described above. The performance of the investment portfolio for the year is described above.

## 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 14 and forms part of the Directors' Report for the year ended 30 June 2016.

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



Director  
Melbourne, 17 August 2016

# 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 2016 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Maria Trinci'.

Maria Trinci  
Partner

Melbourne  
17 August 2016

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 2016

	Note	2016 \$	2015 \$
Revenue from investment portfolio	2	48,366,609	53,959,846
Administration and other expenses		(1,099,643)	(1,085,839)
Finance expenses	2	(4,950,974)	(4,961,655)
<b>Profit before income tax</b>		42,315,992	47,912,352
Income tax expense	4(a)	(106,353)	(131,787)
<b>Profit</b>		42,209,639	47,780,565
<b>Other Comprehensive Income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of investment portfolio for the year		(82,798,012)	(28,465,187)
Provision for tax benefit on revaluation of investment portfolio for the year		24,484,212	6,788,617
<b>Other comprehensive loss net of income tax</b>		(58,313,800)	(21,676,570)
<b>Total comprehensive income / (loss)</b>		(16,104,161)	26,103,995
Basic and diluted earnings per share (cents)	5	35.2	43.0

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 19 to 31.

# Balance Sheet as at 30 June 2016

	Note	2016 \$	2015 \$
<b>Assets</b>			
Cash assets	16	18,325,528	9,914,149
Receivables	7	8,479,000	8,436,854
Current tax receivable	4(c)	63,700	-
Other	9	164,710	46,419
<b>Total Current Assets</b>		27,032,938	18,397,422
Investment portfolio	8	1,028,911,871	1,029,619,289
<b>Total Non-Current Assets</b>		1,028,911,871	1,029,619,289
<b>Total Assets</b>		1,055,944,809	1,048,016,711
<b>Liabilities</b>			
Payables	10	168,592	8,432,484
<b>Total Current Liabilities</b>		168,592	8,432,484
Provision for long service leave		40,969	18,864
Borrowings – interest bearing	11	121,953,740	119,087,802
Deferred tax liability	4(b)	100,203,735	124,581,594
<b>Total Non-Current Liabilities</b>		222,198,444	243,688,260
<b>Total Liabilities</b>		222,367,036	252,120,744
<b>Net Assets</b>		833,577,773	795,895,967
<b>Equity</b>			
Issued capital	13(a)	437,926,192	346,928,075
Reserves		395,651,581	448,967,892
<b>Total Equity</b>		833,577,773	795,895,967

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 31.

# Statement of Changes in Equity for the Year Ended 30 June 2016

	Issued Capital \$	Revaluation Reserve \$	Realisation Reserve \$	Retained Earnings \$	Total \$
<b>As at 1 July 2014</b>	344,873,227	331,463,930	17,444,933	109,987,338	803,769,428
<b>Comprehensive Income</b>					
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)	-	-
Profit	-	-	-	47,780,565	47,780,565
	-	(22,806,886)	1,130,316	47,780,565	26,103,995
<b>Transactions with Shareholders</b>					
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)
<b>As at 30 June 2015</b>	346,928,075	308,657,044	18,575,249	121,735,599	795,895,967
<b>As at 1 July 2015</b>	346,928,075	308,657,044	18,575,249	121,735,599	795,895,967
<b>Comprehensive Income</b>					
Revaluation of investment portfolio	-	(82,798,012)	-	-	(82,798,012)
Tax benefit on revaluation	-	24,484,212	-	-	24,484,212
Net realised gains and losses on investment portfolio	-	3,741,030	(3,741,030)	-	-
Tax benefit on net realised gains and losses	-	(900,343)	900,343	-	-
Profit	-	-	-	42,209,639	42,209,639
	-	(55,473,113)	(2,840,687)	42,209,639	(16,104,161)
<b>Transactions with Shareholders</b>					
Renounceable rights issue	88,723,160	-	-	-	88,723,160
Dividend reinvestment plan	2,274,957	-	-	-	2,274,957
Dividends paid	-	-	-	(37,212,150)	(37,212,150)
	90,998,117	-	-	(37,212,150)	53,785,967
<b>As at 30 June 2016</b>	437,926,192	253,183,931	15,734,562	126,733,088	833,577,773

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 31.

# Statement of Cash Flows for the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Interest received		875,450	983,285
Dividends and trust distributions received		46,477,785	46,617,218
Option premium income received		424,578	839,030
Finance costs paid		(4,197,816)	(5,054,457)
Administration and other expenses paid		(1,091,417)	(1,030,934)
<b>Net cash flow from operating activities</b>	16	42,488,580	42,354,142
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		59,174,232	27,102,428
Purchases of investments		(149,037,402)	(105,639,526)
<b>Net cash flow from investing activities</b>		(89,863,170)	(78,537,098)
<b>Cash flows from financing activities</b>			
Proceeds from renounceable rights issue (net of costs)		88,723,160	-
Proceeds from additional borrowings - NAB		22,000,000	20,000,000
Borrowings repaid - ANZ		(20,000,000)	-
Dividends paid net of dividend reinvestment plan		(34,937,191)	(33,977,457)
<b>Net cash flow used in financing activities</b>		(55,785,969)	(13,977,457)
Net increase / (decrease) in cash held		8,411,379	(50,160,413)
Cash and cash equivalents at 1 July		9,914,149	60,074,562
<b>Cash and cash equivalents at 30 June</b>		<b>18,325,528</b>	<b>9,914,149</b>

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 31.

## 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 17 August 2016.

### (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 2016 ("the inoperative standards").

The impact of the other 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 Australian Accounting Standards, 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 and option premiums. 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

	2016 \$	2015 \$
<b>(a) Revenue</b>		
Ordinary dividends received or due and receivable	44,617,995	45,092,570
Special dividends received or due and receivable	163,700	5,930,906
Dividends received or due and receivable	44,781,695	51,023,476
Interest received or due and receivable	875,442	928,702
Trust distributions received or due and receivable	2,284,894	1,168,638
Option premium income	424,578	839,030
	48,366,609	53,959,846
<b>(b) Expenses</b>		
<i>Finance expenses</i>		
Interest and borrowing expenses	4,950,974	4,961,655

## 3. Auditor's Remuneration

	2016 \$	2015 \$
During the year, KPMG, the Company's auditor, received the following remuneration, inclusive of GST:		
- Audit and review of financial reports	45,507	44,616
- Tax related services	9,625	9,350

## 4. Taxation

### (a) Income Tax Expense

#### (i) Recognised in the income statement

##### Current tax benefit

Over provision for prior years	57,679	35,796
	57,679	35,796

##### Deferred Tax Expense

Recognition of tax losses and deferred tax balances	(199,147)	(162,183)
Temporary differences	35,115	(5,400)
	(164,032)	(167,583)

Total income tax expense in income statement	(106,353)	(131,787)
--	-----------	-----------

#### (ii) Reconciliation between tax expense and pre-tax net profit

Prima facie tax expense calculated at 30% on the profit for the year	(12,694,798)	(14,373,706)
--	--------------	--------------

##### Increase in tax expense due to:

Franking credits gross-up on dividends received	(5,162,878)	(5,299,497)
---	-------------	-------------

##### Decrease in tax expense due to:

Non-taxable dividend received	-	1,586,250
Tax deferred revenue received	403,603	168,355
Franking credits on dividends received	17,209,594	17,664,990
Sundry items	80,447	86,025
Tax expense on operating profit	(164,032)	(167,583)
Over provision for prior years	57,679	35,796
Income tax expense attributable to profit for the year	(106,353)	(131,787)

#### (iii) Deferred tax recognised directly in equity

Increase/(Decrease) in provision for tax on unrealised gains on the equity investment portfolio	24,484,212	(6,788,617)
---	------------	-------------

## 4. Taxation (cont.)

	2016 \$	2015 \$
<b>(b) Deferred Tax Assets and Liabilities</b>		
<b>Recognised Deferred Tax Assets and Liabilities</b>		
Revaluation reserve – Provision for tax on unrealised gains on the equity investment portfolio	(112,085,671)	(134,992,851)
Tax effect of unfranked dividend receivable	(73,484)	(108,600)
Tax benefit of capital losses carried forward	11,021,741	9,444,710
Tax benefit of income tax losses carried forward	933,679	1,075,147
Net deferred tax liabilities	(100,203,735)	(124,581,594)
<b>(c) Current Tax Receivable</b>		
Current year tax liability	-	-
Less: withholding taxes receivable	63,700	-
Current tax receivable	63,700	-

## 5. Earnings Per Share

	2016 cents	2015 cents
Basic and diluted earnings per share	35.2	43.0
Earnings per share excluding special dividends received (refer Note 1(d))	35.0	37.7

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

The earnings per share for the year is calculated on a weighted average adjusted number of ordinary shares of 120,054,058 (2015: 111,104,140). The weighted average adjusted number of ordinary shares takes into account the shares issued in the dividend reinvestment plan and the 1:8 renounceable rights issue and is also adjusted for the bonus element from the rights issue.

The bonus element arises as the subscription price of the shares issued in the rights issue was at a discount to the market price of the shares immediately prior to the rights issue. Accordingly, under the accounting standards, the weighted average number of shares is adjusted because the increase in ordinary shares from the rights issue did not result in a corresponding increase in resources for the Company. The prior year comparatives have also been adjusted for the bonus element arising from the rights issue.

## 6. Dividends

	2016 \$	2015 \$
Dividends recognised in the current year by the Company are:		
(i) 2015 final dividend of 18.5 cents per share (2014: 17.5 cents) fully franked paid 25 September 2015	20,234,128	19,098,464
(ii) 2016 interim dividend of 15.5 cents per share (2015: 15.5 cents) fully franked paid 17 March 2016*	16,978,022	16,933,841
	37,212,150	36,032,305

Since 30 June 2016, the directors have declared the following dividend payable on 23 September 2016:

- Final dividend of 18.5 cents per share fully franked (2015: 18.5 cents)	22,824,284	20,234,119
---	------------	------------

\*New shares issued in the November 2015 1:8 rights issue did not participate in the interim dividend but thereafter ranked pari passu

The final dividend will not contain a Listed Investment Company (LIC) capital gain dividend (2015: nil).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2016.



## 6. Dividends (cont.)

### Dividend Franking Account:

The balance of the Franking Account at 30 June 2016 is \$39,969,231 (2015: \$41,690,203) 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 2016 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$30,187,395 (2015: \$33,018,438). 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 2016 was \$372,101 (2015: \$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

	2016 \$	2015 \$
<b>Current</b>		
Dividends Receivable	7,425,250	7,345,258
Trust Distributions Receivable	1,053,750	608,638
Other - Unsettled equity sales	-	482,958
	8,479,000	8,436,854

## 8. Investments

### Non-Current

Investments in equities quoted on prescribed stock exchanges (at fair value)	1,028,911,871	1,029,619,289
--	---------------	---------------

## 9. Other Assets

### Current

Prepayments	51,929	46,419
Sundry debtors	112,781	-
	164,710	46,419

## 10. Payables

### Current

Trade Creditors	168,592	176,954
Other - Unsettled equity purchases	-	8,255,530
	168,592	8,432,484

## 11. Borrowings

	2016 \$	2015 \$
<b>Non-Current</b>		
Loan Facility – Secured	121,953,740	119,087,802

The face value of the drawn facility is \$122 million (2015: \$120 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 2016, the ANZ facility for \$20 million was repaid and replaced by a new fully drawn \$20 million facility from NAB, expiring 2 July 2021. An additional NAB facility for \$10 million was established, of which \$2 million was drawn during the year, expiring 31 October 2020.

## 12. Financing Arrangements

The Company has access to the following lines of credit:

<i>Total facility available</i>		
Loan Facility – Secured	130,000,000	120,000,000
<i>Facilities utilised at balance date</i>		
Loan Facility – Secured	122,000,000	120,000,000

## 13. Capital and Reserves

### (a) Issued Capital

Issued and paid-up share capital

123,374,507 (2015: 109,373,614) fully paid ordinary shares	437,926,192	346,928,075
Movements in issued capital:		
Balance at beginning of the financial year	346,928,075	344,873,227
Shares issued		
- Dividend re-investment plan <sup>1</sup>	2,274,957	2,054,848
- Renounceable rights issue (net of costs) <sup>2</sup>	88,723,160	-
	437,926,192	346,928,075

(1) In respect of the final dividend paid in September 2015, 159,297 ordinary shares were issued at \$7.8021 each and in respect of the interim dividend paid in March 2016, 148,652 ordinary shares were issued at \$6.9431 each.

(2) In respect of the one for eight renounceable rights issue on 13 November 2015, 13,692,944 shares were issued at \$6.50 each under the ASX security code AUIN. These shares did not rank for the interim dividend paid on 17 March 2016 and thereafter rank *pari passu*.

## 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 \$412,500 (2015: \$423,077). 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 and F S Grimwade.

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 2016 to 18 June 2017.

### 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 01/07/2015	Purchases	Sales	Held at 30/06/16
Charles B. Goode	1,056,367	184,369	-	1,240,736
Peter J. Wetherall	44,214	7,717	-	51,931
James S. Craig	300,000	50,000	-	350,000
Fred S. Grimwade	5,000	5,000	-	10,000

### Directors' Transactions in Shares

The movements in directors' holdings of ordinary shares resulted from the issue of shares in the one for eight renounceable rights issue and/or purchased 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

	2016 \$	2015 \$
<b>Reconciliation of Cash</b>		
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	18,325,528	9,914,149
<b>Reconciliation of operating profit after income tax to net cash provided by operating activities:</b>		
Profit for the year	42,209,639	47,780,565
Add / (less) changes in assets and liabilities:		
(Increase) / decrease in dividends receivable	(79,992)	(308,758)
(Increase) / decrease in trust distributions receivable	(445,112)	21,362
(Increase) / decrease in other debtors	-	54,575
(Increase) / decrease in other prepayments	(1,403)	(131)
(Increase) / decrease in deferred tax assets	141,468	126,395
(Increase) / decrease in other assets	(4,108)	3,485
Increase / (decrease) in deferred tax liability	(35,115)	5,400
(Increase) / decrease in other taxes	(63,700)	-
(Increase) / decrease in prepaid interest and borrowing costs	753,157	(92,802)
Increase / (decrease) in accrued expenses	(8,359)	32,687
Increase / (decrease) in provisions	22,105	18,864
Add/(less) non-cash items:		
Non-cash dividends	-	(5,287,500))
<b>Net cash provided by operating activities</b>	<b>42,488,580</b>	<b>42,354,142</b>

## 17. Capital Management

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

The Company's assets 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.

In November 2015, a one for eight renounceable rights issue raised \$88,723,160 of new issued capital. The Company announced an extension to the on-market buy-back facility which has a potential of purchasing up to 6 million shares from 1 June 2016 to 31 May 2017. 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 \$122 million at the end of the financial year (previous year \$120 million) gearing the investment portfolio by around 11.6% (previous year 11.5%). The Company has interest bearing loan facilities in place with the National Australia Bank which include both fixed and floating rate components. These facilities expire on various intervals through to 2 July 2021, unless renewed. Annual interest expense during the year was covered 9.8 times by investment revenue (previous year 10.9 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 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 \$36,011,915 (or 4%) and \$72,023,831 (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 2016 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

	Note	Floating Interest Rate \$
<b>Financial Assets – 2016</b>		
Cash	16	18,325,528
Weighted Average Interest Rate		2.36%
<b>Financial Assets – 2015</b>		
Cash	16	9,914,149
Weighted Average Interest Rate		2.68%

## 19. Financial Instruments Disclosure (cont.)

The Company has secured borrowing facilities in place with the National Australia Bank Ltd totalling \$122,000,000 (2015: \$120,000,000) as follows:

### National Australia Bank Ltd

Amount	Maturity	Interest Rate <sup>1</sup>
\$20,000,000	31 July 2017	Floating 3.625%
\$20,000,000	31 July 2018	Floating 3.625%
\$10,000,000	30 November 2018	Fixed 4.280%
\$10,000,000	31 July 2019	Floating 3.775%
\$10,000,000	31 July 2019	Fixed 5.150%
\$10,000,000	30 November 2019	Fixed 4.510%
\$20,000,000	31 July 2020	Fixed 4.050%
\$2,000,000 <sup>2</sup>	31 October 2020	Floating 3.575%
\$20,000,000 <sup>3</sup>	2 July 2021	Floating 3.290%

Notes:

1 Interest rate includes bank margins and fees.

2 During the year ended 30 June 2016, an additional NAB facility for \$10 million was established, of which \$2 million was drawn during the year.

3 During the year ended 30 June 2016, the ANZ facility for \$20 million was repaid and replaced by a new fully drawn \$20 million facility from NAB.

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 \$504,000 (or 1.19%) and a change in the Company's equity of \$504,000 (or 0.06%).

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 2016 \$
ANZ Bank Ltd	2,750,000	66,330,000
BHP Billiton Ltd	2,000,000	37,300,000
Commonwealth Bank Ltd	775,000	57,636,750
National Australia Bank Ltd	2,000,000	50,860,000
Rio Tinto Ltd	950,000	43,225,000
South32 Ltd	1,000,000	1,540,000
Transurban Group	4,000,000	47,960,000
Westpac Banking Corporation Ltd	1,400,000	41,160,000
Wesfarmers Ltd	1,400,000	56,140,000
Woodside Petroleum Ltd	1,000,000	26,840,000
<b>Total</b>		<b>428,991,750</b>

The terms of the agreement require the market value of the securities to satisfy a minimum value of \$380,000,000.

## 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 2016.

## 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 2016

The following is a list of the Company's top 25 investments as at 30 June 2016, which represent 83% of the total investment portfolio (2015: 87%). All investments are valued at fair value through Other Comprehensive Income.

2016		2015	
Company	Market Value \$	Company	Market Value \$
1 Commonwealth Bank of Australia Ltd	89,244,000	ANZ Banking Group Ltd	88,550,000
2 Westpac Banking Corporation Ltd	73,500,000	Commonwealth Bank of Australia	85,130,000
3 ANZ Banking Group Ltd	68,139,000	Westpac Banking Corporation	75,552,500
4 National Australia Bank Ltd	57,217,500	National Australia Bank Ltd	74,947,500
5 Wesfarmers Ltd	56,140,000	BHP Billiton Ltd	63,567,500
6 Transurban Group	50,957,500	Wesfarmers Ltd	54,642,039
7 Diversified United Investment Ltd	47,088,000	Rio Tinto Ltd	51,062,500
8 BHP Billiton Ltd	43,827,500	Diversified United Investment Ltd	50,544,000
9 Rio Tinto Ltd	43,225,000	Woodside Petroleum Ltd	42,787,500
10 CSL Ltd	39,263,000	Transurban Group	37,200,000
11 Woodside Petroleum Ltd	33,550,000	Woolworths Ltd	32,352,000
12 Telstra Corporation Ltd	33,360,000	CSL Ltd	30,264,500
13 Brambles Industries Ltd	26,019,000	Brambles Ltd	22,260,000
14 Woolworths Ltd	25,068,000	Orica Ltd	21,280,000
15 AMP Ltd	23,220,000	Medibank Private Limited	19,436,700
16 Event Hospitality and Entertainment Ltd	21,795,000	Amalgamated Holdings Ltd	18,810,000
17 Sonic Healthcare Ltd	21,550,000	Telstra Corporation Ltd	18,420,000
18 Ramsay Health Care Ltd	19,734,000	Sonic Healthcare Ltd	18,164,500
19 Suncorp Group Ltd	17,052,000	Origin Energy Ltd	17,955,000
20 Washington H Soul Pattinson & Co Ltd	17,000,000	Ramsay Health Care Ltd	16,904,250
21 Perpetual Ltd	16,448,000	Oil Search Ltd	15,686,000
22 Oil Search Ltd	14,674,000	AMP Ltd	15,050,000
23 Invocare Ltd	13,140,000	Washington H Soul Pattinson Ltd	13,440,000
24 Macquarie Atlas Roads Ltd	12,950,000	Invocare Limited	12,100,000
25 Orica Ltd	12,330,000	Mystate Limited	11,640,300
<b>Total Top 25 Investments</b>	<b>876,491,500</b>		<b>907,746,789</b>
<b>Total Investments at Market Value, Net Short Term Receivables and Cash</b>	<b>1,055,716,399</b>		<b>1,039,714,762</b>

# 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 15 to 31, and the remuneration disclosures that are contained in the Remuneration Report on page 12 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 2016 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 2016.

Signed in accordance with a resolution of the directors.



Charles Goode  
Director

Dated at Melbourne this 17th day of August 2016.

# 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 2016, and the income statement and 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.

# Independent Auditor's Report



## *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 2016 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 12 of the directors' report for the Year Ended 30 June 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Maria Trinci  
*Partner*

Melbourne  
17th August 2016

## Distribution of shareholders as at 31 July 2016

Category Holders	Ordinary Shares	No of Holders	%
1 - 1,000	262,232	575	0.21
1,001 - 5,000	4,549,183	1,654	3.69
5,001 - 10,000	5,981,737	837	4.85
10,001 - 100,000	19,255,796	863	15.61
100,001 and over	93,325,559	49	75.64
	123,374,507	3,978	100.00

There were 100 ordinary shareholders holding less than a marketable parcel (68 shares) at 31 July 2016.

## Substantial Shareholders

The number of shares disclosed by the substantial shareholders and their associates in substantial shareholder notices received up to 31 July 2016 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	16,975,151
Lady Primrose Catherine Potter, Primrose Properties Pty Ltd and Decerna Pty Ltd	7,773,293

## Voting Rights

All ordinary shares carry equal voting rights.

# Additional Information

## Twenty Largest Equity Security Holders

The twenty largest shareholders, listed below as at 31 July 2016, hold 89,071,007 ordinary shares which is 72.19% of the issued capital.

### Ordinary Shares

Shareholder Name	No. of Shares	% Held
The Ian Potter Foundation Ltd	49,579,153	40.19
Argo Investments Ltd	16,461,022	13.34
Primrose Properties Pty Ltd	6,849,584	5.55
Robin Bernice Potter	5,500,000	4.46
HSBC Custody Nominees (Australia) Ltd	2,477,092	2.01
Dundee Trading Pty Ltd	2,245,621	1.82
Beta Gamma Pty Ltd	897,065	0.73
Lady Primrose Catherine Potter	847,100	0.69
Mr James Gordon Maxwell Moffatt	700,000	0.57
Decerna Pty Ltd	632,785	0.51
Aldack Pty Ltd (Dixon Family Superannuation Fund A/c)	428,394	0.35
Equitas Nominees Pty Ltd	350,000	0.28
Brownell Superannuation Pty Ltd	300,000	0.24
Matluc Nominees Pty Ltd	288,443	0.23
AJM Investments Pty Ltd	285,000	0.23
Alan Farrell Pty Ltd	251,487	0.20
Duesburys Services Pty Ltd (Carolyn Anne Parker Bowles)	248,973	0.20
Pards Pty Ltd	248,001	0.20
Mr Paul William Brothie & Mr Kenneth Francis Wallace	241,136	0.20
Mythia Pty Ltd	240,151	0.19
	89,071,007	72.19

### Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2016 totalled \$271,848 (2015: \$195,539). 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 2016

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 investments.

	30/6/2016			30/6/2015	
	Market Value \$	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
<b>Banks (27.7%)</b>					
Australia & New Zealand Banking Group Ltd	68,139,000	6.4	2,825,000	75,000 Purchased	2,750,000
Commonwealth Bank of Australia Ltd	89,244,000	8.4	1,200,000	200,000 Purchased	1,000,000
Mystate Ltd	4,832,100	0.5	1,170,000	1,240,000 Sold	2,410,000
National Australia Bank Ltd	57,217,500	5.4	2,250,000	-	2,250,000
Westpac Banking Corporation	73,500,000	7.0	2,500,000	150,000 Purchased	2,350,000
<b>Consumer (12.3%)</b>					
Carsales.com Ltd	8,008,000	0.8	650,000	150,000 Purchased	500,000
Event Hospitality and Entertainment Ltd	21,795,000	2.1	1,500,000	-	1,500,000
IDP Education Ltd	2,060,000	0.2	500,000	500,000 Purchased	-
Seek Ltd	3,802,500	0.4	250,000	50,000 Purchased	200,000
Tatts Group Ltd	11,460,000	1.1	3,000,000	-	3,000,000
Vocus Communications Ltd	-	-	-	400,000 Sold	400,000
Wesfarmers Ltd	56,140,000	5.3	1,400,000	-	1,400,000
Woolworths Ltd	25,068,000	2.4	1,200,000	-	1,200,000
<b>Energy (6.5%)</b>					
Oil Search Ltd	14,674,000	1.4	2,200,000	-	2,200,000
Origin Energy Ltd	11,500,000	1.1	2,000,000	500,000 Purchased	1,500,000
Santos Ltd	8,352,000	0.8	1,800,000	500,000 Purchased	1,300,000
Woodside Petroleum Ltd	33,550,000	3.2	1,250,000	-	1,250,000
<b>Health Care (10.5%)</b>					
CSL Ltd	39,263,000	3.7	350,000	-	350,000
Greencross Ltd	2,028,000	0.2	300,000	300,000 Purchased	-
Healthscope Ltd	7,722,000	0.7	2,700,000	2,700,000 Purchased	-
Invocare Ltd	13,140,000	1.2	1,000,000	-	1,000,000
Ramsay Health care Ltd	19,734,000	1.9	275,000	-	275,000
Regis Healthcare Ltd	170,195	-	36,289	36,289 Purchased	-
Resmed Inc.	8,300,000	0.8	1,000,000	500,000 Sold	1,500,000
Sonic Healthcare Ltd	21,550,000	2.0	1,000,000	150,000 Purchased	850,000

## List of Investments as at 30 June 2016

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 investments.

		30/6/2016			30/6/2015
	Market Value \$	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
<b>Infrastructure &amp; Utilities (7.0%)</b>					
Macquarie Atlas Roads Ltd	12,950,000	1.2	2,500,000	2,500,000 Purchased	-
Sydney Airport Ltd	10,410,000	1.0	1,500,000	1,500,000 Purchased	-
Transurban Group	50,957,500	4.8	4,250,000	250,000 Purchased	4,000,000
<b>Information Storage (0.0%)</b>					
Recall Holdings Ltd	-	-	-	1,000,000 Takeover	1,000,000
<b>Insurance (1.6%)</b>					
Medibank Private Ltd	-	-	-	9,670,000 Sold	9,670,000
Suncorp Group Ltd	17,052,000	1.6	1,400,000	1,100,000 Purchased	300,000
<b>Materials (0.8%)</b>					
Arcor Ltd	8,958,000	0.8	600,000	200,000 Purchased	400,000
<b>Mining (9.0%)</b>					
BHP Billiton Ltd	43,827,500	4.2	2,350,000	-	2,350,000
Rio Tinto Ltd	43,225,000	4.1	950,000	-	950,000
South32 Ltd	7,700,000	0.7	5,000,000	-	5,000,000
<b>Mining Services (1.4%)</b>					
Bradken Ltd	-	-	-	1,000,000 Sold	1,000,000
Monadelphous Group Ltd	2,611,000	0.2	350,000	-	350,000
Orica Ltd	12,330,000	1.2	1,000,000	-	1,000,000
Worley Parsons Ltd	-	-	-	300,000 Sold	300,000



## List of Investments as at 30 June 2016

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 investments.

		30/6/2016			30/6/2015
	Market Value \$	% of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	Units Held
<b>Other Financials (12.4%)</b>					
AMP Ltd	23,220,000	2.2	4,500,000	2,000,000 Purchased	2,500,000
ASX Ltd	4,576,000	0.4	100,000	-	100,000
Brickworks Pty Ltd	4,308,000	0.4	300,000	-	300,000
BT Investment Management Ltd	10,244,000	1.0	1,300,000	-	1,300,000
Challenger Financial Services Ltd	1,726,000	0.2	200,000	200,000 Purchased	-
Diversified United Investment Ltd	47,088,000	4.5	14,400,000	-	14,400,000
IOOF Holdings Ltd	3,915,000	0.4	500,000	-	500,000
Link Administration Holdings Ltd	1,282,576	0.1	156,986	156,986 Purchased	-
Perpetual Ltd	16,448,000	1.6	400,000	300,000 Purchased	100,000
Washington H Soul Pattinson	17,000,000	1.6	1,000,000	-	1,000,000
<b>Property (1.1%)</b>					
Gowing Bros Ltd	-	-	-	2,000,000 Sold	2,000,000
Lend Lease Group Ltd	11,970,000	1.1	950,000	950,000 Purchased	-
<b>Transportation (4.0%)</b>					
Asciano Ltd	4,435,000	0.4	500,000	-	500,000
Aurizon Holdings Ltd	12,050,000	1.1	2,500,000	900,000 Purchased	1,600,000
Brambles Ltd	26,019,000	2.5	2,100,000	-	2,100,000
<b>Telecommunication Services (3.2%)</b>					
Telstra Corporation Ltd	33,360,000	3.2	6,000,000	3,000,000 Purchased	3,000,000
<b>Cash Trust &amp; Other Deposits (2.5%)</b>					
Cash Trust Units, Bank Deposits and Net Short Term Receivables	26,804,528	2.5	26,804,528		10,095,472
	1,055,716,399	100.0			

This page has been left intentionally blank

This page has been left intentionally blank



Australian United Investment  
Company Limited

ABN 37 004 268 679