

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

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13 September 2021

ASX Announcement

Australian United Investment Company Limited 2021 Annual Report

In accordance with the Listing Rules, attached for release to the market is the Company's Annual Report for the year ended 30 June 2021.

Authorised for release by James Pollard, Company Secretary.



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

Australian United
Investment
Company Limited

ABN 37 004 268 679

Directory

Directors

Charles B Goode AC - Chairman
Fred S Grimwade
Dion C Hershan

Company Secretary

James A Pollard FGIA CA

Registered Office

Level 20
101 Collins Street
Melbourne VIC 3000
Tel: +61 3 9654 0499
Email: info@aii.com.au

Website

www.aii.com.au

Bankers

National Australia Bank Limited
Australia and New Zealand Banking Group 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 Limited which is for the year ended 30 June 2021.

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.

The profit for the year after income tax was \$40,505,000 compared to \$41,145,000 in the previous year, a decrease of 1.6%. If special dividends are excluded, operating profit decreased 17.5%. Special dividends of \$7,456,000 after tax were received this year compared to \$1,103,000 in the previous year.

Excluding special dividends received the Company's revenue fell 14.6% on last year. The Company's investment portfolio has continued to be affected by the COVID-19 pandemic during the financial year. Revenue has been reduced by the fall in dividend and distribution income from the Company's investments, particularly in the first half of the financial year.

The total net profit after tax for the year of \$40,505,000 excludes net realised gains and losses on the investment portfolio which are transferred directly to the Realisation Reserve.

The weighted average number of ordinary shares for the year was 124,806,169 against 124,488,838 last year, taking into account the shares issued under the dividend re-investment plan, an increase of 0.3%.

Earnings per share based on profit after tax excluding special dividends received was 26.5 cents, a decrease of 17.7% from the prior corresponding period. Including special dividends received, earnings per share fell by 1.8% to 32.5 cents.

Operating expenses (excluding borrowing costs) were 0.11% of the average market value of the portfolio compared to 0.12% in 2020.

At 30 June the Company had cash reserves and undrawn debt of \$24 million.

Bank borrowings facilities were \$150 million, drawn as to \$135 million at the end of the financial year (previous year \$150 million, drawn as to \$85 million). Gross debt as a proportion of the portfolio including cash was 9.4% (2020: 7.4%). Cash on hand, cash deposits and net short term receivables were \$9,474,000 or 0.7% of the investment portfolio at market values (2020: \$20,805,000, 1.8%). Net debt as a proportion of the portfolio excluding cash was 8.8% (2020: 5.7%). Annual interest expense was covered 19.5 times by investment revenue (2020: 14.8 times).

The net asset backing per share before provision for estimated tax on unrealised gains and before provision for the final dividend was \$10.46 at 30 June 2021, compared to \$8.59 at 30 June 2020.

The final dividend for the year ending 30 June 2021 is 19.0 cents per share fully franked at 30% which, with the interim dividend of 17.0 cents per share fully franked at 30%, makes 36.0 cents per share fully franked for the year, unchanged from the previous year. The final dividend does not include a Listed Investment Company capital gain dividend.

The Directors have decided to maintain the final dividend even though total dividends for year ended 30 June 2021 are not covered by earnings in the year. There are sufficient accumulated retained earnings and franking credits to cover the final dividend payment for the year ended 30 June 2021 on a fully franked basis.

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

Year	Dividend Paid
2020/21	36.0 cents per share
2019/20	36.0 cents per share
2018/19	36.0 cents per share
2017/18	35.0 cents per share
2016/17	34.0 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 net realised gains but not on unrealised gains) over the last 5 years are as follows:

	Net Tangible Asset Backing Per Share
30 June 2021	\$10.46
30 June 2020	\$8.59
30 June 2019	\$9.85
30 June 2018	\$9.21
30 June 2017	\$8.57

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	26.9	31.7	27.8
3 Years	8.5	10.0	9.6
5 Years	11.0	11.9	11.2
10 Years	8.2	9.3	9.3

Including the benefit of franking credits paid to shareholders (for shareholders who can fully utilise them), the Company's NTA accumulation return for the year to 30 June 2021 was a rise of 29.1%, in line with the rise of 29.1% in the S&P/ASX200 franking credit adjusted return.

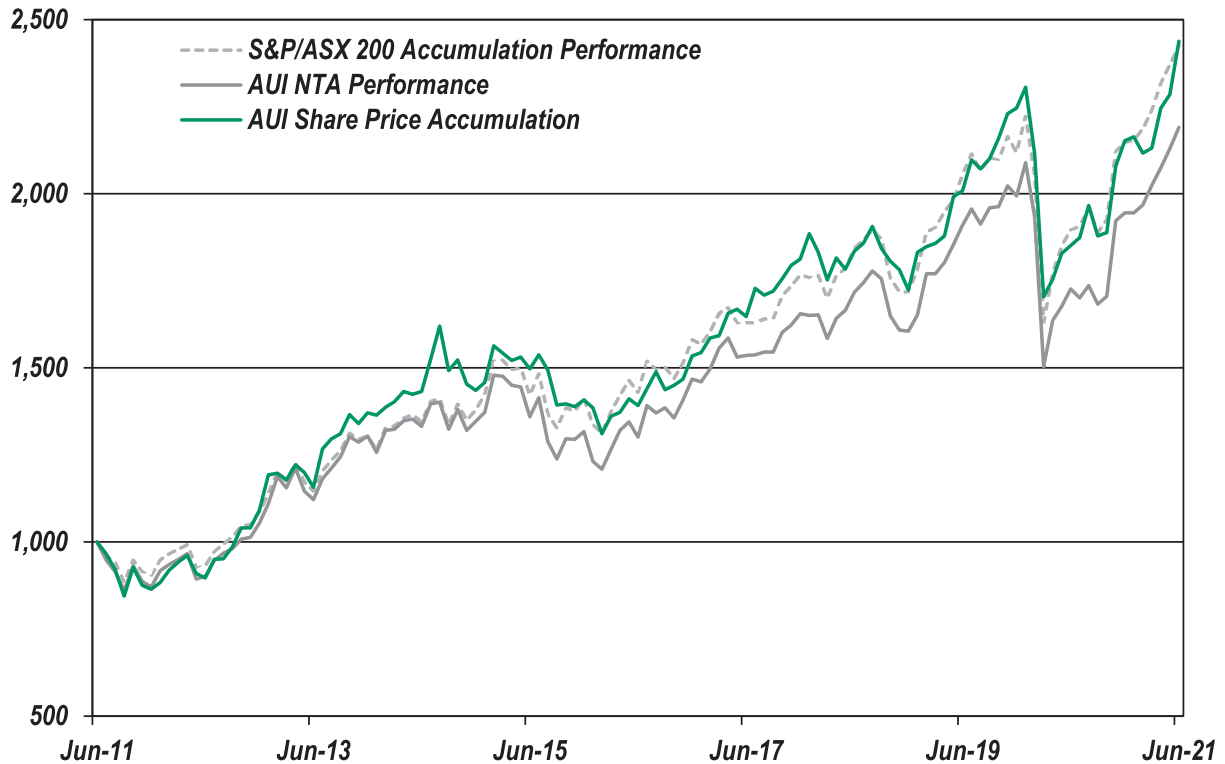
The Company's net asset backing accumulation performance is after tax and expenses and the impact of the Company's gearing for which no allowance is made in the index.

The Company's relative performance for the year was assisted by overweight allocations to Washington H Soul Pattinson, Reece and Rio Tinto, and underweight allocation to the underperforming utilities sector.

Relative performance was held back by overweight holdings in Transurban, Atlas Arteria and CSL, and underweight allocation to the strong gold sector.

The following graph shows the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) and the Company's share price performance assuming in both cases that all dividends were re-invested and to the S&P/ASX 200 Accumulation Index, over the last ten years.

**AUI Accumulated Investment Return vs S&P/ASX 200 Accumulation Index
(Excluding the Benefit of Franking Credits)
10 Years to 30 June 2021**



Source: Evans & Partners

The equity portfolio of the Company is invested in Australian equities and at 30 June 2021 was spread over 43 companies. The Annual Report provides a list of the shareholdings at 30 June 2021 and 30 June 2020, the changes to the portfolio during the year and the market values as at 30 June 2021 of each investment together with its percentage of the portfolio.

As at 30 June 2021 the twenty-five largest shareholdings of the Company, at market value were:

Company	Market Value \$'000	% of Market Value of Total Investments
Commonwealth Bank of Australia	129,831	9.0%
CSL Ltd	114,076	7.9%
BHP Group Ltd	97,140	6.7%
Rio Tinto Ltd	94,980	6.6%
Transurban Group	79,261	5.5%
Wesfarmers Ltd	78,012	5.4%
Diversified United Investment Ltd	74,736	5.2%
Australia & New Zealand Banking Group Ltd	68,968	4.8%
Westpac Banking Corporation	56,782	3.9%
Woodside Petroleum Ltd	39,978	2.8%
Washington H Soul Pattinson & Co Ltd	38,790	2.7%
Atlas Arteria	38,220	2.7%
Woolworths Ltd	38,130	2.6%
Aristocrat Leisure Ltd	34,472	2.4%
Link Administration Holding Ltd	30,240	2.1%
National Australia Bank	30,153	2.1%
Sydney Airport	28,950	2.0%
Seek Ltd	26,512	1.8%
Ramsay Health Care Ltd	25,180	1.8%
Resmed Inc.	24,570	1.7%
Carsales.Com Ltd	23,712	1.6%
Coles Group Ltd	23,071	1.6%
Orica Ltd	19,920	1.4%
Event Hospitality and Entertainment Ltd	18,960	1.3%
Brambles Ltd	18,590	1.3%
	1,253,234	86.9%
Total Investments at Market Value, Net Short Term Receivables and Cash	1,442,535	

Outlook

The market, to a significant extent, can be summed up in TINA QUOFs FOMO. That is - there is no alternative, quantity of funds, and fear of missing out.

The low interest rates have a lot to do with it as does the quantity of money and increased savings, and the expected economic recovery from COVID-19. All of these factors have led to high price earnings ratios which we now expect to be supported by rising earnings.

The market does not appear to be irrationally exuberant, except in the high technology hopefuls.

For our part, we are a long term, low turnover, diversified, yield conscious investor. It is our intention to remain invested in high quality companies with strong long-term prospects. We are underweight in non-dividend paying high technology companies and mining exploration companies, as well as cyclical industrial companies.



Charles Goode
Chairman

Corporate Governance Statement

The Company has adopted corporate governance principles in accordance with the Australian Securities Exchange (ASX) 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 operation of the Board is directed by its Board Charter which is published on the Company's website.

The Board is accountable to the Company's 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 3 Directors. The Company's constitution requires 3 to 6 Directors. If a Board vacancy arises the Nomination and Remuneration Committee chooses the best available candidate using professional advice if this is deemed necessary. Appropriate checks are conducted for any new Director appointment, as directed by the Nomination and Remuneration Committee. A Director who is appointed during the year is required to stand for election at the next Annual General Meeting.

Diversity

The Company has a Diversity Policy which is published on the Company's website. With reference to the Board's approach to diversity, there is limited scope to influence the Board's composition and organisation diversity due to:

- The Company having a small Board membership with a long-term investment strategy, increasing the importance on Board stability,
- The Board acting as the investment committee, therefore investment knowledge is the key criteria for Director selection, and
- The Company having a small number of employees as most business functions are outsourced.

These factors limit the Company's ability to set and meet defined gender targets and as such the Board does not establish strict targets or quotas. The Company values diversity and takes diversity matters into consideration when making new appointments, however the skillset and experiences of available candidates will always remain a priority when a vacancy is filled for a new Director or employee. While this is a departure from the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the Board believes that the policies it has set are in the best interests of the Company's objectives and its shareholders.

As at 30 June 2021, the total proportion of males and females across the Company's workforce were:

	Males		Females	
	Number	Proportion	Number	Proportion
Directors	3	100%	-	-
Senior Executives	1	100%	-	-
Other personnel	-	-	3	100%
Overall	4	57%	3	43%

2. Composition (cont.)

The Company's Senior Executive is the Company Secretary, who oversees day to day operations.

The Company has only a small number of employees and therefore has limited scope to influence organisational diversity. A number of business functions are outsourced to Mutual Trust, including accounting, tax, custody, cash management and portfolio administration and as such they are considered vital to the ongoing operations of the Company. The Company has considered the diversity practices of Mutual Trust, who have provided the following statement:

Mutual Trust has an Inclusion and Diversity Committee which consists of eight senior members of staff (directors, partners and LT members). There are four women and four men on the committee whose objectives include creating a workplace that is diverse and inclusive and where all our employees are provided with opportunities to realise their full potential regardless of their differences.

As part of their work, Mutual Trust has a number of policies that support Inclusion & Diversity including a broad Flexible Work Policy, and Paid Parental Leave for all women and men which includes superannuation contributions up to twelve months. Mutual Trust is compliant with the Workplace Gender Equality Agency to whom we report to on an annual basis and has a structured mentoring program facilitated by Diversity Partners where partners and LT members mentor women and men to support them to achieve their career goals. Currently 53% of Mutual Trust's workforce are women.

Board Skills

The Company has a Skills Matrix which identifies skills considered desirable in members of the Board.

Skills which the Board seeks in each of its membership include:

- Knowledge of investment markets and business, with emphasis on Australian listed equities,
- Understanding of the requirements of a listed entity,
- Network of industry contacts and relationships across a range of industries,
- Personal qualities – professionalism, integrity, expertise.

Skills which the Board seeks in individual members include:

- Specific industry knowledge, for example, financial institutions, banks, energy, mining, property, infrastructure,
- Experience and knowledge in the areas of tax, legal, accounting and / or audit,
- Leadership experience from a breadth of roles – listed and unlisted entities, advisory boards, not-for-profit bodies.

Independence

The Chairman, Mr C B Goode, being a governor of The Ian Potter Foundation is associated with a substantial shareholder and is considered non-independent. Although having a non-independent Chairman is a departure from the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Board believes that he is the most appropriate person to act as Chairman as he brings significant and relevant experience to the Board and that the Company benefits overall from his long-standing tenure. All other Directors are regarded as independent and as such a majority of Directors of the Board are independent.

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. 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 ongoing 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 and employees are set out in their employment contracts, 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, and is currently capped at \$600,000. 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 as approved by shareholders to convert accrued retirement entitlements at that time into shares in the Company to be held in the Non-Executive Directors 2006 Accrued Entitlements Share Plan until retirement.

Each Director and the Company Secretary 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 and such 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 Company Secretary's performance is evaluated by a list of performance metrics, which are reviewed and assessed annually. Performance evaluations have been undertaken during the previous financial year for the Board, each Director and the Company Secretary.

The Board also conducts an annual review of the performance of the Board Committees 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. 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.

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.

Audit and Risk Management Committee

The Audit and Risk Management Committee has an independent Chairman and a majority of independent Directors. All members are non-executive. The Audit and Risk Management Committee responsibilities include inter-alia, appointment of the external auditor, assessing their independence, managing the audit relationship, and overseeing internal controls and risk management. The external audit partner rotates every 5 years. The Committee is considered to have sufficient relevant expertise.

Nomination and Remuneration Committee

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 Directors and employees. The Company Secretary's remuneration is disclosed in the Remuneration Report in the Annual Report.

7. Disclosure Procedures and Share Trading

The Company has established policies and procedures to ensure compliance with the ASX 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. The Company's Continuous Disclosure Policy sets out its approach to meeting its disclosure obligations and is published on the Company's website.

Any announcements to the ASX are immediately communicated to the Board as soon as the disclosure is made. Any investor or analyst presentation is announced to the ASX prior to the presentation being given.

For any reports disclosed to the market which are not formally audited or reviewed by an external auditor, the Company ensures the accuracy of the information presented by thorough review from management and the Board where appropriate. External consultants are often engaged to advise on specialist matters and to provide additional analysis, which is reviewed and confirmed by management prior to release.

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 and Participation

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 (AGM) including the Chairman's address and question time,
- Mailing of Chairman's Address to all shareholders and posting to website.

All shareholders are invited to attend the Company's AGM, at which they may participate by voting on resolutions and asking questions of the Board. Questions can be submitted prior to the meeting, and shareholders who cannot attend the AGM may appoint a proxy to attend on their behalf. Voting at meetings may be conducted by shareholders in person or they may instruct a nominated proxy to vote on their behalf.

In recognition of the ongoing impact from the COVID-19 pandemic, the Company elected to hold its 2020 AGM by audio webcast. This allowed shareholders the opportunity to hear from the Board and ask questions of them while physical distancing and lockdown requirements were in place. When deciding the format of future shareholder meetings, the Company will continue to assess the broader environment and make accommodations to allow all shareholders the opportunity to safely participate in Company meetings.

Voting at all shareholder meetings is conducted by poll rather than by show of hands.

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 systems and the management of risks half yearly after receiving reports from the Company Secretary on these matters and makes appropriate recommendations to the Board. A review of the risk management framework was conducted by the Audit and Risk Management Committee during the previous financial year.

9. Risk Management (cont.)

In light of heightened risks associated with increased cybercrime activity in recent years, the Company performed a thorough review and upgrade to its existing IT infrastructure in late 2020. This included:

- A review conducted by external consultants of the Company's existing IT infrastructure and an assessment against industry best practice and recommendations,
- Penetration testing and vulnerability assessment completed by IT security specialists, and
- Investment into new hardware and software allowing increased monitoring and reporting processes to enhance the Company's ability to respond to IT risk events.

The Board receives a letter half yearly from the Company's external accountants and custodian (Mutual Trust) regarding their procedures, 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 Reasonable Assurance Report to the Management of Mutual Trust in relation to the control procedures of their custody and information technology systems.

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

The Company Secretary, based on a review of the Company's 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 Board seeks to continually improve its governance processes and conducts annual reviews of its corporate governance and policy framework. The Company utilises the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* and other best practice governance systems as a benchmark for assessing its own processes and aims to adhere to these standards as often as possible.

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

10. Corporate Conduct

The Company's Values define its business practices and culture, and include:

- Commitment to growing long-term shareholder value,
- Patient stewardship, and
- Integrity.

These values are published in more detail on the Company's website.

The Company's Values are set and conveyed by the Board and the Company Secretary, and are reinforced across the organisation through the following:

- A Code of Conduct, which requires all Directors and staff to act ethically and in the best interests of its shareholders at all times,
- A Whistleblower Policy, which acts to protect employees who raise concerns against the Company,
- An Anti-bribery and Corruption Policy, which sets out guidance on receiving gifts and forbidding involvement with or receipt of bribes.

The Company's Code of Conduct and various policies are administered by the Company Secretary, and any material breaches are reported to the Board through the Chairman. Copies of these codes and policies are published on the Company's website.

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 2021

The Directors of Australian United Investment Company Limited present their Directors' Report together with the financial report for the year ended 30 June 2021 and the auditor's report thereon.

Directors

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

Charles Goode AC, B.Com (Hons) (Melb), MBA (Columbia), Hon LLD (Melb), Hon LLD (Mon)
Non-executive Chairman, Appointed April 1990 (Chairman since October 1993)

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 is Chairman Emeritus of Flagstaff Partners (having been Chairman 2010 – 2019). Mr Goode was formerly a director of Australia and New Zealand Banking Group Limited (1991 – 2010, Chairman 1996 – 2010) and Woodside Petroleum Limited (1988 – 2007, Chairman 1999 – 2007).

James Craig B.Ec/LLB (Adel), LLM (Melb)
Non-executive Director, Appointed October 2009
Retired April 2021

Mr Craig is Chairman of River Capital Pty Ltd, and a director of Australian Super. He is Chair of the Investment Committee of Australian Super.

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 XRF Scientific Limited, and a director of Select Harvests Limited. Formerly he held senior executive positions with Colonial First State Investments Group, Colonial Mutual Group, Western Mining Corporation and Goldman, Sachs & Co. He is the Chairman of the Company's Audit and Risk Management Committee.

Dion Hershman B.Com/B.A. (Mon), MBA (Columbia)
Non-executive Director, Appointed April 2018

Mr Hershman is Managing Director and Head of Australian Equities at Yarra Capital Management. He has more than 20 years' finance industry experience. Formerly he held senior executive positions with Goldman Sachs Asset Management, Citadel Investment Group (New York), Fidelity Investments (Boston) and Boston Consulting Group. He is Chairman of the Company's Nomination and Remuneration Committee.

Company Secretaries

Andrew Hancock B.Ec (Mon), Grad. Dip. CDP (RMIT), FCA
Company Secretary, Appointed October 1995
Retired April 2021

Mr Hancock was also Company Secretary of Diversified United Investment Ltd (1991 – 2021) and has served as Chairman and Secretary of the Australian Listed Investment Companies Association.

James Pollard B.BusCom (Mon), Grad Cert FP (Kaplan), FGIA, CA
Company Secretary, Appointed February 2020

Mr Pollard is also Company Secretary of Diversified United Investment Ltd (since 2020), and has over a decade of experience in accounting, taxation and private wealth advisory.

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.

The Company's investment portfolio has continued to be affected by the COVID-19 pandemic during the financial year. Revenue has been reduced by the fall in dividend and distribution income from the Company's investments, particularly in the first half of the financial year. Day to day operations of the Company continue to be relatively unaffected.

For the year ended 30 June 2021, profit after income tax was \$40,505,000 compared to \$41,145,000 in the previous year – a decrease of 1.6%. Special dividends received during the year were \$7,456,000 after tax (2020: \$1,103,000). Excluding these items, operating profit decreased 17.5%.

The weighted average number of ordinary shares for the year was 124,806,169 compared to 124,488,838 in the previous year, an increase of 0.3%.

Earnings per share was 26.5 cents per share excluding special dividends (2020: 32.2 cents) or was 32.5 cents per share including special dividends (2020: 33.1 cents). The Company incurred expenses (excluding finance costs and after cost recoveries) of \$1,398,000 (2020: \$1,416,000) which is equivalent to 0.11% (2020: 0.12%) of the average market value of the portfolio.

Bank borrowings facilities were \$150 million, drawn as to \$135 million at the end of the financial year (2020: \$150 million, drawn as to \$85 million). Gross debt as a proportion of the portfolio including cash was 9.4% (2020: 7.4%). Cash on hand, cash deposits and net short-term receivables were \$9,474,000 or 0.7% of the investment portfolio at market values (2020: \$20,805,000, 1.8%). Net debt as a proportion of the portfolio excluding cash was 8.8% (2020: 5.7%). Annual interest expense was covered 19.6 times by investment revenue (2020: 14.8 times).

As at 30 June 2021, the Company's portfolio had a market value (including cash and net receivables) of \$1,442,535,000 (2020: \$1,155,923,000). A list of the Company's top 25 investments is set out in Note 24 to the Financial Statements. The Net Tangible Asset backing of the Company's ordinary shares at 30 June 2021 was \$10.46 per share (2020: \$8.59). 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 \$8.77 per share (2020: \$7.49).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was an increase of 26.9%, compared to the S&P/ASX 200 Accumulation Index increase of 27.8%.

Dividends declared by the Company for the 2021 financial year total 36.0 cents per share fully franked (2020: 36.0 cents per share fully franked).

It is the Directors' intention to continue to invest in a portfolio of listed securities for long term capital gain and dividend income. The risks to which the Company is exposed are set out in Notes 19 and 20 to the Financial Statements.

Dividends

Dividends paid or declared by the Company since the end of the previous financial year were:

	\$'000
Paid or declared during the year	
A final dividend in respect of the year ended 30 June 2020 of 19.0 cents per share fully franked at 30% paid on 20 September 2020.	23,678
An interim dividend in respect of the year ended 30 June 2021 of 17.0 cents per share fully franked at 30% paid on 17 March 2021.	21,216
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2021 of 19.0 cents per share fully franked at 30% payable on 23 September 2021.	23,742

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	12	12	2*	2*	3	3
James S Craig	9	10	2	2	3	3
Fred S Grimwade	12	12	2	2	3	3
Dion C Hershan	12	12	2	2	3	3

* In attendance – not a Committee member at the time.

All Directors are members of the Audit and Risk Management Committee (after Mr Goode became a member on 14 July 2021), which is chaired by Mr Grimwade.

All Directors are members of the Nomination and Remuneration Committee, which is chaired by Mr Hershan.

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:

	1	Shares	2	3
Charles B Goode	133,543	1,359,493		33,583
Fred S Grimwade	-	20,000		-
Dion C Hershan	-	12,000		-

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 paid were as follows:

	2021			2020		
	Fee \$	Superannuation \$	Total \$	Fee \$	Superannuation \$	Total \$
Charles B Goode	160,731	15,269	176,000	162,100	15,400	176,000
James S Craig ⁽¹⁾	63,623	6,044	69,667	80,365	7,635	88,000
Fred S Grimwade	80,365	7,635	88,000	80,365	7,635	88,000
Dion C Hershan	80,365	7,635	88,000	80,365	7,635	88,000
Total	385,084	36,583	421,667	403,195	38,305	440,000

¹ Retired April 2021.

Remuneration report (audited) (cont.)

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

The Nomination and Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Company Secretariat and Directors of the Company, including superannuation entitlements, retirement and termination entitlements, and professional indemnity policies. The Company's Key Management Personnel are the Directors and the Company Secretary.

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 supporting the Company's objectives of providing income and capital appreciation over the longer term. Directors' fees are fixed and reviewed annually. The maximum total of Directors' fees is set by the shareholders in annual 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:

	2021	2020	2019	2018	2017
Operating Profit (\$ Million)	40.5	41.1	55.8	47.8	44.1
Earnings Per Share (total) (cents)	32.5	33.1	44.9	38.6	35.7
Earnings Per Share (excluding special dividends and capital gains from managed funds) (cents)	26.5	32.2	39.4	37.0	34.3
Dividends paid (cents per share)	36.0	36.0	36.0	35.0	34.0
Share Price 30 June	\$10.16	\$8.05	\$9.08	\$8.65	\$8.09
Management Expense Ratio	0.11%	0.12%	0.10%	0.09%	0.10%
Net asset backing per share before tax on unrealised gains 30 June	\$10.46	\$8.59	\$9.85	\$9.21	\$8.57
AUI net asset backing accumulation return before tax or unrealised gains	26.9%	(9.6%)	11.2%	11.8%	18.0%
S&P/ASX 200 Index accumulation return	27.8%	(7.7%)	11.6%	13.0%	14.1%

Each Director and the Company Secretary 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 16 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, other than the Deeds of Access, Indemnity and Insurance held.

The services of the Company Secretaries, Mr Andrew J Hancock and Mr James A Pollard, are also provided to Diversified United Investment Limited through an administrative services agreement with the Company. After cost recovery for those services provided to Diversified United Investment Limited, remuneration paid in relation to their services to the Company was as follows:

	2021 \$	2020 \$
Andrew J Hancock ⁽¹⁾	115,651	113,000
James A Pollard	77,642	74,500
Total	193,293	187,500

¹ Retired April 2021.

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 \$11,100 (2020: \$10,531) 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 and Risk Management 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 reviewed by the Audit and Risk Management Committee to ensure they do not affect 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 APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

State of Affairs

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

Environmental Regulation

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

Events Subsequent to Balance Date

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

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, and dividend and distribution revenue is expected to continue to be impacted by the effects of the COVID-19 pandemic on the operations of investee companies and trusts.

Indemnification

Details of Directors' indemnification are set out in Note 16 to the Financial Statements.

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

The lead auditor's independence declaration is set out on page 16 and forms part of the Directors' Report for the year ended 30 June 2021.

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that instrument, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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



Charles Goode
Chairman
17 August 2021

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 of Australian United Investment Company Limited for the financial year ended 30 June 2021 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.

The KPMG logo, consisting of the letters 'KPMG' in a bold, sans-serif font, with a stylized graphic of four vertical bars of varying heights to the left of the text.

KPMG

A handwritten signature in black ink, appearing to read 'Chris Sargent'.

Chris Sargent

Partner

Melbourne

17 August 2021

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Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Revenue from investment portfolio	2(a)	46,126	46,529
Administration and other expenses		(1,681)	(1,678)
Administration costs recovered		283	262
Finance expenses	2(b)	(2,367)	(3,164)
Profit before income tax		42,361	41,949
Income tax expense	4(a)	(1,856)	(804)
Profit		40,505	41,145
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of investment portfolio for the year		237,792	(153,055)
Provision for tax (expense) / benefit on revaluation of the investment portfolio for the year		(73,204)	45,229
Other comprehensive profit / (loss) net of income tax		164,588	(107,826)
Total comprehensive profit / (loss)		205,093	(66,681)
Basic and diluted earnings per share (cents)	5	32.5	33.1

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 on pages 21 to 33.

Balance Sheet

as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash assets	17	5,215	18,578
Receivables	7	4,259	2,226
Current tax receivable	4(c)	-	145
Other	9	114	79
Total current assets		9,588	21,028
Non-current assets			
Investment portfolio	8	1,433,061	1,135,118
Plant and equipment	10	28	28
Other	9	166	235
Total non-current assets		1,433,255	1,135,381
Total assets		1,442,843	1,156,409
Current liabilities			
Payables	11	933	810
Borrowings – interest bearing	13	65,000	15,000
Current tax payable	4(c)	186	-
Total current liabilities		66,119	15,810
Non-current liabilities			
Payables	11	98	173
Provision for long service leave		6	104
Borrowings – interest bearing	13	70,000	70,000
Deferred tax liability	4(b)	210,401	137,159
Total non-current liabilities		280,505	207,436
Total liabilities		346,624	223,246
Net assets		1,096,219	933,163
Equity			
Issued capital	14(a)	451,268	448,411
Reserves	14(b)	644,951	484,752
Total equity		1,096,219	933,163

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 21 to 33.

Statement of Changes in Equity

for the Year Ended 30 June 2021

	Issued Capital \$'000	Revaluation Reserve \$'000	Realisation Reserve \$'000	Retained Earnings \$'000	Total \$'000
As at 1 July 2019	445,673	435,193	16,007	145,017	1,041,890
Comprehensive Income					
Revaluation of investment portfolio	-	(153,055)	-	-	(153,055)
Tax benefit on revaluation	-	45,229	-	-	45,229
Net realised gains on investment portfolio	-	(343)	343	-	-
Tax expense on net realised gains	-	1,273	(1,273)	-	-
Profit	-	-	-	41,145	41,145
	-	(106,896)	(930)	41,145	(66,681)
Transactions with Shareholders					
Dividend reinvestment plan	2,738	-	-	-	2,738
Dividends paid	-	-	-	(44,784)	(44,784)
	2,738	-	-	(44,784)	(42,046)
As at 30 June 2020	448,411	328,297	15,077	141,378	933,163
As at 1 July 2020	448,411	328,297	15,077	141,378	933,163
Comprehensive Income					
Revaluation of investment portfolio	-	237,792	-	-	237,792
Tax expense on revaluation	-	(73,204)	-	-	(73,204)
Net realised losses on investment portfolio	-	27,699	(27,699)	-	-
Tax benefit on net realised losses	-	(9,556)	9,556	-	-
Profit	-	-	-	40,505	40,505
	-	182,731	(18,143)	40,505	205,093
Transactions with Shareholders					
Dividend reinvestment plan	2,857	-	-	-	2,857
Dividends paid	-	-	-	(44,894)	(44,894)
	2,857	-	-	(44,894)	(42,037)
As at 30 June 2021	451,268	511,028	(3,066)	136,989	1,096,219

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 21 to 33.

Statement of Cash Flows

for the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Interest received		50	488
Dividends and trust distributions received		36,398	49,854
Option premium income received		844	213
Other revenue received		283	262
Finance costs paid		(1,805)	(3,276)
Administration and other expenses paid		(2,250)	(1,637)
Income taxes paid		(834)	(826)
Net cash flow from operating activities	17	32,686	45,078
Cash flows from investing activities			
Proceeds from sale of investments		85,675	48,621
Return of capital from investment portfolio		-	195
Purchases of investments		(139,676)	(102,075)
Purchases of fixed assets		(11)	(31)
Net cash flow from investing activities		(54,012)	(53,290)
Cash flows from financing activities			
Proceeds from borrowings		65,000	15,000
Repayment of borrowings		(15,000)	(30,000)
Dividends paid net of dividend reinvestment plan		(42,037)	(42,047)
Net cash flow used in financing activities	13	7,963	(57,047)
Net decrease in cash held		(13,363)	(65,259)
Cash and cash equivalents at 1 July 2020	17	18,578	83,837
Cash and cash equivalents at 30 June 2021	17	5,215	18,578

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 21 to 33.

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 2021.

(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 prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of 12 months from the date of these Financial Statements. It is the view of the Directors that the Company will be able to pay its debts as and when they become due and payable and as such these Financial Statements are prepared on a going concern basis. The net deficiency of current assets over current liabilities at 30 June 2021 of \$56.5 million arises as a result of the inclusion of the \$65.0 million Secured Equity Finance facility due within 12 months. This facility was renewed on 2 July 2021 with maturity extended to 1 July 2022. In addition, AUI has access to cash from its highly liquid equity portfolio should funds be required.

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 2021 ("the inoperative standards"). The effect of inoperative standards has been assessed and the effect has been identified as not being material.

The financial report is prepared on a historical cost basis except that the investment portfolio is stated at its 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, the Company has elected to classify equity investments at fair value through other comprehensive income, as they are not held for trading. 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 in the Revaluation Reserve until the investment is sold or otherwise disposed of, at which time the cumulative gain or loss is transferred to the 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 9. 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 by the declaring company.

The managed funds in which the Company may invest distribute realised capital gains from time to time and these are included in operating revenue, as required under accounting standards.

The Company may write covered call options where it is prepared to sell or reduce an investment at prices higher than current market. Open options contracts are marked to market through the profit and loss account.

Notes to the Financial Statements

for the Year Ended 30 June 2021

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 the Revaluation Reserve 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.

	2021 \$'000	2020 \$'000
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2. Revenue and Expenses

(a) Revenue

Ordinary dividends received or due and receivable	33,038	40,556
Special dividends received or due and receivable	7,456	1,103
Dividends received or due and receivable	40,494	41,659
Interest received or due and receivable	50	488
Trust distributions received or due and receivable	4,738	4,169
Option premium income	844	213
	46,126	46,529

(b) Expenses

Finance expenses

Interest and borrowing expenses	2,367	3,164
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Notes to the Financial Statements

for the Year Ended 30 June 2021

	2021 \$	2020 \$
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3. Auditor's Remuneration

During the year, KPMG, the Company's auditor, received the following remuneration, inclusive of GST:

- Audit and review of financial reports	56,811	50,994
- Tax related services	11,100	10,531

	2021 \$'000	2020 \$'000
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4. Taxation

(a) Income tax expense

(i) Income tax recognised in the income statement

Income tax expense represented by:

Current tax expense

Current year tax liability	(1,264)	(750)
Withholding tax on foreign dividends	(61)	(121)
	(1,325)	(871)

Deferred tax expense

Temporary differences	(39)	(33)
	(39)	(33)

Income tax expense	(1,364)	(904)
(Under) / over provision of prior year income tax expense	(492)	100

Total income tax expense in income statement	(1,856)	(804)
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(ii) Reconciliation between pre-tax net profit and income tax expense

Prima facie income tax expense, calculated at 30% of pre-tax net profit	(12,708)	(12,585)
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Adjust for increases in income tax expense due to:

Franking credits gross-up on dividends received	(3,761)	(5,157)
Sundry Items	-	(859)
	(3,761)	(6,016)

Adjust for decreases in income tax expense due to:

Tax deferred revenue received	261	508
Franking credits on dividends received	12,536	17,189
Non-taxable demerger dividend received	1,845	-
Sundry items	463	-
	15,105	17,697

Income tax expense	(1,364)	(904)
(Under) / over provision for prior year income tax expense	(492)	100

Total income tax expense recognised in the income statement	(1,856)	(804)
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(iii) Deferred tax recognised directly in equity

Increase / (decrease) in provision for tax on net unrealised gains on the equity investment portfolio	73,204	(45,229)
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Notes to the Financial Statements

for the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
4. Taxation (cont.)		
(b) Deferred tax assets and liabilities		
<i>Recognised deferred tax assets and liabilities</i>		
Revaluation Reserve – Provision for tax on unrealised gains on the equity investment portfolio	226,038	143,278
Tax effect of unfranked dividend receivable	80	88
Tax effect of sundry items	(32)	43
Tax benefit of capital losses carried forward	(15,685)	(6,164)
Net deferred tax liabilities	210,401	137,159

(c) Current tax payable		
Current year tax liability	1,264	750
Tax instalments paid	(487)	(516)
Withholding taxes receivable	(591)	(379)
Current tax payable / (receivable)	186	(145)

	2021 cents	2020 cents
5. Earnings Per Share		
Basic and diluted earnings per share	32.5	33.1
Earnings per share excluding special dividends received and capital gains distributed from managed funds (refer Note 1(d))	26.5	32.2

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 124,806,169 (2020: 124,488,838). The weighted average adjusted number of ordinary shares takes into account the shares issued in the dividend re-investment plan.

	2021 \$'000	2020 \$'000
6. Dividends		
Dividends recognised in the current year by the Company are:		
(i) 2020 final dividend of 19.0 cents per share (2020: 19.0 cents) fully franked paid 22 September 2020	23,678	23,622
(ii) 2021 interim dividend of 17.0 cents per share (2020: 17.0 cents) fully franked paid 17 March 2021	21,216	21,162
	44,894	44,784

Since 30 June 2021, the Directors have declared the following dividend payable on 23 September 2021:

Final dividend of 19.0 cents per share fully franked (2020: 19.0 cents)	23,742	23,678
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The final dividend will not contain a Listed Investment Company (LIC) capital gain dividend (2020: nil).

The financial effect of this dividend has not been brought to account in the Financial Statements for the year ended 30 June 2021.

6. Dividends (cont.)

Dividend Franking Account:

The balance of the Franking Account at 30 June 2021 is \$38,317,764 (2020: \$43,603,337) 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 2021 dividend, which is not provided for in these Financial Statements, the balance of the franking account would be \$29,213,845 (2020: \$33,455,818). 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 2021 was \$372,101 (2020: \$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.

	2021	2020
	\$'000	\$'000

7. Receivables

Current

Dividends receivable	2,795	1,335
Trust distributions receivable	1,464	891
	4,259	2,226

8. Investments

Non-Current

Investments in equities quoted on prescribed stock exchanges (at fair value)	1,433,061	1,135,118
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9. Other Assets

Current

Prepayments	114	79
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Non-Current

Right of use asset	166	235
	280	314

10. Plant and Equipment

Plant and equipment at cost	39	34
Accumulated depreciation	(11)	(6)

	28	28
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Movements

Carrying amount at beginning of year	28	3
Additions	19	32
Disposals	(8)	-
Depreciation	(11)	(7)
Carrying amount at end of year	28	28

Notes to the Financial Statements

for the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
11. Payables		
Current		
Trade creditors	155	106
Accrued interest	661	602
Lease liability	79	71
Annual leave provision	22	12
Input tax credits	16	19
	933	810
Non-current		
Lease liability	98	173
	98	173
Total payables	1,031	983

12. Finance Facilities

The Company has access to the following lines of credit:

Total facility available

Loan facility – Secured	150,000	150,000
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Facilities utilised at balance date

Loan facility – Secured	135,000	85,000
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Notes to the Financial Statements

for the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
13. Borrowings Drawn		
Current		
Loan facility drawn – Secured	65,000	15,000
Non-Current		
Loan facility drawn – Secured	70,000	70,000
	135,000	85,000

For information regarding the Company's exposure to interest risk and liquidity risk, see Notes 19 and 20.

Reconciliation of movements in borrowings to cash flows from financing activities

	Liabilities Borrowings 2020 \$'000	Equity/Retained Earnings 2020 \$'000
Balance at 1 July 2019	100,000	145,017
Changes from financing cash flows		
Proceeds from loans and borrowings	15,000	-
Repayment of borrowings	(30,000)	-
Cash dividends paid	-	(42,047)
Total changes from financing cash flows	(15,000)	(42,047)
Equity-related other changes	-	38,408
Balance at 30 June 2020	85,000	141,378

	Liabilities Borrowings 2021 \$'000	Equity/Retained Earnings 2021 \$'000
Balance at 1 July 2020	85,000	141,378
Changes from financing cash flows		
Proceeds from loans and borrowings	65,000	-
Repayment of borrowings	(15,000)	-
Cash dividends paid	-	(42,037)
Total changes from financing cash flows	50,000	(42,037)
Equity-related other changes	-	37,648
Balance at 30 June 2021	135,000	136,989

Notes to the Financial Statements

for the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
14. Capital and Reserves		
(a) Issued Capital		
Issued and paid-up share capital 124,955,759 (2020: 124,618,646) fully paid ordinary shares	451,268	448,411
Movements in issued capital:		
Balance at beginning of the financial year	448,411	445,673
Shares issued		
- Dividend re-investment plan ⁽¹⁾	2,857	2,738
	451,268	448,411

¹ In respect of the final dividend paid in September 2020, 183,948 ordinary shares were issued at \$8.08 each and in respect of the interim dividend paid in March 2021, 153,165 ordinary shares were issued at \$8.94 each.

(b) Nature and Purpose of Reserves

Retained Earnings	136,989	141,378
Revaluation Reserve	511,028	328,297
Realisation Reserve	(3,066)	15,077
	644,951	484,752

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.

15. Directors' Remuneration

The total Director's remuneration for the year is \$421,667 (2020: \$440,000). Details of the Directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report.

16. Related Parties

Per the definition in AASB124 – Related Party Disclosures, the Company has been identified as a related party of Diversified United Investment Limited (DUI) due to the provision of services of key management personnel (being the Company Secretary, Mr J A Pollard) from the Company to DUI.

The Company entered into an agreement with Diversified United Investment Limited for the provision of administrative services on 1 July 2019. The total fees received for services provided in the current year are \$311,300, including GST (2020: \$288,200).

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), J S Craig (retired April 2021), F S Grimwade and D C Hershan.

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 2021 to 18 June 2022.

16. Related Parties (cont.)

Directors' Holdings of Shares

The relevant interests of Directors and their related entities in shares of the Company as at year end are set out below:

Directors	Held at 01/07/2020	Purchases	Sales	Held at 30/06/2021
Charles B Goode	1,463,715	62,904	-	1,526,619
Fred S Grimwade	20,000	-	-	20,000
Dion C Hershman	12,000	-	-	12,000

Directors' Transactions in Shares

The movements in Directors' holdings of ordinary shares resulted from purchases under the Company's dividend reinvestment plan which were made on the same terms and conditions offered to other shareholders.

	2021	2020
	\$'000	\$'000

17. Notes to the Statement of Cash Flows

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	5,215	18,578
--	-------	--------

Reconciliation of operating profit after income tax to net cash provided by operating activities:

Profit for the year	40,505	41,145
<i>Add / (less) changes in assets and liabilities:</i>		
Increase in non-cash dividends	(6,150)	-
(Increase) / decrease in dividends receivable	(1,460)	3,000
(Increase) / decrease in trust distributions receivable	(572)	1,526
Decrease in interest receivable	-	9
(Increase) / decrease in other prepayments	(35)	2
Decrease / (increase) in deferred tax assets	47	(21)
Decrease / (increase) in other assets	60	(211)
Increase in deferred tax liability	8	38
Increase / (decrease) in other taxes	331	(555)
Increase / (decrease) in accrued interest and borrowing costs	59	(112)
(Decrease) / increase in accrued expenses	(18)	190
(Decrease) / increase in provisions	(89)	67
Net cash flow from operating activities	32,686	45,078

18. 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 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.

The Company is not subject to any externally imposed capital requirements.

Notes to the Financial Statements

for the Year Ended 30 June 2021

19. 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 17.

Cash

The Company invests in cash management units with the Mutual Trust 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 \$135 million at the end of the financial year (previous year \$85 million), and gross debt as a proportion of the portfolio was 9.4% (previous year 7.4%). 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 at various intervals through to 31 July 2025, unless renewed. Annual interest expense during the year was covered 19.6 times by investment revenue (previous year 14.8 times).

The Company's significant cash inflows are derived from dividends, distributions, and the sale proceeds received from its investment portfolio. Its major cash outflows include the purchase of securities, finance expenses and dividends paid to shareholders, which are managed by the Company.

The Company's investments are quoted on a prescribed stock exchange and can be realised if required.

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% (2020: 30%), a general movement in market prices of 5% and 10% would lead to a change in the Company's equity of \$50,157,000 or 4.6% (2020: \$39,729,000 or 4.3%) and \$100,314,000 or 9.2% (2020: \$79,458,000 or 8.5%) 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 relative to the S&P/ASX 200 index. The relative weightings of the individual securities and the relative market sector weightings 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 20.

All of the Company's investments are quoted in Australian dollars therefore avoiding any direct exposure to currency risk. Nevertheless, several of the underlying investee companies' businesses may have currency risk exposures.

Notes to the Financial Statements

for the Year Ended 30 June 2021

20. Financial Instruments Disclosure

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2021 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

Interest Income

The Company is exposed to interest rate risk through its cash accounts and short-term deposits. Interest bearing investments are not core to the Company's investment strategy, therefore the exposure to interest rate risk on interest income is not material.

The weighted average interest rate on cash accounts is as follows:

	Note	Floating Interest Rate \$'000
Financial Assets – 2021		
Cash	17	5,215
Weighted Average Interest Rate		0.2%
Financial Assets – 2020		
Cash	17	18,578
Weighted Average Interest Rate		0.7%

Interest Paid

The Company is also exposed to interest rate risk through its floating rate loan facilities, which is mitigated through conservative levels of gearing, ensuring that appropriate interest cover exists and establishing fixed interest rate facilities when appropriate.

At 30 June 2021, the Company had drawn floating rate borrowings of \$100 million (2020: \$30 million). The interest paid on these loans can fluctuate with changes in the floating interest rate, which is affected by external factors such as movements in the Bank Bill Swap Rate (BBSW). A movement in the floating rates on these facilities of 50 basis points and 100 basis points would lead to a change in profit after tax of \$500,000 or 0.9% (2020: \$150,000 or 0.3%), and \$1,000,000 or 1.7% (2020: \$300,000 or 0.5%) respectively.

The Company has secured borrowing facilities in place with the National Australia Bank Ltd totalling \$150,000,000 (2020: \$150,000,000) as follows:

National Australia Bank Ltd

Facility	Facility Limit (\$)	Maturity	Interest Rate ⁽¹⁾
1 ⁽²⁾	5,000,000	2 July 2021	Floating 1.38%
	15,000,000	2 July 2021	Fixed 4.01%
2	20,000,000	31 July 2022	Fixed 3.94%
3	10,000,000	3 July 2023	Floating 1.45%
4	20,000,000	1 July 2024	Floating 1.47%
5 ⁽³⁾	80,000,000	6 November 2021	Floating 1.16%
Total	150,000,000		

1 Interest rate includes bank margins and fees.

2 As per the Amendment Deed dated 21 June 2021, at the maturity date, this facility will be replaced by a new loan for the same amount, maturing 31 July 2025 with a fixed interest rate of 0.92%.

3 \$15 million remains undrawn at 30 June 2021. On 2 July 2021, the maturity date of this facility was extended to 1 July 2022.

The terms of the agreement require the market value of the securities pledged as collateral for the drawn secured borrowings (Facilities 1 - 5) to satisfy a minimum value of \$380 million. As at 30 June 2021 the market value of the securities pledged as collateral was \$611 million (2020: \$520 million).

Notes to the Financial Statements for the Year Ended 30 June 2021

20. 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 unlisted managed funds is determined by valuing them at the net asset value provided by the fund manager as at balance date. Unlisted managed funds included in "Investments" are considered "Level 2" under the fair value measurement hierarchy, which is defined as inputs other than quoted prices, which can be observed either directly (as prices) or indirectly (derived from prices). As at 30 June 2021, the Company's Level 1 investments totalled \$1,433,061,000 (2020: \$1,135,118,000) and it did not hold any Level 2 investments (2020: none). The net fair value of investments is set out in Notes 8 and 24.

Fixed Interest Borrowings

At 30 June 2021, the fair value of the Company's fixed interest rate borrowings was \$36,155,000 (2020: \$57,039,000) while the face value was \$35,000,000 (2020: \$55,000,000).

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

21. Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 30 June 2021.

22. Segment Reporting

The Company operates as an investment company in Australia.

23. 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.

Notes to the Financial Statements

for the Year Ended 30 June 2021

24. Holdings of Securities as at 30 June 2021


The following is a list of the Company's top 25 investments as at 30 June 2021, which represent 87% of the total investment portfolio (2020: 90%). All investments are valued at fair value through Other Comprehensive Income.

2021		2020	
Company	Market Value \$'000's	Company	Market Value \$'000's
1 Commonwealth Bank of Australia Ltd	129,830	CSL Ltd	114,800
2 CSL Ltd	114,076	Commonwealth Bank of Australia Ltd	90,246
3 BHP Group Ltd	97,140	Transurban Group	78,704
4 Rio Tinto Ltd	94,980	Rio Tinto Ltd	73,470
5 Transurban Group	79,261	BHP Group Ltd	66,267
6 Wesfarmers Ltd	78,012	Diversified United Investment Ltd	60,912
7 Diversified United Investment Ltd	74,736	Wesfarmers Ltd	59,176
8 Australia & New Zealand Banking Group Ltd	68,968	Australia & New Zealand Banking Group Ltd	55,920
9 Westpac Banking Corporation	56,782	Westpac Banking Corporation	55,089
10 Woodside Petroleum Ltd	39,978	Woodside Petroleum Ltd	44,382
11 Washington H Soul Pattinson & Company Ltd	38,790	Atlas Arteria	42,699
12 Atlas Arteria	38,220	Woolworths Group Ltd	37,280
13 Woolworths Group Ltd	38,130	National Australia Bank Ltd	36,804
14 Aristocrat Leisure Ltd	34,472	Ramsay Health Care Ltd	26,941
15 Link Administration Holdings	30,240	Sydney Airport	25,515
16 National Australia Bank Ltd	30,153	Coles Group Ltd	22,664
17 Sydney Airport Group	28,950	Washington H Soul Pattinson & Company Ltd	22,459
18 Seek Ltd	26,512	Seek Ltd	21,890
19 Ramsay Health Care Ltd	25,180	Resmed Inc	20,655
20 Resmed Inc	24,570	Brambles Ltd	17,664
21 Carsales.com Ltd	23,712	Aurizon Holdings Ltd	14,760
22 Coles Group Ltd	23,072	Origin Energy Ltd	14,600
23 Orica Ltd	19,920	Carsales.com Ltd	14,192
24 Event Hospitality and Entertainment Ltd	18,960	Event Hospitality and Entertainment Ltd	12,615
25 Brambles Ltd	18,590	Orica Ltd	12,480
Total Top 25 Investments	1,253,234		1,042,184
Total Investments at Market Value, Net Short-Term Receivables and Cash	1,442,535		1,155,923

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 17 to 33, and the remuneration disclosures that are contained in the Remuneration Report on pages 13 to 14 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 2021 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 2021.

Signed in accordance with a resolution of the Directors.



Charles Goode
Chairman
17 August 2021



Independent Auditor's Report

To the shareholders of Australian United Investment Company Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Australian United Investment Company Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report comprises:

- Balance Sheet as at 30 June 2021
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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Independent Auditor's Report



Key Audit Matters

The **Key Audit Matters** we identified are:

- Valuation and existence of the investment portfolio
- Completeness of the deferred tax liability

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and existence of investment portfolio (\$1,433.1 million)	
Refer to Note 8 - Investments	
The key audit matter	How the matter was addressed in our audit
<p>Valuation and existence of the investment portfolio is a key audit matter due to the size of the Company's investment portfolio. The Company's investment portfolio is \$1,433.1 million which constitutes 99% of the Company's total assets as at 30 June 2021 and is considered to be one of the key drivers of operations and performance results.</p> <p>It is an area which had the greatest effect on our overall audit strategy and allocation of time and resources in planning and completing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of the Group's accounting policies against the requirements of the accounting standard and our understanding of the business and industry practice. • Understanding the Company's processes in place to buy and sell securities in the investment portfolio, including assessing the controls over transactions, specifically, director approval of investment purchases and sales; • Checking the existence, being ownership and number of shares or units held in individual investments for the investment portfolio to external electronic share registry records; • Recalculating the fair value of the listed investment portfolio based on the number of shares or units held and the last quoted market price from relevant stock exchanges on 30 June 2021; and • Assessing the disclosures in the financial statements, using our understanding obtained from our testing and with reference to the requirements of accounting standards.



Completeness of the deferred tax liability (\$210.4 million)	
Refer to Note 4 - Taxation	
The key audit matter	How the matter was addressed in our audit
<p>The completeness of the deferred tax liability is a key audit matter given it represents a significant portion of the total liabilities of the Company and involved the use of senior audit team members.</p> <p>The Company's deferred tax liability is \$210.4 million which constitutes 61% of the Company's total liabilities as at 30 June 2021.</p> <p>The deferred tax liability primarily relates to the expected tax on disposal of securities in the investment portfolio. This deferred tax liability is determined by the Company as the difference between the carrying amount of the investment portfolio as per the financial statements and the tax base of the individual investments, multiplied by the applicable company tax rate.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of the Group's accounting policies against the requirements of the accounting standard and our understanding of the business and industry practice. • We assessed the scope, competency and objectivity of the external expert engaged by the Company to assist in determining the Company's deferred tax liability; • Recalculating the closing tax cost base of the Company's investment portfolio. We did this by obtaining the total purchases and sales of securities for the year stated at their tax cost base obtained from the Company's investment register, as tested by us in the Valuation and existence of the investment portfolio key audit matter above. We added these to the opening balances of the Company's investment portfolio and compared this to the Company's closing tax cost base of the investment portfolio. We then recalculated the deferred tax liability by multiplying the difference between the Company's closing accounting value of the investment portfolio and the closing tax cost base by the Company's tax rate and compared this to the deferred tax liability recorded by the Company; • Assessing the tax effects of significant events identified during the audit, such as investment fair value or tax base adjustments, for identification, calculation and recording in the Company's calculation of deferred tax liability for consistency, as applicable; and • Assessing the disclosures in the financial statements, using our understanding obtained from our testing and with reference to the requirements of accounting standards.



Other Information

Other Information is financial and non-financial information in Australian United Investment Company Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Australian United Investment Company Limited for the year ended 30 June 2021 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



KPMG

Chris Sargent

Partner

Melbourne

17 August 2021

Additional Information

Distribution of shareholders as at 31 July 2021

Category Holders	Ordinary Shares	No of Holders	%
1-1,000	520,990	1,343	0.42
1,001-5,000	5,737,485	2,104	4.59
5,001-10,000	6,558,460	928	5.25
10,001 and 100,000	22,621,227	979	18.10
100,001 and over	89,517,597	45	71.64
	124,955,759	5,399	100.00

There were 130 ordinary shareholders holding less than a marketable parcel (50 shares) at 31 July 2021.

Substantial Shareholders

The number of shares disclosed by the substantial shareholders and their associates in substantial shareholder notices received up to 31 July 2021 are set out below:

Substantial Shareholder	No. of Shares
The Ian Potter Foundation Limited	44,446,603
Argo Investments Ltd	13,264,840
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 2021, hold 85,827,487 ordinary shares which is 68.69% of the issued capital.

Ordinary Shares

Shareholder Name	No. of Shares	% Held
The Ian Potter Foundation Ltd	51,824,774	41.47
Argo Investments Ltd	13,264,840	10.62
Primrose Properties Pty Ltd	6,849,584	5.48
Citicorp Nominees Pty Ltd	3,832,618	3.07
HSBC Custody Nominees (Australia) Ltd	3,330,664	2.67
Beta Gamma Pty Ltd	1,103,762	0.88
Lady Primrose Catherine Potter	847,100	0.68
Decerna Pty Ltd	632,785	0.51
Invia Custodian Pty Ltd	538,000	0.43
Brownell Superannuation Pty Ltd	530,000	0.42
Allan Farrell Pty Ltd	504,588	0.40
J P Morgan Nominees Australia Pty Ltd	411,808	0.33
Mythia Pty Ltd	358,151	0.29
Equitas Nominees Pty Ltd	350,000	0.28
Chabar Pty Ltd	255,731	0.20
Duesburys Services Pty Ltd	248,973	0.20
Pards Pty Ltd	248,001	0.20
Mr Paul William Brothie & Mr Kenneth Francis Wallace	241,136	0.19
Willpower Investments Pty Ltd	236,665	0.19
Dandav Pty Ltd	218,307	0.18
	85,827,487	68.69

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2021 totalled \$362,561 (2020: \$219,596). 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 2021

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.

	30/06/2021			Capital Movements or Portfolio Adjustments	30/06/2020
	Market Value \$	% of Portfolio at Market Value	Units Held		Units Held
Banks (19.8%)					
Australia & New Zealand Banking Group Ltd	68,967,500	4.8	2,450,000	Sold 550,000	3,000,000
Commonwealth Bank of Australia Ltd	129,831,000	9.0	1,300,000		1,300,000
National Australia Bank Ltd	30,153,000	2.1	1,150,000	Sold 870,000	2,020,000
Westpac Banking Corporation	56,782,000	3.9	2,200,000	Sold 869,000	3,069,000
Consumer (19.1%)					
Aristocrat Leisure Ltd	34,472,000	2.4	800,000	Purchased 800,000	-
Carsales.com Ltd	23,712,000	1.7	1,200,000	Purchased 400,000	800,000
Coles Group Ltd	23,071,500	1.6	1,350,000	Purchased 30,000	1,320,000
Endeavour Group Ltd	6,290,000	0.5	1,000,000	WOW Split/Scheme	-
Event Hospitality and Entertainment Ltd	18,960,000	1.3	1,500,000		1,500,000
Latitude Group Holdings Ltd	4,560,000	0.3	2,000,000	Purchased 2,000,000	-
Reece Ltd	14,166,000	1.0	600,000		600,000
Seek Ltd	26,512,000	1.8	800,000	Sold 200,000	1,000,000
Tabcorp Holdings Ltd	7,770,000	0.5	1,500,000	Purchased 300,000	1,200,000
Wesfarmers Ltd	78,012,000	5.4	1,320,000		1,320,000
Woolworths Group Ltd	38,130,000	2.6	1,000,000		1,000,000
Energy (4.7%)					
Origin Energy Ltd	9,020,000	0.6	2,000,000	Sold 500,000	2,500,000
Santos Ltd	7,090,000	0.5	1,000,000	Sold 400,000	1,400,000
Woodside Petroleum Ltd	39,978,000	2.8	1,800,000	Sold 250,000	2,050,000
Worley Ltd	11,960,000	0.8	1,000,000	Purchased 555,000	445,000
Health Care (12.2%)					
CSL Ltd	114,076,000	7.9	400,000		400,000
Invocare Ltd	11,570,000	0.8	1,000,000	Purchased 95,000	905,000
Ramsay Health Care Ltd	25,180,000	1.8	400,000	Sold 5,000	405,000
Resmed Inc	24,570,000	1.7	750,000		750,000
Infrastructure & Utilities (10.6%)					
Atlas Arteria	38,220,000	2.7	6,000,000	Sold 450,000	6,450,000
Napier Port Holdings	6,327,507	0.4	2,000,000		2,000,000
Sydney Airport	28,950,000	2.0	5,000,000	Purchased 500,000	4,500,000
Transurban Group	79,261,100	5.5	5,570,000		5,570,000
Mining (14.1%)					
Alumina Ltd	9,047,500	0.6	5,500,000		5,500,000
BHP Group Ltd	97,140,000	6.7	2,000,000	Purchased 150,000	1,850,000
Northern Star Resources Ltd	2,934,000	0.2	300,000	Purchased 300,000	-
Rio Tinto Ltd	94,980,000	6.6	750,000		750,000
Mining Services (1.4%)					
Orica Ltd	19,920,000	1.4	1,500,000	Purchased 750,000	750,000

List of Investments as at 30 June 2021

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.

	30/06/2021			Capital Movements or Portfolio Adjustments	30/06/2020
	Market Value \$	% of Portfolio at Market Value	Units Held		Units Held
Other Financials (12.6%)					
Challenger Ltd	16,230,000	1.1	3,000,000	Purchased 690,000	2,310,000
Diversified United Investment Ltd	74,736,000	5.2	14,400,000		14,400,000
Link Administration Holdings Ltd	30,240,000	2.1	6,000,000	Purchased 3,450,000	2,550,000
Macquarie Group Ltd	-	-	-	Sold 12,000	12,000
Pendal Group Ltd	9,672,000	0.7	1,200,000	Purchased 400,000	800,000
Pexa Group Ltd	11,999,993	0.8	700,525	Purchased 700,525	-
Washington H Soul Pattinson & Company Ltd	38,789,500	2.7	1,150,000		1,150,000
Property (2.5%)					
GPT Group	9,800,000	0.7	2,000,000	Purchased 2,000,000	-
LendLease Group	17,190,000	1.2	1,500,000	Purchased 400,000	1,100,000
Scentre Group	-	-	-	Sold 3,000,000	3,000,000
Stockland Group	9,320,000	0.6	2,000,000	Purchased 2,000,000	-
Unibail-Rodamco-Westfield	-	-	-	Sold 600,000	600,000
Transportation (2.3%)					
Aurizon Holdings Ltd	14,880,000	1.0	4,000,000	Purchased 1,000,000	3,000,000
Brambles Ltd	18,590,000	1.3	1,625,000		1,625,000
Cash Trust & Other Deposits (0.7%)					
Cash Trust Units, Bank Deposits and Net Short Term Receivables	9,474,133	0.7	9,474,133		20,804,584
Total	1,442,534,733	100.0			

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Australian United Investment
Company Limited

ABN 37 004 268 679