

# 2010

ANNUAL  
FINANCIAL REPORT



Australian United Investment  
Company Limited  
ABN 37 004 268 679

# Directory

## Directors

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

## Company Secretary

Andrew J Hancock FCA

## Registered Office

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

## Bankers

National Australia Bank Limited  
ANZ Banking Group Ltd

## 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: (612) 8280 7644  
Fax: (612) 9287 0303

## Securities Exchange

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

	<b>Page</b>
Chairman's Report	2
Corporate Governance Statement	5
Directors' Report	8
Lead Auditor's Independence Declaration	13
Income Statement	14
Statement of Comprehensive Income	15
Balance Sheet	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	32
Independent Audit Report	33
Additional Information	35
List of Investments	37

# Chairman's Report

I present the Annual Report of Australian United Investment Company Limited for the year ended 30 June 2010.

The operating profit after income tax, excluding net realised gains on the investment portfolio, was \$26,628,080 compared to \$29,292,837 in the previous year, a decrease of 9%. No special dividends or distributions were received in the 2010 year. In the previous year special dividends of \$901,920 after tax were received.

The total net profit after tax for the year of \$27,378,007 is after realised profits of \$749,927. This year only realised gains and losses to the date of adoption of AASB 9 on 7 December 2009 are included in the income statement. After that date, under the new accounting standards, realised gains and losses are transferred directly to the Asset Realisation Reserve.

The weighted average number of ordinary shares for the year was 99,014,533 compared to 96,030,045 in the previous year, an increase of 3%.

The operating earnings per share (excluding net realised gains) were 26.9 cents compared to 30.5 cents for the previous year.

Bank borrowings were \$96 million at the end of the financial year (previous year \$83 million) amounting to around 12% of the investment portfolio at market values. Cash on hand, cash on deposit and short term receivables were \$12 million, or 2% of the investment portfolio at market values (previous year \$41 million, or 6%).

Annual interest expense was covered 6 times by investment revenue.

\$20,628,353 of new equity was raised through the share placement in April this year of 2,833,565 new shares at \$7.28 per share.

The net asset backing per share before provision for estimated tax on unrealised gains and the final dividend was \$6.68 at 30 June 2010, compared to \$6.02 at 30 June 2009.

Operating expenses (excluding borrowing costs) were 0.15% of the average market value of the portfolio compared to 0.13% in 2009.

The final dividend for the year ending 30 June 2010 is 14¢ per share fully franked which, with the interim dividend of 11.5¢ per share fully franked, makes 25.5¢ per share fully franked for the year. This compares with 25¢ per share fully franked in the previous year, an increase of 2%.

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

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

2005/06	19.5 cents per share
2006/07	23.0 cents per share
2007/08	25.0 cents per share
2008/09	25.0 cents per share
2009/10	25.5 Cents per share

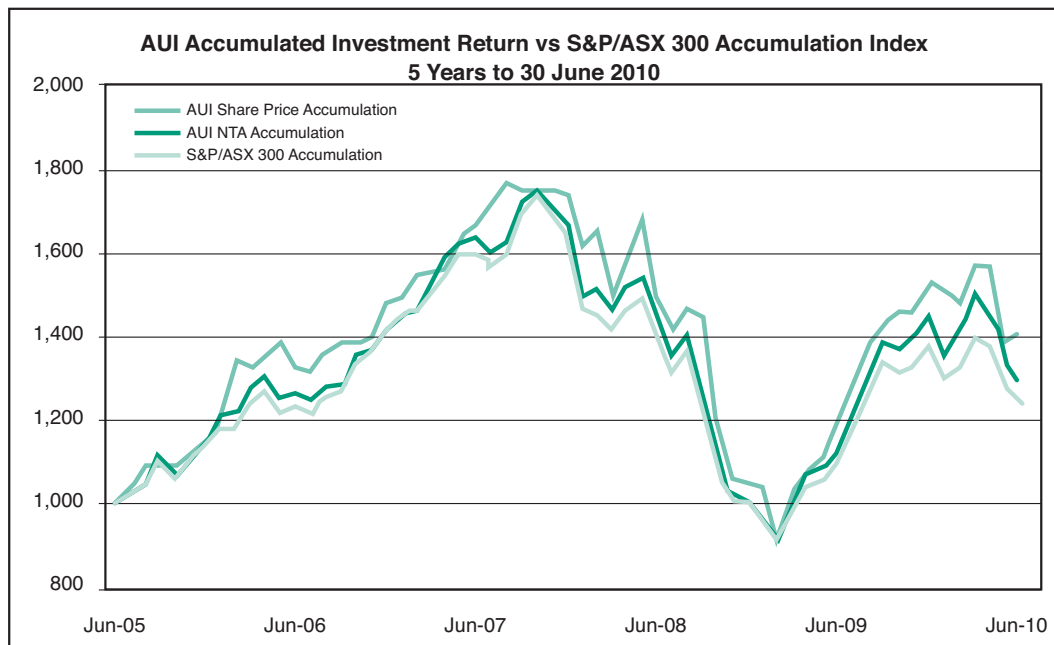
The Company's reported net tangible asset backing per share before provision for the final dividend (based on investments at market values and after provision for tax on net realised gains but not on unrealised gains) over the last 5 years was as follows:

30 June 2006	\$7.44
30 June 2007	\$9.35
30 June 2008	\$7.95 (after the placement of 7,987,300 shares at \$8.27 per share, May 2008)
30 June 2009	\$6.02
30 June 2010	\$6.68 (after the placement of 2,833,565 shares at \$7.28 per share, April 2010)

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

	AUI Net Asset Backing Accumulation % p.a.	AUI Share Price Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	14.8	15.7	13.1
3 Years	(7.6)	(5.5)	(8.1)
5 Years	5.3	7.1	4.5

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



Source: JB Were

# Chairman's Report

The equity portfolio of the Company is invested in Australian equities and at 30 June 2010 was spread over 41 companies. The Annual Report provides a list of the shareholdings at 30 June 2010 and 30 June 2009, the changes to the portfolio during the year and the market values as at 30 June 2010 of each investment together with its percentage of the portfolio.

As at 30 June 2010 the twenty-five largest shareholdings of the company, at market values were:

Company	Market Value \$'000	% of Market Value of Total Investment
1. BHP Billiton Ltd	79,065	10.2%
2. Rio Tinto Ltd	60,994	7.9%
3. ANZ Banking Group Ltd	57,267	7.4%
4. Woodside Petroleum Ltd	50,208	6.5%
5. Westpac Banking Corporation Ltd	46,706	6.0%
6. National Australia Bank Ltd	46,560	6.0%
7. Wesfarmers Ltd PPS & Ordinary	41,556	5.4%
8. Commonwealth Bank Ltd	41,344	5.3%
9. Diversified United Investment Ltd	34,680	4.5%
10. Woolworths Ltd	32,424	4.2%
11. QBE Insurance Group Ltd	25,480	3.3%
12. Orica Ltd	25,200	3.3%
13. Telstra Corporation Ltd	19,500	2.5%
14. AXA Asia Pacific Holdings Ltd	16,410	2.1%
15. Origin Energy Ltd	14,940	1.9%
16. Alumina Ltd	14,777	1.9%
17. AGL Energy Ltd	14,700	1.9%
18. Westfield Group	14,616	1.9%
19. Santos Ltd	12,600	1.6%
20. Tabcorp Holdings Ltd	10,128	1.3%
21. Brambles Ltd	9,828	1.3%
22. CSL Ltd	9,774	1.3%
23. Consolidated Media Holdings	9,540	1.2%
24. Mystate Ltd	8,112	1.0%
25. Transurban Group	7,208	0.9%
	703,617	90.8%
<b>Total Investments at Market Value, Cash and Receivables</b>	<b>774,503</b>	

Mr Graeme Moir has advised us of his intention to retire at the conclusion of this year's Annual General Meeting. Graeme is our longest serving director having joined the Board in 1976. During this period he has made a significant contribution, especially to our investment selection. We will miss him and thank him for his valuable and long service and wish him well in his retirement.



Charles Goode  
Chairman

# Corporate Governance Statement

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

## 1. Accountability and Responsibility

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

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

## 2. Composition

The Board currently comprises 6 directors. The Company's constitution requires 3 to 6 directors. Other than the Company Secretary the Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate using professional advice if this is deemed necessary. An appointed director then submits themselves for election by shareholders at the next Annual General Meeting.

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

## 3. Operation

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

## 4. Delegation

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

## 5. Directors' Terms of Appointment, Remuneration and Performance

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

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

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

The duties of directors are as set out in the Corporations Law and in this statement. 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, and information collected outside of board meetings.

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

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

## 6. Board Committees

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

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

The Nomination and Remuneration Committee considers and makes recommendations to the Board regarding Board composition and remuneration of the directors and the Company Secretary. The Company Secretary's remuneration is paid on a fee for services basis and is disclosed in the Remuneration Report in the Annual Report. No additional fees are paid to members of the Board committees.

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

## 7. Disclosure Procedures and Share Trading

The Company has established procedures to ensure compliance with the Australian Securities Exchange listing rule disclosure requirements including monthly disclosure of the Company's net tangible asset backing per share. Directors and the Company Secretary are prohibited from dealing in the Company's securities (other than to participate in the Dividend Reinvestment Plan or any Share Purchase Plan or rights issue) from 1 January to the day after the announcement of the Company's half year results and interim dividend, and from 1 July to the day after the announcement of the Company's financial year results and final dividend.

## 8. Shareholder Communication

The Company communicates with shareholders through:

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

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

## 9. Risk Management

The Audit Committee reviews the internal control system and the management of risk half yearly after receiving reports from the Company Secretary on these matters, and makes appropriate recommendations to the board.

The Board receives a letter half yearly from the Company's external accountants regarding their procedures, and reporting that the financial records have been properly maintained and the financial statements comply with the Accounting Standards.

Based on his review of the internal control systems, management of risk, the financial statements and the letter from the Company's external accountants, the Company Secretary 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.

Details of the Company's financial risk management are set out in the notes to the financial statements in the Annual Report.

## 10. Ethical Conduct

The Company has no executives or executive directors other than the Company Secretary. Each director and the Company Secretary is expected to adopt high ethical standards in acting for the Company and in the interests of the shareholders. Directors are required to disclose potential conflicts of interest and to refrain from involvement in Board decisions, or leave the room, during discussion of the conflicted matter.

# Directors' Report

The directors present their report together with the financial report of Australian United Investment Company Limited for the year ended 30 June 2010 and the auditors' report thereon.

## Directors

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

**Charles Goode** AC, B.Com. (Hons) (Melb), MBA (Columbia), Hon LLD (Melb), Hon LLD (Mon).  
Chairman, Appointed April 1990  
Age 71

Mr Goode is the Chairman of the Boards of Diversified United Investment Limited (since 1990), The Ian Potter Foundation Limited (governor since 1987) and Grosvenor Australia Properties Pty Limited (since 2008).

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

**Graeme Moir** B.Com (Univ. of NZ), ACA (NZ), ACIS.  
Non-executive Director, Appointed March 1976  
Age 78

Mr Moir has had 48 years experience in the share investment field. He is the principal of Moir's Investment Service Pty. Ltd. (since 1965), is a director of Graeme Moir and Associates Pty. Ltd. (since 1965) and Diversified United Investment Limited (since 1991).

**John Rose AO**, BCom (NZ), DipEc (Camb), PhD(Melb). Hon D.Bus (Melb).  
Non-executive Director, Appointed April 2000  
Age 74

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

**Peter Wetherall** B.E. Hons (Qld), B.A. Hons (Oxon).  
Non-executive Director, Appointed November 2001  
Age 54

Mr Wetherall has 30 years experience in the Australian share market as a stockbroker and funds manager. He is the founder and Managing Director of Wallara Asset Management Pty Ltd (since 1995). He is Chairman of the Company's Audit Committee.

### **Ronald Dewhurst**

Non-executive Director, Appointed June 2005  
Age 58

Mr Dewhurst has over 31 years domestic and international experience in investment and financial services management. He was a director and Chief Executive Officer of IOOF Holdings Ltd from 2004 to 2007 and is currently Senior Managing Director, Head of International, for Legg Mason Inc., a US based global asset manager. He is director of Breast Cancer Network of Australia (since 2003), National Gallery of Victoria (since 2004) and Pride Capital Partners LLC (since 2002).

Formerly he was a director of Orchard Petroleum Ltd (2005-2007) and Acctrak21 International Limited (2003 - 2009).

**James Craig** B.Ec/LLb (Hons) (Adel) LLM (Melb).  
Non-executive Director, Appointed 15 October 2009  
Age 45

Mr Craig is chairman of Macquarie Capital Advisers, Australia. He is a Director of Murdoch Childrens Research Institute and Trinity College (University of Melbourne). He also is a Director of a number of private companies, including Australian Stem Cell HealthCare Pty Ltd.

From 2003 to 2007 he was CEO of Macquarie Capital and Chairman of Macquarie Bank Ltd in Europe. He was founding CEO of Macquarie European Infrastructure Funds (MEIF) and then Chairman of the MEIF Investment Committee. From 1998 to 2002, he was Head of Macquarie Bank's global natural resources advisory business.

## Company Secretary

**Andrew Hancock** FCA, B.Ec (Mon), Grad. Dip. CDP (RMIT).  
Company Secretary, Appointed 11 October 1995  
Age 58

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

## Principal Activity of the Company

The principal activity of the Company is that of an investment company which seeks, through a portfolio of securities predominantly comprising shares of companies listed on the ASX, to provide income and capital appreciation over the longer term.

As at 30 June 2010 the Company's portfolio had a market value (including cash and receivables) of \$774,502,860 (2009: \$663,958,548). The net tangible asset backing of the Company's ordinary shares at 30 June 2010 was \$6.68 (2009: \$6.02). This net tangible asset backing calculation is based on investments at market value and is after the tax effect of realised gains and losses, before estimated tax on unrealised gains and losses, and before the final dividend. The Company is a long term investor and does not intend disposing of its portfolio. However if estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing would be \$5.92 (2009: \$5.40).

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

## Results and Review of Operations

The operating profit after income tax before net gains and losses from the investment portfolio was \$26,628,080 compared to \$29,292,837 in the previous year – a decrease of 9.1%. No special dividends and distributions were received in the 2010 year (2009: \$901,920).

The weighted average number of ordinary shares for the year was 99,014,533 compared to 96,030,045 in previous year, an increase of 3%

The basic and diluted earnings per share before net gains and losses from the investment portfolio and special dividends was 26.9 cents compared to 29.6 cents for the previous year.

The total net profit after tax for the year is \$27,378,007 (2009: 18,758,967). The directors regard the operating result before net gains or losses as the relevant measure of profit.

The Company incurred expenses (excluding finance costs) of \$1,072,798 (2009: \$986,645) which is equivalent to 0.15% (2009: 0.13%) of the average market value of the portfolio.

On 8 April 2010 the Company issued 2,833,565 fully paid shares in accordance with a capital raising announced on 29 March 2010. The issue raised \$20,628,353 (before costs) at the placement price of \$7.28 per share, which represented a 5% discount to the Net Tangible Asset Backing per share of the Company as at 28 February 2010 adjusted for the general share market movement to 24 March 2010.

Bank borrowings were \$96 million at the end of the financial year (previous year \$83 million) gearing the investment portfolio by around 12%. Cash on hand, cash deposits and short term receivables were \$12 million or 2% of the investment portfolio at market values (2009: \$41 million, 6%). Annual interest expense was covered 6.3 times by investment revenue.

## Dividends

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

	\$
<b>Paid or declared during the year</b>	
A final dividend in respect of the year ended 30 June 2009 of 13.5 cents per share fully franked paid on 21 September 2009.	13,140,944
An interim dividend in respect of the year ended 30 June 2010 of 11.5 cents per share fully franked paid on 16 March 2010.	11,295,049
<b>Paid or declared after end of year</b>	
A final dividend in respect of the year ended 30 June 2010 of 14 cents per share fully franked payable on 24 September 2010.	14,293,799

## 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 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	10	10	-	-	1	1
Graeme E Moir	10	10	2	2	1	1
P John Rose	9	10	2	2	-	1
Peter J Wetherall	10	10	2	2	1	1
Ron R Dewhurst	7	10	2	2	1	1
James S Craig	7	7	-	-	1	1

The Audit Committee comprises Messrs Wetherall (Chairman), Rose, Dewhurst, Moir and Craig. All directors are members of the Nomination and Remuneration Committee.

## Directors' Interests

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

	SHARES		
	1	2	3
Charles B. Goode	60,680	775,013	33,583
Graeme E. Moir	70,000	-	16,792
P. John Rose	64,356	-	10,915
Peter J. Wetherall	11,468	-	8,256
Ron Dewhurst	-	27,587	-
James S Craig	-	161,224	-

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 –

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

## Remuneration report (audited)

<b>Non-executive Directors' Fees</b>	<b>2010</b> \$	<b>2009</b> \$
Charles Goode	142,000	142,000
Graeme Moir	71,000	71,000
P John Rose	71,000	71,000
Peter Wetherall	71,000	71,000
Ron Dewhurst	71,000	71,000
James Craig	50,792	-
<b>Total</b>	<b>476,792</b>	<b>426,000</b>

- (i). Directors fees include superannuation contributions elected by Directors to be paid to their nominated superannuation fund.
- (ii). 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 Secretary and directors of the Company, including superannuation entitlements, retirement and termination entitlements, and professional indemnity and liability insurance policies.

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

Each director has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance. Amounts disclosed for directors' remuneration exclude insurance premiums of \$53,068 paid by the Company in respect of Directors' and Officers' liability insurance as the contracts do not specify premiums paid in respect of individual directors and officers. Refer to Note 15 of the financial statements for information relating to the insurance contracts and the cessation of directors entitlement benefits in 2006 and conversion of accrued entitlements at that date into shares in the Company to be held until retirement.

The Company Secretary, Mr Andrew J Hancock, received \$71,000 (2009: \$76,000 – including \$5,000 for additional services) for services provided to the Company.

## Non-audit services

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

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

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

## State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review other than the value of the investment portfolio fluctuated broadly in line with market movements.

## Environmental Regulation

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

## Events Subsequent to Balance Date

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

## Likely Developments

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

## Indemnification

Details of directors' indemnification are set out in Note 15 to the financial statements.

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

The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' Report for the year ended 30 June 2010.

Signed in accordance with a resolution of the Directors:



Charles Goode  
Director  
Melbourne, 12 August 2010

# Lead Auditor's Independence Declaration



**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Australian United Investment Company Limited**

I declare that, to the best of my knowledge and belief in relation to the audit for the financial year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*

KPMG

*msomerville*

Michelle Somerville  
*Partner*

Melbourne

12 August 2010

# Income Statement for the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from investment portfolio	2	32,535,378	34,430,081
Administration and other expenses		(1,072,798)	(986,645)
Finance expenses	2	(5,180,046)	(3,570,578)
<b>Operating profit before income tax expense and net gains/(losses) on investment portfolio</b>		26,282,534	29,872,858
Income tax benefit/(expense) <sup>1</sup>		345,546	(580,021)
<b>Net operating profit before net gains/(losses) on investment portfolio</b>		26,628,080	29,292,837
Net realised gains/(losses) on investment portfolio <sup>2</sup>		1,071,326	(7,682,977)
Income tax (expense)/benefit thereon <sup>1</sup>		(321,399)	2,187,430
		749,927	(5,495,547)
Unrealised impairment losses on investment portfolio	1(b)	-	(7,197,604)
Income tax benefit thereon <sup>1</sup>		-	2,159,281
		-	(5,038,323)
		749,927	(10,533,870)
<b>Profit for the year</b>		27,378,007	18,758,967
<sup>1</sup> Total income tax benefit/ (expense)	4(a)	24,147	3,766,690
<sup>2</sup> Up to date of adoption of AASB 9 on 7 December 2009			
Basic and diluted earnings per share (cents)	5	27.7	19.5

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

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 19 to 31.

# Statement of Comprehensive Income for the Year Ended 30 June 2010

	<b>2010</b> \$	<b>2009</b> \$
<b>Profit for the Year</b>	27,378,007	18,758,967
<b>Other Comprehensive Income</b>		
Revaluation/(devaluation) of investment portfolio for the period	62,019,987	(191,985,180)
Provision for tax (expense)/benefit on revaluation/(devaluation) of investment portfolio for the period	(19,109,726)	57,256,625
Net realised (gains) / losses on investments transferred to the income statement from the asset revaluation reserve <sup>2</sup>	(749,927)	5,495,547
Net unrealised impairment losses transferred to the income statement from the asset revaluation reserve	-	5,038,323
<b>Other comprehensive income / (loss) net of income tax</b>	42,160,334	(124,194,685)
<b>Total comprehensive income<sup>1</sup></b>	69,538,341	(105,435,718)

<sup>1</sup> This is the Company's total net return for the year, which includes the net operating profit plus the net realised and unrealised gains and losses on the Company's investment portfolio

<sup>2</sup> Up to date of adoption AASB 9 on 7 December 2009

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 19 to 31.

# Balance Sheet as at 30 June 2010

	Note	2010 \$	2009 \$
<b>Assets</b>			
Cash assets	16	7,260,830	22,267,330
Receivables	7	4,979,230	3,945,491
Investments	8	-	15,000,000
Other	9	51,219	-
Current Tax	4(a)	137,906	-
<b>Total current assets</b>		12,429,185	41,212,821
Investment portfolio	8	762,060,330	622,745,631
Other	9	13,345	-
<b>Total non current assets</b>		762,073,675	622,745,631
<b>Total assets</b>		774,502,860	663,958,452
<b>Liabilities</b>			
Payables	10	223,001	137,262
Current tax liability	4(a)	-	535,208
Borrowings – interest bearing	11	16,740,136	16,799,125
<b>Total current liabilities</b>		16,963,137	17,471,595
Borrowings – interest bearing	11	78,837,209	65,214,803
Deferred tax liability	4(b)	74,766,957	55,894,535
<b>Total non-current liabilities</b>		153,604,166	121,109,338
<b>Total liabilities</b>		170,567,303	138,580,933
<b>Net assets</b>		603,935,557	525,377,519
<b>Equity</b>			
Issued capital	13(a)	297,392,610	263,936,920
Reserves		306,542,947	261,440,599
<b>Total equity</b>		603,935,557	525,377,519

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 19 to 31.

# Statement of Changes in Equity for the Year Ended 30 June 2010

	Issued Capital \$	Revaluation Reserve \$	Realisation Reserve \$	Impairment Reserve \$	Retained Earnings \$	Total \$
<b>Prior Period:</b>						
<b>As at 1 July 2008 (As Reported)</b>	251,635,602	264,318,026	64,193,297	(3,978,955)	66,196,996	642,364,966
Adoption of AASB 9 (Refer Note 1b)	-	(1,990,951)	-	1,990,951	-	-
<b>As at 1 July 2008 (Restated)</b>	251,635,602	262,327,075	64,193,297	(1,988,004)	66,196,996	642,364,966
<b>Comprehensive Income</b>						
Devaluation of investment portfolio	-	(191,985,180)	-	-	-	(191,985,180)
Tax benefit on Devaluation	-	57,256,625	-	-	-	57,256,625
Net realised and unrealised gains and losses on investment portfolio	-	14,880,581	-	(7,197,604)	(7,682,977)	-
Income tax on net realised and unrealised losses	-	(4,346,711)	-	2,159,281	2,187,430	-
Net operating profit before net gains/(losses) on investment portfolio	-	-	-	-	29,292,837	29,292,837
Realised losses transferred after tax	-	-	(12,015,081)	6,519,534	5,495,547	-
	-	(124,194,685)	(12,015,081)	1,481,211	29,292,837	(105,435,718)
<b>Transactions with Shareholders</b>						
Dividend reinvestment plan	11,901,955	-	-	-	-	11,901,955
Dividends paid	-	-	(12,832,182) <sup>4</sup>	-	(11,020,865)	(23,853,047)
Share Purchase Plan	399,363	-	-	-	-	399,363
	12,301,318	-	(12,832,182)	-	(11,020,865)	(11,551,729)
<b>As at 30 June 2009</b>	263,936,920	138,132,390	39,346,034	(506,793)	84,468,968	525,377,519
<b>Current Period:</b>						
<b>As at 1 July 2009 (As Reported)</b>	263,936,920	145,412,350	39,346,034	(7,786,753)	84,468,968	525,377,519
Adoption of AASB 9 (Refer Note 1b)	-	(7,279,960)	-	7,279,960	-	-
<b>As at 1 July 2009 (Restated)</b>	263,936,920	138,132,390	39,346,034	(506,793)	84,468,968	525,377,519
<b>Comprehensive Income</b>						
Revaluation of investment portfolio	-	62,019,987	-	-	-	62,019,987
Tax benefit on revaluation	-	(19,109,726)	-	-	-	(19,109,726)
Net realised gains and losses on investment portfolio	-	(4,482,009)	3,410,683 <sup>1</sup>	-	1,071,326 <sup>2</sup>	-
Income tax on net realised losses	-	1,344,602	(1,023,203) <sup>1</sup>	-	(321,399) <sup>2</sup>	-
Net operating profit before net gains/(losses) on investment portfolio	-	-	-	-	26,628,080	26,628,080
Realised gains transferred after tax	-	-	243,134	506,793 <sup>3</sup>	(749,927)	-
	-	39,772,854	2,630,614	506,793	26,628,080	69,538,341
<b>Transactions with Shareholders</b>						
Dividend reinvestment plan	12,861,806	-	-	-	-	12,861,806
Dividends paid	-	-	(973,599) <sup>4</sup>	-	(23,462,394)	(24,435,993)
Share placement (net of costs)	20,593,884	-	-	-	-	20,593,884
	33,455,690	-	(973,599)	-	(23,462,394)	9,019,697
<b>As at 30 June 2010</b>	297,392,610	177,905,244	41,003,049	-	87,634,654	603,935,557

<sup>1</sup> Net realised gains/(losses) after 7 December 2009 and tax thereon transferred directly to realisation reserve

<sup>2</sup> Net realised gains/(losses) before 7 December 2009 and tax thereon

<sup>3</sup> Impairment realised on investments sold in the period prior to 7 December 2009 and transferred to realisation reserve

<sup>4</sup> LIC Dividend

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 19 to 31

# Statement of Cash Flows for the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Interest received		717,857	2,320,758
Dividends and trust distributions received		30,032,402	33,103,395
Option premium income received		698,270	-
Other income received		56,250	-
Finance costs paid		(5,616,629)	(3,717,967)
Administration and other expenses paid		(1,107,026)	(943,361)
Income taxes paid		(564,870)	(4,737,438)
<b>Net cash flow from operating activities</b>	16	24,216,254	26,025,387
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		38,831,160	58,843,020
Purchases of investments		(100,073,611)	(86,461,247)
<b>Net cash flow used in investing activities</b>		(62,242,451)	(27,618,227)
<b>Cash flows from financing activities</b>			
Dividends paid		(11,574,187)	(11,951,092)
Proceeds from borrowings		14,000,000	33,000,000
Proceeds from capital raising net of costs		20,593,884	399,363
<b>Net cash flow from/(used in) financing activities</b>		23,019,697	21,448,271
Net increase/(decrease) in cash held		(15,006,500)	19,855,431
Cash and cash equivalents at 1 July		22,267,330	2,411,899
<b>Cash and cash equivalents at 30 June</b>	16	7,260,830	22,267,330

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 19 to 31

## 1. Statement of significant accounting policies

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

The financial report was authorised for issue by the directors on 12 August 2010.

### (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.

*AASB 101 (revised): Presentation of Financial Statements*

With effect from 1 July 2009 the Company has adopted AASB 101 (revised) which requires the presentation of a new Statement of Comprehensive Income separate from changes in equity arising from transactions with shareholders.

The adoption of this new standard changes the presentation of the financial statements by disclosing the unrealised gains and losses on the investment portfolio in the Statement of Comprehensive Income rather than the Statement of Changes in Equity.

The Company has not applied any Australian Accounting Standards or UIG Interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2010 ("the inoperative standards") with the following exceptions:

*AASB 9: Financial Instruments*

The Company has early adopted AASB 9 Financial Instruments (AASB 9) with initial application from 7 December 2009 (being the earliest available date of application). The standard has been applied retrospectively to investments held at 7 December 2009 and comparative amounts have been restated.

In accordance with AASB 9 the Company has designated its investments in equity securities, that were formerly designated as "available-for-sale", as "fair value through other comprehensive income" as disclosed below. This results in all realised and unrealised gains and losses from the investment portfolio being recognised directly in equity through "other comprehensive income" in the Statement of Comprehensive Income. Dividend income is recognised in the income statement.

Realised net gains and losses from the investment portfolio arising from transactions prior to 7 December 2009 are recognised in the income statement. Realised net gains and losses from the investment portfolio arising from transactions after 7 December 2009 are recognised as "other comprehensive income".

There is no longer a requirement to assess individual investments for impairment under AASB 9. The impact of this has been to restate net profit, earnings per share, asset revaluation reserve and impairment reserve for the period to 30 June 2009 to remove impairment losses that were booked in previous periods against investments that were held in the portfolio at 7 December 2009. This has also resulted in a restatement of earnings per share for the comparative period as disclosed in note 5.

The adoption of this standard has no impact on the valuation of the Company's investments and therefore has no impact on the Company's net assets.

# Notes to the Financial Statements for the Year Ended 30 June 2010

Restatement of comparatives:

	30 June 2009		
	Balance as reported \$	Reversal of impairment \$	Restated balance \$
Asset revaluation reserve	145,412,350	(7,279,960)*	138,132,390
Profit for the year	13,469,958	5,289,009	18,758,967
	Cents	Cents	Cents
Earnings per share	14.0	5.5	19.5

\* Includes reversal of impairment relating to investments held at 7 December 2009 for the year ended 30 June 2008 and the year ended 30 June 2009.

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

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

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

## (c) Investments

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

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

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

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

## (d) Revenue from investment portfolio

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

## (e) Taxation

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

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

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

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

## (f) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs.

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

## (g) Share Capital

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

## 2. Revenue and Expenses

	2010 \$	2009 \$
<b>(a) Revenue</b>		
Dividends received or due and receivable	29,280,214	30,248,672
Interest received or due and receivable	677,706	2,187,069
Trust distributions received or due and receivable	1,879,188	1,938,090
Sub-underwriting fee	-	56,250
Profit on options trading	698,270	-
	32,535,378	34,430,081

## (b) Expenses

Finance expenses		
Interest and borrowing expenses	5,180,046	3,570,578

## 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	43,758	46,200
- Tax related services	9,350	6,270

## 4. Taxation

	2010 \$	2009 \$
<b>(a) Income Tax Expense</b>		
<b>(i) Recognised in the income statement</b>		
<b>Current tax expense/(benefit)</b>		
Current year (refundable)/payable	(137,906)	535,208
Current year tax paid	137,906	-
Adjustments for prior years	(108,244)	30,860
	(108,244)	566,068
<b>Deferred Tax Expense</b>		
Tax deferred through CGT rollover relief	-	(351,965)
Tax expense/(benefit) of capital gains/(losses) carried forward	104,202	(4,545,786)
Excess imputation credits carried forward	(242,133)	-
Impairment losses now realised	217,198	768,238
Tax benefit on impairment loss recognised	-	(217,198)
Temporary differences	4,830	13,953
	84,097	(4,428,961)
Total income tax benefit in income statement	(24,147)	(3,766,690)
<b>(ii) Reconciliation between tax expense and pre-tax net profit</b>		
Prima facie tax expense calculated at 30% on the profit for the year	8,206,158	4,497,683
<b>Increase in tax expense due to:</b>		
Franking credits/foreign tax credit gross-up on dividends received	3,220,159	3,599,327
<b>Decrease in tax expense due to:</b>		
Sundry items	(331,022)	265,970
Tax Deferred revenue received	(277,336)	(162,773)
Franking credits/foreign tax credit on dividends received	(10,733,862)	(11,997,757)
Tax expense/(benefit) on operating profit	84,097	(3,797,550)
Under/(over) provided in prior years	(108,244)	30,860
Income tax (benefit)/expense attributable to profit for the year	(24,147)	(3,766,690)
<b>(iii) Deferred tax recognised directly in equity</b>		
Increase/(decrease) in provision for tax on unrealised gains on investment portfolio	19,109,726	(57,256,625)

# Notes to the Financial Statements for the Year Ended 30 June 2010

	2010 \$	2009 \$
<b>(b) Deferred Tax Assets and Liabilities</b>		
<b>Recognised deferred tax assets and liabilities</b>		
		<b>Liabilities</b>
Revaluation reserve – Provision for tax on unrealised gains on investment portfolio	(78,35,442)	(60,370,121)
Other	(75,030)	(70,200)
Tax benefit of capital losses carried forward	3,418,382	4,545,786
Tax benefit of excess franking credits carried forward	242,133	-
Net tax assets/(liabilities)	(74,766,957)	(55,894,535)

## 5. Earnings Per Share

	2010 Cents	2009 Cents
Basic earnings per share	27.7	19.5 <sup>1</sup>
Basic earnings per share before net gains and losses on investment portfolio	26.9	30.5
Basic earnings per share before special dividends and net gains and losses on investment portfolio	26.9	29.6

<sup>1</sup> Restated on adoption of AASB 9 (refer note 1b).

	2010 \$	2009 \$
<b>Profit reconciliation used in the calculation of earnings per share</b>		
Profit for the year	27,378,007	18,758,967
Net realised and unrealised (gains)/losses on investment portfolio included in the income statement	(749,927)	10,533,870
Net profit before net realised and unrealised losses and gains on investment portfolio	26,628,080	29,292,837
Special dividends	-	(901,920)
Net profit before net realised and unrealised losses and gains on investment portfolio and special dividends	26,628,080	28,390,917

Earnings per share for the 2010 year are calculated on a weighted average adjusted number of shares taking into account the share placement in April 2010.

	2010 Shares	2009 Shares
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 July	97,403,696	95,031,685
Effect of purchase plan shares issued in July 2008	-	48,820
Effect of dividend reinvestment plan – final dividend	661,701	542,007
Effect of dividend reinvestment plan – interim dividend	304,791	407,533
Effect of placement shares issued in April 2010	644,345	-
Weighted average number of ordinary shares for the year	99,014,533	96,030,045

## 6. Dividends

	2010 \$	2009 \$
Dividends recognised in the current year by the Company are:		
(i) 2009 final dividend of 13.5 cents per share (2009: 13.5 cents) fully franked paid 21 September 2009	13,140,944	12,832,182
(ii) 2010 interim dividend of 11.5 cents per share (2009: 11.5 cents) fully franked paid 16 March 2010	11,295,049	11,020,865
	24,435,993	23,853,047
Since 30 June 2010, the directors have declared the following dividend payable on 24 September 2010 :		
- Final dividend of 14 cents per share fully franked (2009: 13.5 cents)	14,293,799	13,140,944

The final dividend will not contain a Listed Investment Company (LIC) capital gain dividend (2009: LIC capital gain dividend of 1 cent per share).

The financial effect of the final dividend has not been brought to account in the financial statements for the year ended 30 June 2010.

### Dividend Franking Account:

The balance of the Franking Account at 30 June 2010 is \$30,641,735 (2009: \$30,036,070) after adjusting for:

- (a) franking credits that will arise from the current income tax liability;
- (b) franking credits that will arise from the receipt of dividends recognised as receivables at year-end;
- (c) franking credits that the entity may be prevented from distributing in subsequent years (none at 30 June 2010).

After allowing for the final 2010 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$24,515,822 (2009: \$24,403,105).

The ability to utilise the franking credits is dependent upon the Company being in a position to declare dividends in compliance with the provisions of the Corporations Act.

### LIC Capital Gain Account:

The balance of the LIC Capital Gain Account at 30 June 2010 was \$372,101 (2009: \$1,345,700). When distributed, LIC capital gains may entitle certain shareholders to a special deduction in their taxation return, as set out in the relevant dividend statement.

## 7. Receivables

	2010 \$	2009 \$
Current		
Dividends Receivable	4,698,000	3,611,000
Trust Distributions Receivable	270,000	230,000
Other	11,230	104,491
	4,979,230	3,945,491

# Notes to the Financial Statements for the Year Ended 30 June 2010

	2010 \$	2009 \$
<b>8. Investments</b>		
Current		
Term Deposits	-	15,000,000
	-	15,000,000
Non-Current		
Investments quoted on prescribed stock exchanges (at fair value)	762,060,330	622,745,631

## 9. Other Assets

Current		
Prepayments	51,219	-
Non - Current		
Leasehold Improvements	13,345	-

## 10. Payables

Current		
Trade Creditors	223,001	137,262

## 11. Interest Bearing Liabilities

Current		
Bills payable – Secured*	16,740,136	16,799,125
Non-Current		
Bills payable – Secured*	78,837,209	65,214,803

\*The face value of the drawn facility is \$97 million (2009: \$83 million). The amounts disclosed above are at amortised cost (being the proceeds of discounted bank bills plus amortised interest to balance date). For more information regarding the Company's exposure to interest risk and liquidity risk, see Notes 18 and 19.

## 12. Financing Arrangements

The Company has access to the following lines of credit:

Total facility available		
Commercial Bill Facility – Secured	103,000,000	100,000,000
Facilities utilised at balance date		
Commercial Bill Facility – Secured	97,000,000	83,000,000

## 13. Capital and Reserves

	2010 \$	2009 \$
<b>(a) Issued Capital</b>		
Issued and paid-up share capital		
102,098,563 (2009: 97,359,884) ordinary fully paid shares	297,392,610	263,936,920
Movements in issued capital:		
Balance at beginning of the financial year	263,936,920	251,635,602
Shares issued		
- Share purchase plan (net of costs) (i)	-	399,363
- Dividend re-investment plan (ii)	12,861,806	11,901,955
- Capital raising (net of costs) (iii)	20,593,884	-
	297,392,610	263,936,920

(i) On 25 July 2008, the Company issued 52,388 fully paid ordinary shares in accordance with a placement announced on 18 June 2008. The issue raised \$409,150 (before costs) at the purchase plan price of \$7.81 per share.

(ii) In respect of the final dividend paid in September 2009, 856,071 ordinary shares were issued at \$6.77 each and in respect of the interim dividend paid in March 2010, 1,049,043 ordinary shares were issued at \$6.73 each.

(iii) On 8 April 2010, the Company issued 2,833,565 fully paid ordinary shares in accordance with a placement announced on 29 March 2010. The issue raised \$20,628,353 (before costs) at the placement price of \$7.28 per share.

## (b) Nature and Purpose of Reserves

### **Revaluation Reserve**

Increments or decrements on the revaluation of long term 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 sale of investments which are transferred from the revaluation reserve.

## 14. Directors' Remuneration

The total director's remuneration for the year is \$476,792 (2009: \$426,000). Details of the directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report.

## 15. Related Parties

### Directors and director related entities

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

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

The Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, insuring them against liabilities, costs and expenses arising out of conduct which does not involve a willful breach of duty. This insurance premium covers the period 18 June 2010 to 18 June 2011.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no other material contracts involving directors' interests existing at year end, other than each director except Ronald Dewhurst and Jim Craig, entered into a director's retirement agreement with the Company in 2006 converting retirement entitlements accrued to that date into shares in the Company to be held in a Share Plan until retirement.

### Directors' Holdings of Shares

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

Directors	Held at 01/07/09	Purchases	Sales	Held at 30/06/10
Charles B. Goode	839,185	30,091	-	869,276
Graeme E. Moir	86,792	-	-	86,792
Peter J. Wetherall	19,014	710	-	19,724
P. John Rose	74,867	404	-	75,271
Ron R. Dewhurst	26,594	993	-	27,587
James S Craig (1)	68,068	93,176	-	161,224

(1) Initial holding on being appointed a Director on 15 October 2009

### Directors' Transactions in Shares

The movements in directors' holdings of ordinary shares resulted from the issue of shares under the Company's dividend reinvestment plan and on-market purchases which were made on the same terms and conditions offered to other shareholders, and/or purchases on the open market.

## 16. Notes to the Statement of Cash Flows

	2010 \$	2009 \$
<b>Reconciliation of Cash</b>		
For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Units in Cash Management Trusts and Deposits at call	7,260,830	22,267,330
Reconciliation of operating profit after income tax to net cash provided by operating activities:		
Profit for the year	27,378,007	18,758,967
Add/(less) net realised capital gains	(749,927)	10,533,870
Net cash provided by operating activities before changes in assets and liabilities	26,628,080	29,292,837
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividends receivable	(1,087,000)	705,553
(Increase)/decrease in interest receivable	40,151	133,689
(Increase)/decrease in distributions receivable	(40,000)	442,500
(Increase) in other debtors	53,110	(57,143)
(Increase)/decrease in deferred tax assets	(242,133)	-
Increase/(decrease) in deferred tax liability	4,830	13,953
Increase/(decrease) in current tax	(673,114)	(4,171,370)
Increase/(decrease) in accrued expenses	33,475	12,223
(Increase)/decrease in prepaid interest and borrowing costs	(436,581)	(147,387)
(Increase)/decrease in other prepayments	(51,219)	31,952
(Increase) in other assets	(13,345)	-
Add/(less) non-cash items:		
Non-cash income	-	(231,420)
Net cash provided by operating activities	24,216,254	26,025,387

## 17. Capital Management

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

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

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any external regulation in respect to capital requirements.

## 18. Financial Risk Management

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

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

### 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.

#### *Cash*

The company invests in short-term bank backed securities, cash management units with the MF Cash Management Fund and cash deposits with Australian banks, with a direct or underlying AA or A.1 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.

Management does not expect any counterparty to fail to meet its obligations. Additionally, none of these assets are over due 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 \$97 million at the end of the financial year (previous year \$83 million) representing approximately 12% of the asset value of the Company. The Company has interest bearing commercial bill facilities in place with the National Australia Bank and Australia and New Zealand Banking Group which includes both fixed and floating rate bill components. These facilities expire on various intervals through to 31 March 2016, unless these are renewed. Annual interest expense during the year was covered 6.3 times by investment revenue.

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

### Market Risk

Market risk is the risk that changes in markets such as foreign exchange rates, dividend 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 subject to market risk as it invests its capital in securities whose market prices can fluctuate.

Based on a tax rate of 30%, a general movement in market prices of 5% and 10% would lead to a change in the Company's equity of \$26,672,112 (or 4%) and \$53,344,223 (or 9%) respectively, after tax.

# Notes to the Financial Statements for the Year Ended 30 June 2010

Market risk is minimised by ensuring that the Company's investment portfolio is not over exposed to one company or one particular sector. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Board frequently.

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

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

## 19. Financial Instruments Disclosure

### Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2010 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

	Note	Floating Interest Rate \$	Total \$
<b>Financial Assets – 2010</b>			
Cash	16	7,260,830	7,260,830
Weighted Average Interest Rate		3.82%	
<b>Financial Assets – 2009</b>			
Cash	16	22,267,330	22,267,330
Weighted Average Interest Rate		4.49%	

The Company has secured borrowing facilities in place with the National Australia Bank Ltd and Australia and New Zealand Banking Group Ltd totalling \$103,000,000 (2009: \$100,000,000) as follows:

#### National Australia Bank Ltd

Amount	Maturity	Interest Rate*
\$10,000,000	31 March 2011	Fixed 6.40%
\$7,000,000	31 March 2011	Floating 6.40%
\$10,000,000	31 March 2012	Fixed 6.42%
\$7,000,000	31 March 2012	Floating 6.40%
\$10,000,000	31 March 2013	Fixed 7.05%
\$5,000,000	31 March 2013	Floating 6.40%
\$10,000,000	31 March 2014	Fixed 7.45%
\$7,000,000	31 March 2014	Floating 6.40%
\$17,000,000	31 March 2015	Floating 6.40%

#### Australia and New Zealand Banking Group Ltd

Amount	Maturity	Interest Rate*
\$20,000,000	31 March 2016	Fixed 7.31%

\* Interest rate plus bank margin and line fees payable.

# Notes to the Financial Statements for the Year Ended 30 June 2010

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

## *National Australia Bank Ltd*

<b>Equities</b>	<b>No. of Shares</b>	<b>Value at 30 June 2010</b>
		<b>\$</b>
Alumina Ltd	4,350,000	6,633,750
BHP Billiton Ltd	2,000,000	75,300,000
ANZ Bank Ltd	1,750,000	37,817,500
NAB Ltd	1,000,000	23,280,000
Rio Tinto Ltd	762,500	50,828,250
Woodside Ltd	1,000,000	41,840,000
Total		235,699,500

## *Australia and New Zealand Banking Group Ltd*

<b>Equities</b>	<b>No. of Shares</b>	<b>Value at 30 June 2010</b>
		<b>\$</b>
Commonwealth Bank Ltd	400,000	19,456,000
Westpac Ltd	500,000	10,615,000
Woolworths Ltd	400,000	10,808,000
Telstra Ltd	3,000,000	9,750,000
Total		50,629,000

## **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 sale 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. No adjustment for transaction costs necessary to realise the assets has been included as these are deemed to be immaterial. The net fair value of investments is set out in note 8.

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

## **20. Contingent Liabilities and Capital Commitments**

There were no contingent liabilities or capital commitments as at 30 June 2010.

## **21. Segment Reporting**

The Company operates as an investment company in Australia.

## **22. Events Subsequent to Balance Date**

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

# Directors' Declaration

1. In the opinion of the directors of Australian United Investment Company Limited ("the Company"):
  - (a) The financial statements and notes set out on pages 14 to 31, and the remuneration disclosures that are contained in the Remuneration report on page 11 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Company as at 30 June 2010 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 2010.

Signed in accordance with a resolution of the directors.



Charles Goode  
Director

Melbourne 12th August 2010



## Independent auditor's report to the members of Diversified United Investment Limited

### Report on the financial report

We have audited the accompanying financial report of Australian United Investment Company Limited (the Company), which comprises the balance sheet as at 30 June 2010, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 23 and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statement and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

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

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

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

## *Independence*

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

## *Auditor's opinion*

In our opinion:

- (a) the financial report of Australian United Investment Company Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

## **Report on the remuneration report**

We have audited the Remuneration Report included on page 11 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. *Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.*

## *Auditor's opinion*

In our opinion, the remuneration report of Australian United Investment Company Limited for the year ended 30 June 2010, complies with the Section 300A of the *Corporations Act 2001*.

*KPMG*

KPMG

*msomerville*

Michelle Somerville  
*Partner*

Melbourne

12 August 2010

## Distribution of shareholders as at 31 July 2010.

Category Holders	Ordinary Shares	No of Holders	%
1 – 1,000	309,204	571	0.30
1,001 – 5,000	4,241,086	1,510	4.15
5,001 – 10,000	5,131,820	708	5.03
10,001 and 100,000	14,314,993	663	14.02
100,001 and over	78,101,460	33	76.50
	102,098,563	3,485	100.00

There were 51 ordinary shareholders holding less than a marketable parcel (74 shares) at 31 July 2010.

## Substantial Shareholders

The number of shares held by substantial shareholders and their associates as at 31 July 2010 are set out below:

Substantial Shareholder	No. of Shares
The Ian Potter Foundation Limited and Dundee Trading Pty Ltd	40,146,223
Argo Investments Ltd	17,704,099
Lady Primrose Catherine Potter, Primrose Properties Pty Ltd and Decerna Pty Ltd	7,725,213

## Voting Rights

All ordinary shares carry equal voting rights.

# Additional Information

## Twenty Largest Equity Security Holders

The twenty largest shareholders, listed below as at 31 July 2010, hold 76,456,037 ordinary shares which is 74.88% of the issued capital.

### Ordinary Shares

Shareholder Name	No. of Shares	% Held
1. The Ian Potter Foundation Ltd	37,902,939	37.12
2. Argo Investments Ltd	17,704,099	17.34
3. Primrose Properties Pty Ltd	6,414,435	6.28
4. Robin Bernice Potter	5,475,000	5.36
5. Dundee Trading Pty Ltd	2,243,284	2.20
6. The Miller Foundation Ltd	1,600,000	1.57
7. Lady Primrose Catherine Potter	750,640	0.73
8. Daryl Albert Dixon & Katherine Dixon	664,646	0.65
9. UBS Wealth Management Australia Nominees Pty Ltd	664,479	0.65
10. Beta Gamma Pty Ltd	630,654	0.62
11. Decerna Pty Ltd	560,138	0.55
12. Matluc Nominees Pty Ltd	288,443	0.28
13. Pards Pty Ltd	248,001	0.24
14. Duesburys Services Pty Ltd <Carolyn Anne Parker Bowles>	227,415	0.22
15. Chickenfeed Pty Ltd	197,140	0.19
16. Mrs Sheila Clare Audas Pitt	190,000	0.19
17. The Manly Hotels Pty Ltd	187,500	0.19
18. Dr Ray Dudley Paech (Est. Donald Graham Paech A/c)	180,000	0.18
19. Mythia Pty Ltd	166,000	0.16
20. Equitas Nominees Pty Ltd	161,224	0.16
	76,456,037	74.88

### Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2010 totalled \$242,942 (2009: \$77,268). 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 2010

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

	30/6/2010			Capital Movements or Portfolio Adjustments	30/6/2009
	Market Value \$	% of Portfolio at Market Value	Units Held		Units Held
<i>Oil &amp; Gas (8.5%)</i>					
AWE Ltd	1,775,000	0.2	1,000,000	-	1,000,000
Oil Search Ltd	1,659,000	0.2	300,000	300,000 Purchased	-
Santos Ltd	12,600,000	1.6	1,000,000	200,000 Purchased	800,000
Woodside Petroleum Ltd	50,208,000	6.5	1,200,000	200,000 Purchased	1,000,000
<i>Chemicals (3.3%)</i>					
Orica Ltd	25,200,000	3.3	1,000,000	100,000 Purchased	900,000
<i>Construction Material (0.3%)</i>					
Bluescope Steel Ltd	2,520,000	0.3	1,200,000	-	1,200,000
<i>Metals &amp; Mining (20.0%)</i>					
Alumina Ltd	14,777,250	1.9	9,690,000	-	9,690,000
BHP Billiton Ltd	79,065,000	10.2	2,100,000	-	2,100,000
Rio Tinto Ltd	60,993,900	7.9	915,000	315,000 Purchased	600,000
<i>Construction &amp; Engineering (0.9%)</i>					
Worley Parsons Ltd	6,663,000	0.9	300,000	300,000 Purchased	-
<i>Commercial Services Supplies (1.3%)</i>					
Brambles Ltd	9,828,000	1.3	1,800,000	-	1,800,000
<i>Air Freight &amp; Couriers (0.2%)</i>					
Toll Holdings Ltd	1,644,000	0.2	300,000	-	300,000
<i>Transportation Infrastructure (1.1%)</i>					
MAP Group	1,614,000	0.2	600,000	100,000 Purchased	500,000
Transurban Group	7,208,000	0.9	1,700,000	200,000 Purchased	1,500,000
<i>Hotels Restaurants &amp; Leisure (1.9%)</i>					
Tabcorp Holdings Ltd	10,128,000	1.3	1,600,000	-	1,600,000
Tatts Group Ltd	4,928,000	0.6	2,200,000	-	2,200,000
<i>Media (2.3%)</i>					
Amalgamated Holdings Ltd	6,840,000	0.9	1,200,000	200,000 Purchased	1,000,000
APN News & Media Ltd	1,191,000	0.2	600,000	-	600,000
Consolidated Media Holdings Ltd	9,540,000	1.2	3,000,000	2,460,754 Purchased	539,246
News Corporation Inc Class B Common CDI	-	-	-	350,000 Sold	350,000
Village Roadshow Ltd 'A' Class Pref	-	-	-	2,000,000 Sold	2,000,000

# List of Investments as at 30 June 2010

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

	30/6/2010			Capital Movements or Portfolio Adjustments	30/6/2009
	Market Value \$	% of Portfolio at Market Value	Units Held		Units Held
<i>Retailing (9.6%)</i>					
Wesfarmers Ltd	38,677,500	5.0	1,350,000	-	1,350,000
Wesfarmers Ltd PPS	2,879,000	0.4	100,000	-	100,000
Woolworths Ltd	32,424,000	4.2	1,200,000	200,000 Purchased	1,000,000
<i>Beverages (0.1%)</i>					
Foster's Group Ltd	847,500	0.1	150,000	150,000 Purchased	-
<i>Health Care Providers &amp; Services (2.8%)</i>					
CSL Ltd	9,774,000	1.3	300,000	-	300,000
Primary Health Care Ltd	6,230,000	0.8	1,750,000	1,750,000 Purchased	-
Sonic Healthcare Ltd	5,215,000	0.7	500,000	500,000 Purchased	-
<i>Banks (25.7%)</i>					
Australia & New Zealand Banking Group Ltd	57,266,500	7.4	2,650,000	-	2,650,000
Commonwealth Bank Of Australia Ltd	41,344,000	5.3	850,000	3,544 Purchased	846,456
Mystate Ltd	8,112,000	1.0	2,600,000	2,600,000 Purchased	-
National Australia Bank Ltd	46,560,000	6.0	2,000,000	550,000 Purchased	1,450,000
Westpac Banking Corporation	46,706,000	6.0	2,200,000	-	2,200,000
<i>Diversified Financials (5.7%)</i>					
Diversified United Investment Ltd	34,680,000	4.5	12,000,000	-	12,000,000
Over Fifty Group Ltd	-	-	-	917,376 Sold	917,376
Perpetual Ltd	7,413,232	1.0	250,000	-	250,000
The Trust Company Ltd	1,981,680	0.2	359,000	359,000 Purchased	-
<i>Insurance (6.1%)</i>					
AMP Ltd	5,210,000	0.7	1,000,000	400,000 Purchased	600,000
AXA Asia Pacific Holdings Ltd	16,410,000	2.1	3,000,000	-	3,000,000
Henderson Group Plc	-	-	-	2,000,000 Sold	2,000,000
QBE Insurance Group Ltd	25,480,000	3.3	1,400,000	400,000 Purchased	1,000,000
<i>Diversified Telecommunication Services (2.5%)</i>					
Telstra Corporation Ltd	19,500,000	2.5	6,000,000	2,000,000 Purchased	4,000,000

# List of Investments as at 30 June 2010

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

	30/6/2010			Capital Movements or Portfolio Adjustments	30/6/2009
	Market Value \$	% of Portfolio at Market Value	Units Held		Units Held
<i>Gas Utilities (4.2%)</i>					
AGL Energy Ltd	14,700,000	1.9	1,000,000	300,000 Purchased	700,000
Origin Energy Ltd	14,940,000	1.9	1,000,000	200,000 Purchased	800,000
SP AusNet	3,060,000	0.4	4,000,000	250,000 Purchased	3,750,000
<i>Building Products (0.0%)</i>					
GWA International Ltd	-	-	-	700,000 Sold	700,000
<i>Trading Co &amp; Distributors (0.0%)</i>					
Alesco Corporation Ltd	-	-	-	1,320,000 Sold	1,320,000
<i>Real Estate (1.9%)</i>					
Westfield Group	14,616,000	1.9	1,200,000	200,000 Purchased	1,000,000
<i>Cash Trust &amp; Other Deposits (1.6%)</i>					
Cash Trust units, Bank deposits and receivables	12,442,530	1.6	12,176,568		41,212,821
	774,502,860	100.0%			



This page has been left intentionally blank





Australian United Investment Company Limited