

# **AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED**

**ABN 37 004 268 679**

---

## **APPENDIX 4E STATEMENT FOR THE YEAR ENDED 30 JUNE 2021**

---

### **CONTENTS**

- Results for announcement to the market
- Letter to Australian Securities Exchange
- Financial Statements
- Independent Audit Report

---

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

---

The reporting period is the year ended 30 June 2021 with the prior corresponding period being the year ended 30 June 2020.

This report is based on audited financial statements. A copy of the audit report can be found on page 32 of the financial statements.

### Results for announcement to the market:

- Revenue from ordinary activities was \$46.1 million, down 0.9% from the prior year.
- Profit after tax was \$40.5 million, down 1.6% from the prior year.
- Profit after tax for the period of \$40.5 million excludes net realised gains and losses which are transferred directly to the Asset Realisation Reserve under the accounting standards.
- Profit after tax includes special dividends of \$7,456,000 after tax (2020: \$1,103,000). Excluding these items revenue fell 14.6%<sup>1</sup> and profit after tax fell 17.5%<sup>1</sup>.
- Earnings per share based on profit after tax were 32.5 cents, a decrease of 1.8%. Excluding the special dividends distributed, earnings per share fell 17.7% to 26.5 cents<sup>1</sup>. The weighted average number of ordinary shares for the year was 124,806,169 compared to 124,488,838 in the prior year, an increase of 0.3%.
- The final dividend is 19.0 cents per share (2020: 19.0) fully franked at 30%, bringing total dividends for the year to 36.0 cents fully franked at 30% (2020: 36.0 cents). The dividend is payable on 23 September 2021. The record date for determining entitlement to the final dividend is 2 September 2021.
- The final dividend will not include any Listed Investment Company capital gain dividend.
- The Company operates a Dividend Reinvestment Plan (“DRP”) under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at the volume weighted average selling price of shares traded on the Australian Securities Exchange in the five days commencing from the day the shares start trading on an ex-dividend basis, without any discount. The last day for the receipt of an election notice for participation in the plan is 3 September 2021.
- The net tangible asset backing per share based on the market valuation of investments was \$10.46 at 30 June 2021, compared to \$8.59 at the end of the prior year. These calculations are after tax on net realised gains, before any future tax benefit of net realised losses, before estimated tax on net unrealised gains/losses, and before provision for the final dividend.

---

<sup>1</sup> Additional non-IFRS information.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

LEVEL 20  
101 COLLINS STREET  
MELBOURNE VIC 3000  
AUSTRALIA

TEL (613) 9654 0499  
EMAIL [INFO@AUL.COM.AU](mailto:INFO@AUL.COM.AU)

17 August 2021

The General Manager  
Australian Securities Exchange Ltd  
10th Floor  
20 Bond Street  
Sydney NSW 2000

Dear Sir,

## **Financial Results and Dividend Announcement for the Financial Year Ended 30 June 2021**

The Directors make the following report concerning the Company's performance and final dividend.

### **Operating Profit and Realised Capital Gains**

Profit after tax for the year ended 30 June 2021 was \$40,505,000 (2020: \$41,145,000).

Profit after tax includes special dividends of \$7,456,000 (2020: \$1,103,000). Excluding these items profit after tax fell 17.5%<sup>1</sup>.

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.

Net realised losses on the Company's investment portfolio after tax were \$18,143,000 (2020: net losses \$930,000), which under accounting standards are transferred directly to the Realisation Reserve and are not included in net profit.

### **Earnings Per Share**

Earnings per share based on the weighted average number of shares on issue for the year were 32.5 cents, a fall of 1.8%. Excluding special dividends, earnings per share fell 17.7% to 26.5 cents<sup>1</sup>.

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

---

<sup>1</sup> Additional non-IFRS information.

### **Dividends**

The Directors declare a final dividend of 19.0 cents per share fully franked at 30% to shareholders registered on 2 September 2021, to be paid on 23 September 2021. The comparable 2020 final dividend was 19.0 cents per share fully franked at 30%. Together with the interim dividend of 17.0 cents per share, total dividends for the year are 36.0 cents per share fully franked (2020: 36.0 cents).

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.

### **LIC Capital Gains**

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

### **Dividend Reinvestment Plan**

The Company operates a Dividend Reinvestment Plan (“DRP”) under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at the volume weighted average selling price of shares traded on the Australian Securities Exchange in the five days beginning from the day the shares begin trading on an ex-dividend basis, without any discount. The last day for the receipt of an election notice for participation in the plan is 3 September 2021.

### **Asset Backing**

The net tangible asset backing per share based on the market valuation of investments was \$10.46 at 30 June 2021 and \$10.62 at 31 July 2021. These calculations are 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 provision for the final dividend.

The Company is a long-term investor and does not intend disposing of its total portfolio. If estimated tax on unrealised net portfolio gains were to be deducted, the above figures would be \$8.77 at 30 June 2021 and \$8.89 at 31 July 2021.

### **Performance**

The Company’s net asset backing accumulation performance for the year to 30 June 2021 was a rise of 26.9% while the S&P/ASX 200 Accumulation Index rose 27.8% over the same period. The Company’s returns are after tax and expenses and the impact of the Company’s gearing, for which no allowance is made in the S&P/ASX Index.

Including the benefit of franking credits for shareholders who can fully utilise them, the Company's accumulation return for the year to 30 June 2021 was a rise of 28.2% compared to a rise of 29.1% in the S&P/ASX 200 franking credit adjusted return.

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

At 30 June 2021 the Company had cash reserves and undrawn debt of \$24 million.

### **Management Expense Ratio**

Operating expenses (excluding interest) were 0.11% of the average market value of the portfolio (2020: 0.12%).

### **Portfolio Movements**

Portfolio turnover for the year to 30 June 2021 remained low at 5.9%. The largest additions to and sales from the portfolio for the period were as follows:

<b>Purchases</b>	<b>Sales</b>
Aristocrat Leisure <sup>(1)</sup>	NAB <sup>(3)</sup>
Link Group <sup>(2)</sup>	Westpac <sup>(3)</sup>
PEXA Group <sup>(1)</sup>	ANZ <sup>(3)</sup>
Orica <sup>(2)</sup>	Scentre Group <sup>(4)</sup>
GPT Group <sup>(1)</sup>	Atlas Arteria <sup>(3)</sup>

- (1) New positions.
- (2) Additions to existing positions.
- (3) Partial disposal of holding.
- (4) Fully disposed of holding.

### **Annual General Meeting**

The Annual General Meeting of the Company will be held as a virtual meeting on Wednesday 13 October 2021 at 11.00 am. Further details will be announced closer to the date of the meeting. Nominations for elections of directors will close at 5.00pm on Tuesday 24 August 2021.

## **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 investors 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.

*Continued over...*

### Investment Portfolio

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

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

Note: At 30 June 2021, bank facilities were \$150 million, drawn as to \$135 million and cash and net short term receivables (included in the above figures) were \$9 million.

Yours faithfully,

**James Pollard**  
Company Secretary  
For and on behalf of the Board

**AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED**  
**(ABN 37 004 268 679)**

**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**



# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Directors' Report*

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

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Directors' Report (Continued)*

### **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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Directors' Report (Continued)

### Dividends

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

	\$'000
<b>Paid or declared during the year</b>	
A final dividend in respect of the year ended 30 June 2020 of 19.0 cents per share fully franked at 30% paid on 22 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
<b>Paid or declared after end of year</b>	
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's 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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Directors' Report (Continued)

### 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:

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

#### Note:

1. Beneficial in own name
2. Held by an entity / related party in which the Director has a relevant interest
3. Held for the Director in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan

Except as stated above, no Director –

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

### Remuneration report (audited)

Non-executive Directors 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 <sup>(i)</sup>	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
<b>Total</b>	<b>385,084</b>	<b>36,583</b>	<b>421,667</b>	<b>403,195</b>	<b>38,305</b>	<b>440,000</b>

(i) Retired April 2021.

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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Directors' Report (Continued)

### Remuneration report (audited) (continued)

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 <sup>(i)</sup>	115,651	113,000
James A Pollard	77,642	74,500
<b>Total</b>	<b>193,293</b>	<b>187,500</b>

(i) Retired April 2021.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Directors' Report (Continued)*

### **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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Directors' Report (Continued)*

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

The lead auditor's independence declaration is set out on page 9 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 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.

A handwritten version of the KPMG logo, with the letters 'KPMG' in a stylized, cursive script.

KPMG

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

Chris Sargent

Partner

Melbourne

17 August 2021



**AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED**  
**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)
<b>Profit before income tax</b>		<b>42,361</b>	<b>41,949</b>
Income tax expense	4(a)	(1,856)	(804)
<b>Profit</b>		<b>40,505</b>	<b>41,145</b>
<b>Other comprehensive Income</b>			
<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
<b>Other comprehensive profit / (loss) net of income tax</b>		<b>164,588</b>	<b>(107,826)</b>
<b>Total comprehensive profit / (loss)</b>		<b>205,093</b>	<b>(66,681)</b>
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 14 to 30.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Balance Sheet* as at 30 June 2021

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

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 30.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## 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
<b>As at 1 July 2019</b>	445,673	435,193	16,007	145,017	1,041,890
<b>Comprehensive income</b>					
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)
<b>Transactions with shareholders</b>					
Dividend reinvestment plan	2,738	-	-	-	2,738
Dividends paid	-	-	-	(44,784)	(44,784)
	2,738	-	-	(44,784)	(42,046)
<b>As at 30 June 2020</b>	448,411	328,297	15,077	141,378	933,163

	Issued Capital \$'000	Revaluation Reserve \$'000	Realisation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>As at 1 July 2020</b>	448,411	328,297	15,077	141,378	933,163
<b>Comprehensive income</b>					
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
<b>Transactions with shareholders</b>					
Dividend reinvestment plan	2,857	-	-	-	2,857
Dividends paid	-	-	-	(44,894)	(44,894)
	2,857	-	-	(44,894)	(42,037)
<b>As at 30 June 2021</b>	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 14 to 30.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Statement of Cash Flows for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
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)
<b>Net cash flow from operating activities</b>	17	32,686	45,078
<b>Cash flows from investing activities</b>			
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)
<b>Net cash flow from investing activities</b>		(54,012)	(53,290)
<b>Cash flows from financing activities</b>			
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)
<b>Net cash flow used in financing activities</b>	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
<b>Cash and cash equivalents at 30 June 2021</b>	17	<b>5,215</b>	<b>18,578</b>

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 30.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the year ended 30 June 2021*

### 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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the year ended 30 June 2021*

### **1. Statement of Significant Accounting Policies (continued)**

#### **(c) Investments (continued)**

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.

#### **(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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2021

### 1. Statement of Significant Accounting Policies (continued)

#### (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

	2021	2020
	\$'000	\$'000
<b>(a) Revenue</b>		
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>(b) Expenses</b>		
<i>Finance expenses</i>		
Interest and borrowing expenses	2,367	3,164

### 3. Auditor's Remuneration

	2021	2020
	\$	\$
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

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2021

### 4. Taxation

	2021 \$'000	2020 \$'000
<b>(a) Income Tax Expense</b>		
<b>(i) Income tax recognised in the income statement</b>		
<b>Income tax expense represented by:</b>		
<b>Current tax expense</b>		
Current year tax liability	(1,264)	(750)
Withholding tax on foreign dividends	(61)	(121)
	(1,325)	(871)
<b>Deferred tax expense</b>		
Recognition of tax losses and deferred tax balances	-	-
Temporary differences	(39)	(33)
	(39)	(33)
Income tax expense	(1,364)	(904)
(Under) / over provision of prior year income tax expense	(492)	100
<b>Total income tax expense recognised in the income statement</b>	(1,856)	(804)
<b>(ii) Reconciliation between pre-tax net profit and income tax expense</b>		
Prima facie income tax expense, calculated at 30% of pre-tax net profit	(12,708)	(12,585)
<b>Adjust for increases in income tax expense due to:</b>		
Franking credits gross-up on dividends received	(3,761)	(5,157)
Sundry items	-	(859)
	(3,761)	(6,016)
<b>Adjust for decreases in income tax expense due to:</b>		
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
<b>Total income tax expense recognised in the income statement</b>	(1,856)	(804)
<b>(iii) Deferred tax recognised directly in equity</b>		
Increase / (decrease) in provision for tax on net unrealised gains on the equity investment portfolio	73,204	(45,229)



# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2021

### 4. Taxation (continued)

	2021 \$'000	2020 \$'000
<b>(b) Deferred tax assets and liabilities</b>		
<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
<b>(c) Current tax payable</b>		
Current year tax liability	1,264	750
Tax instalments paid	(487)	(516)
Withholding taxes receivable	(591)	(379)
Current tax payable / (receivable)	186	(145)

### 5. Earnings Per Share

	2021 cents	2020 cents
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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2021

### 6. Dividends

	2021 \$'000	2020 \$'000
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
---	--------	--------

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.

#### 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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2021

### 7. Receivables

	2021 \$'000	2020 \$'000
<b>Current</b>		
Dividends receivable	2,795	1,335
Trust distributions receivable	1,464	891
	4,259	2,226

### 8. Investments

	2021 \$'000	2020 \$'000
<b>Non-Current</b>		
Investments in equities quoted on prescribed stock exchanges (at fair value)	1,433,061	1,135,118

### 9. Other Assets

	2021 \$'000	2020 \$'000
<b>Current</b>		
Prepayments	114	79
<b>Non-Current</b>		
Right of use asset	166	235
	280	314

### 10. Plant and Equipment

	2021 \$'000	2020 \$'000
Plant and equipment at cost	39	34
Accumulated depreciation	(11)	(6)
	28	28
<b>Movements</b>		
Carrying amount at beginning of year	28	3
Additions	19	32
Disposals	(8)	-
Depreciation	(11)	(7)
Carrying amount at end of year	28	28

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2021

### 11. Payables

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

### 12. Finance Facilities

	2021 \$'000	2020 \$'000
The Company has access to the following lines of credit:		
<i>Total facility available</i>		
Loan facility – Secured	150,000	150,000
<i>Facilities utilised at balance date</i>		
Loan facility – Secured	135,000	85,000

### 13. Borrowings Drawn

	2021 \$'000	2020 \$'000
<b>Current</b>		
Loan facility drawn – Secured	65,000	15,000
<b>Non-Current</b>		
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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2021

### 13. Borrowings Drawn (continued)

#### Reconciliation of movements in borrowings to cash flows from financing activities

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

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

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2021

### 14. Capital and Reserves

#### (a) Issued Capital

	2021 \$'000	2020 \$'000
<b>Issued and paid-up share capital</b>		
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 <sup>(1)</sup>	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

	2021 \$'000	2020 \$'000
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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the year ended 30 June 2021*

### 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 Hershman.

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.

#### **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:

<b>Directors</b>	<b>Held at 01/07/2020</b>	<b>Purchases</b>	<b>Sales</b>	<b>Held at 30/06/2021</b>
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 or sales on the open market or purchases under the Company's dividend reinvestment plan which were made on the same terms and conditions offered to other shareholders.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2021

### 17. Notes to the Statement of Cash Flows

	2021 \$'000	2020 \$'000
<b>Reconciliation of Cash</b>		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call. Cash as at the end of the financial year is shown in the Statement of Cash Flows and the Balance Sheet as follows:		
Units in Cash Management Trusts and Deposits at call	5,215	18,578
<b>Reconciliation of operating profit after income tax to net cash flow from operating activities:</b>		
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
<b>Net cash flow from operating activities</b>	<b>32,686</b>	<b>45,078</b>

### 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.



# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the year ended 30 June 2021*

### 19. Financial Risk Management (continued)

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.

### 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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements for the year ended 30 June 2021

### 20. Financial Instruments Disclosure (continued)

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

	Note	Floating Interest Rate \$'000
<b>Financial Assets - 2021</b>		
Cash	17	5,215
Weighted Average Interest Rate		0.2%
<b>Financial Assets - 2020</b>		
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 <sup>(1)</sup>
1 <sup>(2)</sup>	\$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 <sup>(3)</sup>	\$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).

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Notes to the Financial Statements for the year ended 30 June 2021*

### 20. Financial Instruments Disclosure (continued)

#### **Net Fair Values of Financial Assets and Liabilities**

##### *Valuation Approach*

Net fair values of financial assets and liabilities are determined by the Company on the following basis:

##### *Recognised Financial Instruments*

Listed securities included in "Investments" are readily traded on organised markets in a standardised form. The net fair value of listed securities is determined by valuing them at 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.

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## 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		Market Value	2020		Market Value
Company		\$'000	Company		\$'000
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
<b>Total Top 25 Investments</b>		<b>1,253,234</b>			<b>1,042,184</b>
<b>Total Investments at Market Value, Net Short-Term Receivables and Cash</b>		<b>1,442,535</b>			<b>1,155,923</b>

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *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 10 to 30, and the remuneration disclosures that are contained in the Remuneration Report on pages 5 and 6 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.

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.



## 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

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.

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.

#### How the matter was addressed in our audit

Our procedures included:

- 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

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.

The Company's deferred tax liability is \$210.4 million which constitutes 61% of the Company's total liabilities as at 30 June 2021.

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.

#### How the matter was addressed in our audit

Our procedures included:

- 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](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