Australian United Investment Company Limited

ABN 37 004 268 679

ANNUAL REPORT 2022

Directory

Directors

Charles Goode AC - Chairman
Fred Grimwade
Dion Hershan
Wayne Kent

Company Secretary

James Pollard

Registered Office

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

Website

www.aui.com.au

Bankers

National Australia Bank Limited (NAB)
Australia and New Zealand Banking Group Limited (ANZ)

Auditors

KPMG
Chartered Accountants

Share Registry

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

Securities Exchange

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

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Chairman's Report

I present the Annual Report of Australian United Investment Company Limited for the year ended 30 June 2022.

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

The profit for the year after income tax was $72.0 million compared to $40.5 million in the previous year, an increase of 77.8%. Special dividends of $20.9 million after tax were received this year compared to $7.5 million in the previous year. If special dividends are excluded, operating profit increased 54.8%.

Excluding special dividends received the Company's revenue rose 47.0% on last year.

The total net profit after tax for the year of $72.0 million excludes net realised gains and losses on the investment portfolio which are transferred directly to the Realisation Reserve.

The weighted average number of ordinary shares for the year was 125,126,238 against 124,806,169 last year, taking into account the shares issued under the dividend re-investment plan, an increase of 0.3%.

Earnings per share based on profit after tax excluding special dividends received was 40.8 cents, an increase of 54.0% from the prior year. Including special dividends received, earnings per share rose by 76.9% to 57.5 cents.

Operating expenses (excluding borrowing costs) were 0.10% of the average market value of the portfolio compared to 0.11% in 2021.

At 30 June 2022, the Company had cash reserves and undrawn debt of $9 million.

Bank borrowings facilities were $170.0 million, drawn as to $167.5 million at the end of the financial year (previous year $150 million, drawn as to $135.0 million). Gross debt as a proportion of the portfolio including cash was 12.0% (2021: 9.4%). Cash on hand, net receivables and pending settlements were $6.8 million or 0.5% of the investment portfolio at market values (2021: $9.5 million, 0.7%). Net debt as a proportion of the portfolio excluding cash was 11.3% (2021: 8.8%). Annual interest expense was covered 27.7 times by investment revenue (2021: 19.5 times).

The net asset backing per share before provision for estimated tax on unrealised gains and before provision for the final dividend was $9.70 at 30 June 2022, compared to $10.46 at 30 June 2021.

The final dividend for the year ending 30 June 2022 is 20.0 cents per share fully franked at 30% which, with the interim dividend of 17.0 cents per share fully franked at 30%, makes 37.0 cents per share fully franked for the year, an increase of 2.8% on the previous year.

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

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

Year	Dividend Paid
2021/22	37.0 cents per share
2020/21	36.0 cents per share
2019/20	36.0 cents per share
2018/19	36.0 cents per share
2017/18	35.0 cents per share

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

	Net Tangible Asset Backing Per Share
30 June 2022	$9.70
30 June 2021	$10.46
30 June 2020	$8.59
30 June 2019	$9.85
30 June 2018	$9.21

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

	AUI Net Tangible Asset Backing Accumulation % p.a.	AUI Share Price Accumulation % p.a.	S&P ASX 200 Accumulation Index % p.a.
1 Year	(4.0)	(4.3)	(6.5)
3 Years	3.3	5.1	3.3
5 Years	6.5	7.2	6.8
10 Years	8.8	10.0	9.3

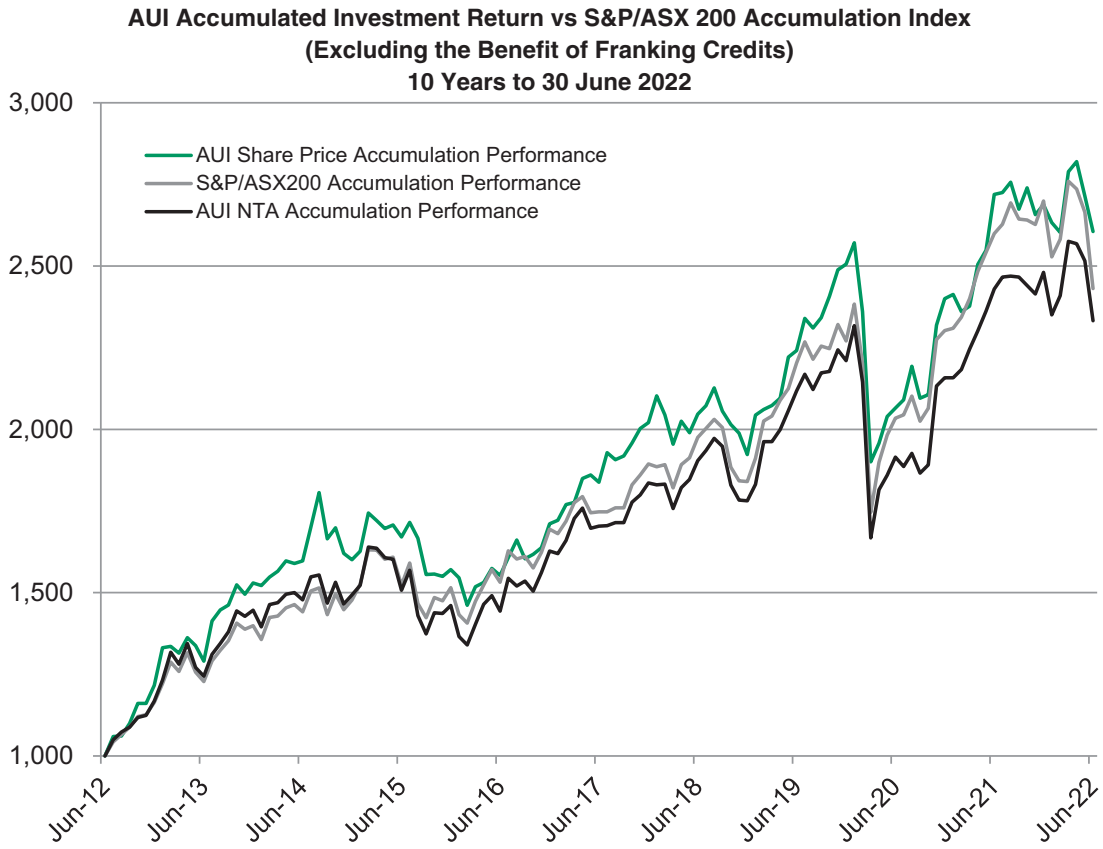
Including the benefit of franking credits for shareholders who can fully utilise them, the Company's accumulation return for the year to 30 June 2022 was a fall of 2.6% compared to a fall of 5.1% in the S&P/ASX 200 franking credit adjusted return.

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

The Company's relative performance for the year was assisted by overweight allocations to Atlas Arteria, Worley and Challenger, and underweight allocation to the underperforming technology sector.

Relative performance was held back by overweight holdings in Washington Soul Pattinson and Link, underweight holding in Macquarie, and overweight allocation to the underperforming consumer discretionary sector.

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



Source: Evans & Partners

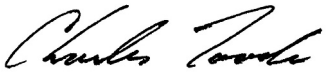
The equity portfolio of the Company is invested in Australian equities and at 30 June 2022 was spread over 44 companies. The Annual Report provides a list of the shareholdings at 30 June 2022 and 30 June 2021 and the market values as at 30 June 2022 of each investment together with its percentage of the portfolio.

Outlook

We are concerned that we face a year of stagflation as we move from 'asset inflation' to 'consumer inflation' without any serious policies for productivity improvements.

The year ahead is likely on the local scene to be one of budgetary restraint, quantitative tightening, rising interest rates and on the international scene to see continuing geopolitical tensions in Eastern Europe and the Northern East Asian regions. The outlook is therefore one of caution, although we see that opportunities may emerge to add to the portfolio.

For our part, your company is a long term, diversified, yield conscious investor. It is our intention to remain invested in high quality companies with strong long-term prospects from which in the year ahead we expect a slightly higher dividend income.



Charles Goode
Chairman

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 2022 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).

Fred Grimwade BB.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 Hershan B.Com/B.A. (Mon), MBA (Columbia)
Non-executive Director, appointed April 2018

Mr Hershan is Executive Chairman 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.

Wayne Kent B.Com/LLB (Melb), SF FIN
Non-executive Director, appointed November 2021

Mr Kent has a 40-year career spanning Law, Investment Banking and Private Equity, including extensive experience in the Australian and International markets. He co-founded Macquarie's Equity Capital Markets business and has held senior executive positions at Macquarie and Credit Suisse, Australia. He is also a co-owner or investor in a number of privately owned businesses and industrial properties in Australia.

Company Secretary

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

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

Operating and Financial Review

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

For the year ended 30 June 2022, profit after income tax was $71,986,000 compared to $40,505,000 in the previous year – an increase of 77.7%. Special dividends received during the year were $20,895,000 after tax (2021: $7,456,000). Excluding these items, operating profit increased 54.6%.

The weighted average number of ordinary shares for the year was 125,126,238 compared to 124,806,169 in the previous year, an increase of 0.3%.

Earnings per share was 40.8 cents per share excluding special dividends (2021: 26.5 cents) or was 57.5 cents per share including special dividends (2021: 32.5 cents). The Company incurred expenses (excluding finance costs and after cost recoveries) of $1,424,000 (2021: $1,398,000) which is equivalent to 0.10% (2021: 0.11%) of the average market value of the portfolio.

Bank borrowings facilities were $170 million, drawn as to $167.5 million at the end of the financial year (2021: $150 million, drawn as to $135 million). Gross debt as a proportion of the portfolio including cash was 12.1% (2021: 9.4%). Cash on hand, cash deposits and net short-term receivables were $11,896,000 or 0.9% of the investment portfolio at market values (2021: $9,474,000, 0.7%). Net debt as a proportion of the portfolio excluding cash was 11.3% (2021: 8.8%). Annual interest expense was covered 27.8 times by investment revenue (2021: 19.6 times).

As at 30 June 2022, the Company's portfolio had a market value (including cash, net receivables and pending settlements) of $1,383,696,000 (2021: $1,442,535,000). 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 2022 was $9.70 per share (2021: $10.46). 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 $8.31 per share (2021: $8.77).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was a decrease of 4.0%, compared to the S&P/ASX 200 Accumulation Index decrease of 6.5%.

Dividends declared by the Company for the 2022 financial year total 37.0 cents per share fully franked (2021: 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.

The Company's performance in respect of the current financial year and the previous four financial years was:

	2022	2021	2020	2019	2018
Operating Profit ($ Million)	72.0	40.5	41.1	55.8	47.8
Underlying profit (excluding special dividends and capital gains distributed by managed funds) ($ Million)	51.1	33.0	40.0	49.0	45.3
Earnings Per Share (excluding special dividends and capital gains from managed funds) (cents)	40.8	26.5	32.2	39.4	37.0
Dividends paid (cents per share)	37.0	36.0	36.0	36.0	35.0
Share Price 30 June	$9.38	$10.16	$8.05	$9.08	$8.65
Management Expense Ratio	0.10%	0.11%	0.12%	0.10%	0.09%
Net asset backing per share (before tax on unrealised gains), 30 June	$9.70	$10.46	$8.59	$9.85	$9.21
Net Tangible Asset backing accumulation return (before tax on unrealised gains)	(4.0%)	26.9%	(9.6%)	11.2%	11.8%
S&P/ASX 200 Index accumulation return	(6.5%)	27.8%	(7.7%)	11.6%	13.0%

Dividends

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

	$'000
Paid or declared during the year	
A final dividend in respect of the year ended 30 June 2021 of 19.0 cents per share fully franked at 30% paid on 23 September 2021.	23,742
An interim dividend in respect of the year ended 30 June 2022 of 17.0 cents per share fully franked at 30% paid on 18 March 2022.	21,270
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2022 of 20.0 cents per share fully franked at 30% payable on 9 September 2022.	25,055

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:

	Directors' Meetings		Audit and Risk Management Committee Meetings		Nomination & Remuneration Committee Meetings	
	No. of Meetings attended	No. of Meetings eligible	No. of Meetings attended	No. of Meetings eligible	No. of Meetings attended	No. of Meetings eligible
Charles Goode	12	12	2	2	1	1
Fred Grimwade	12	12	2	2	1	1
Dion Hershan	12	12	2	2	1	1
Wayne Kent*	6	7	1	1	-	-

* Appointed November 2021.

All Directors are members of the Audit and Risk Management Committee, which is chaired by Fred Grimwade.

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

Directors' Interests

The relevant interest of each Director in the issued capital of the Company as notified by the Directors to the Australian Securities Exchange in accordance with s205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Shares		
Notes	**1**	**2**	**3**
Charles Goode	139,775	1,410,187	33,583
Fred Grimwade	-	20,000	-
Dion Hershan	-	12,000	-
Wayne Kent*	-	5,000	-

* Appointed November 2021.

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.

Indemnification and insurance of Directors and Officers

The names of each person holding the position of Director of Australian United Investment Company Limited during the financial year are Charles Goode (Chairman), Fred Grimwade, Dion Hershan and Wayne Kent (appointed November 2021).

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 2022 to 18 June 2023.

Non-audit services

There were no non-audit services provided by the auditor during the financial year (2021: $11,100).

Remuneration report (audited)

Non-executive Directors fees paid were as follows:

	2022			2021		
	Fee $	Superannuation $	Total $	Fee $	Superannuation $	Total $
Charles Goode	163,636	16,364	180,000	160,731	15,269	176,000
James Craig +	-	-	-	63,623	6,044	69,667
Fred Grimwade	81,818	8,182	90,000	80,365	7,635	88,000
Dion Hershan	81,818	8,182	90,000	80,365	7,635	88,000
Wayne Kent*	50,826	5,083	55,909	-	-	-
Total	378,098	37,811	415,909	385,084	36,583	421,667

\+ Retired April 2021.

* Appointed November 2021.

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

The services of the Company Secretaries, James Pollard and Andrew Hancock (retired April 2021) are 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 (including superannuation) in relation to their services to the Company was as follows:

	2022	2021
James Pollard	100,000	77,642
Andrew Hancock (1)	-	115,651
Total	100,000	193,293

1 Retired April 2021.

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.

The remuneration structures are designed to attract and retain suitably qualified candidates, and for the broader outcome of supporting the Company's objectives of providing income and capital appreciation over the longer term. 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. Directors' fees are fixed, are reviewed annually and are not conditional on the Company's performance. The maximum total of Directors' fees is set by the shareholders in annual general meeting.

Each Director and the Company Secretary has signed a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance. No Director has entered a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end, other than the Deeds of Access, Indemnity and Insurance held.

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.

Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2022 will be published at the same time as the 2022 Annual Report.

The Company's most recent Corporate Governance Statement can be found on the Company's website at https://www.aui.com.au/corporate-governance.

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

On 2 August 2022, the Company increased the limit on the loan facility expiring 1 July 2023 from $100 million to $125 million.

On 17 August 2022, the Directors approved a Share Purchase Plan to be undertaken over the course of the next 2 months.

Other than the above and as disclosed in the Financial Statements, 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.

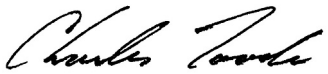
Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 11 and forms part of the Directors' Report for the year ended 30 June 2022.

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 2022

KPMG

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 2022 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

Chris Sargent

Partner

Melbourne

17 August 2022

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Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue from investment portfolio	2(a)	77,764	46,126
Administration and other expenses		(1,705)	(1,681)
Administration costs recovered		281	283
Finance expenses	2(b)	(2,807)	(2,367)
Profit before income tax		73,533	42,361
Income tax expense	4(a)	(1,547)	(1,856)
Profit		71,986	40,505
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of investment portfolio for the year		(121,108)	237,792
Provision for tax benefit / (expense) on revaluation of the investment portfolio for the year		36,316	(73,204)
Other comprehensive (loss) / profit net of income tax		(84,792)	164,588
Total comprehensive (loss) / profit		(12,806)	205,093
Basic and diluted earnings per share (cents)	5	57.5	32.5

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 16 to 28.

Balance Sheet
as at 30 June 2022

	Note	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	17(a)	6,731	5,215
Receivables	7	5,164	4,259
Current tax receivable	4(c)	191	-
Other assets	8	117	114
Total current assets		12,203	9,588
Non-current assets			
Investment portfolio	9	1,376,921	1,433,061
Plant and equipment	10	21	28
Other assets	8	90	166
Total non-current assets		1,377,032	1,433,255
Total assets		1,389,235	1,442,843
Current liabilities			
Payables	11	5,943	911
Employee benefits	12	31	22
Borrowings – interest bearing	14	-	65,000
Current tax payable	4(c)	-	186
Total current liabilities		5,974	66,119
Non-current liabilities			
Payables	11	14	98
Employee benefits	12	11	6
Borrowings – interest bearing	14	167,500	70,000
Deferred tax liability	4(b)	174,225	210,401
Total non-current liabilities		341,750	280,505
Total liabilities		347,724	346,624
Net assets		1,041,511	1,096,219
Equity			
Issued capital	15(a)	454,378	451,268
Reserves	15(b)	587,133	644,951
Total equity		1,041,511	1,096,219

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 16 to 28.

Statement of Changes in Equity
for the Year Ended 30 June 2022

	Issued Capital $'000	Revaluation Reserve $'000	Realisation Reserve $'000	Retained Earnings $'000	Total $'000
As at 1 July 2020	448,411	328,297	15,077	141,378	933,163
Comprehensive Income					
Revaluation of investment portfolio	-	237,792	-	-	237,792
Tax (expense) / benefit	-	(73,204)	-	-	(73,204)
Net realised losses on investment portfolio	-	27,699	(27,699)	-	-
Tax (expense) / benefit	-	(9,556)	9,556	-	-
Profit	-	-	-	40,505	40,505
	-	182,731	(18,143)	40,505	205,093
Transactions with Shareholders					
Dividend reinvestment plan	2,857	-	-	-	2,857
Dividends paid	-	-	-	(44,894)	(44,894)
	2,857	-	-	(44,894)	(42,037)
As at 30 June 2021	451,268	511,028	(3,066)	136,989	1,096,219
As at 1 July 2021	451,268	511,028	(3,066)	136,989	1,096,219
Comprehensive Income					
Revaluation of investment portfolio	-	(121,108)	-	-	(121,108)
Tax (expense) / benefit	-	36,316	-	-	36,316
Net realised gains on investment portfolio	-	(15,613)	15,613	-	-
Tax (expense) / benefit	-	6,632	(6,632)	-	-
Profit	-	-	-	71,986	71,986
	-	(93,773)	8,981	71,986	(12,806)
Transactions with Shareholders					
Dividend reinvestment plan	3,110	-	-	-	3,110
Dividends paid	-	-	-	(45,012)	(45,012)
	3,110	-	-	(45,012)	(41,902)
As at 30 June 2022	454,378	417,255	5,915	163,963	1,041,511

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 16 to 28.

Statement of Cash Flows
for the Year Ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Interest received		15	50
Dividends and trust distributions received		58,092	36,398
Option premium income received		-	844
Other revenue received		281	283
Finance costs paid		(2,913)	(1,805)
Administration and other expenses paid		(1,669)	(2,250)
Income taxes paid		(1,405)	(834)
Net cash flow from operating activities	17	52,401	32,686
Cash flows from investing activities			
Proceeds from sale of investments		105,689	85,675
Return of capital from investment portfolio		2,800	-
Purchases of investments		(149,965)	(139,676)
Purchases of fixed assets		(7)	(11)
Net cash flow from investing activities		(41,483)	(54,012)
Cash flows from financing activities			
Proceeds from borrowings		77,500	65,000
Repayment of borrowings		(45,000)	(15,000)
Dividends paid net of dividend reinvestment plan		(41,902)	(42,037)
Net cash (used in) / from financing activities		(9,402)	7,963
Net increase / (decrease) in cash held		1,516	(13,363)
Cash and cash equivalents at 1 July	17	5,215	18,578
Cash and cash equivalents at 30 June	17	6,731	5,215

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 16 to 28.

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 2022.

(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 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 2022 (“the inoperative standards”). The inoperative standards have been assessed as having no impact.

The Financial Report is prepared on a historical cost basis except that the investment portfolio is stated at its fair value.

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

(c) Investments

The Company is a long-term investor. Under Australian Accounting Standards, the Company has elected to classify equity investments at fair value through other comprehensive income, as they are not held for trading. After initial recognition at fair value (being cost), investments are measured at fair value.

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

The Company derecognises an investment when it is sold, or it transfers the investment and the transfer qualifies for derecognition in accordance with AASB 9. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the Revaluation Reserve to the Realisation Reserve.

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

(d) Revenue from investment portfolio

The activity of the Company is that of an investment company, returns being in the form of dividends, interest, trust income and option premiums. Dividend income is recognised in the income statement at ex-dividend date and all other income is recognised on an accrual 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 may distribute realised capital gains from time to time and these would be 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.

1. Statement of significant accounting policies (continued)

(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) Employee benefits

Provision is made for benefits accruing to employees in respect of wages, salaries, annual leave and long service leave (based on wage rates expected at the time of settling the liability) when it is probable that settlement will be required, and they are capable of being reliably measured. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(g) Interest bearing borrowings

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

(h) 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.

	2022 $'000	2021 $'000
2. Revenue and Expenses		
(a) Revenue		
Ordinary dividends received or due and receivable	51,311	33,038
Special dividends received or due and receivable	20,895	7,456
Dividends received or due and receivable	72,206	40,494
Interest received or due and receivable	15	50
Trust distributions received or due and receivable	5,543	4,738
Option premium income	-	844
	77,764	46,126
(b) Expenses		
Finance expenses		
Interest and borrowing expenses	2,807	2,367

	2022 $	2021 $

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	57,971	56,811
- Tax related services [1]	-	11,100

(1) During the year ended 30 June 2022, KPMG ceased providing tax related services to the Company and Pitcher Partners were engaged as the Company's tax adviser.

	2022 $'000	2021 $'000

4. Taxation

(a) Income tax expense

(i) Income tax recognised in the income statement

Income tax expense represented by:

Current tax expense

Current year tax liability	(1,404)	(1,264)
Withholding tax on foreign dividends	(50)	(61)
	(1,454)	(1,325)
Deferred tax expense		
Temporary differences	(140)	(39)
	(140)	(39)
Income tax expense	(1,594)	(1,364)
Over / (under) provision of prior year income tax expense	47	(492)
Total income tax expense recognised in the income statement	(1,547)	(1,856)

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

Profit before income tax	73,533	42,361
Prima facie income tax expense, calculated at 30% of pre-tax net profit	(22,060)	(12,708)
Adjust for increases in income tax expense due to:		
Franking credits gross-up on dividends received	(8,150)	(3,761)
	(8,150)	(3,761)
Adjust for decreases in income tax expense due to:		
Tax deferred revenue received	240	261
Franking credits on dividends received	27,165	12,536
Non-taxable demerger dividend received	1,156	1,845
Sundry items	55	463
	28,616	15,105
Income tax expense	(1,594)	(1,364)
Over / (under) provision for prior year income tax expense	47	(492)
Total income tax expense recognised in the income statement	(1,547)	(1,856)

(iii) Deferred tax recognised directly in equity

(Decrease) / increase in provision for tax on net unrealised gains on the equity investment portfolio	(36,316)	73,204

	2022 $'000	2021 $'000
4. Taxation (continued)		
(b) Deferred tax assets and liabilities		
Recognised deferred tax assets and liabilities		
Provision for tax on unrealised gains on the equity investment portfolio	183,090	226,038
Tax effect of unfranked dividend receivable	178	80
Tax effect of sundry items	(36)	(32)
Tax benefit of capital losses carried forward	(9,007)	(15,685)
Net deferred tax liabilities	174,225	210,401
(c) Current tax (receivable) / payable		
Current year tax liability	1,405	1,264
Tax instalments paid	(1,391)	(487)
Withholding taxes receivable	(205)	(591)
Current tax (receivable) / payable	(191)	186

	2022 cents	2021 cents
5. Earnings Per Share		
Basic and diluted earnings per share	57.5	32.5
Earnings per share excluding special dividends received and capital gains distributed from managed funds (refer Note 1(d))	40.8	26.5

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 125,126,238 (2021: 124,806,169). The weighted average adjusted number of ordinary shares takes into account the shares issued in the dividend re-investment plan.

	2022 $'000	2021 $'000
6. Dividends		
Dividends recognised in the current year by the Company are:		
(i) 2021 final dividend of 19.0 cents per share (2020: 19.0 cents) fully franked paid 23 September 2021	23,742	23,678
(ii) 2022 interim dividend of 17.0 cents per share (2021: 17.0 cents) fully franked paid 18 March 2022	21,270	21,216
	45,012	44,894
Since 30 June 2022, the Directors have declared the following dividend payable on 9 September 2022:		
Final dividend of 20.0 cents per share fully franked (2021: 19.0 cents)	25,055	23,742

The final dividend will not contain a Listed Investment Company (LIC) capital gain dividend (2021: nil).

The financial effect of this dividend has not been brought to account in the Financial Statements for the year ended 30 June 2022.

6. Dividends (continued)

Dividend Franking Account

The balance of the Franking Account at 30 June 2022 is $47,416,257 (2021: $38,317,764) 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 2022 dividend, which is not provided for in these Financial Statements, the balance of the franking account would be $36,678,422. 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 2022 was $372,101 (2021: $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.

	2022 $'000	2021 $'000
7. Receivables		
Current		
Dividends receivable	3,513	2,795
Trust distributions receivable	1,651	1,464
	5,164	4,259
8. Other assets		
Current		
Prepayments	117	114
Non-current		
Right of use asset	90	166
	207	280
9. Investments		
Non-Current		
Investments in equities quoted on prescribed stock exchanges (at fair value)	1,376,921	1,433,061
10. Plant and equipment		
Plant and equipment at cost	46	39
Accumulated depreciation	(25)	(11)
	21	28
Movements		
Carrying amount at beginning of year	28	28
Additions	7	19
Disposals	-	(8)
Depreciation	(14)	(11)
Carrying amount at end of year	21	28

	2022 $'000	2021 $'000

11. Payables

Current

Trade creditors	110	155
Pending settlements	5,120	-
Accrued interest	612	661
Lease liability	84	79
Input tax credits	17	16
	5,943	911

Non-current

Lease liability	14	98
	14	98
Total payables	5,957	1,009

12. Employee benefits

Current

Liability for annual leave	31	22
	31	22

Non-current

Liability for long service leave	11	6
	11	6
Total employee benefits	42	28

13. Finance facilities

The Company has access to the following lines of credit:

Total facility available		
Loan facility – Secured	170,000	150,000
Facilities utilised at balance date		
Loan facility – Secured	167,500	135,000

	2022 $'000	2021 $'000

14. Borrowings Drawn

Current		
Loan facility drawn – Secured	-	65,000
Non-current		
Loan facility drawn – Secured	167,500	70,000
	167,500	135,000

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

Reconciliation of movements in borrowings to cash flows from financing activities

	Liabilities Borrowings 2021 $'000
Balance at 1 July 2020	85,000
Changes from financing cash flows	
Proceeds from borrowings	65,000
Repayment of borrowings	(15,000)
Total changes from financing cash flows	50,000
Balance at 30 June 2021	135,000

	Liabilities Borrowings 2022 $'000
Balance at 1 July 2021	135,000
Changes from financing cash flows	
Proceeds from loans and borrowings	77,500
Repayment of borrowings	(45,000)
Total changes from financing cash flows	32,500
Balance at 30 June 2022	167,500

	2022 $'000	2021 $'000

15. Capital and Reserves

(a) Issued Capital

Issued and paid-up share capital

125,274,745 (2021: 124,955,759) fully paid ordinary shares	454,378	451,268
Movements in issued capital:		
Balance at beginning of the financial year	451,268	448,411
Shares issued:		
- Dividend re-investment plan [1]	3,110	2,857
	454,378	451,268

1 In respect of the final dividend paid in September 2021, 163,246 ordinary shares were issued at $10.02 each and in respect of the interim dividend paid in March 2022, 155,740 ordinary shares were issued at $9.45 each.

(b) Nature and purpose of Reserves

Retained Earnings	163,963	136,989
Revaluation Reserve	417,255	511,028
Realisation Reserve	5,915	(3,066)
	587,133	644,951

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.

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, James Pollard) from the Company to DUI.

In July 2019, the Company entered into an agreement with Diversified United Investment Limited for the provision of administrative services. The total fees received for services provided in the current year are $309,100, including GST (2021: $311,300).

Key Management Personnel compensation

The Company's key management personnel include its Directors and the Company Secretary.

The total Director's remuneration for the year was $415,909 (2021: $421,667). Details of the Directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report.

Key management personnel compensation during the year comprised the following:

	2022 $	2021 $
Amounts paid or payable to Directors:		
- Short-term benefits	378,098	385,084
- Post-employment benefits (superannuation)	37,811	36,583
Amounts paid or payable to the Company Secretaries: [1]		
- Short-term benefits	90,909	176,523
- Post-employment benefits (superannuation)	9,091	16,770
	515,909	614,960

1 Key management personnel compensation for the year ended 30 June 2021 included the services of Andrew Hancock who retired in April 2021, in addition to James Pollard.

	2022 $'000	2021 $'000

17. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash 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 $6,731,000 (2021: $5,215,000).

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

Profit	71,986	40,505
Add / (less) changes in assets and liabilities:		
Increase in non-cash dividends	(18,372)	(6,150)
Increase in dividends receivable	(718)	(1,460)
Increase in trust distributions receivable	(187)	(572)
Decrease in other assets	68	25
(Increase) / decrease in deferred tax assets	(64)	47
Increase in deferred tax liability	75	8
(Decrease) / increase in other taxes	(377)	331
Decrease in payables and provisions	(10)	(48)
Net cash flow from operating activities	52,401	32,686

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 dividend amount paid, issue new shares or sell assets to reduce debt.

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

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 Note 17.

Cash

The Company invests in cash management units with the Mutual Trust Cash Fund, of which underlying investments are restricted to at-call deposits and term deposits with APRA-regulated banks and are limited to a minimum counterparty credit risk rating of BBB- by Standard & Poor's, being a Recognised Rating Agency.

All other cash deposits are held with Australian banks with a direct or underlying AA- credit rating assigned by Standard & Poor's.

19. Financial Risk Management (continued)

Receivables

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

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

Liquidity Risk

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

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

Bank borrowings were $167.5 million at the end of the financial year (previous year $135 million), and gross debt as a proportion of the portfolio was 12.1% (previous year 9.4%). 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 2026, unless renewed. Annual interest expense during the year was covered 27.8 times by investment revenue (previous year 19.6 times).

The Company's significant cash inflows are derived from dividends, distributions, the sale proceeds received from its investment portfolio and proceeds from borrowings. Its major cash outflows include the purchase of securities, finance expenses, borrowing repayments 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% (2021: 30%), a general movement in market prices of 5% and 10% would lead to a change in the Company's equity of $48,192,000 or 4.6% (2021: $50,157,000 or 4.6%) and $96,384,000 or 9.3% (2021: $100,314,000 or 9.2%) 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 2022 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

Interest Income

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

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

	Note	Floating Interest Rate $'000
Financial Assets – 2022		
Cash	17(a)	6,731
Weighted Average Interest Rate		0.1%
Financial Assets – 2021		
Cash	17(a)	5,215
Weighted Average Interest Rate		0.4%

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 2022, the Company had drawn floating rate borrowings of $150 million (2021: $100 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 $516,000 or 0.7% (2021: $500,000 or 0.9%), and $1,033,000 or 1.4% (2021: $1,000,000 or 1.7%) respectively.

The Company has secured borrowing facilities in place with NAB totalling $170,000,000 (2021: $150,000,000) as follows:

Maturity	Interest Rate[1]	Facility Limit
31 July 2022	Floating 2.18%	$20,000,000[2]
1 July 2023	Floating 1.52%	$100,000,000[3]
3 July 2023	Floating 1.47%	$10,000,000
1 July 2024	Floating 1.73%	$20,000,000
31 July 2025	Fixed 2.27%	$20,000,000
		$170,000,000

1 Interest rate includes bank margins and fees.
2 As per the accepted letter of offer dated 2 June 2022, at the maturity date, this facility will be refinanced by a facility for the same amount with a floating interest rate of 4.23% maturing 31 July 2026.
3 $2.5 million remains undrawn at 30 June 2022.

The terms of the agreement require the market value of the securities pledged as collateral for the drawn secured borrowings to satisfy a minimum value of $380 million. As at 30 June 2022 the market value of the securities pledged as collateral was $544 million (2021: $611 million).

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 any 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 2022, the Company's Level 1 investments totalled $1,376,921,000 (2021: $1,433,061,000) and it did not hold any Level 2 investments (2021: none). The net fair value of investments is set out in Notes 9 and 24.

Fixed Interest Borrowings

At 30 June 2022, the fair value of the Company's fixed interest rate borrowings was $19,609,000 (2021: $36,155,000) while the face value was $20,000,000 (2021: $35,000,000).

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 2022.

22. Segment Reporting

The Company operates as an investment company in Australia.

23. Events Subsequent to Balance Date

On 2 August 2022, the Company increased the limit on the loan facility expiring 1 July 2023 from $100 million to $125 million.

On 17 August 2022, the Directors approved a Share Purchase Plan to be undertaken over the course of the next 2 months.

Other than the above and as disclosed in the Financial Statements, 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.

24. Holdings of Securities as at 30 June 2022

The following is a list of the Company's top 25 investments as at 30 June 2022, which represent 87.6% of the total investment portfolio (2021: 86.9%). All investments are valued at fair value through Other Comprehensive Income.

2022		2021	
Company	**Market Value $'000's**	**Company**	**Market Value $'000's**
Commonwealth Bank of Australia Ltd	117,494	Commonwealth Bank of Australia Ltd	129,830
CSL Ltd	114,351	CSL Ltd	114,076
BHP Group Ltd	111,375	BHP Group Ltd	97,140
Transurban Group	79,090	Rio Tinto Ltd	94,980
Rio Tinto Ltd	77,025	Transurban Group	79,261
Woodside Energy Group Ltd	73,232	Wesfarmers Ltd	78,012
Diversified United Investment Ltd	66,240	Diversified United Investment Ltd	74,736
Wesfarmers Ltd	58,674	Australia & New Zealand Banking Group Ltd	68,968
Australia & New Zealand Banking Group Ltd	53,974	Westpac Banking Corporation	56,782
Atlas Arteria	48,360	Woodside Energy Group Ltd	39,978
Westpac Banking Corporation	42,900	Washington H Soul Pattinson & Company Ltd	38,790
Ramsay Health Care Ltd	36,620	Atlas Arteria	38,220
Woolworths Group Ltd	35,600	Woolworths Group Ltd	38,130
Aristocrat Leisure Ltd	34,380	Aristocrat Leisure Ltd	34,472
National Australia Bank Ltd	31,499	Link Administration Holdings Ltd	30,240
Worley Ltd	28,480	National Australia Bank Ltd	30,153
Carsales.com Ltd	27,373	Sydney Airport Group	28,950
Coles Group Ltd	24,934	Seek Ltd	26,512
Orica Ltd	23,655	Ramsay Health Care Ltd	25,180
Washington H Soul Pattinson & Company Ltd	23,540	Resmed Inc	24,570
Resmed Inc	23,017	Carsales.com Ltd	23,712
Link Administration Holdings Ltd	22,740	Coles Group Ltd	23,072
Challenger Ltd	20,520	Orica Ltd	19,920
Event Hospitality and Entertainment Ltd	19,575	Event Hospitality and Entertainment Ltd	18,960
Brambles Ltd	17,403	Brambles Ltd	18,590
Total Top 25 Investments	1,212,051		1,253,234
Total Investments at Market Value, Cash and Net Short-Term Receivables	1,383,696		1,442,535

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 12 to 28, and the remuneration disclosures that are contained in the Remuneration Report on page 9 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 2022 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

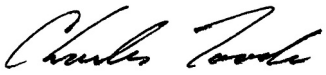
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (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 2022.

Signed in accordance with a resolution of the Directors.



Charles Goode
Chairman
17 August 2022

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 2022 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 2022
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

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

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

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

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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 the investment portfolio ($1,376.9 million)	
Refer to Note 9 - Investments	
The key audit matter	**How the matter was addressed in our audit**
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 $1,376.9 million which constitutes 99% of the Company's total assets as at 30 June 2022 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.	Our procedures included: • We assessed the appropriateness of the Company's accounting policies against the requirements of the accounting standards 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; • Testing the existence, being ownership and number of shares or units held in individual investments for the investment portfolio, through reconciliation to custodian records; • We recalculated 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 2022; and • Assessing the disclosures in the financial statements, using our understanding obtained from our testing and with reference to the requirements of the accounting standards.

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Completeness of the deferred tax liability ($174.2 million)	
Refer to Note 4 - Taxation	
The key audit matter	**How the matter was addressed in our audit**
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 $174.2 million which constitutes 50% of the Company's total liabilities as at 30 June 2022. 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.	Our procedures included: • We assessed the appropriateness of the Company's accounting policies against the requirements of the accounting standards 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; • We recalculated 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 • We assessed the disclosures in the financial statements, using our understanding obtained from our testing and with reference to the requirements of the accounting standards.

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Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

• preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*

• implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

• assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

• to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

• to issue an Auditor's Report that includes our opinion.

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

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

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

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Australian United Investment Company Limited for the year ended 30 June 2022 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 2022.

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 2022

Distribution of shareholders as at 31 July 2022

Category Holders	Ordinary Shares	No of Holders	%
1-1,000	576,501	1,481	0.46
1,001-5,000	5,823,334	2,140	4.65
5,001-10,000	7,046,595	983	5.62
10,001 and 100,000	24,483,375	1,062	19.54
100,001 and over	87,344,940	47	69.72
	125,274,745	5,713	100.00

There were 158 ordinary shareholders holding less than a marketable parcel (51 shares) at 31 July 2022.

Substantial Shareholders

The number of shares disclosed by the substantial shareholders and their associates in substantial shareholder notices received up to 31 July 2022 are set out below:

Shareholder	Ordinary Shares
The Ian Potter Foundation Limited	44,446,603
Argo Investments Ltd	12,040,025
Lady Primrose Catherine Potter, Primrose Properties Pty Ltd and Decerna Pty Ltd	7,732,224

Voting Rights

All ordinary shares carry equal voting rights.

Additional Information

Top Twenty Shareholders

The number of shares held by the top twenty shareholders listed in the Company's register as at 31 July 2022 were:

Shareholder	Ordinary Shares	% Held
The Ian Potter Foundation Ltd	51,824,774	41.37
Argo Investments Limited	11,963,304	9.55
Primrose Properties Pty Ltd	6,849,584	5.47
HSBC Custody Nominees (Australia) Limited	4,904,065	3.91
Beta Gamma Pty Ltd	1,144,920	0.91
Lady Primrose Catherine Potter	847,100	0.68
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd	808,209	0.65
J P Morgan Nominees Australia Pty Limited	695,467	0.56
Brownell Superannuation Pty Ltd	640,000	0.51
Decerna Pty Ltd	632,785	0.51
Invia Custodian Pty Limited	558,061	0.45
Alan Farrell Pty Limited	473,905	0.38
Mythia Pty Ltd	358,151	0.29
Bellwether Investments Pty Ltd	350,000	0.28
Chabar Pty Ltd	265,267	0.21
Mrs Carolyn Anne Parker Bowles	248,973	0.20
Pards Pty Limited	248,001	0.20
Willpower Investments Pty Ltd	245,151	0.20
Mr Paul William Brotchie & Mr Kenneth Francis Wallace	241,136	0.19
Bitawarmmilk Pty Ltd	228,329	0.18
	83,527,182	66.70

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2022 totalled $313,717 (2021: $348,069). No 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 2022

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units.

	2022			2021
	Market Value $	Units Held	% of Portfolio at Market Value	Units Held
Australian Equities				
Banks				
Australian & New Zealand Banking Group Ltd	53,973,500	2,450,000	3.9	2,450,000
Commonwealth Bank of Australia Ltd	117,494,000	1,300,000	8.5	1,300,000
National Australia Bank Ltd	31,498,500	1,150,000	2.3	1,150,000
Westpac Banking Corporation	42,900,000	2,200,000	3.1	2,200,000
Consumer				
Aristocrat Leisure Ltd	34,380,000	1,000,000	2.5	800,000
Carsales.com Ltd	27,372,816	1,488,462	2.0	1,200,000
Coles Group Ltd	24,934,000	1,400,000	1.8	1,350,000
Endeavour Group Ltd	11,355,000	1,500,000	0.8	1,000,000
Event Hospitality and Entertainment Ltd	19,575,000	1,500,000	1.4	1,500,000
News Corporation	4,494,000	200,000	0.3	-
Reece Ltd	9,646,000	700,000	0.7	600,000
Seek Ltd	16,800,000	800,000	1.2	800,000
Tabcorp Holdings Ltd	-	-	-	1,500,000
The Lottery Corporation Ltd	13,560,000	3,000,000	1.0	-
Wesfarmers Ltd	58,674,000	1,400,000	4.2	1,320,000
Woolworths Group Ltd	35,600,000	1,000,000	2.6	1,000,000
Energy				
Origin Energy Ltd	11,460,000	2,000,000	0.8	2,000,000
Santos Ltd	-	-	-	1,000,000
Woodside Energy Group Ltd	73,231,968	2,299,999	5.3	1,800,000
Health Care				
CSL Ltd	114,350,500	425,000	8.3	400,000
Invocare Ltd	-	-	-	1,000,000
Ramsay Health Care Ltd	36,620,000	500,000	2.6	400,000
Resmed Inc	23,017,500	750,000	1.7	750,000
Infrastructure and Utilities				
Atlas Arteria	48,360,000	6,000,000	3.5	6,000,000
Napier Port Holdings	-	-	-	2,000,000
Sydney Airport	-	-	-	5,000,000
Transurban Group	79,090,000	4,500,000	5.7	5,570,000
Industrials				
Orica Ltd	23,655,000	1,500,000	1.7	1,500,000
Worley Limited	28,480,000	2,000,000	2.1	1,000,000
Mining				
Alumina Ltd	11,720,000	8,000,000	0.8	5,500,000
BHP Group Ltd	111,375,000	2,700,000	8.0	2,000,000
Northern Star Resources Ltd	10,260,000	1,500,000	0.7	300,000
Oz Minerals Ltd	2,664,000	150,000	0.2	-
Rio Tinto Ltd	77,025,000	750,000	5.6	750,000

List of Investments as at 30 June 2022

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units.

	Market Value $	2022 Units Held	% of Portfolio at Market Value	2021 Units Held
Australian Equities (continued)				
Other Financials				
Challenger Ltd	20,520,000	3,000,000	1.5	3,000,000
Diversified United Investment Ltd	66,240,000	14,400,000	4.8	14,400,000
Latitude Group Holdings Ltd	2,380,000	2,000,000	0.2	2,000,000
Link Administration Holdings Ltd	22,740,000	6,000,000	1.6	6,000,000
Macquarie Group Ltd	1,645,100	10,000	0.1	-
NextDC Ltd	7,980,000	750,000	0.6	-
Pendal Group Ltd	8,840,000	2,000,000	0.6	1,200,000
Perpetual Ltd	4,332,000	150,000	0.3	-
PEXA Group Ltd	9,723,000	700,000	0.7	700,525
Washington H Soul Pattinson & Company Ltd	23,540,000	1,000,000	1.7	1,150,000
Property				
Goodman Group	8,920,000	500,000	0.6	-
GPT Group	11,816,000	2,800,000	0.9	2,000,000
Lendlease Group	13,665,000	1,500,000	1.0	1,500,000
Stockland Group	3,610,000	1,000,000	0.3	2,000,000
Transportation				
Aurizon Holdings Ltd	-	-	-	4,000,000
Brambles Ltd	17,403,750	1,625,000	1.3	1,625,000
Total Australian Equities	1,376,920,634		99.5	
Cash and net short-term receivables	6,775,527	6,775,527	0.5	9,474,133
Total	1,383,696,161		100.0	

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Australian United Investment
Company Limited

ABN 37 004 268 679