

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

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HALF YEARLY REPORT TO SHAREHOLDERS

15 March 2016

Dear Shareholder,

Dividend Payment

The 15.5¢ per share fully franked interim dividend has been paid today, by way of cheque, notification of direct banking, or notification of allotment of shares under the Dividend Reinvestment Plan, according to your instructions.

Net Asset Backing 29 February 2016: \$7.03 per share

At 29 February 2016 the unaudited net tangible asset backing of the Company's ordinary shares, based on investments at market value, after tax on realised gains, before any future tax benefit of realised losses, and before estimated tax on net unrealised gains and losses and after provision for the interim dividend of 15.5 cents per share, was \$7.03 per share, or \$6.35 per share after providing for estimated tax on unrealised portfolio gains.

Results for Half Year Ended 31 December 2015

On 17 February 2016 the Directors made the following report to the Australian Securities Exchange concerning the Company's performance and the interim dividend:-

Profit and Realised Capital Gains/Losses

Profit after income tax for the half year ended 31 December 2015 was \$22,466,154 (previous corresponding period: \$21,261,828). The Profit includes special dividends received after tax of \$163,700 (previously: \$507,500).

Excluding special dividends Profit after tax rose 7.5%.*

Net realised gains on the investment portfolio after tax were \$252,321 (previous corresponding period losses of \$1,569,404), which under accounting standards are transferred directly to the Asset Revaluation Reserve and are not included in Net Profit.

Operating expenses (excluding interest) for the half year were 0.05% of the average market value of the portfolio (previous corresponding period 0.05%).

* Additional non IFRS information, not subject to external review.

Earnings Per Share

After adjusting for the effect of the one for eight rights issue during the period, earnings per share based on the weighted average number of shares on issue for the half year were 19.5 cents per share compared to 19.1 cents for the prior corresponding period. Excluding the special dividends, earnings per share rose 3.7% to 19.4 cents.*

The weighted average number of ordinary shares for the period was 115,101,466 against 111,041,285 previously, after taking into account the shares issued in the dividend reinvestment plan and having adjusted for the bonus element in the one for eight renounceable rights issue, an increase of 3.7%.

Rights Issue

During the period the Company raised \$89,004,136 in the one for eight rights issue at \$6.50 per share. The purpose of the issue was to invest in new opportunities and to re-balance the portfolio without having to sell long-term investments. The Company has been investing the proceeds of the issue gradually and at 16 February 2016 had invested \$54M of the \$89M raised.

Dividends

The Directors have declared an interim dividend of 15.5 cents per share fully franked to AUI Ordinary (ASX Code: AUI) shareholders registered on 25 February 2016, to be paid on 15 March 2016. The comparable 2014 interim dividend was 15.5 cents per share fully franked. Holders of AUI New shares (ASX Code: AUIN) are not entitled to the interim dividend.

LIC Capital Gains

The interim 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 trading days beginning 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 26 February 2016.

* Additional non IFRS information, not subject to external review.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$7.83 at 31 December 2015 and \$7.32 at 31 January 2016. These calculations are after tax on realised gains, before any future tax benefit of realised losses, before estimated tax on net unrealised gains and losses, and before provision for the interim dividend.

The Company is a long term investor and does not intend disposing of its total portfolio. If estimated tax on unrealised portfolio gains were to be deducted, the above figures would be \$6.93 at 31 December 2015 and \$6.58 at 31 January 2016.

Performance

The Company's net asset backing accumulation performance for the six months to 31 December 2015 (assuming all dividends were reinvested) was a fall of 3.1%, compared to the fall of 0.5% in the S&P ASX 200 Accumulation index. 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 index. The underperformance was due in part to the Company's holdings in energy companies which have been adversely affected by the pronounced fall in the oil price. The oil market is currently over-supplied but the substantial cuts in exploration and capital investment programs that oil companies have announced should bring the market back into balance over time, with an associated recovery in price. In the meantime the Company is deploying the \$89M raised in the November rights issue into quality companies outside the banking, resource and energy sectors.

Outlook

Rio Tinto has announced it is abandoning its progressive dividend policy, which meant dividends would not be reduced during profit downturns, and replacing it with a policy of paying out between 40% and 60% of underlying profits as dividends. As a transition to this new policy the company has announced that the dividend for the year to December 2016 will be not less than US\$1.10, compared with US\$2.15 in 2015. BHP Billiton has not yet released its half year results but is widely expected also to change its progressive dividend policy. Both Rio Tinto and BHP Billiton are large investments in the Company's portfolio and reductions in their dividends will have a negative impact on the Company's revenue. However, in the absence of unforeseen events, Directors reiterate the guidance provided at the time of the rights issue that the final dividend for the current year (for which the new shares will rank pari passu) will not be less than the 18.5¢ final dividend paid for the 2015 financial year.

Investment Portfolio

As at 31 December 2015 the twenty-five largest shareholdings of the Company, at market value, were:

Company	Market Value \$'000	% of Market Value of Total Investments
1. Commonwealth Bank Ltd	100,498	9.3%
2. Westpac Banking Corporation Ltd	83,900	7.7%
3. Australian & New Zealand Banking Group Ltd	78,902	7.3%
4. National Australia Bank Ltd	67,950	6.3%
5. Wesfarmers Ltd	58,254	5.4%
6. Diversified United Investment Ltd	49,104	4.5%
7. Transurban Group Ltd	44,451	4.1%
8. Rio Tinto Ltd	42,474	3.9%
9. BHP Billiton Ltd	41,971	3.9%
10. CSL Ltd	36,858	3.4%
11. Woodside Petroleum Ltd	35,900	3.3%
12. Woolworths Ltd	29,400	2.7%
13. Brambles Ltd	24,297	2.2%
14. Event Hospitality and Entertainment Ltd	24,015	2.2%
15. Ramsay Health Care Ltd	18,683	1.7%
16. Sonic Healthcare Ltd	17,870	1.6%
17. Washington H Soul Pattinson	17,480	1.6%
18. Telstra Corporation Ltd	16,830	1.6%
19. BT Investment Management Ltd	16,718	1.5%
20. Orica Ltd	15,500	1.4%
21. Oil Search Ltd	14,740	1.4%
22. AMP Ltd	14,575	1.3%
23. Tatts Group Ltd	13,170	1.2%
24. Invocare Ltd	12,011	1.1%
25. Resmed Inc.	11,160	1.0%
	886,711	81.6%

***Total Investments at Market Value, Short Term
Receivables and Cash**

1,086,068

**Note: At 31 December 2015 bank borrowings were \$122M, and cash and short term receivables (included in the above figures) were \$60M.*

A J Hancock
Company Secretary