

# DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

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13 September 2021

## **ASX Announcement**

### **Diversified United Investment Limited 2021 Annual Report**

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

Authorised for release by James Pollard, Company Secretary.

**DIVERSIFIED  
UNITED  
INVESTMENT  
LIMITED**

ABN 33 006 713 177



**ANNUAL  
FINANCIAL  
REPORT**

**FOR THE YEAR ENDED  
30 JUNE 2021**

# Directory

## Directors

Charles B Goode AC - Chairman  
Anthony R Burgess  
Stephen G Hiscock  
Andrew J P Larke

## Company Secretary

James A Pollard FGIA CA

## Registered Office

Level 20  
101 Collins Street  
Melbourne VIC 3000  
Tel: +61 3 9654 0499  
Email: [info@dui.com.au](mailto:info@dui.com.au)

## Website

[www.dui.com.au](http://www.dui.com.au)

## Bankers

Australia and New Zealand Banking Group Limited  
National Australia Bank Limited

## Auditors

KPMG  
Chartered Accountants

## Share Registry

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

## Securities Exchange

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

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# Chairman's Report

I present the twenty-ninth Annual Report of Diversified United Investment Ltd which is for the year ended 30 June 2021.

The Company's objective is to continue to provide shareholders with dividends and capital appreciation over the longer term within acceptable levels of risk.

The investment philosophy of the Company is to take a medium to long term view and to invest in Australian equities, listed property trusts, and international equities. Investments may also be made from time to time in interest bearing securities, convertible notes or unlisted managed funds.

At 30 June 2021 18.6% of the portfolio was invested in international equities through seven Exchange Traded Index Funds and four unlisted managed funds. The foreign exchange currency exposure is currently unhedged.

Profit after tax for the year was \$31,010,000 which is an increase of 3.1% on the previous year. If special dividends, capital gains distributed by managed funds and unrealised gains on unlisted investments in which the Company invests are excluded, profit after tax decreased by 18.0%. Profit for the year excludes net realised gains and losses on the investment portfolio which are recorded in the Realisation Reserve.

Income earned during the year was \$39,230,000 comprising \$29,047,000 from dividends and trust distributions, \$8,038,000 from foreign income, \$1,987,000 from unrealised gains on unlisted investments, \$113,000 from interest and \$45,000 from other items. The Company incurred operating expenses of \$1,440,000 (before interest costs) which is equivalent to 0.13% of the average value of the portfolio (2020: 0.13%). Including the management fees of the international ETF's and managed funds in which the Company is invested, the expense ratio was 0.18% (2020: 0.17%).

This year special dividends, capital gains distributed by managed funds and unrealised gains on unlisted investments totalled \$8,370,000 after tax. Special dividends were principally received from Rio Tinto, Wesfarmers and Napier Port Holdings. Capital gains were distributed by Northcape Capital Global Emerging Markets Fund, Cooper Investors Asian Equities Fund and ChinaAMC China Opportunities Fund. In 2020 special dividends and capital gains distributed by managed funds of \$2,448,000 after tax were received.

Excluding special dividends, capital gains distributed by managed funds and unrealised gains on unlisted investments, the Company's revenue fell 14.3% on last year. The Company's investment portfolio has continued to be affected by the COVID-19 pandemic during the financial year. Revenue has been reduced by the fall in dividend and distribution income from the Company's investments, particularly in the first half of the financial year.

The weighted average number of ordinary shares for the year was 211,878,386 as against 211,502,436 in the previous year, an increase of 0.2%.

Excluding special dividends, capital gains distributed by managed funds and unrealised gains on unlisted investments, the earnings per share based on the weighted average number of shares on issue for the year was 10.7 cents per share compared to 13.1 cents for the year to 30 June 2020. Including special dividends, capital gains distributed by managed funds and unrealised gains on unlisted investments, earnings per share rose 2.8% to 14.6 cents.

Bank facilities as at 30 June 2021 were \$135,000,000, drawn as to \$117,500,000 (2020: \$115,000,000, drawn as to \$72,500,000). Gross debt as a proportion of the portfolio including cash was 9.3% (2020: 7.1%). Cash on hand, cash deposits and net short term receivables were \$14,662,000, or 1.2% of the investment portfolio at market values (2020: \$38,058,000 or 3.7%). Net debt as a proportion of the portfolio excluding cash was 8.3% (2020: 3.5%). Annual interest expense was covered 15.0 times by profit before interest and tax (2020: 12.7 times).

The net asset backing per share before estimated tax on unrealised gains and before provision for the final dividend was \$5.35 at 30 June 2021, compared to \$4.45 at 30 June 2020, an increase of 20.2%.

The Directors have declared a fully franked final dividend of 8.5 cents per share for the year to 30 June 2021, which with the interim dividend of 7.0 cents per share fully franked makes a total fully franked dividend of 15.5 cents per share for the year, unchanged from the previous year. The final dividend does not include a Listed Investment Company capital gain.

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

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

Year	Dividend Cents Per Share
2020/21	15.5 cents per share
2019/20	15.5 cents per share
2018/19	15.5 cents per share
2017/18	15.0 cents per share
2016/17	14.5 cents per share

The Company's net tangible asset backing per share before provision for the final dividend (based on investments at market value, after tax on net realised gains, before any future tax benefit of net realised losses and before estimated tax on net unrealised gains/losses) over the last 5 years was as follows:

	Net Tangible Asset Backing per Share
30 June 2021	\$5.35
30 June 2020	\$4.45
30 June 2019	\$4.82
30 June 2018	\$4.47
30 June 2017	\$4.00

The Australian equities portfolio is mainly in leading companies and at 30 June 2021, in terms of market values, 84.9% of the Australian equities portfolio was in the leading 50 companies (69.8% in the top 20 companies and 15.1% in the next 30 companies), with a further 12.5% invested in the second 50 companies and 2.6% invested in companies other than the largest 100 companies. The international equities portfolio comprised 18.6% of total investments.

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

	DUI Net Asset Backing Accumulation % p.a.	DUI Share Price Accumulation % p.a.	S&P ASX 200 Accumulation Index % p.a.
1 Year	24.4	27.1	27.8
3 Years	9.8	12.0	9.6
5 Years	12.5	13.8	11.2
10 Years	10.1	11.5	9.3

Including the benefit of franking credits paid to shareholders (for shareholders who can fully utilise them), the Company's NTA accumulation return for the year to 30 June 2021 was a rise of 26.2% compared to a rise of 29.1% in the S&P/ASX200 franking credit adjusted return.

The Company's net asset backing accumulation performance is after all expenses, tax, and the impact of the Company's gearing. Such items are not included in the S&P/ASX indices.

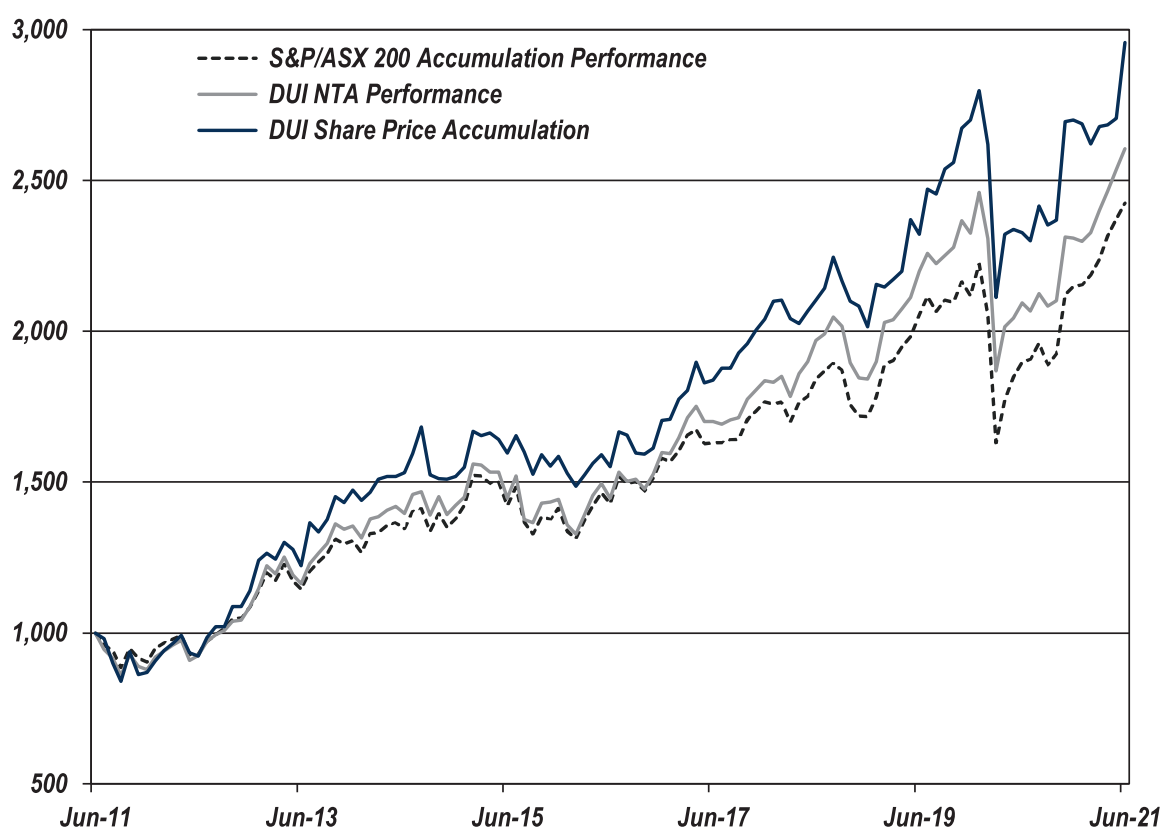
The year saw strong performance in world equities markets with the Australian S&P/ASX 200 price index rising 27.8%, the Standard & Poors 500 rising 38.6%, the FTSE 100 rising 14.1 % and the Nikkei-225 rising 29.2% in local currency terms.

The relative performance of the Company's equity portfolio for the year was assisted by overweight allocations to Washington H Soul Pattinson, Rio Tinto and ANZ, underweight allocation to the underperforming utilities sector and exposure to the US market.

Relative performance was held back by overweight holdings in CSL, Transurban and Atlas Arteria, underweight allocation to the outperforming gold sector and exposure to global emerging markets.

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

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



Source: Evans & Partners

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

Australian Equities	Market Value \$'000	% of Market Value of Total Investments
CSL Ltd	161,132	12.8%
Commonwealth Bank of Australia Ltd	99,870	8.0%
Transurban Group	78,265	6.2%
BHP Billiton Ltd	65,570	5.2%
Rio Tinto Ltd	59,521	4.7%
Australia & New Zealand Banking Group Ltd	56,300	4.5%
Westpac Banking Corporation	46,458	3.7%
Washington H Soul Pattinson & Company Ltd	33,730	2.7%
Aristocrat Leisure Ltd	30,163	2.4%
Woodside Petroleum Ltd	27,318	2.2%
Wesfarmers Ltd	26,595	2.1%
Sydney Airport Group	25,765	2.1%
Atlas Arteria Ltd Ordinary Stapled Sec	25,480	2.0%
Computershare Ltd	22,392	1.8%
Sonic Healthcare Ltd	19,200	1.5%
Woolworths Ltd	19,065	1.5%
Stockland Units	18,640	1.5%
Resmed Inc	16,380	1.3%
Ramsay Health Care Ltd	16,367	1.3%
<b>Total Australian Equities in Top 25</b>	<b>848,211</b>	<b>67.5%</b>
<b>International Equities</b>		
Vanguard US Total Market	47,458	3.8%
Vanguard All World Ex- US	43,243	3.4%
Vanguard Information Tech ETF	39,811	3.2%
iShares TR MSCI USA Min Vol ETF	27,435	2.2%
Northcape Capital Global Emerging Market Fund	23,135	1.8%
iShares Global Healthcare ETF	16,695	1.3%
<b>Total International Equities in Top 25</b>	<b>197,777</b>	<b>15.7%</b>
<b>Total Top 25 Australian &amp; International Equities</b>	<b>1,045,988</b>	<b>83.2%</b>
<b>Total Investments at Market Value, Net Short Term Receivables and Cash</b>	<b>1,257,266</b>	



## Outlook


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

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

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

For our part, we are a long term, low turnover, diversified, yield conscious investor. It is our intention to remain invested in high quality companies with strong long-term prospects.

We have 18% of our portfolio in international managed equity funds which gives us further diversification and investment in leading international technology companies. In the Australian market, we are underweight in non-dividend paying high technology companies and mining exploration companies, as well as cyclical industrial companies.



Charles Goode  
Chairman

# Corporate Governance Statement

The Company has adopted corporate governance principles in accordance with the Australian Securities Exchange (ASX) Corporate Governance Council's *Corporate Governance Principles and Recommendations*. Any material departures from the recommendations are referred to in this statement. This Statement is available in both the Company's Annual Report and on its website.

## 1. Accountability and Responsibility

The operation of the Board is directed by its Board Charter which is published on the Company's website.

The Board is accountable to the Company's shareholders and is responsible for:

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

## 2. Composition

The Board currently comprises 4 Directors. The Company's constitution requires 3 to 6 Directors. If a Board vacancy arises the Nomination and Remuneration Committee chooses the best available candidate using professional advice if this is deemed necessary. Appropriate checks are conducted for any new Director appointment, as directed by the Nomination and Remuneration Committee. A Director who is appointed during the year is required to stand for election at the next Annual General Meeting.

### Diversity

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

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

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

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

	Males		Females	
	Number	Proportion	Number	Proportion
Directors	4	100%	-	-
Senior Executives	1	100%	-	-
Other personnel	-	-	3	100%
<b>Overall</b>	5	62%	3	38%

For the purpose of the table above, the Company's Senior Executive is the Company Secretary, who oversees day to day operations.

## 2. Composition (cont.)

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

*Mutual Trust has an Inclusion and Diversity Committee which consists of eight senior members of staff (directors, partners and LT members). There are four women and four men on the committee whose objectives include creating a workplace that is diverse and inclusive and where all our employees are provided with opportunities to realise their full potential regardless of their differences. As part of their work, Mutual Trust has a number of policies that support Inclusion & Diversity including a broad Flexible Work Policy, and Paid Parental Leave for all women and men which includes superannuation contributions up to twelve months. Mutual Trust is compliant with the Workplace Gender Equality Agency to whom we report to on an annual basis and has a structured mentoring program facilitated by Diversity Partners where partners and LT members mentor women and men to support them to achieve their career goals. Currently 53% of Mutual Trust's workforce are women.*

### Board Skills

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

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

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

Skills which the Board seeks in individual members include:

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

### Independence

Both the Chairman, Mr C B Goode, and Mr A R Burgess are Governors of The Ian Potter Foundation and as such are associated with a substantial shareholder and therefore are considered non-independent Directors. Even though the remaining Directors, Mr S G Hiscock and Mr A J P Larke are regarded as independent, the result is that the Board has a non-independent Chairman and it does not have a majority of independent Directors. Although these two factors are a departure from the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Board believes that the significant and relevant experience brought to the Board by Mr Goode and Mr Burgess make them the most appropriate persons for their respective positions, and that the Company benefits overall from their longstanding tenure.

A lead independent Director is not considered necessary given the small size of the Board. Appointed Directors must stand for election at the next Annual General Meeting. One third of Directors stand for re-election at each Annual General Meeting. There is no set retirement age or term for Directors. Details of the qualifications, experience and length of service of Directors are set out in the Annual Report.

## 3. Operation

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

## 4. Delegation

The duties and responsibilities of the Company Secretary and employees are set out in their employment contracts, which the Board approves. The Company Secretary is directly accountable to the Board, through the Chairman. The Board also approves letters of engagement for the externally provided accounting, tax, custody and audit services. Share registry services are on commercial terms.

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

Directors' terms of appointment are set out by letter at the time of their appointment and new Directors are inducted by the Chairman and the Company Secretary.

Directors' fees are reviewed annually by the Nomination and Remuneration Committee in the light of the Company's activity, changing responsibilities and in comparison to fee levels of a peer group of companies. Independent remuneration advice may be sought. The maximum total of Directors' fees is set by the shareholders in general meeting and is currently capped at \$750,000. Details of Directors' remuneration are set out in the Remuneration Report in the Annual Report.

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

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

The duties of Directors are as set out in the Corporations Law, in this statement and by letter at the time of their appointment. In addition to Board meetings, Directors are expected to attend committee meetings where applicable, for no additional fee. They are expected to make a pro-active contribution to the management of the Company's investment portfolio from their reading, research, analysis and information collected outside of Board meetings.

Directors are not required to own shares in the Company. Directors have agreed not to enter into any margin loans over their shareholdings in the Company.

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

The Board reviews its performance annually by discussion and by individual communication with the Chairman and by reference to generally accepted Board performance standards. The Company Secretary's performance is evaluated by a list of performance metrics, which are reviewed and assessed annually. Performance evaluations have been undertaken during the previous financial year for the Board, each Director and the Company Secretary.

The Board also conducts an annual review of the performance of the Board Committees and outside service providers.

## 6. Board Committees

The Board has an Audit and Risk Management Committee comprising all Directors except the Chairman and a Nomination and Remuneration Committee comprising all Directors. The Audit and Risk Management Committee meets at least twice and the Nomination and Remuneration Committee at least once per annum. The Charter of each committee is reviewed by the Board annually and is published on the Company's website.

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

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

### Audit and Risk Management Committee

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

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee has an independent Chairman, one other independent and two non-independent Directors. The non-independent Directors, Mr C B Goode and Mr A R Burgess bring significant relevant expertise to the Committee. While the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations suggest a majority of independent Directors for a nomination and / or remuneration committee, it is considered that the non-independent Directors, Mr C B Goode and Mr A R Burgess, bring significant relevant expertise to discussions and that the current composition of the Committee does not prevent it from executing its duties effectively.

The Committee considers and makes recommendations to the Board regarding Board composition and remuneration of Directors and employees. The Company Secretary's remuneration is disclosed in the Remuneration Report in the Annual Report.

## 7. Disclosure Procedures and Share Trading

The Company has established policies and procedures to ensure compliance with the ASX listing rule disclosure requirements including monthly disclosure of the Company's net tangible asset backing per share on both a pre and post-tax basis. The Company's Continuous Disclosure Policy sets out its approach to meeting its disclosure obligations and is published on the Company's website.

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

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

Directors and the Company Secretary are prohibited from dealing in the Company's securities (other than to participate in the Dividend Reinvestment Plan or any Share Purchase Plan or rights issue) from 1 January to the day after the announcement of the Company's half year results and interim dividend, and from 1 July to the day after the announcement of the Company's financial year results and final dividend.

## 8. Shareholder Communication and Participation

The Company communicates with shareholders through:

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

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

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

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

Shareholders may opt to receive Company communications electronically.

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

## 9. Risk Management

The Company does not have an internal audit function. The Audit and Risk Management Committee reviews the internal control systems and the management of risks half yearly after receiving reports from the Company Secretary on these matters and makes appropriate recommendations to the Board. A review of the risk management framework was conducted by the Audit and Risk Management Committee during the previous financial year.

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

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

## 9. Risk Management (cont.)

The Board receives a letter half yearly from the Company's external accountants and custodians (Mutual Trust) regarding their procedures reporting whether the financial records have been properly maintained and the financial statements comply with the Accounting Standards. The Company receives a copy of the Independent Reasonable Assurance Report to the Management of Mutual Trust in relation to the control procedures of their custody and information technology systems.

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

The Company Secretary, based on a review of the internal control systems, management of risk, the financial statements and the letter from the Company's external accountants, provides half yearly the declarations required by Section 295A of the Corporations Act and confirms that in his opinion the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view.

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

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

## 10. Corporate Conduct

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

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

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

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

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

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

Directors are required to disclose potential conflicts of interest and to refrain from involvement in Board decisions, or leave the room, during discussion of a conflicted matter.

By approval of the Board

14 July 2021



# Directors Report

The Directors of Diversified United Investment Limited present their Directors' Report together with the financial report for the financial 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 September 1991

Mr Goode is the Chairman of the Boards of Australian United Investment Company Limited (Director since 1990, Chairman since 1993), The Ian Potter Foundation Limited (Governor since 1987, Chairman since 1994) and is Chairman Emeritus of Flagstaff Partners Pty Ltd (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).

**Anthony Burgess** B.Com (Hons) (Melb), MBA (Dist'n) (Harvard), FFIN, CPA  
Non-Executive Director, Appointed September 2008

Mr Burgess has over 35 years' experience in corporate finance in Melbourne, London and New York. He is Chairman of Flagstaff Partners Pty Ltd, an independent corporate finance advisory firm, having been Chief Executive Officer 2010 to 2019. He was formerly Global Co-Head of Mergers and Acquisitions at Deutsche Bank AG, based in London. He is a Governor of The Ian Potter Foundation Limited (since 2013), Chairman of the Foundation for Business and Economics at the University of Melbourne (since 2010), a Director of Melbourne Business School Limited (since 2013) and of Gandel Group Pty Ltd (since 2018) and is a member of the Board of Management of the Melbourne Theatre Company (since 2015).

**Stephen Hiscock** B.Com (Melb), M.App.Fin (Macq), FFIN  
Non-Executive Director, Appointed November 2011

Mr Hiscock is Chairman and a founding shareholder of SG Hiscock & Company Ltd (SGH), a fund manager specialising in Australian Equities, REITs and Individually Managed Portfolios. Prior to setting up SGH, Mr Hiscock was Chief Investment Officer, National Asset Management Ltd (NAM), a subsidiary of National Australia Bank Ltd and he was also the Chairman of their Asset Allocation Committee. Prior to that he was the Head of NAM's Australian Equities team (for 5 years) and the Head of NAM's Property Team. He is the Chairman of the Company's Nomination and Remuneration Committee.

**Andrew Larke** LLB (Melb), B.Com (Melb), Grad Dip (Corporations & Securities Law) (Melb)  
Non-Executive Director, Appointed March 2015

Mr Larke is Chairman of L1 Long Short Fund Ltd (since 2018) and of IXOM (a leading Australasian chemicals business) and is a Non-Executive Director of DuluxGroup Ltd (since 2010). Formerly he held senior corporate strategy roles in Orica Ltd and North Ltd and has been involved in mergers, acquisitions and divestments as well as corporate advisory for approximately 30 years. He is Chairman of the Company's Audit and Risk Management Committee.

## Company Secretaries

**Andrew Hancock** B.Ec (Mon), Grad. Dip. CDP (RMIT), FCA  
Company Secretary, Appointed September 1991  
Retired April 2021

Mr Hancock was also Company Secretary of Australian United Investment Company Limited (1995 - 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 Australian United Investment Company Limited (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 to take a medium to long-term view and to invest in Australian equities, listed property trusts and international equities (through exchange traded index funds and unlisted managed funds). The target range for allocation to international equities is 10-20% of the portfolio. Investments may also be made from time to time in interest bearing securities and convertible notes. The Directors have sought to invest in a diversified portfolio of investments with the objective of obtaining current income and longer-term capital gain within an acceptable level of risk. 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 through 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 tax was \$31,010,000 compared to \$30,070,000 in 2020 – an increase of 3.1%.

Profit after tax includes special dividends, capital gains distributed by managed funds and unrealised gains on unlisted investments in which the Company invests. In 2021, these items totalled \$8,370,000 after tax (2020: \$2,448,000). If these items are excluded, profit decreased by 18.0%.

Excluding special dividends, capital gains distributed by managed funds and unrealised gains on unlisted investments, revenue fell 14.3%.

The weighted average number of ordinary shares for the year was 211,878,386 as against 211,502,436 in the previous year, an increase of 0.2%.

Earnings per share was 10.7 cents excluding special dividends, capital gains distributed by managed funds and unrealised gains on unlisted investments (2020: 13.1 cents), or 14.6 cents including these items (2020: 14.2 cents).

At 30 June 2021, Australian equities accounted for 80.2%, international equities 18.6% and cash and short-term receivables 1.2% of the market value of the portfolio. The foreign exchange currency exposure is currently unhedged.

The Net Tangible Asset backing of the Company's shares at 30 June 2021 was \$5.35 per share (2020: \$4.45). 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, and before estimated tax on net unrealised gains and losses, and before provision for the Company's final dividend. The Company is a long-term investor and does not intend disposing of its total portfolio. If, however, estimated tax on net unrealised portfolio gains were to be deducted, the Net Tangible Asset backing would have been \$4.41 per share (2020: \$3.80).

Bank facilities as at 30 June 2021 were \$135 million, drawn to \$117.5 million (2020: \$115 million, drawn to \$72.5 million). Gross debt as a proportion of the portfolio including cash was 9.3% (2020: 7.1%). Cash on hand, cash deposits and net short-term receivables were \$14,662,000, or 1.2% of the investment portfolio at market values (2020: \$38,058,000 or 3.7%). Net debt as a proportion of the portfolio excluding cash was 8.3% (2020: 3.5%). Annual interest expense was covered 15.0 times by profit before interest and tax (2020: 12.7 times).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was an increase of 24.4%, compared to the S&P/ASX 200 Accumulation Index increase of 27.8%.

Dividends declared by the Company for the 2021 financial year total 15.5 cents per share fully franked (2020: 15.5 cents per share fully franked).

It is the Directors' intention to continue to invest in a portfolio of listed Australian equities and international equities (through exchange traded index funds and some unlisted managed funds) for long-term capital gain and current income. The risks to which the Company is exposed are set out in Notes 20 and 21 to the Financial Statements.

Expenses (excluding finance costs) were 0.13% of the average market value of the investment portfolio (2020: 0.13%). Including the management fees of the international Exchange Traded Funds and managed funds in which the Company was invested during the year, the expense ratio was 0.18% (2020: 0.17%).



# Directors' Report

## Dividends

Dividends paid or declared by the Company to members 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 8.5 cents per share fully franked at 30% payable on 22 September 2020.	18,011
An interim dividend in respect of the year ended 30 June 2021 of 7.0 cents per share fully franked at 30% paid on 17 March 2021.	14,873
<b>Paid or declared after end of year</b>	
A final dividend in respect of the year ended 30 June 2021 of 8.5 cents per share fully franked at 30% payable on 23 September 2021.	18,095

## Directors' Meetings

The number of Directors' meetings held (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Directors' Meetings		Audit & 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*	1	1
Anthony R Burgess	12	12	2	2	1	1
Stephen G Hiscock	12	12	2	2	1	1
Andrew J P Larke	12	12	2	2	1	1

\* In attendance – not a Committee member.

The Audit and Risk Management Committee comprises Mr Larke (Chairman), Mr Burgess, and Mr Hiscock.

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

## Directors' Interests

As at the date of this report 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 Section 205G(1) of the Corporations Act 2001 is as follows:-

	1	Shares 2	3
Charles B Goode	2,613,667	4,257,170	140,000
Anthony R Burgess	-	1,831,968	-
Stephen G Hiscock	-	80,000	-
Andrew J P Larke	-	17,500	-

### 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	168,365	7,635	176,000	158,904	15,096	174,000
Anthony R Burgess	88,000	-	88,000	83,226	3,774	87,000
Stephen G Hiscock	80,365	7,635	88,000	79,452	7,548	87,000
Andrew J P Larke	88,000	-	88,000	83,226	3,774	87,000
<b>Total</b>	<b>424,730</b>	<b>15,270</b>	<b>440,000</b>	<b>404,808</b>	<b>30,192</b>	<b>435,000</b>

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 employees and Directors of the Company including superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity policies. The Company's key management personnel are the Directors and the Company Secretary.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors. The Nomination and Remuneration Committee may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies and considering Company activity and changing responsibilities. The remuneration structures are designed to attract suitably qualified candidates, and to facilitate the broader outcome of supporting the Company's objectives of obtaining current income and longer-term capital gains within an acceptable level of risk. Directors' fees are fixed and reviewed annually and the maximum total of Directors' fees is set by the shareholders in general meeting, considering the Company's performance and market conditions.

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

	2021	2020	2019	2018	2017
Statutory profit (\$ Millions)	31.0	30.1	38.1	34.6	32.8
Underlying profit (excluding special dividends, capital gains distributed by managed funds and unrealised gains on unlisted investments after tax) (\$ Millions) <sup>(1)</sup>	22.6	27.6	33.4	31.8	29.7
Earnings per share (excluding special dividends, capital gains distributed by managed funds and unrealised gains on unlisted investments after tax) (cents per share)	10.7	13.1	15.9	15.5	14.3
Dividends (cents per share)	15.5	15.5	15.5	15.0	14.5
Net asset backing per share before tax on unrealised gains 30 June	\$5.35	\$4.45	\$4.82	\$4.47	\$4.00
Share Price 30 June	\$5.19	\$4.23	\$4.36	\$4.10	\$3.72
Management expense ratio	0.13%	0.13%	0.12%	0.12%	0.12%
Management expense ratio including managed funds fees	0.18%	0.17%	0.16%	0.15%	0.15%
Net asset backing accumulation return before tax on unrealised gains	24.4%	(4.7%)	11.6%	15.8%	17.6%
S&P/ASX 200 Index accumulation return	27.8%	(7.7%)	11.6%	13.0%	14.1%

<sup>1</sup> Underlying profit represents the ordinary and recurring income of the Company's investment portfolio, and is determined by deducting non-recurring, non-cash items or income which is capital in nature from statutory net profit after tax.

## Remuneration Report (audited) (cont.)

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. Refer to Note 16 of the Financial Statements for information relating to the insurance contracts. No Director has entered into 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.

The services of the Company Secretaries, Mr Andrew J Hancock and Mr James A Pollard, are provided to the Company through an administrative services agreement with Australian United Investment Company Limited.

The amount of the fees paid which relate to the remuneration of the Company Secretaries were as follows:

	2021	Fees paid	2020
Andrew J Hancock <sup>(1)</sup>	115,651		113,000
James A Pollard	77,642		74,500
<b>Total</b>	<b>193,293</b>		<b>187,500</b>

1 Retired April 2021.

## Events Subsequent to Balance Date

Other than 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, and dividend and distribution revenue is expected to continue to be impacted by the effects of the COVID-19 pandemic on the earnings of and distributions from investee companies, trusts and unlisted managed funds.

## 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.

## Non-audit services

During the year KPMG, the Company's auditor, has provided taxation services in addition to its statutory duties. KPMG 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.

## Environmental Regulation

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

## Indemnification

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

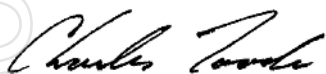
## Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 18 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  
18 August 2021

# Lead Auditor's Independence Declaration



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

To the Directors of Diversified United Investment Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Diversified United Investment 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.



KPMG

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

Chris Sargent

Partner

Melbourne

18 August 2021

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# Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Revenue from investment portfolio	2(a)	37,243	36,893
Net unrealised gains on unlisted investments		1,987	-
Administration and other expenses		(1,440)	(1,377)
Finance expenses	2(b)	(2,516)	(2,802)
<b>Profit before income tax</b>		35,274	32,714
Income tax expense	4(a)	(4,264)	(2,644)
<b>Profit</b>		31,010	30,070
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of investment portfolio for the year		190,890	(74,866)
Provision for tax (expense) / benefit on revaluation of the investment portfolio for the year		(58,491)	21,565
<b>Other comprehensive profit / (loss) net of income tax</b>		132,399	(53,301)
<b>Total comprehensive profit / (loss)</b>		163,409	(23,231)
Basic and diluted earnings per share (cents)	18	14.6	14.2

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 23 to 35.

# Balance Sheet

as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>Current assets</b>			
Cash assets	6	5,156	33,092
Receivables	7	9,506	5,019
Other	9	117	87
<b>Total current assets</b>		14,779	38,198
<b>Non-current assets</b>			
Investment portfolio	8	1,242,603	979,149
<b>Total non-current assets</b>		1,242,603	979,149
<b>Total assets</b>		1,257,382	1,017,347
<b>Current liabilities</b>			
Payables	10	321	499
Current tax payable	4(c)	714	905
<b>Total current liabilities</b>		1,035	1,404
<b>Non-current liabilities</b>			
Borrowings – interest bearing	11	117,500	72,500
Deferred tax liability	4(b)	199,688	139,193
<b>Total non-current liabilities</b>		317,188	211,693
<b>Total liabilities</b>		318,223	213,097
<b>Net assets</b>		939,159	804,250
<b>Equity</b>			
Issued capital	13(a)	442,098	437,714
Reserves	13(b)	497,061	366,536
<b>Total equity</b>		939,159	804,250

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 23 to 35.

# 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 Equity \$'000
<b>As at 1 July 2019</b>	433,372	355,490	(5,894)	72,908	855,876
<b>Comprehensive income</b>					
Revaluation of investment portfolio	-	(74,866)	-	-	(74,866)
Tax benefit on revaluation	-	21,565	-	-	21,565
Net realised losses on investment portfolio	-	1,635	(1,635)	-	-
Tax benefit on net realised losses	-	(74)	74	-	-
Profit	-	-	-	30,070	30,070
	-	(51,740)	(1,561)	30,070	(23,231)
<b>Transactions with shareholders</b>					
Dividend reinvestment plan	4,342	-	-	-	4,342
Dividends paid	-	-	-	(32,737)	(32,737)
	4,342	-	-	(32,737)	(28,395)
<b>As at 30 June 2020</b>	437,714	303,750	(7,455)	70,241	804,250
<b>As at 1 July 2020</b>	437,714	303,750	(7,455)	70,241	804,250
<b>Comprehensive Income</b>					
Revaluation of investment portfolio	-	190,890	-	-	190,890
Tax expense on revaluation	-	(58,491)	-	-	(58,491)
Net realised losses on investment portfolio	-	13,616	(13,616)	-	-
Tax benefit on net realised losses	-	(3,588)	3,588	-	-
Profit	-	-	-	31,010	31,010
Transfer unrealised gains on unlisted investments to Revaluation Reserve	-	1,987	-	(1,987)	-
Tax expense on unrealised gains on unlisted investments	-	(596)	-	596	-
	-	143,818	(10,028)	29,619	163,409
<b>Transactions with shareholders</b>					
Dividend reinvestment plan	4,384	-	-	-	4,384
Dividends paid	-	-	-	(32,884)	(32,884)
	4,384	-	-	(32,884)	(28,500)
<b>As at 30 June 2021</b>	442,098	447,568	(17,483)	66,976	939,159

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 23 to 35.



# 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		113	328
Dividends and trust distributions received		27,037	34,276
Foreign income received		5,147	3,385
Administration and other expenses paid		(1,470)	(1,481)
Finance costs paid		(2,639)	(2,756)
Income taxes paid		(2,029)	(1,370)
Other		63	180
<b>Net cash from operating activities</b>	17(b)	26,222	32,562
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		41,945	47,719
Purchases of investments		(112,603)	(69,686)
<b>Net cash used in investing activities</b>		(70,658)	(21,967)
<b>Cash flows from financing activities</b>			
Proceeds from / (repayment of) borrowings		45,000	(22,500)
Dividends paid net of dividend reinvestment plan		(28,500)	(28,395)
<b>Net cash used in financing activities</b>	11	16,500	(50,895)
Net decrease in cash held		(27,936)	(40,300)
Cash and cash equivalents at 1 July 2020		33,092	73,392
<b>Cash and cash equivalents at 30 June 2021</b>	17(a)	5,156	33,092

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 23 to 35.

# Notes to the Financial Statements

## for the Year Ended 30 June 2021

### 1. Statement of Significant Accounting Policies

Diversified United Investment Limited ("the Company") is a for-profit company domiciled in Australia. The financial report was authorised for issue by the Directors on 18 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 also complies with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board.

#### (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 2021 ("the inoperative standards"). The effect of inoperative standards has been assessed and the effect has been identified as not being material. The Company only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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.

Where other investments (such as unlisted managed funds) are not eligible for this treatment under Australian Accounting Standards, fair value and foreign exchange movements are recognised in profit and loss. The net impact of these unrealised changes in fair value are subsequently transferred from Retained Earnings to the Revaluation Reserve in the period in which they occur.

After initial recognition at fair value (being cost), all investments are measured at fair value.

Unrealised gains or losses on equity and other investments are recognised 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.

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 income, 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 invests 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 a long-term investment at prices higher than current market. Open option contracts are marked to market through the profit and loss account.

# Notes to the Financial Statements

## for the Year Ended 30 June 2021

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

#### (e) Taxation

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the applicable company tax rate of 30% 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. When the Company disposes of such securities, tax is calculated on gains made according to the particular parcels allocated to the sale for tax purposes and offset against any capital losses carried forward. At this time, the tax recognised directly in the Revaluation Reserve is transferred to the Realisation Reserve. The associated deferred tax liability is similarly adjusted and transferred to current tax payable.

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

#### (f) Interest bearing borrowings

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

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

#### (g) Ordinary Shares

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

#### (h) Foreign Currency

Transactions in foreign currencies are translated into Australian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Australian dollars at the exchange rate at the reporting date. Realised foreign currency gains or losses are generally recognised in profit or loss. However, foreign currency differences arising from the translation of investments are treated as part of the overall revaluation of the investment portfolio and are recognised in other comprehensive income (equity investments) or profit and loss (other investments) in line with the accounting treatment adopted for the underlying investment.

	2021	2020
	\$'000	\$'000

### 2. Revenue and Expenses

#### (a) Revenue

Ordinary dividends received or due and receivable	20,432	24,503
Special dividends received or due and receivable	3,729	702
	24,161	25,205
Trust distributions received or due and receivable	4,886	5,485
Foreign income received or due and receivable	8,038	5,676
Interest received or due and receivable	113	328
Option Premium Income	-	167
Other	45	32
	37,243	36,893

#### (b) Expenses

Finance expenses:

Interest and borrowing expenses	(2,516)	(2,802)
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	2021 \$	2020 \$
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### 3. Auditor's Remuneration

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

- Audit and review of financial reports	59,657	52,484
- Tax related services	11,100	10,531

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

#### (a) Income Tax Expense

##### (i) Income tax recognised in the income statement

##### Income tax expense represented by:

##### Current tax expense

Current year tax liability	(1,448)	(2,336)
Withholding tax on foreign dividends	(423)	(615)
	(1,871)	(2,951)

##### Deferred tax expense

Temporary differences	(2,003)	210
	(2,003)	210
Income tax expense	(3,874)	(2,741)
(Under) / over provision of prior year income tax expense	(390)	97

<b>Total income tax expense recognised in the income statement</b>	<b>(4,264)</b>	<b>(2,644)</b>
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##### (ii) Reconciliation between pre-tax net profit and income tax expense

Prima facie income tax expense, calculated at 30% of pre-tax net profit	(10,582)	(9,814)
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##### Adjust for increases in income tax expense due to:

Franking credits gross up on dividends received	(2,121)	(2,995)
Sundry items	-	(438)
	(2,121)	(3,433)

##### Adjust for decreases in income tax expense due to:

Tax deferred distributions received	287	521
Franking credits on dividends received	7,069	9,985
Non-taxable demerger dividend received	922	-
Sundry items	551	-
	8,829	10,506

Income tax expense	(3,874)	(2,741)
(Under) / over provision of prior year income tax expense	(390)	97

<b>Total income tax expense recognised in the income statement</b>	<b>(4,264)</b>	<b>(2,644)</b>
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##### (iii) Deferred tax recognised directly in equity

Increase / (decrease) in provision for tax on net unrealised gains on the equity investment portfolio	58,491	(21,565)
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# Notes to the Financial Statements

## for the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>4. Taxation (cont.)</b>		
<b>(b) Deferred Tax Assets and Liabilities</b>		
<b>Recognised deferred tax assets and liabilities</b>		
Revaluation Reserve – Provision for tax on net unrealised gains on the equity investment portfolio	201,033	138,952
Other	844	241
Tax benefit of capital losses carried forward	(2,189)	-
<b>Net deferred tax liabilities</b>	<b>199,688</b>	<b>139,193</b>
<b>(c) Current tax payable</b>		
Current year tax liability	1,448	1,599
Other taxes refunded	-	41
Tax instalments paid	(701)	(714)
Withholding taxes receivable	(33)	(21)
<b>Current tax payable</b>	<b>714</b>	<b>905</b>

## 5. Dividends

Dividends recognised in the current year by the Company are:

(i) 2020 final dividend of 8.5 cents per share (2020: 8.5 cents) fully franked paid 22 September 2020	18,011	17,932
(ii) 2021 interim dividend of 7.0 cents per share (2020: 7.0 cents) fully franked paid 17 March 2021	14,873	14,805
	<b>32,884</b>	<b>32,737</b>

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

Final dividend of 8.5 cents per share fully franked at 30% (2020: 8.5 cents)	18,095	18,011
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The final dividend will not contain a Listed Investment Company capital gain dividend (2020: no LIC capital gain dividend).

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 \$8,599,488 (2020: \$13,203,573) 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 the 30 June Financial Statements, the balance of the franking account would be \$844,372 (2020: \$5,484,606). 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 Listed Investment Company (LIC) Capital Gain Account at 30 June 2021 was \$125,092 (2020: \$125,092). 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.

# Notes to the Financial Statements

## for the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>6. Cash Assets</b>		
Units in cash management trusts and deposits at call	5,156	33,092
<b>7. Receivables</b>		
<b>Current</b>		
Dividends receivable	2,108	655
Trust distributions receivable	1,789	1,233
Foreign income receivable	5,581	3,112
Other receivables	28	19
	9,506	5,019
<b>8. Investments</b>		
<b>Non-Current</b>		
Investments in equities quoted on prescribed stock exchanges and in managed funds (at fair value)	1,242,603	979,149
<b>9. Other Assets</b>		
<b>Current</b>		
Prepayments	111	82
GST	6	5
	117	87
<b>10. Payables</b>		
<b>Current</b>		
Settlements pending	-	53
Trade creditors	94	96
Accrued interest	227	350
	321	499
<b>11. Borrowings</b>		
<b>Non-current</b>		
Bank borrowings - secured	117,500	72,500
	117,500	72,500

At 30 June 2021 the Company had facilities totalling \$117.5 million (fully drawn) with Australia and New Zealand Banking Group Ltd and \$17.5 million (undrawn) with Australia and New Zealand Banking Group Ltd as follows:

Bank	Facility limit (\$)	Maturity	Interest Rate <sup>(1)</sup>
ANZ	42,500,000 <sup>(2)</sup>	2 July 2022	Floating 0.51%
ANZ	20,000,000	4 July 2022	Fixed 3.66% <sup>(3)</sup>
ANZ	7,500,000	3 July 2023	Fixed 4.02%
ANZ	5,000,000	3 July 2023	Fixed 4.02%
ANZ	20,000,000 <sup>(4)</sup>	2 July 2023	Floating 0.96%
ANZ	20,000,000	2 July 2024	Floating 1.41%
ANZ	20,000,000 <sup>(5)</sup>	2 July 2025	Floating 1.01%
<b>Total facilities</b>	<b>135,000,000</b>		

1 Interest rate includes bank margins and fees.

2 \$2.5 million remains undrawn at 30 June 2021.

3 This facility is fixed to 2 May 2022.

4 \$2.5 million remains undrawn at 30 June 2021.

5 \$12.5 million remains undrawn at 30 June 2021.

# Notes to the Financial Statements

## for the Year Ended 30 June 2021

### 11. Borrowings (cont.)

The terms of the ANZ agreement require that the loan to value ratio should not exceed 50% (2020: 50%) of the market value of the equity securities pledged as collateral. As at 30 June 2021 the securities pledged as collateral had a market value of \$365 million (2020: \$343 million) giving a ratio of 32% (2020: 21%).

#### 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>	95,000	72,908
<b>Changes from financing cash flows</b>		
Repayment of borrowings	(22,500)	-
Cash dividends paid	-	(28,395)
<b>Total changes from financing cash flows</b>	(22,500)	(28,395)
<b>Equity-related other changes</b>	-	25,728
<b>Balance at 30 June 2020</b>	72,500	70,241

	Liabilities Borrowings 2021 \$'000	Equity/Retained Earnings 2021 \$'000
<b>Balance at 1 July 2020</b>	72,500	70,241
<b>Changes from financing cash flows</b>		
Proceeds from loans and borrowings	45,000	-
Cash dividends paid	-	(28,500)
<b>Total changes from financing cash flows</b>	45,000	(28,500)
<b>Equity-related other changes</b>	-	26,576
<b>Balance at 30 June 2021</b>	117,500	68,317

	2021 \$'000	2020 \$'000
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### 12. Financing Arrangements

The Company has access to the following lines of credit:

<i>Total facility available</i>		
Loan facility – Secured	135,000	115,000
<i>Facilities utilised at balance date</i>		
Loan facility – Secured	117,500	72,500

	2021 \$'000	2020 \$'000
<b>13. Capital and Reserves</b>		
<b>(a) Issued Capital</b>		
<b>Issued and paid-up share capital</b>		
212,885,526 ordinary fully paid shares (2020: 211,893,222)	442,098	437,714
Movements in issued capital		
Balance at beginning of the year	437,714	433,372
Shares issued		
- Dividend re-investment plan <sup>1</sup>	4,384	4,342
	442,098	437,714
<b>(b) Reserves</b>		
Retained Earnings	66,976	70,241
Revaluation Reserve	447,568	303,750
Realisation Reserve	(17,483)	(7,455)
	497,061	366,536

#### Revaluation Reserve

Increments or decrements arising from the revaluation of long-term equity investments after provision for deferred tax are recorded in this reserve.

Increments or decrements arising from the revaluation of unlisted investments are initially recognised in profit and loss. They are subsequently transferred from Retained Earnings to the Revaluation Reserve in the period in which they occur.

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.

### 14. Directors' Remuneration

Details of the Directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report. Total remuneration received by the Directors for 2021 was \$440,000 (2020: \$435,000).

### 15. Contingent Liabilities and Capital Commitments

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



# Notes to the Financial Statements

## for the Year Ended 30 June 2021

### 16. Related Parties

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

The Company has entered into an agreement with AUI for the provision of administrative services, commencing 1 July 2019. The total fees paid for services provided are \$311,300 including GST (2020: \$288,200).

The names of persons holding the position of Director of the Company during the year were Mr C B Goode, Mr A R Burgess, Mr S G Hiscock and Mr A J P Larke.

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 his 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, 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 from 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 at year end are set out below:

Directors	Held at 01/07/2020	Purchases	Sales	Held at 30/06/2021
Charles B Goode	6,771,810	239,027	-	7,010,837
Anthony R Burgess	1,465,000	366,968	-	1,831,968
Stephen G Hiscock	80,000	-	-	80,000
Andrew J P Larke	17,500	-	-	17,500

#### Directors' Transactions In Shares

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

	2021 \$'000	2020 \$'000
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## 17. Notes to the Statement of Cash Flows

### (a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call. Cash as at the end of the financial year is shown in the Statement of Cash Flows and in the Balance Sheet as follows:

Units in cash management trusts and deposits at call	5,156	33,092
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### (b) Reconciliation of operating profit after income tax to net cash from operating activities

Profit for the year	31,010	30,070
Adjustments for:		
(Increase) / decrease in prepayments	(29)	3
(Increase) / decrease in debtors	(4,459)	2,061
Decrease in deferred tax asset	390	566
(Decrease) / increase in accrued interest	(123)	46
(Increase) in unlisted investment valuation	(1,987)	-
(Decrease) / increase in current tax payable	(581)	133
Increase / (decrease) in deferred tax liability on operating activities	2,003	(210)
(Decrease) in operating creditors	(2)	(73)
(Decrease) in other liabilities	-	(34)
<b>Net cash flows from operating activities</b>	<b>26,222</b>	<b>32,562</b>

### (c) Financing Facilities

The Company's financing facilities are set out in Notes 11 and 12 of these Financial Statements.

	2021 cents	2020 cents
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## 18. Earnings per Share

Basic and diluted earnings per share	14.6	14.2
Earnings per share excluding special dividends received, capital gains distributed from managed funds and unrealised gains on unlisted investments after tax (refer Note 1(d))	10.7	13.1

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 212,878,386 (2020: 211,502,436). The weighted average adjusted number of ordinary shares includes the shares issued in the dividend re-investment plan.

## 19. Capital Management

The Company's objective in managing capital is to continue to provide shareholders with dividends and capital appreciation over the longer term within acceptable levels of risk.

The Company may adjust the quantum of dividends paid, issue new shares or buy back shares, or increase or reduce debt in order to manage its capital structure.

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

# Notes to the Financial Statements

## for the Year Ended 30 June 2021

### 20. Financial Risk Management

AASB 7 – *Financial Instruments: Disclosures* identifies three types of risk associated with financial instruments (i.e. investments, receivables, payable 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 is 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 \$117.5 million at the end of the financial year (2020: \$72.5 million), and gross debt as a proportion of the portfolio was 9.3% (2020: 7.1%). At 30 June 2021 the Company had interest bearing loan facilities in place with the Australia and New Zealand Banking Group Ltd which include fixed rate components. The facilities expire at various intervals through to 2 July 2025, unless renewed. Annual interest expense was covered 15.0 times by profit before interest and tax (2020: 12.7 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 or are in managed investment funds and can be realised if required.

## 20. Financial Risk Management (cont.)

### 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 or the value of its holdings of financial instruments.

Inherently, the Company is not free of market risk as it invests its capital 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 \$43,491,000, or 4.6% (2020: \$34,270,000, or 4.3%) and \$86,982,000 or 9.3% (2020: \$68,540,000 or 8.5%) respectively.

Market risk is managed by ensuring that the Company's Australian investment portfolio is not overly exposed to one company or one particular sector relative to the S&P/ASX 200 index and that the international portfolio is held through Exchange Traded Index funds and managed investment funds invested across geographic regions and sectors. The Company's asset allocation, the relative weightings of the individual securities and the relative market sector weightings are reviewed by the Board at each Directors' meeting.

The Company also has exposure to interest rate risk on its borrowings as detailed in Note 21.

## 21. Financial Instruments Disclosure

### Interest Rate Risk

The Company's exposure to interest rate risk 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.

	Note	Floating Interest Rate \$'000
The weighted average interest rate on cash accounts is as follows:		
<b>2021</b>		
<i>Financial Assets</i>		
Cash	6	5,156
Weighted average interest rate		0.19%
<b>2020</b>		
<i>Financial Assets</i>		
Cash	6	33,092
Weighted average interest rate		0.68%

### 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 \$85 million (2020: nil). The interest paid on these loans can fluctuate with changes in the floating interest rate, which is affected by external factors and notably 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 \$298,000 or 1.0% (2020: nil), and \$595,000 or 1.9% (2020: nil) respectively.

## 21. Financial Instruments Disclosure (cont.)

### Net Fair Values of Financial Assets and Liabilities

#### *Valuation approach*

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

#### *Recognised Financial Instruments*

Listed securities included in "Investments" are readily traded on organised markets in a standardised form. The net fair value of listed securities is determined by valuing them at the last quoted market price as at balance date. In accordance with Australian Accounting Standards, this is considered "Level 1" under the fair value measurement hierarchy, which is defined as quoted prices (unadjusted) in active markets for identical assets or liabilities. The net fair value of unlisted managed funds is determined by valuing them at the net asset value provided by the fund manager as at balance date. Unlisted managed funds included in "Investments" are considered "Level 2" under the fair value measurement hierarchy, which is defined as inputs other than quoted prices, which can be observed either directly (as prices) or indirectly (derived from prices). As at 30 June 2021, the Company's Level 1 investments totalled \$1,203,547,000 (2020: \$951,024,000) and Level 2 investments totalled \$39,056,000 (2020: \$28,125,000). 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 \$33,946,000 (2020: \$75,221,000) while the face value was \$32,500,000 (2020: \$72,500,000).

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

## 22. Segment Reporting

The Company operates as an investment company in Australia.

At 30 June 2021, \$1,008,417,000 or 80.2% of the investment portfolio is in Australian equities (2020: \$792,072,000 or 77.9%) and \$234,186,000 or 18.6% of the investment portfolio is in international equities (2020: \$187,077,000 or 17.9%).

Income received from these assets during the year totalled \$29,047,000 or 78.0% of investment portfolio revenue from Australian equities (2020: \$30,690,000 or 83.2%) and \$8,038,000 or 21.5% of investment portfolio revenue from international equities (2020: \$5,676,000 or 15.4%).

## 23. Events Subsequent to Balance Date

Other than as disclosed in this report, 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 periods.

### 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 83.2% of the total investment portfolio (2020: 84.6%). All Investments are valued at fair value through Other Comprehensive Income.

Security	2021	Market Value \$'000's	Security	2020	Market Value \$'000's
<b>Australian Equities</b>			<b>Australian Equities</b>		
CSL Ltd		161,132	CSL Ltd		162,155
Commonwealth Bank of Australia Ltd		99,870	Transurban Group		77,715
Transurban Group		78,265	Commonwealth Bank of Australia Ltd		69,420
BHP Group Ltd		65,570	Rio Tinto Ltd		46,041
Rio Tinto Ltd		59,521	BHP Group Ltd		42,984
Australia & New Zealand Banking Group Ltd		56,300	Westpac Banking Corporation		42,236
Westpac Banking Corporation		46,458	Australia & New Zealand Banking Group Ltd		37,280
Washington H Soul Pattinson & Company Ltd		33,730	Atlas Arteria Ltd		33,100
Aristocrat Leisure Ltd		30,163	Woodside Petroleum Ltd		26,630
Woodside Petroleum Ltd		27,318	Sydney Airport		20,979
Wesfarmers Ltd		26,595	National Australia Bank Ltd		20,315
Sydney Airport		25,765	Wesfarmers Ltd		19,725
Atlas Arteria Ltd		25,480	Washington H Soul Pattinson & Company Ltd		19,530
Computershare Ltd		22,392	Woolworths Ltd		18,640
Sonic Healthcare Ltd		19,200	Ramsay Health Care Ltd		16,963
Woolworths Ltd		19,065	Sonic Healthcare Ltd		15,215
Stockland		18,640	Resmed Inc		13,770
Resmed Inc		16,380	Computershare Ltd		13,250
Ramsay Health Care Ltd		16,367			
<b>Total Australian Equities in Top 25</b>		<b>848,211</b>	<b>Total Australian Equities in Top 25</b>		<b>695,948</b>
<b>International Equities</b>			<b>International Equities</b>		
Vanguard US Total Market Index ETF		47,458	Vanguard US Total Market Index ETF		35,271
Vanguard All World Ex- US Index ETF		43,243	Vanguard All World Ex- US Index ETF		34,990
Vanguard Information Technology Index ETF		39,811	Vanguard Information Technology Index ETF		29,934
iShares TR MSCI USA Min Vol Index ETF		27,435	iShares TR MSCI USA Min Vol Index ETF		21,750
Northcape Capital Global Emerging Market Fund		23,135	Northcape Capital Global Emerging Market Fund		16,749
iShares Global Healthcare Index ETF		16,695	iShares Global Healthcare Index ETF		14,771
			Vanguard FTSE Developed European Ex UK Index ETF		10,666
<b>Total International Equities in Top 25</b>		<b>197,777</b>	<b>Total International Equities in Top 25</b>		<b>164,131</b>
<b>Total Top 25 Investments</b>		<b>1,045,988</b>			<b>860,079</b>
<b>Total Investments at Market Value, Net Short Term Receivables and Cash</b>		<b>1,257,266</b>			<b>1,017,207</b>

# Directors' Declaration

1. In the opinion of the Directors of Diversified United Investment Limited ("the Company"):
- (a) The Financial Statements and Notes set out on pages 19 to 35, and the remuneration disclosures that are contained in the Remuneration Report on page 15 and 16 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  
18 August 2021



## Independent Auditor's Report

To the shareholders of Diversified United Investment Limited

### Report on the audit of the Financial Report

#### Opinion

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

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

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

The Financial Report comprises:

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

#### Basis for opinion

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

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

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

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# Independent Auditor's Report



## Key Audit Matters

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

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

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

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

### Valuation and existence of the investment portfolio (\$1,242.6m)

Refer to Note 8 - Investments

The key audit matter	How the matter was addressed in our audit
<p>Valuation and existence of the investment portfolio is a key audit matter due to the size of the Company's investment portfolio. The Company's investment portfolio is \$1,242.6m which constitutes 99% of the Company's total assets as at 30 June 2021 and is considered to be one of the key drivers of operations and performance results.</p> <p>It is an area which had the greatest effect on our overall audit strategy and allocation of time and resources in planning and completing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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;</li> <li>• 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;</li> <li>• 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. Recalculating the fair value of the unlisted investment portfolio based on the external statement of advice from the investment manager or the last quoted market price on 30 June 2021 of the underlying securities held by the Company's unlisted investment fund (as applicable); and</li> <li>• Assessing the disclosures in the financial statements, using our understanding obtained from our testing and with reference to the requirements of accounting standards.</li> </ul>



Completeness of the deferred tax liability (\$201.9m)	
Refer to Note 4 - Taxation	
The key audit matter	How the matter was addressed in our audit
<p>The completeness of the deferred tax liability is a key audit matter given it represents a significant portion of the total liabilities of the Company and involved the use of senior audit team members.</p> <p>The Company's deferred tax liability is \$201.9m which constitutes 63% of the Company's total liabilities as at 30 June 2021.</p> <p>The deferred tax liability primarily relates to the expected tax on disposal of securities in the investment portfolio. This deferred tax liability is determined by the Company as the difference between the carrying amount of the investment portfolio as per the financial statements and the tax base of the individual investments, multiplied by the applicable company tax rate.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>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.</li> <li>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;</li> <li>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;</li> <li>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</li> <li>Assessing the disclosures in the financial statements, using our understanding obtained from our testing and with reference to the requirements of accounting standards.</li> </ul>

# Independent Auditor's Report



## Other Information

Other Information is financial and non-financial information in Diversified United Investment 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 Diversified United Investment 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

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

Chris Sargent

*Partner*

Melbourne

18 August 2021

# Additional Information

## Distribution of shareholders as at 31 July 2021

Category Holders	Ordinary Shares	No of Holders	%
1 - 1,000	418,347	1,115	0.20
1,001 – 5,000	5,900,238	2,011	2.77
5,001 – 10,000	11,960,747	1,622	5.62
10,001 – 100,000	73,667,736	2,835	34.60
100,001 and over	120,938,458	169	56.81
	212,885,526	7,752	100.00

There were 197 ordinary shareholders holding less than a marketable parcel (97 shares) at 31 July 2021.

## Substantial Shareholders

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

Shareholder	Ordinary Shares
The Ian Potter Foundation Ltd, Dundee Trading Pty Ltd, The Ian Potter Foundation Ltd ATF The George Alexander Foundation and Australian United Investment Company Limited	49,652,187
Australian Foundation Investment Company Limited	13,283,243

## Voting Rights

All ordinary shares carry equal voting rights.

**Top Twenty Shareholders**

The number of shares held by the top twenty shareholders listed in the Company's register as at 31 July 2021 were:

Shareholder	Ordinary Shares	% Held
1. The Ian Potter Foundation Ltd	30,059,402	14.12
2. Australian United Investment Company Ltd	14,400,000	6.76
3. Australian Foundation Investment Company Ltd	12,030,202	5.65
4. Argo Investments Limited	8,927,716	4.19
5. The Ian Potter Foundation Ltd (No 1 GA A/c)	5,927,785	2.78
6. HSBC Custody Nominees (Australia) Ltd	4,252,940	2.00
7. Mutual Trust Pty Ltd	3,730,615	1.75
8. Beta Gamma Pty Ltd	3,060,882	1.44
9. Mr Charles Barrington Goode	2,613,667	1.23
10. J P Morgan Nominees Australia Pty Ltd	1,188,023	0.56
11. Primrose Properties Pty Ltd	1,083,271	0.51
12. Willpower Investments Pty Ltd	1,064,725	0.50
13. Brownell Superannuation Pty Ltd	1,020,000	0.48
14. Chabar Pty Ltd	862,173	0.40
15. Mr James Vincent Chester Guest	616,903	0.29
16. A J Dixon Pty Ltd	573,546	0.27
17. Mr John James Timbs	572,705	0.27
18. Yelgarn Pty Ltd	512,553	0.24
19. Melbourne Business School Ltd	486,000	0.23
20. Invia Custodian Pty Ltd	485,000	0.23
	93,468,108	43.90

**Brokerage Paid**

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2021 totalled \$241,760 (2020: \$162,846). None of that brokerage was paid to any stock or sharebroker, or any employee or nominee of any stock or sharebroker, who is an officer of the Company.

# List of Investments

as at 30 June 2021

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

Market Value	Market Value \$	30/06/2021 Units Held	% of Portfolio at Market Value	30/06/2020 Units Held
<b>Australian Equities</b>				
<i>Banks</i>				
Australian & New Zealand Banking Group Ltd	56,300,000	2,000,000	4.5	2,000,000
Commonwealth Bank of Australia Ltd	99,870,000	1,000,000	7.9	1,000,000
National Australia Bank Ltd	14,945,400	570,000	1.2	1,115,000
Westpac Banking Corporation	46,458,000	1,800,000	3.7	2,353,000
<i>Consumer</i>				
Aristocrat Leisure Ltd	30,163,000	700,000	2.4	-
Coles Group Ltd	7,690,500	450,000	0.6	440,000
Endeavour Group Ltd	3,145,000	500,000	0.3	-
IDP Education Ltd	12,270,000	500,000	1.0	500,000
Reece Ltd	1,558,260	66,000	0.1	66,000
The Star Entertainment Group Ltd	9,594,000	2,600,000	0.8	-
Wesfarmers Ltd	26,595,000	450,000	2.1	440,000
Woolworths Group Ltd	19,065,000	500,000	1.5	500,000
<i>Energy</i>				
Origin Energy Ltd	6,314,000	1,400,000	0.5	1,400,000
Woodside Petroleum Ltd	27,318,300	1,230,000	2.2	1,230,000
<i>Health Care</i>				
CSL Ltd	161,132,350	565,000	12.8	565,000
Ramsay Health Care Ltd	16,367,000	260,000	1.3	255,000
Resmed Inc	16,380,000	500,000	1.3	500,000
Sonic Healthcare Ltd	19,200,000	500,000	1.5	500,000
<i>Infrastructure and Utilities</i>				
Atlas Arteria	25,480,000	4,000,000	2.0	5,000,000
Napier Port Holdings	4,745,631	1,500,000	0.4	1,500,000
Sydney Airport	25,765,500	4,450,000	2.1	3,700,000
Transurban Group	78,265,000	5,500,000	6.2	5,500,000
<i>Industrials</i>				
Cleanaway Waste Management Ltd	3,168,000	1,200,000	0.3	-
<i>Mining</i>				
BHP Group Ltd	65,569,500	1,350,000	5.2	1,200,000
Rio Tinto Ltd	59,520,800	470,000	4.7	470,000
South32 Ltd	-	-	-	2,500,000
<i>Other Financials</i>				
ASX Ltd	7,771,000	100,000	0.6	100,000
Computershare Ltd	22,392,500	1,325,000	1.8	1,000,000
Link Administration Holdings Ltd	12,600,000	2,500,000	1.0	1,000,000
Macquarie Group Ltd	7,821,500	50,000	0.6	47,000
Magellan Financial Group Ltd	10,772,000	200,000	0.9	-
Pendal Group Ltd	4,836,000	600,000	0.4	500,000
Perpetual Ltd	8,010,000	200,000	0.6	160,000
Pexa Group Ltd	8,000,001	467,017	0.6	-
Washington H Soul Pattinson & Company Ltd	33,730,000	1,000,000	2.7	1,000,000

# List of Investments

as at 30 June 2021

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

Market Value	Market Value \$	30/06/2021 Units Held	% of Portfolio at Market Value	30/06/2020 Units Held
<b>Australian Equities (cont.)</b>				
<i>Property</i>				
Australian Unity Office Fund	5,220,000	2,000,000	0.4	1,185,556
GPT Group	5,390,000	1,100,000	0.4	-
LendLease Group	9,168,000	800,000	0.7	775,000
Scentre Group	11,234,000	4,100,000	0.9	2,720,000
Stockland	18,640,000	4,000,000	1.5	3,000,000
Vicinity Centres	-	-	-	4,000,000
<i>Transportation</i>				
Aurizon Holdings Ltd	5,952,000	1,600,000	0.5	1,500,000
<b>Total Australian Equities</b>	<b>1,008,417,242</b>		<b>80.2</b>	
<b>International Equities</b>				
ChinaAMC China Opportunities Fund	6,804,009	4,500,000	0.5	4,040,590
Cooper Investors Asian Equities Fund	6,910,990	2,900,000	0.6	2,803,975
iShares Global Healthcare Index ETF	16,695,000	150,000	1.3	148,200
iShares TR MSCI USA Min Vol Index ETF	27,435,242	280,000	2.2	246,200
Northcape Capital Global Emerging Market Fund	23,134,500	9,000,000	1.8	7,118,475
Northcape Capital Global Equities Fund	2,206,240	1,600,000	0.2	-
Vanguard FTSE Japan UCITS ETF	7,357,729	155,000	0.6	153,000
Vanguard FTSE Developed European Ex UK Index ETF	13,131,461	230,000	1.0	230,000
Vanguard Information Technology Index ETF	39,810,649	75,000	3.2	73,800
Vanguard All-World Ex-US Index ETF	43,242,900	510,000	3.4	504,900
Vanguard US Total Market Index ETF	47,457,600	160,000	3.8	157,200
<b>Total International Equities</b>	<b>234,186,320</b>		<b>18.6</b>	
Cash & Short Term receivables	14,662,457		1.2	
<b>Total</b>	<b>1,257,266,018</b>		<b>100.0</b>	



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ABN 33 006 713 177  
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