



2001

ANNUAL FINANCIAL REPORT 2001

Australian United Investment Company Limited
ANNUAL FINANCIAL REPORT

(ABN 37 004 268 679)

Directors

C B Goode - Chairman
 F L Nelson
 G E Moir
 P J B Rose

Company Secretary

Andrew Justin Hancock FCA

Principal Registered Office

Australian United Investment Company Limited
 Level 4
 161 Collins Street
 Melbourne, Vic 3000
 Telephone: (03) 9288 5555
 Facsimile: (03) 9288 6666

Administration Managers

The Myer Family Office Pty Ltd

Solicitors

Malleson Stephen Jacques

Bankers

Macquarie Bank Limited
 National Australia Bank Limited

Auditors

KPMG
 Chartered Accountants

Share Registry

Computershare Investor Services Pty Limited
 Level 12
 565 Bourke Street
 Melbourne, Vic 3000
 Telephone: (03) 9611 5711
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Postal Address

GPO Box 2975EE
 Melbourne, Vic 3001

Stock Exchange

The Company is listed on the Australian Stock Exchange.

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Australian United Investment Company Limited
 FOR THE YEAR ENDED 30 JUNE 2001
 (ABN 37 004 268 679)

CHAIRMAN'S REPORT

I am pleased to present the Annual Report of Australian United Investment Company Limited for the year ended 30 June 2001.

The operating profit after income tax and before investment fluctuations was \$10,597,613 compared to \$8,976,966 in the previous year - an increase of 18%. The earnings per share were 16.52 cents compared to 13.99 cents for the previous year.

The increase in operating profit reflects the increase in dividends paid by companies in which investments are held as well as higher interest earnings, trust distributions and subunderwriting income.

Formerly, the Company's policy was to revalue its investments to market value half yearly at 30 June and 31 December. In the year to 30 June 2000 the net profit after tax and after losses on the sale of long term investments of \$3,729,234 was \$5,247,732. From 1 July 2000, the Company elected to revalue its investments to market value continuously. This means that realised gains and losses arising from the disposal of investments are transferred from the Asset Revaluation Reserve to the Investment Fluctuation Reserve and are not recognised in the Statement of Financial Performance. There was no taxation applicable to the disposal of investments based on the indexed original cost of those investments.

During the year there was a change in the tax law which discontinued the previously allowed tax rebate to listed public companies on unfranked dividend income. A rebate now only applies to franked dividend income. This led to an income tax provision of \$246,489 in the year to 30 June 2001.

The Board decided to borrow \$30 million from its banker (previous year \$1.5 million) to modestly gear the investment portfolio at around 10%. The change to the taxation on unfranked dividend income had the consequential effect of increasing the taxable income against which interest costs could be deducted.

The Company has no staff. The investment policy is determined by the Board and The Myer Family Office Pty Ltd (formerly M F Management Pty Ltd) provides administrative, accounting, and secretarial services. These services included the preparation of monthly accounts for the Board, preparation of half-yearly accounts for the stock exchange and shareholders, preparation of budgets, preparation of income tax and other statutory returns, secretarial services, custody of scrip and maintenance of investment records, settlement of investment transactions and day to day banking arrangements.

These services have been provided since 1994 at the low end of fees for such services, particularly in recent years. In the year to 30 June 2000 the fees were \$59,500.

We were asked during the year to review these fees and competitive fees were sought from other organisations. Negotiations took place with The Myer Family Office Pty Ltd, and we have agreed fees of \$90,000 for the year to 30 June 2001; \$125,000 for the year to 30 June 2002; and \$150,000 for the year to 30 June 2003. These are significant increases but your Directors are satisfied the costs are commercial and the amount of the change reflects the low charges that the Company has benefited from over the years. Overall we will continue to be a low cost managed investment company and our total costs (excluding interest) for the year to 30 June 2001 were \$354,018 or 0.12% of the average value of the investment portfolio for the year to 30 June 2001.

With the company tax rate moving down from 34% in the year to 30 June 2001 to 30% in the current year the Board decided to pay the final dividend for the year to 30 June 2001 in June rather than October so that it is franked at the rate of 34%. This means shareholders received three dividends in the year to 30 June 2001, namely in October 2000, April 2001 and June 2001. In this financial year one dividend will be paid, in April 2002 with the final dividend for the year to 30 June 2002 expected to be paid in October 2002.

The final dividend for the year ending 30 June 2001, was 8.0 cents per share fully franked which with the interim dividend of 5 cents per share fully franked makes 13 cents per share fully franked for the year. This compares with 12.5 cents per share fully franked in the previous year, an increase of 4%.

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

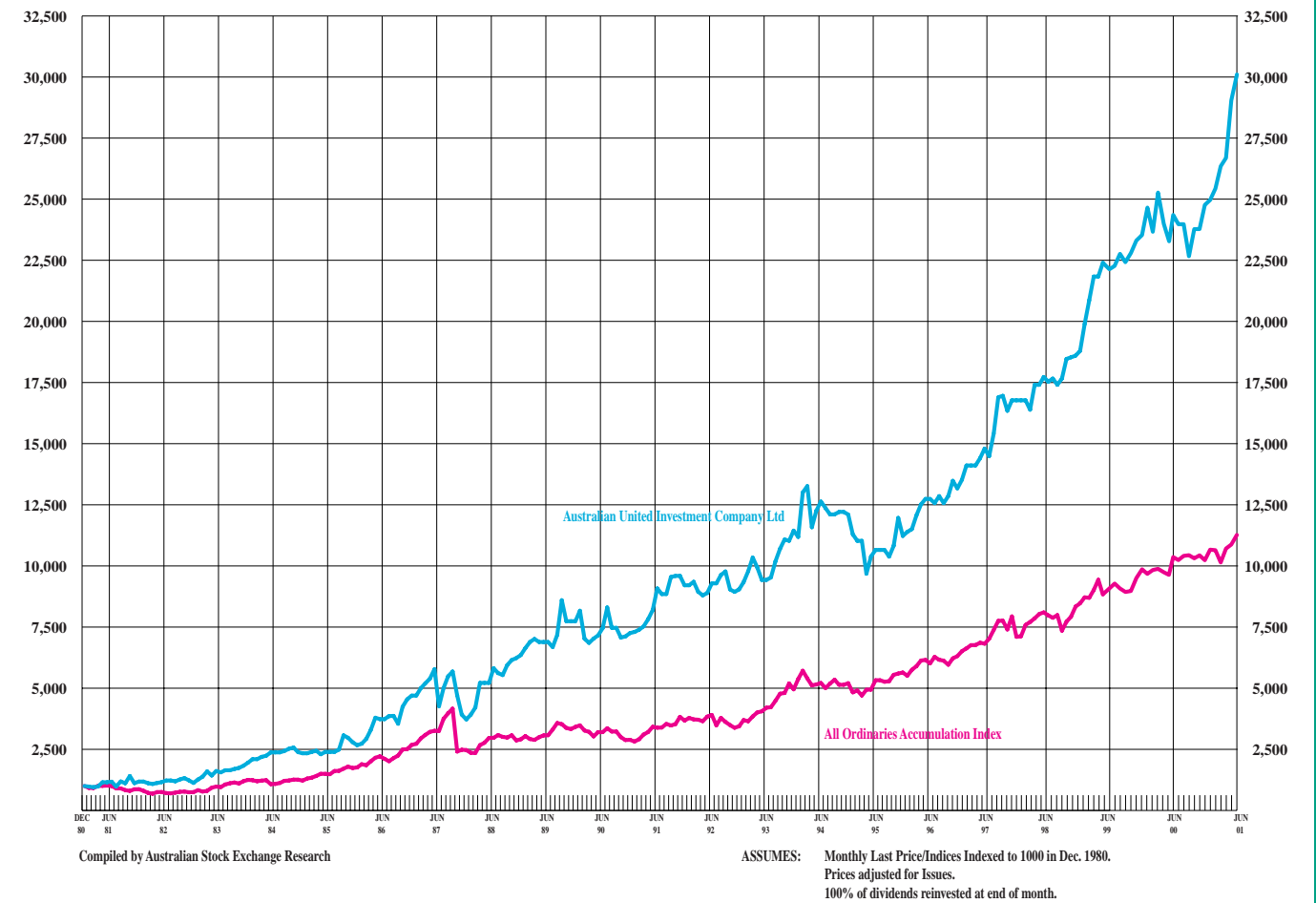
1996/97	11.0 cents per share
1997/98	11.5 cents per share
1998/99	12.0 cents per share
1999/00	12.5 cents per share
2000/01	13.0 cents per share

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

30 June 1997	\$3.13
30 June 1998	\$3.19
30 June 1999	\$3.51
30 June 2000	\$3.83
30 June 2001	\$4.59

CHAIRMAN'S REPORT (Cont...)

Comparative Investment Graph



The graph above shows how an investment in the Company has grown over the years, if all dividends were reinvested, as compared to the Australian All Ordinaries Accumulation Index.

The equity portfolio of the Company is invested in Australian equities and at 30 June, 2001 was spread over 57 companies. The Annual Report provides a list of the shareholdings at 30 June 2001 and 30 June 2000, the changes to the portfolio during the year, and the market values as at 30 June 2001 of each investment together with its percentage of the portfolio.

CHAIRMAN'S REPORT (Cont...)

As at 30 June 2001, the twenty-five largest shareholdings of the Company, at market values were:

Company	Market Value \$'000	% of Market Value of Total Investments
1. National Australia Bank Ltd	35,050	10.84%
2. WMC Ltd	22,513	6.96%
3. ANZ Banking Group Ltd	22,359	6.91%
4. Wesfarmers Ltd	16,795	5.19%
5. Westpac Banking Corporation Ltd	14,460	4.47%
6. F H Faulding & Co Ltd	12,850	3.97%
7. Rio Tinto Ltd	11,608	3.59%
8. Vision Systems Ltd		
- Ordinary	4,874	1.51%
- Ordinary Ex Prefs	5,541	1.71%
9. News Corporation Ltd		
- Ordinary	9,443	2.92%
- Preference	284	0.09%
10. Commonwealth Bank Ltd	9,568	2.95%
11. Tabcorp Holdings Ltd	9,500	2.94%
12. Brambles Industries Ltd	8,160	2.52%
13. Diversified United Investement Ltd	8,007	2.48%
14. Woodside Petroleum Ltd	7,882	2.44%
15. Telstra Corporation Ltd	7,145	2.21%
16. Southern Cross Broadcasting (Aust) Ltd	6,856	2.12%
17. BHP Billiton Ltd		
- Ordinary	3,117	0.96%
- Ordinary Bonus Def	3,403	1.05%
18. Perpetual Trustees Australia Ltd	4,895	1.51%
19. CSL Ltd	4,856	1.50%
20. AMP Ltd	4,838	1.50%
21. Cable & Wireless Optus Ltd	4,815	1.49%
22. Woolworths Ltd	4,257	1.32%
23. Australian Gas Light Company Ltd	4,240	1.31%
24. Coles Myer Ltd	4,018	1.24%
25. Illuka Resources Ltd	3,944	1.22%
	<u>255,278</u>	<u>78.93%</u>

Total Portfolio Market Value (including the cash management trust investments) 323,388



C B Goode

Chairman

10th August 2001

Corporate Governance Statement

The Board has a corporate governance policy. The Directors of the Company both recognise and support the need for strong ethical standards and accountability for the conduct of the affairs of the Company. Directors actively participate in their roles, both on the Board and through the Audit Committee, and have established business and professional credentials to provide the required range of skills, knowledge and experience to fulfil their responsibilities. The Board as a whole reviews risk management procedures and considers Board composition.

The Company has an Audit Committee which monitors internal controls and financial systems and acts as a conduit between the Board of Directors and the auditors, KPMG. For the year ending 30 June 2001 all members of the Board were members of the Audit Committee.

The broad remuneration policy is to ensure the remuneration package properly reflects the directors duties and responsibilities. The amount of the Chairman's remuneration reflects his additional responsibilities and contribution as Chairman of Directors. Apart from the Directors, the Company has no officers whom it remunerates. The Directors are satisfied that the Company's remuneration policy is consistent with the Company's performance.

Directors' Report

The Directors present their report together with the financial report of Australian United Investment Company Limited for the year ended 30 June 2001 and the auditors' report thereon.

Directors

The names of each person who has been a Director of the Company at any time during or since the end of the financial year are:

**Charles B. Goode AC, B.Com. (Hons), MBA (Columbia), Hon LLD (Melb).
Chairman
Age 62**

Mr Goode was appointed to the Board of the Company in April 1990 and has been Chairman of the Company since 1994. He is Chairman of Australia and New Zealand Banking Group Ltd, Woodside Petroleum Ltd, Diversified United Investment Limited and The Ian Potter Foundation Ltd. He is a Director of Singapore Airlines Ltd and Air New Zealand Ltd.

**Graeme E. Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.
Director
Age 69**

Mr. Moir has had 40 years experience in the share investment field. He joined the Board in March 1976, is the principal of the investment management firm, Moir's Investment Service Pty. Ltd., is a Director of Graeme Moir and Associates Pty. Ltd. and Diversified United Investment Limited.

**Frank L. Nelson B.A., LL.M.
Director
Age 74**

Mr. Nelson is a solicitor with 51 years experience. He joined the Board in December 1983. He formerly practised as a partner in Corrs Chambers Westgarth solicitors and its predecessor law firms, and was Chairman of Partners for 8 years. He is currently General Manager Superannuation, Law Institute Victoria. Mr. Nelson has been a Director of various public and proprietary companies, currently including The Ian Potter Foundation Ltd. He is Chairman of the Company's Audit Committee.

**Dr P John B Rose BCom (NZ), DipEc (Camb),
PhD(Melb).
Director
Age 65**

Dr Rose was appointed to the Board in April 2000. He was appointed Sidney Myer Professor of Commerce and Business Administration of the University of Melbourne in 1978 and was the Director of Melbourne Business School from 1984 to 2000. Formerly he was Advisor to the Prime Minister, 1977 – 1983, and Commissioner of the City of Melbourne, 1993 – 1996. He is a Director of Australian Ballet Centre, The Ian Potter Foundation Ltd, Air New Zealand Ltd, Woodside Petroleum Ltd, and member of the Strategic Advisory Committee, John Curtin School of Medical Research.

Directors' Meetings

The number of Directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Directors' Meetings		Audit Committee Meetings	
	No. of Meetings attended	No. of Meetings eligible	No. of Meetings attended	No. of Meetings eligible
Charles B Goode	11	11	2	2
Graeme E Moir	11	11	2	2
P John Rose	11	11	2	2
Frank L Nelson	8	11	2	2

Directors' Emoluments

Details of the nature and amount of each major element of the emoluments of each Director of the Company are:

Director	Base Emolument \$	Superannuation Contributions \$	Total \$
Charles B Goode	1,000	49,000	50,000
Graeme E Moir	1,000	24,000	25,000
Frank L Nelson	25,000	-	25,000
P John Rose	23,148	1,852	25,000

Directors' Interests

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

Directors	Shares	
	1	2
Charles B Goode	30,000	272,250
Graeme E Moir	50,000	-
Frank L Nelson	-	32,665
P John Rose	38,000	-

Note:

- Beneficial in own name
- Held by proprietary company or superannuation fund in which the Director has a beneficial interest.

Except as stated above, no Director -

- has any relevant interest in shares of the Company or a related body corporate;
- has any relevant interests in debentures of, or interests in a registered scheme made available by, the company or a related body corporate;

Directors' Report (Cont...)

(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.

Dividends

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

Final dividend for the year ended 30 June 2000 of 8.0 cents per share fully franked paid on 9 October 2000 (as shown in the 2000 Directors' Report) \$5,133,382

Interim dividend for the year ended 30 June 2001 of 5.0 cents per share fully franked paid 11 April 2001 \$3,208,364

Final dividend for the year ended 30 June 2001 of 8.0 cents per share fully franked paid on 20 June 2001 \$5,133,382

Principal Activity of the Company

The principal activity of the Company is that of an investment company which seeks, through portfolio diversification, to reduce risk and, by professional management, to improve its income from dividends and other income over the longer term.

The Company's funds are invested predominantly in the shares of companies listed on the Australian Stock Exchange and its portfolio market value (including the cash management trust investments and commercial bills) was \$323,388,284 as at 30 June 2001 (2000: \$247,865,226). The net tangible asset backing of the Company's ordinary shares at 30 June 2001 was \$4.59 (2000: \$3.83) after payment of the final dividend. This net asset backing calculation is based on investments at market value and is after provision for tax on net realised gains and before tax on unrealised gains. The Company is a long term investor and does not intend disposing of its portfolio. However if estimated tax at the new corporate rate of 30% on unrealised portfolio gains were to be deducted, the above figure would be \$4.01 (2000 at 34% \$3.36).

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

Results and Review of Operations

The operating profit after income tax and before investment fluctuations was \$10,597,613 compared to \$8,976,966 in the previous year - an increase of 18%. The earnings per share were 16.52 cents compared to 13.99 cents for the previous year.

Formerly, the Company's policy was to revalue its investments to market value half yearly at 30 June and 31 December. In the year to 30 June 2000 the net profit after tax and after losses on the sale of long term investments of \$3,729,234 was \$5,247,732. From 1 July 2000, the Company elected to revalue its investments to market value continuously. This means that realised gains and losses arising from the disposal of investments are transferred from the Asset Revaluation Reserve to the Investment Fluctuation Reserve and are not recognised in the Statement of Financial Performance.

The Company incurred operating expenses (excluding borrowing costs) of \$351,126 (2000: \$313,949) which is equivalent to 0.12% (2000: 0.13%) of the average market value of the portfolio.

During the year there was a change in the tax law which discontinued the previously allowed tax rebate to listed public companies on unfranked dividend income. A rebate now only applies to franked dividend income. This led to an income tax provision of \$246,489 in the year to 30 June 2001. There was no taxation applicable to the disposal of investments based on the indexed original costs of those investments.

The Board decided to borrow \$30 million from its banker (previous year \$1.5 million) to modestly gear the investment portfolio at around 10%. The change to the taxation on unfranked dividend income had the consequential effect of increasing the taxable income against which interest costs could be deducted.

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 year under review other than the change to the taxation on unfranked dividend income and the Company entering into borrowings referred to above.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that in the opinion of the Directors of the Company has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Directors' Report (Cont...)

Likely Developments

The Australian Government has announced that from 1 July 2001 shareholders of Listed Investment Companies (LIC's) will receive comparable treatment to investors in managed funds for distributions sourced from eligible capital gains. Legislation giving effect to these changes has not yet been released but the Government has announced that LIC's will continue to be assessed for income tax as an entity separate from their shareholders, dividend statements provided by LIC's will separately identify income sourced from the disposal of eligible capital gains tax assets, and LIC shareholders will effectively be assessed on only 50 per cent of the gross distribution from an eligible capital gain. Once legislation is finalised the Company will consider any impact on its investment, accounting and distribution policies.

Indemnification

During or since the end of the financial year, no indemnity has been given and no insurance premium has been paid for a person who is or has been an officer or auditor.

Dated at Melbourne this 10th day of August 2001

Signed in accordance with a resolution of the Directors:



C B Goode
Director

Statement of Financial Performance for the Year Ended 30 June 2001

	Note	2001 \$	2000 \$
Revenue from operating activities		12,139,535	9,406,103
Revenue from the sale of long term investments		36,633,967	20,050,519
Total ordinary revenue	2 (a)	48,773,502	29,456,622
Carrying value of investments sold	1 (b)	(36,633,967)	(23,779,753)
Administrative expenses		(351,126)	(313,949)
Borrowing costs		(944,307)	(115,524)
Profit from ordinary activities before related income tax expense	2 (b)	10,844,102	5,247,396
Income tax (expense)/benefit relating to ordinary activities	4 (a)	(246,489)	336
Profit from ordinary activities after related income tax expense		10,597,613	5,247,732
Net profit		10,597,613	5,247,732
Non-owner transaction changes in equity			
Increase in reserves			
Asset Revaluation Reserve	15	35,010,929	13,841,672
Investment Fluctuation Reserve	15	11,182,920	10,077,316
Total changes in equity from non-owner related transactions	17	56,791,462	29,166,720
Basic earnings per share (cents per share) before investment fluctuations	5	16.52	13.99
Basic earnings per share (cents per share) after investment fluctuations	5	16.52	8.18

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 12 to 18.

Statement of Financial Position as at 30 June 2001

	Note	2001 \$	2000 \$
CURRENT ASSETS			
Cash assets		162,094	175,971
Receivables	7	1,825,134	4,633,723
Investments	8	2,915,636	2,571,283
Other	9	143,770	4,025
Total Current Assets		<u>5,046,634</u>	<u>7,385,002</u>
NON-CURRENT ASSETS			
Investments	8	320,472,648	245,293,943
Deferred tax assets	4 (d)	20,739	9,904
Total Non-Current Assets		<u>320,493,387</u>	<u>245,303,847</u>
TOTAL ASSETS		<u>325,540,021</u>	<u>252,688,849</u>
CURRENT LIABILITIES			
Payables	10	818,845	17,359
Interest-bearing liabilities	11	30,000,000	1,500,000
Current tax liabilities	4 (b)	193,358	-
Provisions	13	-	5,133,382
Total Current Liabilities		<u>31,012,203</u>	<u>6,650,741</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	4 (c)	-	6
Provisions	13	69,129	29,129
Total Non-Current Liabilities		<u>69,129</u>	<u>29,135</u>
TOTAL LIABILITIES		<u>31,081,332</u>	<u>6,679,876</u>
NET ASSETS		<u>294,458,689</u>	<u>246,008,973</u>
EQUITY			
Contributed equity	14	88,193,564	88,193,564
Reserves	15	193,096,437	146,902,588
Retained profits	16	13,168,688	10,912,821
TOTAL EQUITY	17	<u>294,458,689</u>	<u>246,008,973</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 18.

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 \$ Inflows/ (Outflows)	2000 \$ Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		292,317	227,051
Dividends received		11,553,318	9,047,555
Fees and other income received		57,730	6,977
Interest paid		(1,081,159)	(119,549)
Cash payments in the course of operations		(226,336)	(316,509)
Income taxes (paid)/refunded		(47,527)	24,629
Net cash provided by operating activities	21	<u>10,548,343</u>	<u>8,870,154</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		39,672,717	17,011,769
Net receipts from bank bills		-	4,000,000
Payments for investments		(64,915,456)	(25,760,721)
Net cash utilised by investing activities		<u>(25,242,739)</u>	<u>(4,748,952)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(13,475,128)	(7,165,338)
Proceeds from borrowings		28,500,000	1,500,000
Net cash provided/(utilised) by financing activities		<u>15,024,872</u>	<u>(5,665,338)</u>
Net increase/(decrease) in cash held		<u>330,476</u>	<u>(1,544,136)</u>
Cash at beginning of the financial year		<u>2,747,254</u>	<u>4,291,390</u>
Cash at the end of the financial year	21	<u>3,077,730</u>	<u>2,747,254</u>

This statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 18.

Notes to the Financial Statements for the year ended 30 June 2001

1. Statement of Significant Accounting Policies

a) Basis of Preparation

This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied and, except where otherwise noted, are consistent with those of the previous year.

b) Investments

Formerly, the Company's policy was to revalue its investments to market value half yearly at 30 June and 31 December. From 1 July 2000, the Company elected to revalue its investments to market value continuously. This means that realised gains and losses arising from the disposal of investments are transferred from the Asset Revaluation Reserve to the Investment Fluctuation Reserve and are not recognised in the Statement of Financial Performance.

c) Revaluation Of Investments

An increase in the value of the portfolio is credited to the Asset Revaluation Reserve. A decrease in the value of the portfolio is debited to the Asset Revaluation Reserve to the extent of the balance of the Reserve, with any amount in excess of the balance debited to the statement of financial performance for the year.

No provision for any potential capital gains tax liability is made when investments are revalued. Capital gains tax is provided for in the period in which an asset is sold.

In the spirit of the previous provisions of the Corporations Law relating to declared investment companies (refer to Note 1(d) below), the Asset Revaluation Reserve is not considered by the Directors to be available for the payment of dividends.

d) Investment Fluctuation Reserve

The Company was a Declared Investment Company under the Corporations Law until 30 June 1998 and accordingly was prohibited by the Law from distributing profits from sale of securities as dividends. These profits or losses were required to be treated as increases or decreases of the Investment Fluctuation Reserve.

On 1 July 1998 the Company Law Review Act 1998 came into force and the statutory concept of a Declared Investment Company was abolished. The Company's Constitution now embodies the former statutory principles. Accordingly, net profits and losses from the purchase and sale of securities must still be respectively credited and debited to a reserve account to be called the Investment Fluctuation Reserve, and this reserve is not available for the payment of dividends, but is available for the payment of income tax in respect of profits or gains from the sale of securities.

e) Revenue Recognition

Revenue from Ordinary Activities

Revenue from operating activities

The activity of the Company is that of an investment company, returns being in the form of dividends, interest income, trust income and sub-underwriting income. Dividend income is recognised at the ex-dividend date.

Revenue from other than operating activities

The proceeds of sale of long term investments are considered to be other revenue of the Company.

f) Taxation

Income tax has been brought to account using the income statement liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or provision for deferred income tax.

g) Cash Flows

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and units in a cash management fund, net of outstanding bank overdrafts.

h) Borrowing Costs

Borrowing costs include amortisation of premiums related to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of such borrowings and all interest costs. Borrowing costs are expensed as incurred.

Notes to the Financial Statements for the year ended 30 June 2001

2. Revenue and Operating Profit

	Note	2001 \$	2000 \$
a) Revenue from ordinary activities			
<i>From operating activities</i>			
Dividends received or due and receivable	11,787,871	9,177,740	
Interest received or due and receivable	293,934	226,449	
Sub-underwriting income	31,000	1,914	
Trust distributions	26,730	-	
	12,139,535	9,406,103	
<i>From other than operating activities</i>			
Gross proceeds from the sale of investments	36,633,967	20,050,519	
Total revenue from ordinary activities	48,773,502	29,456,622	
b) Operating Profit before Income Tax			
Revenue from operating activities	12,139,535	9,406,103	
<i>Expenses:</i>			
<i>Administrative expenses</i>			
Auditors' remuneration received, or due and receivable, by the auditors for:			
- auditing the accounts	22,000	22,000	
- other services	3,816	3,000	
Share registry fees	14,809	17,114	
ASX fees and ASIC lodgement fees	21,616	25,321	
Administration and accounting	92,250	59,500	
Directors' fees	125,000	123,915	
Provision for Directors' Retirement Allowance	40,000	35,000	
General expenses	31,635	28,099	
<i>Borrowing costs</i>			
Interest expenses	941,415	115,524	
Other	2,892	-	
Total Expenses	1,295,433	429,473	
	10,844,102	8,976,630	
Investment fluctuations	3	-	(3,729,234)
Profit from ordinary activities before related income tax expense		10,844,102	5,247,396

3. Investment Fluctuations

	Note	2001 \$	2000 \$
Profit on sales of investments		-	1,651,011
Loss on sales of investments		-	(5,380,245)
Net profit/(loss) on sales		-	(3,729,234)
Less Capital Gains Tax		-	-
		-	(3,729,234)

Refer to Note 1(b) & (d) for the treatment of investment fluctuations.

4. Taxation

(a) Income Tax Expense

Prima facie income tax expense calculated at 34% (2000 at 36%) on the profit from ordinary activities	3,686,995	3,231,587
Less tax effect of permanent differences		
Rebate on dividend income	(3,339,352)	(3,161,548)
Other permanent differences	(103,919)	(70,957)
Prima facie tax adjusted for permanent differences	243,724	(918)
Restatement of deferred tax balances due to change in company tax rate	2,765	582
Income tax expense/(benefit) attributable to profit from ordinary activities	246,489	(336)
Comprising:		
Current income tax provision	257,330	-
Deferred income tax provision-current year	(6)	(12,032)
Future income tax benefit-current year	(10,835)	11,696
	246,489	(336)

(b) Provision for current income tax

Movements during the year were as follows:		
Balance at the beginning of the year	(16,445)	(41,073)
Tax (Paid)/Refunded	-	41,073
Dividend Withholding Tax	(47,527)	(16,445)
Current year's income tax expense on operating profit	257,330	-
	193,358	(16,445)

Notes to the Financial Statements for the year ended 30 June 2001

4. Taxation (Cont..)

Note	2001 \$	2000 \$
(c) Provision for deferred income tax		
Timing differences between tax and accounting income	-	6
(d) Future income tax benefit		
Timing differences between tax and accounting income	20,739	9,904

(e) Future income tax benefit not taken to account

The potential future income tax benefit of the Company arising from capital tax losses has not been recognised as an asset because recovery of capital tax losses is not virtually certain.

2001 \$	2000 \$
71,850	1,166

The potential future income tax benefit will only be obtained if:

- the Company derives future assessable capital gains of a nature and an amount to enable the benefit to be realised;
- the company continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

5. Earnings Per Share

	2001 Cents	2000 Cents
Basic earnings per share based on operating profit after income tax and before investment fluctuations	16.52	13.99
Basic earnings per share based on operating profit after income tax and investment fluctuations	16.52	8.18

There are no factors which cause diluted earnings per share to be different from basic earnings per share.

The basic earnings per share for the 2000 and 2001 year are calculated on the 64,167,271 shares on issue throughout the year.

6. Dividends

Note	2001 \$	2000 \$
Dividends provided for or paid by the Company are:		
(i) an interim dividend of 5.0 cents per share (2000: 4.5 cents) fully franked at 34% paid 11 April 2001; and	3,208,364	2,887,527
(ii) a final dividend of 8.0 cents per share (2000: 8.0 cents) fully franked at 34% paid 20 June 2001.	5,133,382	5,133,382
	16	8,341,746
		8,020,909

Dividend Franking Account

The balance of the franking account at 30 June 2001 at 30% is \$945,773, and after the adjustments referred to below is \$3,014,073 (compared to \$1,189,594 at 34% at 30 June 2000).

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at year end
- franking credits that will arise from the receipt of dividends recognised as receivables at year end
- franking credits that the entity may be prevented from distributing in subsequent years

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

7. Receivables

	2001 \$	2000 \$
Current		
Dividends Receivable	1,807,336	1,572,782
Interest Receivable	7,363	5,746
Prepaid Income Tax	-	16,445
Other	10,435	-
Investments not yet settled	-	3,038,750
	1,825,134	4,633,723

Notes to the Financial Statements for the year ended 30 June 2001

8. Investments

Note	2001 \$	2000 \$
<i>Current</i>		
Units in unlisted cash management trusts-at cost	2,915,636	2,571,283
	2,915,636	2,571,283
<i>Non-Current</i>		
Investments quoted on prescribed stock exchanges (at current market value)		
Ordinary shares in other corporations	316,477,739	240,494,723
Options in respect of shares in other corporations	-	20,520
Convertible preference shares	2,495,909	4,261,700
Convertible notes	1,499,000	517,000
	320,472,648	245,293,943

The amount of capital gains tax that would be payable if the quoted shares in other corporations were sold at balance date at the disclosed market values should not exceed \$42,074,014 or \$37,124,130 at the new corporate rate of 30% (2000: \$30,587,307).

9. Other Assets

	2001 \$	2000 \$
<i>Current</i>		
Prepayments	143,770	4,025

10. Payables

	2001	2000
<i>Current</i>		
Trade Creditors	115,485	15,250
Other Creditors and Accruals	703,360	2,109
	818,845	17,359

11. Interest Bearing Liabilities

	2001	2000
<i>Current</i>		
Bills Payable - Unsecured	30,000,000	1,500,000

12. Financing Arrangements

The Company has access to the following lines of credit:		
Total facility available Commercial Bill Facility-Unsecured	30,000,000	10,000,000
Facilities utilised at balance date Commercial Bill Facility-Unsecured	30,000,000	1,500,000

13. Provisions

Note	2001 \$	2000 \$
<i>Current</i>		
Dividends	-	5,133,382
	-	5,133,382
<i>Non-Current</i>		
Directors' retirement allowance	69,129	29,129
	69,129	29,129

14. Contributed Equity

Issued and paid-up share capital 64,167,271 (2000: 64,167,271) ordinary shares, fully paid	88,193,564	88,193,564
Movements in ordinary share capital Balance at the beginning of the financial year	88,193,564	88,193,564
Movement during year	-	-
	88,193,564	88,193,564

15. Reserves

Asset revaluation reserve	154,529,044	119,518,115
Investment fluctuation reserve	38,567,393	27,384,473
	193,096,437	146,902,588

Movements in reserves during the year:

<i>Asset Revaluation Reserve</i>		
Balance at the beginning of the financial year	119,518,115	105,676,443
Add surplus on revaluation of investments	46,193,849	23,918,988
Less transfer to the Investment Fluctuation Reserve of revaluation increments from prior years realised on sales	(11,182,920)	(10,077,316)
Balance at the end of the financial year	154,529,044	119,518,115

Investment Fluctuation Reserve

Balance at the beginning of the financial year	27,384,473	21,036,391
Add Profit/(Loss) on sale of investments before tax transferred from statement of financial performance	-	(3,729,234)
Add transfer from the Asset Revaluation Reserve of revaluation increments from prior years realised on sales	11,182,920	10,077,316
Balance at the end of the financial year	38,567,393	27,384,473

Refer to Notes 1(b), 1(c) and 1(d) for information regarding the restrictions on use of the Asset Revaluation Reserve and the Investment Fluctuation Reserve.

Notes to the Financial Statements for the year ended 30 June 2001

Notes to the Financial Statements for the year ended 30 June 2001

16. Retained Profits

	Note	2001 \$	2000 \$
Retained profits at the beginning of the year		10,912,821	9,956,764
Net profit		10,597,613	5,247,732
Transfer from Investment Fluctuation Reserve		-	3,729,234
Dividends provided for or paid	6	(8,341,746)	(8,020,909)
Retained profits at the end of the year		<u>13,168,688</u>	<u>10,912,821</u>

17. Total Equity Reconciliation

Total equity at the beginning of year	246,008,973	224,863,162
Total changes in equity recognised in the statement of financial performance	56,791,462	29,166,720
Transactions with owners as owners Dividends	(8,341,746)	(8,020,909)
Total equity at end of year	<u>294,458,689</u>	<u>246,008,973</u>

18. Segment Reporting

The Company operates as an investment company in Australia.

19. Remuneration of Directors

Directors' income

Total income paid or payable, or otherwise made available, to all Directors of the Company from the Company or any related party:

125,000	123,915
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The number of Directors of the Company included in this figure are shown below in their relevant band.

	Number	
Income of:		
\$0 to \$9,999	-	1
\$20,000 to \$29,999	3	3
\$30,000 to \$39,999	-	1
\$50,000 to \$59,999	<u>1</u>	<u>-</u>

Retirement Benefits

Provision for Directors' Retirement Allowance	<u>69,129</u>	<u>29,129</u>
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The Company has entered into retiring allowance agreements with each of its Directors as authorised by resolution of the 1998 annual general meeting. Provision is being made for payment under those arrangements.

20. Related Parties

Directors and director-related entities

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

For part of the year Mr F L Nelson was a consultant to Corrs Chambers Westgarth, Solicitors and shared in the profit of that firm.

The firm receives normal professional fees for legal services rendered to the Company.

Under an agreement between the Company and The Myer Family Office Pty Ltd (formerly M F Management Pty Ltd), The Myer Family Office Pty Ltd provided company secretarial, accounting and administrative services during the year for a fee of \$90,000 plus GST (2000: \$59,500). The fee is on normal commercial terms and is subject to annual review. The Myer Family Office Pty Ltd also earned a fee on short term deposits placed by the Company during the year with the M F Cash Management Fund.

Remuneration and retirement benefits paid or payable, or otherwise made available, to the Directors of the Company are disclosed in note 19 to the accounts.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Directors' Holdings of Shares

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

DIRECTORS	SHARES June 2001		SHARES June 2000	
	1	2	1	2
Charles B Goode	30,000	272,250	30,000	90,000
Graeme E Moir	50,000	-	40,000	-
Frank L Nelson	-	32,665	-	32,665
P John B Rose	38,000	-	-	-

- Beneficial in own name
- Held by proprietary company or superannuation fund in which the Director has a beneficial interest

The movement in Directors' holdings of ordinary shares resulted from purchases on the open market.

Notes to the Financial Statements for the year ended 30 June 2001

21. Notes to the Statement of Cash Flows

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 as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	2001 \$	2000 \$
Cash	162,094	175,971
Investments – Units in Cash Management Trusts (Note 8)	2,915,636	2,571,283
	<u>3,077,730</u>	<u>2,747,254</u>

Reconciliation of operating profit after income tax to net cash provided by operating activities

Operating profit after income tax	10,597,613	5,247,732
Add/(less) items classified as investing activities:		
Loss/(profit) on sales of investments after income tax	-	3,729,234
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividends receivable	(234,554)	(130,183)
(Increase)/decrease in interest receivable	(1,617)	3,187
(Increase)/decrease in other debtors	(10,435)	5,063
Increase/(decrease) in taxes payable	209,803	24,628
(Increase)/decrease in future tax benefits	(10,835)	11,696
Increase/(decrease) in deferred taxes payable	(6)	(12,032)
Increase/(decrease) in accrued expenses	98,119	(1,036)
(Increase)/decrease in prepayments	(139,745)	25,320
Increase/(decrease) in provisions	40,000	(30,871)
Increase/(decrease) in unearned income	-	(2,584)
Net cash provided by operating activities	<u>10,548,343</u>	<u>8,870,154</u>

22. Additional Financial Instruments Disclosure

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2001 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

	Note	Floating Interest Rate \$	Total \$
Financial Assets - 2001			
Cash		162,094	162,094
Investments	8	2,915,636	2,915,636
Total		3,077,730	3,077,730
Weighted Average Interest Rate		4.87%	

	Note	Floating Interest Rate \$	Total \$
Financial Assets - 2000			
Cash		175,971	175,971
Investments	8	2,571,283	2,571,283
Total		2,747,254	2,747,254
Weighted Average Interest Rate		4.36%	

The Company has a borrowing facility in place for up to \$30,000,000 with National Australia Bank Ltd (2000: \$10,000,000). At balance date the Company utilised \$30,000,000 of this commercial bill facility with \$15,000,000 being drawn down at a fixed rate of 6.71% until 16 October 2003 and the remaining \$15,000,000 currently being rolled every 30 days. The facility is supported by a negative pledge and undertakings and will expire on 16 October 2003. During the year the Company was exposed to an interest rate of 6.49% (2000: 6.90%).

Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company minimises concentration of credit risk by undertaking transactions with a number of counterparties which are recognised banks, cash management trusts or members of the Australian Stock Exchange.

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:

On Statement of Financial Position 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 current quoted market closing prices at balance date. No adjustment for transaction costs necessary to realise the assets has been included as these are deemed to be immaterial. The net fair value of investments is set out in note 8.

Directors' Declaration

The Directors of Australian United Investment Company Limited declare:

- that the financial statements and the notes as set out on pages 9 to 18 comply with the accounting standards; and
- that the financial statements and notes give a true and fair view of the financial position and performance of the Company; and
- that, in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- That in the Directors' opinion the financial statements and notes are in accordance with the Corporations Act 2001, including section 296 (compliance with accounting standards) and section 297 (true and fair view).

This declaration is made at Melbourne on 10th August 2001 in accordance with a resolution of the Directors.

Signed:



C B Goode
Director

Independent Auditors' Report to the Members of Australian United Investment Company Limited



Scope

We have audited the financial report of Australian United Investment Company Limited for the financial year ended 30 June 2001, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes, and the directors declaration (set out on pages 9 to 19). The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the result of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Australian United Investment Company Limited is in accordance with:

(a) the Corporations Act 2001, including:

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

(b) other mandatory professional reporting requirements.

KPMG

KPMG

D N Bartley
Partner
Melbourne

10th August, 2001

Additional Information for the Australian Stock Exchange

Distribution of shareholders as at 31 July 2001.

Category Holders	Ordinary Shares		
	Units Held	No of Holders	%
1-1,000	41,184	72	0.07
1,001-5,000	1,030,281	354	1.60
5,001-10,000	1,725,840	235	2.69
10,001 and 100,000	7,947,093	312	12.38
100,001 and over	53,422,873	40	83.26
	64,167,271	1,013	100.00

There were 6 ordinary shareholders holding less than a marketable parcel (100 shares) at 31 July 2000.

Substantial Shareholders

The names of Substantial Shareholders and the number of equity securities in which each has an interest as disclosed in substantial shareholder notices given to the Company as at 31 July 2001 are:

<i>Substantial Shareholder</i>	<i>Number of Shares to which Substantial Shareholder is "entitled"</i>
The Ian Potter Foundation Limited and Dundee Trading Pty Ltd	26,398,843
Argo Investments Ltd	7,372,966
Lady Primrose Catherine Potter and Primrose Properties Pty Ltd	4,850,863

Voting Rights

All ordinary shares carry equal voting rights.

Additional Information for the Australian Stock Exchange

Twenty Largest Equity Security Holders

The twenty largest shareholders, listed below as at 31 July 2001, hold 50,532,931 ordinary shares which is 78.74% of the issued capital.

Ordinary Shares

Shareholder Name	No. of shares	% Held
1. The Ian Potter Foundation Ltd	21,420,676	33.38
2. Argo Investments Ltd	8,759,096	13.65
3. Robin Bernice Potter	5,475,000	8.53
4. Primrose Properties Pty Ltd	5,411,036	8.43
5. Dundee Trading Pty Ltd	2,969,487	4.63
6. The Miller Foundation Ltd	1,200,000	1.87
7. Melbourne Business School Ltd	849,954	1.32
8. Lady Primrose Catherine Potter	750,000	1.17
9. Helen M Schutt Nominees Ltd	568,975	0.89
10. The University of Melbourne	564,224	0.88
11. Daryl Albert Dixon & Katherine Dixon	418,906	0.65
12. Pardis Pty Ltd	377,722	0.59
13. Decerna Pty Ltd	270,118	0.42
14. Matluc Nominees Pty Ltd	230,754	0.36
15. Charmof Nominees Pty Ltd	227,081	0.35
16. Bounty Investments Ltd	225,000	0.35
17. Duesburys Services Pty. Ltd <Carolyn Anne Parker Bowles>	224,850	0.35
18. St Hilda's College Nominees Pty Ltd	203,022	0.32
19. Heathbury Pty Ltd	200,001	0.31
20. Lorna Elizabeth Pitt	187,029	0.29

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2001 totalled \$200,495 (2000: \$143,036). None of that brokerage was paid to any stock or share broker, or any employee or nominee of any stock or share broker, who is an officer of the Company.

List of Investments as at 30 June 2001

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

	Market Value \$	30/6/01 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/00 Units Held
<i>Other Metals (8.28%)</i>					
Comalco Ltd	-	-	-	400,000 Sold	400,000
Iluka Resources Ltd	3,944,000	1.22	800,000	-	800,000
Pasminco Ltd	310,000	0.10	1,000,000	1,000,000 Purchased	-
WMC Ltd	22,513,000	6.96	2,350,000	1,500,000 Purchased	850,000
<i>Solid Fuels (0.00%)</i>					
QCT Resources Ltd	-	-	-	1,100,000 Sold	1,100,000
<i>Energy (3.10%)</i>					
Santos Ltd	2,141,103	0.66	329,908	-	329,908
Woodside Petroleum Ltd	7,881,600	2.44	480,000	-	480,000
<i>Diversified Resources (5.60%)</i>					
BHP Billiton Def Bonus	3,402,675	1.05	319,500	Acquired through dual listing	-
BHP Billiton Ltd	3,117,000	0.96	300,000	-	300,000
Rio Tinto Ltd	11,607,600	3.59	340,000	138,000 Purchased	202,000
<i>Developers & Contractors (1.56%)</i>					
Australand Holdings Ltd	1,303,100	0.40	830,000	830,000 Purchased	-
Hanson plc	-	-	-	85,000 Sold	85,000
Lend Lease Corporation Ltd	3,765,000	1.16	300,000	-	300,000
<i>Building Materials (1.16%)</i>					
CSR Ltd	3,763,000	1.16	530,000	500,000 Sold	1,030,000
<i>Alcohol & Tobacco (1.19%)</i>					
Foster's Brewing Group Ltd	3,836,000	1.19	700,000	295,000 Purchased	405,000
<i>Chemicals (0.69%)</i>					
Orica Ltd	2,225,000	0.69	500,000	350,000 Purchased	150,000
<i>Paper & Packaging (1.97%)</i>					
Amcor Ltd	3,310,000	1.02	500,000	50,000 Purchased	450,000
CPI Group Ltd	-	-	-	-	-
- Convertible Preference	1,037,000	0.32	610,000	-	610,000
Paperlinx Ltd	2,030,000	0.63	500,000	-	500,000
<i>Retail (3.58%)</i>					
Coles Myer Ltd	4,018,414	1.24	635,825	-	635,825
Foodland Associated Ltd	3,306,000	1.02	300,000	300,000 Purchased	-
Woolworths Ltd	4,257,000	1.32	387,000	-	387,000
<i>Transport (3.11%)</i>					
Adsteam Marine Ltd	1,910,000	0.59	1,000,000	1,000,000 Purchased	-
Brambles Industries Ltd	8,160,000	2.52	170,000	-	170,000

List of Investments as at 30 June 2001

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

	Market Value \$	30/6/01 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/00 Units Held
<i>Media and Communications (10.8%)</i>					
AAPT Ltd	-	-	-	225,000 Sold	225,000
APN News & Media Ltd	707,000	0.22	175,000	-	175,000
Cable & Wireless Optus Ltd	4,814,986	1.49	1,297,840	-	1,297,840
Fairfax Holdings Ltd	2,835,000	0.88	700,000	300,000 Purchased	400,000
News Corporation Ltd	9,443,363	2.92	524,059	-	524,059
News Corporation Ltd - Preferred Shares	284,238	0.09	18,024	-	18,024
PMP Communications Ltd	-	-	-	1,000,000 Sold	1,000,000
Southern Cross Broadcasting (Aust) Ltd	6,856,400	2.12	562,000	152,000 Purchased	410,000
Telstra Corporation Ltd	7,144,640	2.21	1,328,000	-	1,328,000
Ten Network Holdings Ltd	740,000	0.23	400,000	400,000 Purchased	-
West Australian Newspapers Ltd	2,070,301	0.64	414,890	-	414,890
<i>Banks (25.18%)</i>					
ANZ Banking Group Ltd	22,358,700	6.91	1,323,000	-	1,323,000
Commonwealth Bank Ltd	9,567,669	2.96	280,166	-	280,166
National Australian Bank Ltd	35,050,000	10.84	1,000,000	-	1,000,000
Westpac Banking Corporation Ltd	14,460,072	4.47	1,000,005	34,710 Purchased	965,295
<i>Investment & Financial Services (3.99%)</i>					
Diversified United Investment Ltd	8,006,919	2.48	4,304,795	-	4,304,795
Perpetual Trustees Limited	4,894,882	1.51	119,650	-	119,650
<i>Insurance (3.75%)</i>					
AMP Ltd	4,837,800	1.50	220,000	-	220,000
OBE Insurance Group Ltd	3,543,000	1.10	300,000	18,750 Purchased	281,250
Tower Ltd	3,727,961	1.15	902,654	-	902,654
<i>Property (1.04%)</i>					
Delfin Property Group Ltd	3,379,320	1.04	447,000	297,000 Purchased	150,000
<i>Miscellaneous Industrials (1.89%)</i>					
Atkins Carlyle Ltd	2,000,000	0.62	800,000	800,000 Purchased	-
Coventry Group Ltd	2,676,428	0.83	713,714	377,007 Purchased	336,707
Crane Group Ltd	1,430,000	0.44	200,000	200,000 Purchased	-
<i>Miscellaneous Services (5.79%)</i>					
Ausdoc Ltd	-	-	-	100,000 Purchased 300,000 Sold	200,000
ERG Ltd	2,160,000	0.67	1,500,000	1,200,000 Purchased	300,000
GWA International Ltd	1,175,000	0.36	500,000	500,000 Purchased	-
Lemarne Corporation Ltd	1,080,000	0.33	1,000,000	504,781 Purchased	495,219

List of Investments as at 30 June 2001

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

	Market Value \$	30/6/01 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/00 Units Held
<i>Miscellaneous Services (5.79%) (Cont.)</i>					
Lemvest Ltd	909,794	0.28	627,444	235,803 Purchased	391,641
Nautronix Ltd	500,000	0.16	1,000,000	200,000 Purchased	800,000
Solution 6 Holdings Ltd	1,030,000	0.32	1,000,000	-	1,000,000
Village Roadshow Pref Shares	1,458,913	0.45	1,080,673	1,080,673 Purchased	-
Vision Systems (New) Ex Prefs	5,540,742	1.71	1,629,630	1,629,630 acquired	-
Vision Systems Ltd	4,873,764	1.51	1,365,200	1,228,680 Acquired through convertible pref shares through 1:10 share split	136,520
Visions Systems Ltd - Convertible Preference	-	-	-	26,400 Converted to 1,629,630 New Ordinary shares	26,400
<i>Infrastructure and Utilities (1.31%)</i>					
Australian Gas Light Company Ltd	4,240,000	1.31	500,000	100,000 Purchased	400,000
<i>Diversified Industrial (6.03%)</i>					
Franked Income Fund	-	-	-	1,140,000 Converted to Wesfarmers Ord. shares	1,140,000
Franked Income Fund Options	-	-	-	114,000 Converted to Wesfarmers Ord. shares	114,000
Howard Smith Ltd	2,714,000	0.84	200,000	52,870 Purchased	147,130
Wesfarmers Ltd	16,795,404	5.19	619,528	469,528 acquired through Franked Income Fund holdings	150,000
<i>Health Care (5.47%)</i>					
CSL Limited	4,855,860	1.50	101,800	-	101,800
F H Faulding & Co Ltd	12,850,000	3.97	1,000,000	260,000 Purchased	740,000
Mayne Nickless Ltd	-	-	-	643,900 Sold	643,900
Sigma Company Ltd	-	-	-	1,179,647 Sold	1,179,647
<i>Tourism and Leisure (3.13%)</i>					
Qantas Airways Ltd	-	-	-	450,000 Sold	450,000
TAB Ltd	624,000	0.19	200,000	-	200,000
Tabcorp Holdings Ltd	9,500,000	2.94	1,000,000	255,500 Purchased	744,500
<i>Listed Convertible Unsecured Notes (0.47%)</i>					
Suncorp Metway Ltd	1,499,000	0.47	100,000	-	100,000
<i>Cash Trusts (0.91%)</i>					
Units – Macquarie Cash Management Trust	2,235	0.01	2,235	107 Purchased	2,128
M F Cash Management Fund	2,913,401	0.90	2,913,401	344,246 Purchased	2,569,155
	323,388,284	100.00			

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