



2002

ANNUAL FINANCIAL REPORT 2002

Australian United Investment Company Limited

# ANNUAL FINANCIAL REPORT

For the year ended 30 June 2002

(ABN 37 004 268 679)

**Directors**

C B Goode AC - Chairman  
G E Moir  
P J B Rose AO  
P J Wetherall

**Company Secretary**

Andrew Justin Hancock FCA  
Level 4  
45 Exhibition Street  
Melbourne Vic 3000  
Tel: (03) 9654 0499  
Fax:(03) 9654 3499

**Principal Registered Office**

Australian United Investment Limited  
C/- KPMG  
Level 4  
161 Collins Street  
Melbourne VIC 3000

**Bankers**

National Australia Bank Limited

**Auditors**

KPMG  
Chartered Accountants

**Share Registry**

Computershare Investor Services Pty Ltd  
Level 12  
565 Bourke Street  
Melbourne Vic 3000  
Tel: (03) 9611 5711  
Fax:(03) 9611 5710

**Stock Exchange**

The Company is listed on the Australian Stock Exchange Ltd.

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## CHAIRMAN'S REPORT

I am pleased to present the Annual Report of Australian United Investment Company Limited for the year ended 30 June 2002.

The operating profit after income tax and before investment fluctuations was \$9,866,331 compared to \$10,597,613 in the previous year - a decrease of 6.9%. The basic earnings per share were 14.50 cents compared to 15.77 cents for the previous year after adjustment for the bonus element in the June 2002 rights issue.

The decrease in operating profit is a result of higher interest costs associated with a higher level of borrowings, some companies in which investments are held paying final dividends before 30 June 2001 and fewer special dividends being received.

In June 2002 the Company raised additional investment funds of \$56,146,968 before costs through a 1 for 4 rights issue. These funds will be used over time by the Company to add to the investment portfolio.

Bank borrowings were \$30 million at the end of the financial year (previous year \$30 million) modestly gearing the investment portfolio by around 8%. The change in the prior year which involved the taxation for listed companies on the receipt of unfranked dividend income had the consequential effect of increasing the taxable income against which interest costs could be deducted.

We are comparing the year with a very good year to 30 June 2001 when a number of companies in which investments were held brought forward dividends or paid special dividends. That led our earnings per share to increase from 13.99 cents for the year to 30 June 2000 to 16.52 cents for the year to 30 June 2001. For the year to 30 June 2002 the earnings per share is 14.50 cents compared to 15.77 cents when both figures are adjusted for the bonus element of the 2002 share issue. The earnings per share still allowed us to increase our dividend per share by half a cent.

The asset backing in the previous year increased by 19.8% and in the year to 30 June 2002 fell by 8.5%. If we adjust for the new issue the net asset backing fell by 4% which can be compared with a fall in the All Ordinaries Index of 7.6%.

The final dividend for the year ending 30 June 2002, is 8 cents per share fully franked which with the interim dividend of 5.5 cents per share fully franked makes 13.5 cents per share fully franked for the year. This compares with 13 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:

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
2001/02	13.5 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:

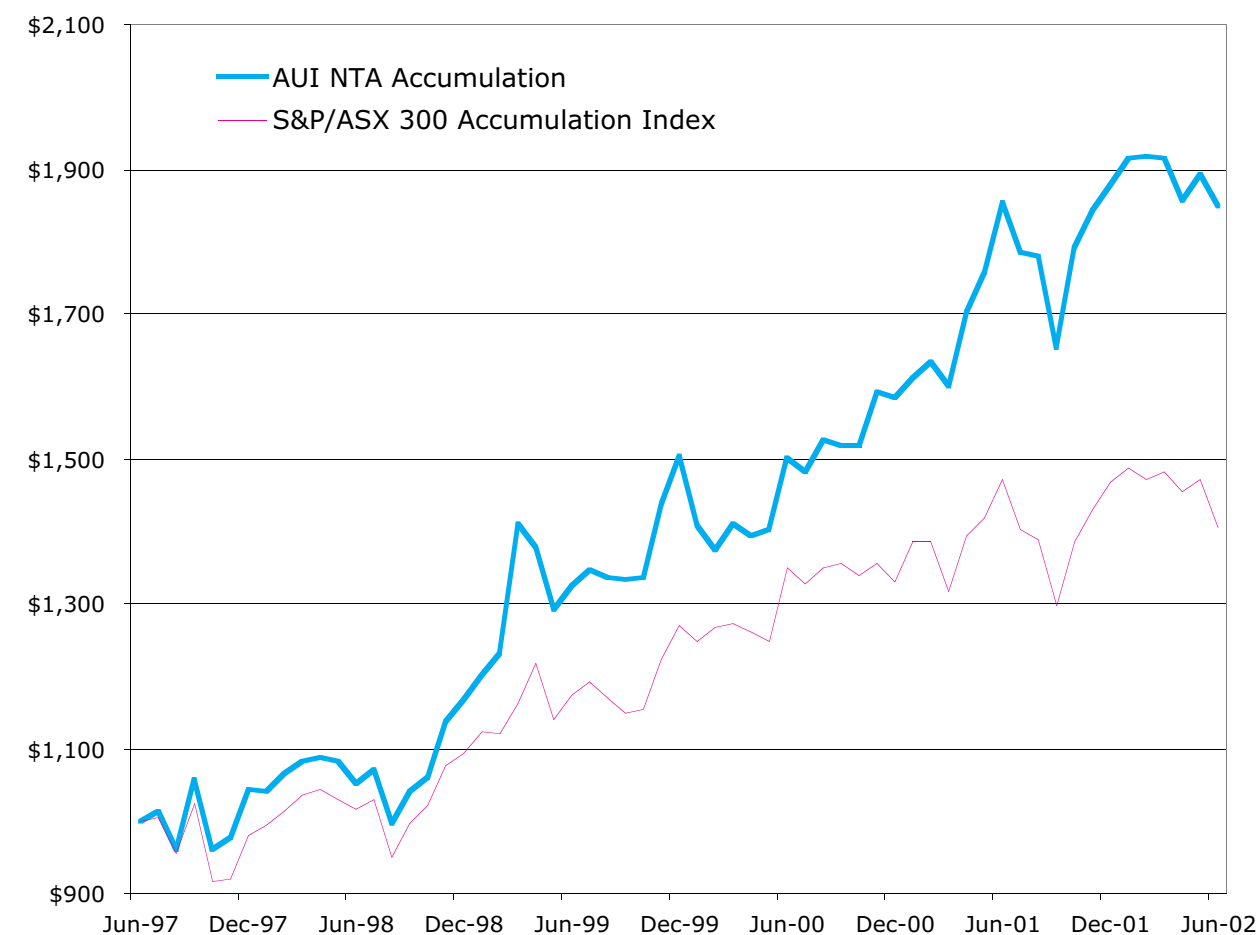
30 June 1998	\$3.19
30 June 1999	\$3.51 (After one for five rights issue at \$2.25, April 1999)
30 June 2000	\$3.83
30 June 2001	\$4.59
30 June 2002	\$4.20 (After one for four rights issue at \$3.50, June 2002)

## CHAIRMAN'S REPORT (Cont...)

The following graph shows the performance of the Company's Net Asset Backing (after tax on realised gains but before provision for tax on unrealised gains) assuming all dividends were re-invested, as compared to the S&P/ASX 300 Accumulation Index, over the last five years. The S&P/ASX 300 Accumulation Index also assumes the re-investment of all dividends, making it an appropriate benchmark with which to compare the Company's performance.

It is pleasing to note that the AUI index rose 11.7% per annum compound over the five years while the S&P/ASX 300 Accumulation index rose 7% per annum compound.

**Net Asset Backing Accumulation**



Source: J B Were

The equity portfolio of the Company is invested in Australian equities and at 30 June, 2002 was spread over 58 companies. The Annual Report provides a list of the shareholdings at 30 June 2002 and 30 June 2001, the changes to the portfolio during the year, and the market values as at 30 June 2002 of each investment together with its percentage of the portfolio.

## CHAIRMAN'S REPORT (Cont...)

As at 30 June 2002, 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	35,400	9.5%
2. ANZ Banking Group Ltd	25,521	6.9%
3. WMC Ltd	21,361	5.7%
4. Wesfarmers Ltd	19,040	5.1%
5. Westpac Banking Corporation Ltd	18,676	5.0%
6. Tabcorp Holdings Ltd	13,750	3.7%
7. Rio Tinto Ltd	13,408	3.6%
8. Commonwealth Bank Ltd	11,361	3.1%
9. Mayne Group Ltd	9,704	2.6%
10. Woodside Petroleum Ltd	9,499	2.6%
11. Diversified United Investment Ltd	8,610	2.3%
12. AMP Ltd	7,800	2.1%
13. BHP Billiton Ltd	7,210	2.0%
14. Brambles Industries Ltd	7,080	1.9%
15. Perpetual Trustees Australia Ltd	6,435	1.7%
16. Foodland Associated Ltd	6,408	1.7%
17. Southern Cross Broadcasting (Aust) Ltd	6,279	1.7%
18. Telstra Corporation Ltd	6,188	1.7%
19. Woolworths Ltd	5,260	1.4%
20. News Corporation Ltd	5,073	1.4%
News Corporation Preferred	147	
21. Australian Gas Light Company Ltd	4,925	1.3%
22. Iluka Resources Ltd	4,910	1.3%
23. Amcor Ltd	4,874	1.3%
24. Orica Ltd	4,785	1.3%
25. Fosters Group Ltd	4,720	1.3%
	<u>268,424</u>	<u>72.2%</u>

**Total Portfolio Market Value** (including the cash management trust investments) 371,736



Charles Goode  
Chairman

## 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 holds discussions with the auditors, KPMG. For the year ending 30 June 2002 all members of the Board were members of the Audit Committee.

The broad remuneration policy is to ensure the remuneration package reflects the Directors' and Company Secretary's duties and responsibilities. The amount of the Chairman's remuneration reflects his additional responsibilities and contribution as Chairman of Directors. Apart from the Directors and the Company Secretary, the Company has no officers whom it remunerates.

## Directors' Report

The Directors present their report together with the financial report of Australian United Investment Company Limited for the year ended 30 June 2002 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 63  
Appointed April 1990**

Mr Goode 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.

**Graeme E. Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.  
Director  
Age 70  
Appointed March 1976**

Mr. Moir has had 40 years experience in the share investment field. He 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.

**Dr P John B Rose AO, BCom (NZ), DipEc (Camb), PhD (Melb).  
Director  
Age 66  
Appointed April 2000**

Dr Rose 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, Woodside Petroleum Ltd, and member of the Strategic Advisory Committee, John Curtin School of Medical Research. He is Chairman of the Company's Audit Committee.

**Peter J Wetherall B.E. Hons (Qld), B.A. Hons (Oxon)  
Director  
Age 46  
Appointed November 2001**

Mr Wetherall has 22 years experience in the Australian share market as a stockbroker and funds manager. He is the founder and Managing Director of Wallara Asset Management Pty Ltd.

**Frank L. Nelson B.A., LL.M.  
Director  
Age 75  
Appointed December 1983 – Retired as a Director on 18 October 2001**

Mr. Nelson is a solicitor with 51 years experience. 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. Mr Nelson retired as a director of the Company on 18 October 2001.

### 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	13	13	2	2
Graeme E Moir	12	13	2	2
P John Rose	10	13	2	2
Peter J Wetherall	8	8	1	1
Frank L Nelson	4	4	1	1

### Directors' and Officers' 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	59,000	60,000
Graeme E Moir	20,217	9,783	30,000
P John Rose	27,778	2,222	30,000
Peter J Wetherall	17,884	1,431	19,315
Frank L Nelson	7,534	-	7,534

Mr A J Hancock received remuneration of \$16,875 for Company Secretarial and related services provided by him and his staff during the year.

## Directors' Report (Cont...)

### 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	50,000	362,500
Graeme E Moir	62,500	-
P John Rose	50,000	-
Peter J Wetherall	10,000	-

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;
- 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;
- 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:

Interim dividend for the year ended 30 June 2002 of 5.5 cents per share fully franked paid 11 April 2002	\$3,529,201
Final dividend for the year ended 30 June 2002 of 8.0 cents per share fully franked declared and payable on 9 October 2002	\$5,133,382

### Principal Activity of the Company

The principal activity of the Company is that of an investment company which seeks, through portfolio management, to manage its' risk and 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 had a market value (including the cash management trust investments and commercial bills) of \$371,735,643 as at 30 June 2002 (2001: \$323,388,284). The net tangible asset backing of the Company's ordinary shares at 30 June 2002 was \$4.20 (2001: \$4.59) after provision for the final dividend and adjustment for the June 2002 right's issue. 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 on unrealised portfolio gains were to be deducted, the above figure would be \$3.76 (2001:\$4.01).

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 was \$9,866,331 compared to \$10,597,613 in the previous year - a decrease of 6.9%. The decrease in operating profit is a result of higher interest costs associated with a higher level of borrowings, some companies in which investments are held paying final dividends before 30 June 2001 and fewer special dividends being received. The basic earnings per share were 14.50 cents compared to 15.77 cents for the previous year after adjustment for the bonus element in the June 2002 rights issue.

In June 2002 the Company raised additional investment funds of \$56,146,968 before costs through a 1 for 4 rights issue. These funds will be used over time by the Company to add to the investment portfolio.

The Company incurred operating expenses (excluding borrowing costs) of \$493,768 (2001: \$351,126) which is equivalent to 0.14% (2001: 0.12%) of the average market value of the portfolio.

Bank Borrowings were \$30 million at the end of the financial year (previous year \$30 million) modestly gearing the investment portfolio by around 8%. The change in the prior year to the taxation on unfranked dividend income had the consequential effect of increasing the taxable income against which interest costs could be deducted.

## Directors' Report (Cont...)

### 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 issue of 16,041,991 new ordinary shares on 17 June 2002 following the one for four rights issue, raising proceeds of \$56,146,968 before costs of approximately \$55,715.

### Environmental regulation

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

### Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any 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.

### 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.

### Indemnification

Details of Directors' indemnification are set out in Note 19 to the financial statements.

*Dated at Melbourne 15 August 2002*

Signed in accordance with a resolution of the Directors:



Charles Goode  
Director

## Statement of Financial Performance for the Year Ended 30 June 2002

	Note	2002 \$	2001 \$
Revenue from operating activities		12,076,507	12,139,535
Revenue from the sale of long term investments		39,163,385	36,633,967
<b>Total ordinary revenue</b>	2(a)	51,239,892	48,773,502
Carrying value of investments sold	1(c)	(39,163,385)	(36,633,967)
Administration expenses	2(b)	(493,768)	(351,126)
Borrowing costs	2(b)	(1,953,938)	(944,307)
<b>Profit from ordinary activities before related income tax expense</b>	2(b)	9,628,801	10,844,102
Income tax (expense)/benefit relating to ordinary activities	3(a)	237,530	(246,489)
<b>Profit from ordinary activities after related income tax expense</b>		9,866,331	10,597,613
<b>Net profit</b>		9,866,331	10,597,613
Non-owner transaction changes in equity			
Increase/(Decrease) in reserves			
Asset Revaluation Reserve	14	(26,731,811)	35,010,929
Investment Fluctuation Reserve	14	11,890,301	11,182,920
<b>Total changes in equity from non-owner related transactions</b>	16	(4,975,179)	56,791,462
Basic earnings per share (cents per share)	4	14.50	15.77

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 2002

	Note	2002 \$	2001 \$
<b>CURRENT ASSETS</b>			
Cash assets		85,303	162,094
Receivables	6	1,938,084	1,825,134
Investments	7	38,074,156	2,915,636
Other	8	183,409	143,770
<b>Total Current Assets</b>		<b>40,280,952</b>	<b>5,046,634</b>
<b>NON-CURRENT ASSETS</b>			
Investments	7	333,661,487	320,472,648
Deferred tax assets	3(c)	12,000	20,739
<b>Total Non-Current Assets</b>		<b>333,673,487</b>	<b>320,493,387</b>
<b>TOTAL ASSETS</b>		<b>373,954,439</b>	<b>325,540,021</b>
<b>CURRENT LIABILITIES</b>			
Payables	9	1,868,877	818,845
Current tax liabilities	3(b)	-	193,358
Provisions	12	5,133,382	-
<b>Total Current Liabilities</b>		<b>7,002,259</b>	<b>1,012,203</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	10	30,000,000	30,000,000
Provisions	12	40,000	69,129
<b>Total Non-Current Liabilities</b>		<b>30,040,000</b>	<b>30,069,129</b>
<b>TOTAL LIABILITIES</b>		<b>37,042,259</b>	<b>31,081,332</b>
<b>NET ASSETS</b>		<b>336,912,180</b>	<b>294,458,689</b>
<b>EQUITY</b>			
Contributed equity	13	144,284,817	88,193,564
Reserves	14	178,254,927	193,096,437
Retained profits	15	14,372,436	13,168,688
<b>TOTAL EQUITY</b>	16	<b>336,912,180</b>	<b>294,458,689</b>

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 2002

	Note	2002 \$ Inflows/ (Outflows)	2001 \$ Inflows/ (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		224,663	292,317
Dividends received		11,708,140	11,553,318
Fees and other income received		3,750	57,730
Interest paid		(1,982,376)	(1,081,159)
Cash payments in the course of operations		(597,292)	(226,336)
Income taxes paid		(246,229)	(47,527)
<b>Net cash provided by operating activities</b>	20	<b>9,110,656</b>	<b>10,548,343</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		16,060,932	39,672,717
Net payment for bank bills		(29,812,816)	-
Payments for investments		(42,891,942)	(64,915,456)
<b>Net cash utilised by investing activities</b>		<b>(56,643,826)</b>	<b>(25,242,739)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(3,529,201)	(13,475,128)
Proceeds from borrowings		-	28,500,000
Proceeds from rights issue		56,144,100	-
<b>Net cash provided by financing activities</b>		<b>52,614,899</b>	<b>15,024,872</b>
<b>Net increase in cash held</b>		<b>5,081,729</b>	<b>330,476</b>
Cash at beginning of the financial year		3,077,730	2,747,254
<b>Cash at the end of the financial year</b>	20	<b>8,159,459</b>	<b>3,077,730</b>

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 2002

Notes to the Financial Statements for the year ended 30 June 2002

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) Reclassification of Financial Information

Interest-bearing liabilities of \$30,000,000 have been re-classified from current to non-current pursuant to the requirements of AASB1040.

c) Investments

The Company revalues 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.

d) 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.

The Asset Revaluation Reserve is not considered by the Directors to be available for the payment of dividends.

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 any 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.

2. Revenue and Operating Profit

	Note	2002 \$	2001 \$
<b>a) Revenue from ordinary activities</b>			
<i>From operating activities</i>			
Dividends received or due and receivable		11,765,680	11,787,871
Interest received or due and receivable		307,077	293,934
Sub-underwriting income		3,750	31,000
Trust distributions		-	26,730
		<u>12,076,507</u>	<u>12,139,535</u>
<i>From other than operating activities</i>			
Gross proceeds from the sale of investments		<u>39,163,385</u>	<u>36,633,967</u>
		<u>51,239,892</u>	<u>48,773,502</u>
<b>b) Operating Profit before income tax expense</b>			
Revenue from operating activities		12,076,507	12,139,535
<i>Expenses:</i>			
<i>Administrative expenses</i>			
Auditors' remuneration received, or due and receivable, by the auditors for:			
- auditing the accounts		25,300	22,000
- other services		3,850	3,816
Share registry fees		32,181	14,809
ASX fees and ASIC lodgement fees		25,469	21,616
Administration and accounting		112,750	92,250
Directors' fees		146,849	125,000
Provision for Directors' Retirement Allowance		42,076	40,000
Consultancy fees		64,973	-
General expenses		40,320	31,635
<i>Borrowing costs</i>			
Interest expenses		1,942,736	941,415
Other		11,202	2,892
		<u>2,447,706</u>	<u>1,295,433</u>
Total Expenses		<u>2,447,706</u>	<u>1,295,433</u>
Profit from ordinary activities before related income tax expense		<u>9,628,801</u>	<u>10,844,102</u>

3. Income Tax

	Note	2002 \$	2001 \$
<b>a) Income Tax Expense</b>			
Prima facie income tax expense calculated at 30% (2001 at 34%) on the profit from ordinary activities		2,888,640	3,686,995
Less tax effect of permanent differences			
Rebate on dividend income		(3,089,785)	(3,339,352)
Other permanent differences		<u>(36,385)</u>	<u>(103,919)</u>
Prima facie tax adjusted for permanent differences		(237,530)	243,724
Restatement of deferred tax balances due to change in company tax rate		-	2,765
Income tax expense/(benefit) attributable to profit from ordinary activities		<u>(237,530)</u>	<u>246,489</u>
Comprising:			
Current income tax provision		(246,269)	257,330
Deferred income tax provision – current year		-	(6)
Future income tax benefit - current year		8,739	(10,835)
		<u>(237,530)</u>	<u>246,489</u>
<b>(b) Provision for current income tax</b>			
Movements during the year were as follows:			
Balance at the beginning of the year		193,358	(16,445)
Tax (Paid)/Refunded		(207,957)	-
Dividend Withholding Tax		(38,272)	(47,527)
Tax on disposal of long term investments		246,269	-
Current year's income tax expense/(benefit) on operating profit		<u>(246,269)</u>	<u>257,330</u>
	6	<u>(52,871)</u>	<u>193,358</u>



Notes to the Financial Statements for the year ended 30 June 2002

Notes to the Financial Statements for the year ended 30 June 2002

3. Income Tax (Cont.)

Note	2002 \$	2001 \$
c) Future income tax benefit		
Timing differences between tax and accounting income	12,000	20,739

(d) Future income tax benefit not taken to account

In 2001 the potential future income tax benefit of the Company arising from capital tax losses was not recognised as an asset because recovery of capital tax losses is not virtually certain (2002: nil).

	-	71,850
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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.

4. Earnings Per Share

	2002 Cents	2001 Cents
Basic earnings per share based on operating profit after income tax and adjusted for the bonus element in the Rights Issue.	14.50	15.77

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 2002 year is calculated on a weighted average adjusted number of ordinary shares of 68,055,591 taking into account the new share issue in June 2002. The 2001 figure has also been adjusted for the bonus element in the 2002 rights issue and is based on a weighted average number of ordinary shares of 67,200,201.

5. Dividends

Dividends provided for or paid by the Company are:

(i) an interim dividend of 5.5 cents per share (2001: 5 cents) fully franked paid 11 April 2002; and	3,529,201	3,208,364
(ii) a final dividend of 8.0 cents per share (2001: 8.0 cents) fully franked to be paid 9 October 2002.*	5,133,382	5,133,382
	15	8,662,583
		8,341,746

\* The new ordinary shares issued on 17 June 2002 following the 1 for 4 rights issue, do not rank for the final dividend for the 2002 financial year. (Refer Note 13)

5. Dividends (Cont.)

Dividend Franking Account

The balance of the franking account at 30 June 2002 at 30% is \$8,157,678, and after the adjustments referred to below is \$4,831,002 (compared to \$945,773 at 30% at 30 June 2001).

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.

From 1 July 2002 the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amounts of income tax paid, rather than on after tax profits. As a result the "franking credits available" were converted from \$8,157,678 to \$2,447,303 as at July 1 2002. This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

LIC Capital Gain Account

The balance of the LIC Capital Gain Account at 30 June 2002 was \$137,827.

6. Receivables

Note	2002 \$	2001 \$
<i>Current</i>		
Dividends Receivable	1,864,876	1,807,336
Interest Receivable	12,147	7,363
Prepaid Income Tax	52,871	-
Other	8,190	10,435
	1,938,084	1,825,134

7. Investments

<i>Current</i>		
Units in unlisted cash management trust – at cost	8,074,156	2,915,636
Commercial bills - at maturity value	30,000,000	-
	38,074,156	2,915,636
<i>Non-Current</i>		
Investments quoted on prescribed stock exchanges (at current market value)		
Ordinary shares in other corporations	330,737,598	316,477,739
Convertible preference shares	2,923,889	2,495,909
Convertible notes	-	1,499,000
	333,661,487	320,472,648

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 \$35,398,155 (2001: \$37,124,130)

8. Other Assets

Note	2002 \$	2001 \$
<i>Current</i>		
Prepayments	183,409	143,770

9. Payables

<i>Current</i>		
Trade Creditors	102,601	115,485
Unearned income	109,047	-
Other Creditors and Accruals	1,657,229	703,360
	1,868,877	818,845

10. Interest Bearing Liabilities

<i>Non-Current</i>		
Bills Payable – Unsecured	30,000,000	30,000,000

11. Financing Arrangements

The Company has access to the following lines of credit:

Total facility available		
Commercial Bill Facility- Unsecured	30,000,000	30,000,000
Facilities utilised at balance date		
Commercial Bill Facility- Unsecured	30,000,000	30,000,000

12. Provisions

<i>Current</i>		
Dividends	5,133,382	-
<i>Non-Current</i>		
Directors' retirement allowance	40,000	69,129

13. Contributed Equity

Issued and paid-up share capital		
80,209,262 (2001: 64,167,271) ordinary shares, fully paid	144,284,817	88,193,564
Movements in ordinary share capital		
Balance at the beginning of the financial year	88,193,564	88,193,564
Net Proceeds from shares issued (i)	56,091,253	-
	144,284,817	88,193,564

- on 17 June 2002 16,041,991 new ordinary shares were issued pursuant to a prospectus at \$3.50 per share. Proceeds are recorded net of the costs of the issue estimated at \$55,715. The new ordinary shares do not rank for any dividends in respect of the financial year 2001/02. They commence to rank for dividends from 1 July 2002. Otherwise they rank equally with existing ordinary shares.

14. Reserves

Note	2002 \$	2001 \$
Asset revaluation reserve	127,797,233	154,529,044
Investment fluctuation reserve	50,457,694	38,567,393
	178,254,927	193,096,437
Movements in reserves during the year:		
<i>Asset Revaluation Reserve</i>		
Balance at the beginning of the financial year	154,529,044	119,518,115
Revaluation of investments	(14,595,241)	46,193,849
Less transfer to the Investment Fluctuation Reserve of revaluation increments from prior years realised on sales	(12,136,570)	(11,182,920)
Balance at the end of the financial year	127,797,233	154,529,044
<i>Investment Fluctuation Reserve</i>		
Balance at the beginning of the financial year	38,567,393	27,384,473
Tax on disposal of long term investments	(246,269)	-
Add transfer from the Asset Revaluation Reserve of revaluation increments from prior years realised on sales	12,136,570	11,182,920
Balance at the end of the financial year	50,457,694	38,567,393

15. Retained Profits

Retained profits at the beginning of the year	13,168,688	10,912,821
Net profit	9,866,331	10,597,613
Dividends provided for or paid	5 (8,662,583)	(8,341,746)
Retained profits at the end of the year	14,372,436	13,168,688

16. Total Equity Reconciliation

Total equity at the beginning of year	294,458,689	246,008,973
Total changes in equity recognised in the statement of financial performance	(4,975,179)	56,791,462
Dividends	(8,662,583)	(8,341,746)
Proceeds from rights issue	56,091,253	-
Total equity at end of year	336,912,180	294,458,689

17. Segment Reporting

The Company operates as an investment company in Australia.

Notes to the Financial Statements for the year ended 30 June 2002

Notes to the Financial Statements for the year ended 30 June 2002

18. Remuneration of Directors

Note	2002 \$	2001 \$
<i>Directors' income</i>		
Total income paid or payable, or otherwise made available, to all Directors of the Company from the Company or any related party:	146,849	125,000
The number of Directors of the Company included in this figure are shown below in their relevant remuneration band.		
	<b>Number</b>	
Remuneration of:		
\$0 to \$9,999	1	-
\$10,000 to \$19,999	1	-
\$20,000 to \$29,999	-	3
\$30,000 to \$39,999	2	-
\$50,000 to \$59,999	-	1
\$60,000 to \$69,999	1	-

The Company has paid insurance premiums in respect to Directors' and Officers' insurance as set out in note 19.

*Retirement Benefits*

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.

In accordance with his retirement allowance provision Mr Nelson, who retired as a director on 18 October 2001 was paid a retirement allowance of \$71,205 based on his remuneration for the three years immediately prior to the date of his retirement.

19. 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, P J Wetherall and P J B Rose.

Mr F. L. Nelson retired as a director on 18 October 2001.

Under an agreement between the Company and The Myer Family Office Pty Ltd, The Myer Family Office Pty Ltd provided accounting and administrative services during the year for a fee of \$110,000 plus GST (2001: \$90,000). 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 18 to the financial statements.

The Company has indemnified each current Director and the Company Secretary against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position with the Company except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

Since the end of the previous financial year, the Company has paid insurance premiums of \$36,300 in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, insuring them against liabilities, costs and expenses arising out of conduct which does not involve a wilful breach of duty. This insurance premium covers the period 18 June 2002 to 18 June 2003.

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 2002		SHARES June 2001	
	1	2	1	2
Charles B Goode	50,000	362,500	30,000	272,250
Graeme E Moir	62,500	-	50,000	-
Peter J Wetherall	10,000	-	-	-
P John B Rose	50,000	-	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 and participation in the June 2002 rights issue.

## Notes to the Financial Statements for the year ended 30 June 2002

### 20. 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:

	2002 \$	2001 \$
Cash	85,303	162,094
Investments – Units in Cash Management Trusts (Note 7)	8,074,156	2,915,636
	<u>8,159,459</u>	<u>3,077,730</u>

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

Operating profit after income tax	9,866,331	10,597,613
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividends receivable	(57,540)	(234,554)
(Increase)/decrease in interest receivable	(4,784)	(1,617)
(Increase)/decrease in bill interest receivable	(186,574)	-
(Increase)/decrease in other debtors	2,245	(10,435)
Increase/(decrease) in taxes payable	(492,498)	209,803
(Increase)/decrease in future tax benefits	8,739	(10,835)
Increase/(decrease) in deferred taxes payable	-	(6)
Increase/(decrease) in accrued expenses	(65,542)	98,119
(Increase)/decrease in prepayments	(39,639)	(139,745)
Increase/(decrease) in provisions	(29,129)	40,000
Increase/(decrease) in unearned income	109,047	-
Net cash provided by operating activities	<u>9,110,656</u>	<u>10,548,343</u>

### 21. Additional Financial Instruments Disclosure

#### Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2002 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

	Note	Floating Interest Rate \$	Total \$
<b>Financial Assets – 2002</b>			
Cash		85,303	85,303
Investments	7	38,074,156	38,074,156
Total		38,159,459	38,159,459
Weighted Average Interest Rate		4.11%	

	Note	Floating Interest Rate \$	Total \$
<b>Financial Assets – 2001</b>			
Cash		162,094	162,094
Investments	7	2,915,636	2,915,636
Total		3,077,730	3,077,730
Weighted Average Interest Rate		4.87%	

The Company has a borrowing facility in place for up to \$30,000,000 to 30 June 2005 with National Australia Bank Ltd (2001: \$30,000,000). 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 6.65% and the remaining \$15,000,000 drawn down at a floating rate range of 5.60% to 6.50%. The facility is supported by a negative pledge and undertakings. During the year the Company was exposed to an interest rate of 6.45% (2001: 6.49%).

#### 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:

##### 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 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 7.

## Directors' Declaration

1. In the opinion of the directors of Australian United Investment Company Limited:

- (a) the financial statements and notes, set out on pages 9 to 18, 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 2002 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 Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 15th day of August 2002.

Signed in accordance with a resolution of the directors for and on behalf of the board.



Charles Goode

Director

# Independent Audit 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 2002, 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 in Australia and statutory requirements 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 2002 and of its performance for the year ended on that date; and
  - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

D N Bartley

Partner

Melbourne

15 August, 2002

# Additional Information for the Australian Stock Exchange

Distribution of shareholders as at 31 July 2002.

Category Holders	Ordinary shares		
	Units Held	No of Holders	%
1-1,000	62,139	99	0.09
1,001-5,000	1,327,908	462	2.07
5,001-10,000	1,831,590	249	2.86
10,001 and 100,000	7,932,374	306	12.37
100,001 and over	53,013,260	36	82.61
	64,167,271	1,152	100.00

There were 5 ordinary shareholders holding less than a marketable parcel (125 shares) at 31 July 2002.

Category Holders	New Ordinary Shares		
	Units Held	No of Holders	%
1-1,000	169,050	309	1.05
1,001-5,000	1,045,135	429	6.51
5,001-10,000	771,521	102	4.81
10,001 and 100,000	2,222,672	84	13.86
100,001 and over	11,833,613	8	73.77
	16,041,991	932	100.00

There were 18 new ordinary shareholders holding less than a marketable parcel (121 shares) at 31 July 2002.

## Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below :

Substantial Shareholder	Number of Shares to which Substantial Shareholder is "entitled" - Ordinary	Number of Shares to which Substantial Shareholder is "entitled" - New Ordinary
The Ian Potter Foundation Limited and Dundee Trading Pty Ltd	24,390,163	6,097,541
Argo Investments Ltd	9,507,116	3,736,969
Lady Primrose Catherine Potter and Primrose Properties Pty Ltd and Decerna Pty Ltd	6,458,634	1,314,659

## Voting Rights

All ordinary shares carry equal voting rights.

## Additional Information for the Australian Stock Exchange

**Twenty Largest Equity Security Holders - Ordinary**

The twenty largest shareholders, listed below as at 31 July 2002, hold 50,710,901 ordinary shares which is 79.01% of the issued capital.

*Ordinary Shares*

Shareholder Name	No. of Shares	% Held
1. The Ian Potter Foundation Ltd	21,760,676	33.91
2. Argo Investments Ltd	8,796,736	13.71
3. Robin Bernice Potter	5,475,000	8.53
4. Primrose Properties Pty Ltd	5,411,036	8.43
5. Dundee Trading Pty Ltd	2,629,487	4.10
6. Melbourne Business School Ltd	1,414,178	2.20
7. The Miller Foundation Ltd	1,200,000	1.87
8. Lady Primrose Catherine Potter	750,000	1.17
9. HMS Nominees Ltd	568,975	0.89
10. Pards Pty Ltd	377,722	0.59
11. Daryl Albert Dixon & Katherine Dixon	349,506	0.54
12. Decerna Pty Ltd	297,598	0.46
13. Matluc Nominees Pty Ltd	230,754	0.36
14. Charmof Nominees Pty Ltd	227,081	0.35
15. Bounty Investments Ltd	225,000	0.35
16. Duesburys Services Pty. Ltd <Carolyn Anne Parker Bowles>	224,850	0.35
17. St Hilda's College Nominees Pty Ltd	203,022	0.32
18. Heathbury Pty Ltd	200,001	0.31
19. Lorna Elizabeth Pitt	187,029	0.29
20. Beta Gamma Pty Ltd	182,250	0.28

## Additional Information for the Australian Stock Exchange

**Twenty Largest Equity Security Holders – New Ordinary**

The twenty largest shareholders, listed below as at 31 July 2002, hold 12,622,107 new ordinary shares which is 78.69% of the new issued capital.

*New Ordinary Shares*

Shareholder Name	No. of Shares	% Held
1. The Ian Potter Foundation Ltd	5,355,169	33.38
2. Argo Investments Ltd	3,559,392	22.19
3. Primrose Properties Pty Ltd	1,052,759	6.56
4. Dundee Trading Pty Ltd	742,372	4.63
5. Melbourne Business School Ltd	345,777	2.16
6. The Miller Foundation Ltd	300,000	1.87
7. Decerna Pty Ltd	261,900	1.63
8. HMS Nominees Ltd	216,244	1.35
9. Daryl Albert Dixon & Katherine Dixon	95,494	0.60
10. Pards Pty Ltd	94,431	0.59
11. Lord Mayor's Charitable Fund	74,000	0.46
12. Trust Company Superannuation Services Ltd – Heeley PSF	72,000	0.45
13. Beta Gamma Pty Ltd	67,750	0.42
14. Trust Company Superannuation Services Ltd – Shiell SF	62,045	0.39
15. Matluc Nominees Pty Ltd	57,689	0.36
16. Charmof Nominees Pty Ltd	56,771	0.35
17. Bounty Investments Ltd	56,250	0.35
18. Mrs Annabelle Jean Bendall	51,307	0.32
19. St Hilda's College Nominees Pty Ltd	50,756	0.32
20. Heathbury Pty Ltd	50,001	0.31

**Brokerage Paid**

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2002 totalled \$169,028 (2001:\$200,495). None of that brokerage was paid to any stock or sharebroker, 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 2002

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 \$	30/6/02 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/01 Units Held
<i>Other Metals (7.07%)</i>					
Iluka Resources Ltd	4,910,000	1.32%	1,000,000	200,000 Purchased	800,000
Pasminco Ltd	-	-	-	1,000,000 Sold	1,000,000
WMC Ltd	21,361,500	5.75%	2,350,000	-	2,350,000
<i>Energy (3.17%)</i>					
Santos Ltd	2,261,000	0.61%	350,000	20,092 Purchased	329,908
Woodside Petroleum Ltd	9,499,000	2.56%	700,000	220,000 Purchased	480,000
<i>Diversified Resources (5.55%)</i>					
BHP Billiton Def Bonus	-	-	-	319,500 Converted to BHP Billiton Ltd ordinary shares	319,500
BHP Billiton Ltd	7,210,000	1.94%	700,000	319,500 Converted from Def Bonus 80,500 Purchased	300,000
Rio Tinto Ltd	13,408,000	3.61%	400,000	60,000 Purchased	340,000
<i>Developers &amp; Contractors (1.93%)</i>					
Australand Holdings Ltd	1,924,000	0.52%	1,300,000	470,000 Purchased	830,000
Lend Lease Corporation Ltd	3,162,000	0.85%	300,000	-	300,000
Leighton Holdings Ltd	2,078,000	0.56%	200,000	200,000 Purchased	-
<i>Building Materials (0.91%)</i>					
CSR Ltd	3,386,700	0.91%	530,000	-	530,000
<i>Alcohol &amp; Tobacco (1.51%)</i>					
BRL Hardy Ltd	901,000	0.24%	100,000	100,000 Purchased	-
Foster's Brewing Group Ltd	4,720,000	1.27%	1,000,000	300,000 Purchased	700,000
<i>Chemicals (1.29%)</i>					
Orica Ltd	4,785,000	1.29%	500,000	-	500,000
<i>Paper &amp; Packaging (2.20%)</i>					
Amcor Ltd	4,806,664	1.29%	583,333	83,333 Purchased	500,000
Amcor Limited (New)	67,172	0.02%	8,334	8,334 Purchased	-
CPI Group Ltd	-	-	-	-	-
- Convertible Preference	883,890	0.24%	549,000	61,000 Sold	610,000
Paperlinx Ltd	2,425,000	0.65%	500,000	-	500,000
<i>Retail (4.30%)</i>					
Coles Myer Ltd	4,309,500	1.16%	650,000	14,175 Purchased	635,825
Foodland Associated Ltd	5,670,000	1.53%	300,000	-	300,000
Foodland Associated Ltd (New)	738,400	0.20%	40,000	40,000 Purchased	-
Woolworths Ltd	5,260,000	1.41%	400,000	13,000 Purchased	387,000

## List of Investments as at 30 June 2002

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 \$	30/6/02 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/01 Units Held
<i>Transport (2.47%)</i>					
Adsteam Marine Ltd	2,123,000	0.57%	1,100,000	100,000 Purchased	1,000,000
Brambles Industries Ltd	7,080,000	1.90%	750,000	580,000 Purchased	170,000
<i>Media and Communications (5.65%)</i>					
APN News & Media Ltd	993,614	0.27%	272,223	97,223 Purchased	175,000
Cable & Wireless Optus Ltd	-	-	-	1,297,840 converted in Singtel takeover - Singtel Sold	1,297,840
Fairfax Holdings Ltd	2,317,000	0.62%	700,000	-	700,000
News Corporation Ltd	5,072,794	1.36%	524,049	-	524,049
News Corporation Ltd - Preferred Shares	147,436	0.04%	18,024	-	18,024
Southern Cross Broadcasting (Aust) Ltd	6,279,000	1.69%	700,000	138,000 Purchased	562,000
Telstra Corporation Ltd	6,188,480	1.67%	1,328,000	-	1,328,000
Ten Network Holdings Ltd	-	-	-	400,000 Sold	400,000
West Australian Newspapers Ltd	-	-	-	414,890 Sold	414,890
<i>Banks (25.07%)</i>					
ANZ Banking Group Ltd	25,520,670	6.87%	1,323,000	-	1,323,000
Commonwealth Bank Ltd	11,360,850	3.06%	345,000	64,834 Purchased	280,166
National Australian Bank Ltd	35,400,000	9.52%	1,000,000	-	1,000,000
Suncorp Metway Ltd	2,240,420	0.60%	182,000	100,000 Converted from Notes 82,000 Purchased	-
Westpac Banking Corporation Ltd	18,676,082	5.02%	1,150,005	150,000 Purchased	1,000,005
<i>Investment &amp; Financial Services (4.19%)</i>					
Diversified United Investment Ltd	8,609,590	2.32%	4,304,795	-	4,304,795
OFM Investment Group Ltd	510,674	0.14%	237,523	237,523 Purchased	-
Perpetual Trustees Limited	6,435,000	1.73%	150,000	30,350 Purchased	119,650
<i>Insurance (3.95%)</i>					
AMP Ltd	7,800,000	2.10%	500,000	280,000 Purchased	220,000
QBE Insurance Group Ltd	3,320,000	0.89%	500,000	200,000 Purchased	300,000
Tower Ltd	3,565,484	0.96%	902,654	-	902,654
<i>Property (0.40%)</i>					
Delfin Property Group Ltd	-	-	-	447,000 Sold	447,000
Westfield Holdings Ltd	1,496,000	0.40%	100,000	100,000 Purchased	-
<i>Miscellaneous Industrials (1.96%)</i>					
Alesco Corporation Ltd	3,040,000	0.82%	800,000	-	800,000
AWB Ltd	804,000	0.22%	200,000	200,000 Purchased	-
Coventry Group Ltd	-	-	-	713,714 Sold	713,714
Crane Group Ltd	3,432,000	0.92%	400,000	200,000 Purchased	200,000

List of Investments as at 30 June 2002

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 \$	30/6/02 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/01 Units Held
<i>Miscellaneous Services (3.09%)</i>					
Amalgamated Holdings Ltd	1,200,000	0.32%	500,000	500,000 Purchased	-
ERG Ltd	1,022,100	0.27%	3,407,000	1,907,000 Purchased	1,500,000
GWA International Ltd	1,175,000	0.32%	500,000	-	500,000
Lemarne Corporation Ltd	565,000	0.15%	500,000	500,000 Sold	1,000,000
Lemvest Ltd	740,384	0.20%	627,444	-	627,444
Nautronix Limited	610,000	0.16%	1,000,000	-	1,000,000
Solution 6 Ltd	275,000	0.07%	500,000	500,000 Sold	1,000,000
Village Roadshow Pref Shares	2,039,999	0.55%	1,999,999	919,326 Purchased	1,080,673
Vision Systems (New) Ex Prefs	-	-	-	1,629,630 converted to Vision Systems Ltd ordinary shares	1,629,630
Vision Systems Ltd	3,900,000	1.05%	3,000,000	1,629,630 Converted from Ex Prefs 5,170 Purchased	1,365,200
<i>Infrastructure and Utilities (1.33%)</i>					
Australian Gas Light Company Ltd	4,925,000	1.33%	500,000	-	500,000
<i>Diversified Industrial (5.12%)</i>					
Howard Smith Ltd	-	-	-	200,000 converted to Wesfarmers ordinary shares	200,000
Wesfarmers Ltd	19,040,000	5.12%	700,000	80,472 Converted from Howard Smith	619,528
<i>Health Care (3.65%)</i>					
Bresagen Ltd	355,000	0.10%	500,000	500,000 Purchased	-
Compumedics Limited	240,000	0.06%	750,000	750,000 Purchased	-
CSL Limited	3,275,925	0.88%	101,800	-	101,800
F H Faulding & Co Ltd	-	-	-	1,000,000 converted to Mayne Nickless ordinary shares	1,000,000
Mayne Nickless Ltd	9,704,160	2.61%	2,344,000	2,344,000 Converted from F H Faulding	-
<i>Tourism and Leisure (4.95%)</i>					
TAB Limited	4,665,000	1.25%	1,500,000	1,300,000 Purchased	200,000
Tabcorp Holdings Ltd	13,750,000	3.70%	1,100,000	100,000 Purchased	1,000,000
<i>Listed Convertible Unsecured Notes (0.00%)</i>					
Suncorp Metway Ltd	-	-	-	100,000 Converted to Ordinary shares	100,000

List of Investments as at 30 June 2002

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	Market Value \$	30/6/02 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/01 Units Held
<i>Cash Trusts (2.17%)</i>					
Units – Macquarie Cash Management Trust	-	-	-	2,235 Sold	2,235
M F Cash Management Fund	8,074,155	2.17%	8,074,155	5,160,754 Purchased	2,913,401
<i>Commercial Investment Bills (8.07%)</i>					
	30,000,000	8.07%	30,000,000	30,000,000 Purchased	-
	<u>371,735,643</u>	<u>100.00</u>			

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