



2003

Australian United Investment Company Limited

ANNUAL FINANCIAL REPORT

ABN 37 004 268 679

Australian United Investment Company Limited

Directors

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

Company Secretary

Andrew Justin Hancock FCA

Principal Office

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Melbourne Vic 3000
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Registered Office

Australian United Investment Company Limited
C/- KPMG
161 Collins Street
Melbourne Vic 3000

Bankers

National Australia Bank Limited

Auditors

KPMG
Chartered Accountants

Share Registry

Computershare Investor Services Pty Limited
Level 12
565 Bourke Street
Melbourne Vic 3000
Tel: 1300 850 505 or (613) 9615 5970
Fax: (613) 9611 5710

Stock Exchange

The Company is listed on the Australian Stock Exchange Ltd.

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Australian United Investment Company Limited FOR THE YEAR ENDED 30 JUNE 2003

(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 2003.

The operating profit after income tax and before investment fluctuations was \$12,888,598 compared to \$9,866,331 in the previous year - an increase of 31%. The basic earnings per share were 16.07 cents compared to 14.50 cents for the previous year (which were adjusted for the bonus element in the June 2002 rights issue).

The increase in operating profit reflects the additional funds raised of \$56,146,968 in June 2002 through a 1 for 4 rights issue. These funds were used to add to the investment portfolio. The result does not include the notional, non-cash, non-taxable dividends forming part of the WMC Ltd and CSR Ltd demerger Schemes of Arrangement.

Bank borrowings were \$30 million at the end of the financial year (previous year \$30 million) modestly gearing the investment portfolio by around 8.7%.

The net asset backing per share before provision for the final dividend was \$3.95, compared to \$4.28 at 30 June 2002.

Operating expenses (excluding borrowing costs) were 0.18% of the average market value of the portfolio.

The final dividend for the year ending 30 June 2003 is 8.0 cents per share fully franked, which with the interim dividend of 6.0 cents per share fully franked, makes 14 cents per share fully franked for the year. This compares with 13.5 cents per share fully franked in the previous year and is an increase of 8.8% after adjusting for the bonus element of last year's rights issue. This is the tenth consecutive year in which dividends have been increased.

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

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
2002/03	14.0 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 moved over the last 5 years as follows:

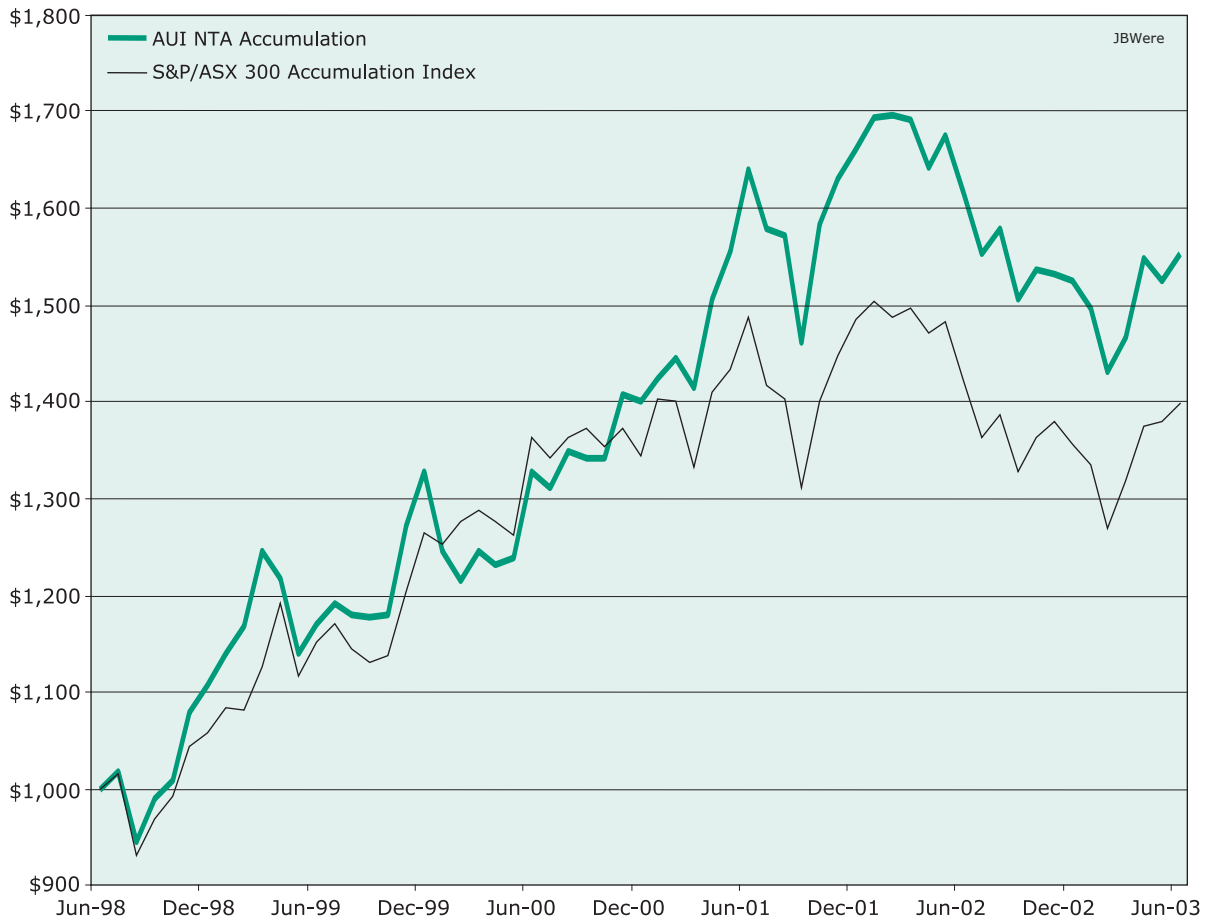
30 June 1999	\$3.51 (After one for five rights issue at \$2.25, April 1999)
30 June 2000	\$3.83
30 June 2001	\$4.59
30 June 2002	\$4.20 (After one for five rights issue at \$3.50, June 2002)
30 June 2003	\$3.87

Chairman's Report (Cont...)

The following graph shows the accumulation performance of the Company's net asset backing (after provision for 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.

It is pleasing to note that the AUI index rose 9.21% per annum compound over the five years while the S&P/ASX 300 Accumulation Index rose 6.93% 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 2003 was spread over 60 companies. The Annual Report provides a list of the shareholdings at 30 June 2003 and 30 June 2002, the changes to the portfolio during the year, and the market values as at 30 June 2003 of each investment together with its percentage of the portfolio.

Chairman's Report (Cont...)

As at 30 June 2003 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	33,500	9.8%
2. ANZ Banking Group Ltd	26,985	7.9%
3. Westpac Banking Corporation Ltd	21,938	6.4%
4. Wesfarmers Ltd	17,710	5.2%
5. Rio Tinto Ltd	13,145	3.8%
6. Tabcorp Holdings Ltd	11,847	3.5%
7. Commonwealth Bank Ltd	10,343	3.0%
8. Alumina Ltd	10,175	3.0%
9. Woodside Petroleum Ltd	9,656	2.8%
10. WMC Resources Ltd	8,249	2.4%
11. Suncorp Metway Ltd	8,120	2.4%
12. Diversified United Investment Ltd	7,792	2.3%
13. Orica Ltd	7,581	2.2%
14. Woolworths Ltd	7,512	2.2%
15. Southern Cross Broadcasting (Aust) Ltd	6,960	2.0%
16. BHP Billiton Ltd	6,912	2.0%
17. Foodland Associated Ltd	6,895	2.0%
18. TAB Ltd	6,500	1.9%
19. Mayne Group Ltd	6,423	1.9%
20. Perpetual Trustees Australia Ltd	6,140	1.8%
21. Australian Gas Light Company Ltd	6,023	1.8%
22. Alesco Corporation Ltd	6,018	1.8%
23. Telstra Corporation Ltd	5,940	1.7%
24. The News Corporation Ltd	5,880	1.7%
25. Amcor Ltd	5,278	1.5%
	<hr/>	
	263,522	77.0%
	<hr/> <hr/>	

Total Investments at Market Value and Cash

341,413



Charles Goode
Chairman

Corporate Governance Statement

In July 2003, the Company adopted corporate governance principles in accordance with the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations". Any material departures from the recommendations are referred to in this statement.

1. Accountability and Responsibility

The Board is accountable to the shareholders and is responsible for:

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

2. Composition

The Board currently comprises 4 directors. The Company's constitution requires 3 to 5 directors. The Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate after wide and, if necessary, professional consultation.

The Chairman and P John B Rose, being governors of The Ian Potter Foundation, are associated with substantial shareholders. These directors bring significant and relevant experience to the Board. However, in that the Chairman of the Board is not independent and there is not a majority of independent directors, the Company departs from the Australian Stock Exchange Corporate Governance Council's "Best Practice Recommendations". A lead independent director is not considered necessary given the small size of the Board. Appointed directors must stand for election at the next Annual General Meeting. One third of directors stand for re-election at each Annual General Meeting. There is no set retirement age or term for directors. Extensive experience in the investment markets is valued. Directors are not required to own shares in the Company.

3. Operation

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

4. Delegation

The duties and responsibilities of the Company Secretary are set out in his letter of engagement which the Board approves. The Board also approves letters of engagement for accounting, tax custody and audit services. Share registry services are purchased on commercial terms.

5. Director's Terms of Appointment, Remuneration and Performance

Director's fees are reviewed annually by the Nomination and Remuneration Committee in the light of Company activity, changing responsibilities and in comparison to fee levels of a peer group of companies. Independent remuneration advice may be sought. The maximum total of director's fees is set by the shareholders in general meeting.

Each director appointed before 1 July 2003 is entitled to receive a retirement benefit set out in an agreement, the terms of which have been approved by shareholders in Annual General Meeting. Fees for directors appointed after this date take into account the absence of a retirement agreement.

Each director is entitled to enter a Deed of Access, Indemnity and Insurance with the Company and to be covered by the Company's Directors and Officers Liability Insurance.

The duties of directors are as set out in the Corporations Law and in this statement. Directors are expected to attend at least 11 Board meetings and approximately 2 committee meetings per year where applicable. They are expected to make a pro-active contribution to the management of the Company's investment portfolio by reading, research, and information collected outside of board meetings. Directors are expected to be available for board committee work, for no additional fee.

Corporate Governance Statement (Continued)

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

The Board will review its performance annually by discussion and by individual communication with the Chairman, and by reference to generally accepted Board performance standards. The Board will also conduct an annual review of the performance of the Board Committees, the Company Secretary, and outside service providers.

6. Board Committees

The Board has a Nomination and Remuneration Committee comprising all directors and an Audit Committee comprising all directors except the Chairman. The Audit Committee meets at least twice and the Nomination and Remuneration Committee at least once per annum. The terms of reference of each committee is reviewed by the Board annually. The Audit Committee terms include inter-alia, appointment of the auditor, assessing his independence, managing the audit relationship, and overseeing risk management. The external audit partner rotates every 5 years.

The Audit Committee has an independent Chairman and a majority of independent directors. All are non-executive. It has sufficient relevant expertise. It complies with the Australian Stock Exchange Corporate Governance Council's "Best Practice Recommendations" and Australian Stock Exchange listing rule 12.7.

Prior to 1 July 2003 the Board acted as the Nomination and Remuneration Committee. From 1 July 2003 this Committee meets separately. The Nomination and Remuneration Committee considers and makes recommendations to the Board regarding Board composition and remuneration of the directors and the Company Secretary.

7. Disclosure Procedures

The Company has established procedures to ensure compliance with the Australian Stock Exchange listing rule disclosure requirements including monthly disclosure of the Company's net tangible asset backing per share.

8. Shareholder Communication

The Company communicates with shareholders through:

- The annual report
- The half year report
- The website, including email contact
- Telephone availability of the Company Secretary at the representative office
- Annual General Meeting including Chairman's address and question time
- Mailing of Chairman's address to all shareholders and posting to website

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

9. Risk Management

The Audit Committee reviews the Company's risk management procedures half yearly.

10. Ethical Conduct

The Company has no employees other than directors and the Company Secretary. Each director and the Company Secretary is expected to adopt high ethical standards in acting for the Company and in the interests of the shareholders. Directors are required to disclose any potential conflict of interest and to refrain from involvement in Board discussions, or leave the room, during the conflicted matter. The directors and the Company Secretary are aware of the Corporations Law regarding dealing in securities in which they possess market sensitive information. The Company's net tangible asset backing per share is announced monthly to the Australian Stock Exchange and the Company has procedures to ensure compliance with Australian Stock Exchange continuous disclosure requirements.

Directors' Report

The directors present their report together with the financial report of Australian United Investment Company Limited for the year ended 30 June 2003 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),
Hon LLD (Monash).
Chairman
Age 64
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 71
Appointed March 1976**

Mr Moir has had 41 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, B.Com. (NZ), DipEc (Camb),
PhD(Melb).
Director
Age 67
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.

**Peter J. Wetherall B.E. Hons (Qld), B.A. Hons (Oxon).
Director
Age 47
Appointed November 2001**

Mr Wetherall has 23 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. He is Chairman of the Company's Audit Committee.

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	0	0
Graeme E Moir	11	11	2	2
P John Rose	11	11	2	2
Peter J Wetherall	11	11	2	2

Directors' and Officer's 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	69,000	70,000
Graeme E Moir	35,000	-	35,000
P John Rose	32,110	2,890	35,000
Peter J Wetherall	32,110	2,890	35,000

Mr A J Hancock received remuneration of \$37,500 for Company Secretarial and related services provided by him and his staff during the year.

Directors' Report (Continued)

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:

	Shares	
	1	2
Charles B Goode	50,000	368,119
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:

Paid or declared during the year

Final dividend for the year ended 30 June 2002 of 8.0 cents per share fully franked paid on 9 October 2002 \$5,133,382

Interim dividend for the year ended 30 June 2003 of 6 cents per share fully franked paid 11 April 2003 \$4,811,980

Paid or declared after year end

Final dividend for the year ended 30 June 2003 of 8.0 cents per share fully franked declared and payable on 9 October 2003 \$6,419,787

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 revenue 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 cash management trust investments and commercial bills) of \$341,412,913 as at 30 June 2003 (2002: \$371,735,643). The net tangible asset backing of the Company's ordinary shares at 30 June 2003 was \$3.95 (2002: \$4.28) before provision for the final dividend of 8.0 cents per share. 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 net tangible asset backing would be \$3.60 (2002: \$3.84).

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

Directors' Report (Continued)

Results and Review of Operations

The operating profit after income tax was \$12,888,598 compared to \$9,866,331 in the previous year - an increase of 30.6%. The increase in operating profit is primarily the result of the proceeds of last year's rights issue being invested for the full year.

The basic earnings per share was 16.07 cents compared to 14.50 cents for the previous year after adjustment for the bonus element in the June 2002 rights issue.

The Company incurred operating expenses (excluding borrowing costs) of \$637,843 (2002: \$493,768) which is equivalent to 0.18% (2002: 0.14%) 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 9%.

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.

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 20 to the financial statements.

Dated at Melbourne 15th August 2003

Signed in accordance with a resolution of the directors:



Charles Goode
Director

Statement of Financial Performance for the Year Ended 30 June 2003

	Note	2003 \$	2002 \$
Revenue from operating activities		15,450,629	12,076,507
Revenue from the sale of long term investments		36,235,576	39,163,385
Total ordinary revenue	3(a)	51,686,205	51,239,892
Carrying value of investments sold	1(b)	(36,235,576)	(39,163,385)
Administration expenses	3(b)	(637,843)	(493,768)
Borrowing costs	3(b)	(1,991,140)	(1,953,938)
Profit from ordinary activities before related income tax expense	3(b)	12,821,646	9,628,801
Income tax benefit relating to ordinary activities	4(a)	66,952	237,530
Profit from ordinary activities after related income tax expense		12,888,598	9,866,331
Net profit		12,888,598	9,866,331
Non-owner transaction changes in equity			
Increase/(Decrease) in reserves			
Asset Revaluation Reserve	15	(27,741,561)	(26,731,811)
Investment Fluctuation Reserve	15	(789,282)	11,890,301
Total changes in equity from non-owner related transactions	17	(15,642,245)	(4,975,179)
Basic earnings per share (cents per share)	5	16.07	14.50

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

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 13 to 19.

Statement of Financial Position as at 30 June 2003

	Note	2003 \$	2002 \$
CURRENT ASSETS			
Cash assets		6,251,620	8,159,459
Receivables	7	4,863,101	1,938,084
Investments	8	-	30,000,000
Other	9	483,583	183,409
TOTAL CURRENT ASSETS		<u>11,598,304</u>	<u>40,280,952</u>
NON-CURRENT ASSETS			
Investments	8	335,161,293	333,661,487
Deferred tax assets	4(c)	44,253	12,000
TOTAL NON-CURRENT ASSETS		<u>335,205,546</u>	<u>333,673,487</u>
TOTAL ASSETS		<u><u>346,803,850</u></u>	<u><u>373,954,439</u></u>
CURRENT LIABILITIES			
Payables	10	48,007	1,868,877
Current tax liabilities	4(b)	10,557	-
TOTAL CURRENT LIABILITIES		<u>58,564</u>	<u>1,868,877</u>
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	11	30,000,000	30,000,000
Provisions	13	140,000	40,000
TOTAL NON-CURRENT LIABILITIES		<u>30,140,000</u>	<u>30,040,000</u>
TOTAL LIABILITIES		<u><u>30,198,564</u></u>	<u><u>31,908,877</u></u>
NET ASSETS		<u><u>316,605,286</u></u>	<u><u>342,045,562</u></u>
EQUITY			
Contributed equity	14	144,432,148	144,284,817
Reserves	15	149,724,084	178,254,927
Retained profits	16	22,449,054	19,505,818
TOTAL EQUITY	17	<u><u>316,605,286</u></u>	<u><u>342,045,562</u></u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 13 to 19.

Statement of Cash Flows for the Year Ended 30 June 2003

	Note	2003 \$ Inflows/ (Outflows)	2002 \$ Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		685,986	224,663
Dividends received		14,103,612	11,708,140
Fees and other income received		9,000	3,750
Interest paid		(2,388,696)	(1,982,376)
Cash payments in the course of operations		(607,802)	(597,292)
Income taxes paid		(25,855)	(246,229)
Net cash provided by operating activities	21	<u>11,776,245</u>	<u>9,110,656</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from bank bill maturities		30,000,000	(29,812,816)
Proceeds from sale of investments		9,833,910	16,060,932
Payments for investments		(43,719,963)	(42,891,942)
Net cash used in investing activities		<u>(3,886,053)</u>	<u>(56,643,826)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (excluding dividend re-investment plan)		(9,798,031)	(3,529,201)
Proceeds from rights issue		-	56,144,100
Net cash (used in)/provided by financing activities		<u>(9,798,031)</u>	<u>52,614,899</u>
Net increase/(decrease) in cash held		(1,907,839)	5,081,729
Cash at beginning of the financial year		<u>8,159,459</u>	<u>3,077,730</u>
Cash at the end of the financial year	21	<u><u>6,251,620</u></u>	<u><u>8,159,459</u></u>

This statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 13 to 19.

Notes to the Financial Statements for the year ended 30 June 2003

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

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.

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.

d) 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 and in accordance with Generally Accepted Accounting Principles.

Revenue from other than operating activities

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

e) 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.

f) 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.

g) 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. Changes in Accounting Policy

a) Provisions, contingent liabilities and contingent assets

The Company has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (issued in October 2001) for the first time effective from 1 July 2002.

Dividends are now provided for at the time they are declared, determined or publicly recommended. Previously, final dividends were provided for in the financial year to which they related, even though the dividends were announced after the end of that financial year.

The adjustments to the financial statements as at 1 July 2002 as a result of this change are :

- \$5,133,382 increase in the opening retained profits
- \$5,133,382 decrease in provision for dividends

There was no impact on profit or loss for the year to 30 June 2003.

Notes to the Financial Statements for the year ended 30 June 2003

2. Changes in Accounting Policy (continued)

b) Restatement of retained profits and provision for dividends.

The restatement of retained profits and provision for dividends, below, show the information that would have been disclosed had the new accounting policies disclosed in this note always been applied.

	2003 \$	2002 \$ (restated)
Restatement of retained profits		
Reported retained profits at end of the previous period	14,372,436	13,168,688
Increase /(decrease) in retained profits due to change in accounting policy on adoption of:		
■ AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	5,133,382	-
Restated retained profits at beginning of the period	19,505,818	13,168,688
Net profit	12,888,598	9,866,331
Dividends provided for or paid	(9,945,362)	(3,529,201)
Restated retained profits at end of the period	22,449,054	19,505,818
Restatement of provision for dividends		
Balance at end of period - as previously reported	-	5,133,382
Effect of change in accounting policy	-	(5,133,382)
Restated balance at end of period	-	-

3. Revenue and Operating Profit

	2003 \$	2002 \$
a) Revenue from ordinary activities		
<i>From operating activities</i>		
Dividends received or due and receivable	14,696,396	11,765,680
Interest received or due and receivable	745,233	307,077
Sub-underwriting income	9,000	3,750
	<u>15,450,629</u>	<u>12,076,507</u>
<i>From other than operating activities</i>		
Gross proceeds from the sale of investments	36,235,576	39,163,385
Total revenue from ordinary activities	51,686,205	51,239,892
b) Operating Profit before income tax expense		
Revenue from operating activities	15,450,629	12,076,507
Expenses:		
<i>Administrative expenses</i>		
Auditors' remuneration received, or due and receivable, by the auditors for:		
- auditing the accounts	30,800	25,300
- other services	3,850	3,850
Share registry fees	44,253	32,181
ASX fees and ASIC lodgement fees	42,184	25,469
Administration and accounting	117,875	112,750
Directors' fees	175,000	146,849
Provision for Directors' Retirement Allowance	100,000	42,076
Consultancy fees	29,237	64,973
General expenses	94,644	40,320
<i>Borrowing costs</i>		
Interest expenses	1,979,475	1,942,736
Other	11,665	11,202
Total Expenses	2,628,983	2,447,706
Profit from ordinary activities before related income tax expense	12,821,646	9,628,801

Notes to the Financial Statements for the year ended 30 June 2003

4. Income Tax

	2003 \$	2002 \$
a) Income Tax Expense		
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	3,846,494	2,888,640
Increase in income tax expense due to :		
Imputation gross-up on dividends received	1,599,543	1,330,573
Decrease in income tax expense due to :		
Franking credits on dividends received	(5,331,810)	(4,420,358)
Other permanent differences	(181,179)	(36,385)
Income tax expense/(benefit) attributable to profit from ordinary activities	<u>(66,952)</u>	<u>(237,530)</u>
Comprising:		
Current income tax provision	(34,699)	(246,269)
Future income tax benefit - current year	(32,253)	8,739
	<u>(66,952)</u>	<u>(237,530)</u>

b) Provision for current income tax

Movements during the year were as follows:

Balance at the beginning of the year	(52,871)	193,358
Tax (Paid)/Refunded	(9,035)	(207,957)
Dividend Withholding Tax	(16,820)	(38,272)
Tax on disposal of long term investments	123,982	246,269
Current year's income tax expense/(benefit) on operating profit	(34,699)	(246,269)
	<u>10,557</u>	<u>(52,871)</u>

c) Future income tax benefit

Timing differences between tax and accounting income	44,253	12,000
--	--------	--------

d) Future income tax benefit not taken to account

In 2003 the potential future income tax benefit to 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).

	<u>1,165,919</u>	-
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The potential future income tax benefit will only be obtained if:

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

5. Earnings Per Share

	2003 Cents	2002 Cents
Basic earnings per share based on operating profit after income tax.	<u>16.07</u>	<u>14.50</u>

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 2003 year is calculated on a weighted average adjusted number of ordinary shares of 80,217,606 taking into account the shares issued in the dividend re-investment program. The 2002 figure has been adjusted for the bonus element in the 2002 rights issue and is based on a weighted average number of ordinary shares of 68,055,591.

6. Dividends

	Note	2003 \$	2002 \$
Dividends recognised in the current year by the Company are:			
(i)	2002 final dividend of 8.00 cents per share (2001: 8.00 cents) fully franked paid 9 October 2002	5,133,382	-
(ii)	2003 interim dividend of 6.00 cents per share (2002: 5.5 cents) fully franked paid 11 April 2003	4,811,980	3,529,201
	16	<u>9,945,362</u>	<u>3,529,201</u>

Subsequent to reporting date :

Since 30 June 2003 the directors have declared the following dividend payable on 9 October 2003:

- Final dividend of 8.00 cents per share	<u>6,419,787</u>
--	------------------

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2003.

Dividend Franking Account

The balance of the franking account at 30 June 2003 at 30% is \$3,613,071 and after the adjustments referred to below is \$1,876,215 (compared to \$2,447,303 at 30% at 30 June 2002).

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

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at year-end
- (d) 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.

LIC Capital Gain Account

The balance of the LIC Capital Gain Account at 30 June 2003 was \$137,827 (2002: \$137,827).

Notes to the Financial Statements for the year ended 30 June 2003

7. Receivables

	2003 \$	2002 \$
Current		
Dividends Receivable	2,457,660	1,864,876
Interest Receivable	12,297	12,147
Prepaid Income Tax	-	52,871
Investment transactions not yet settled	2,381,566	-
Other	11,578	8,190
	<u>4,863,101</u>	<u>1,938,084</u>

8. Investments

Current		
Commercial bills - at maturity value	-	30,000,000
Non-Current		
Investments quoted on prescribed stock exchanges (at current market value)		
Ordinary shares in other corporations	331,210,943	330,737,598
Convertible preference shares	3,950,350	2,923,889
	<u>335,161,293</u>	<u>333,661,487</u>

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 \$28,023,518 (2002: \$35,398,155).

9. Other Assets

Current		
Prepayments	483,583	183,409

10. Payables

Current		
Trade Creditors	48,007	102,601
Unearned income	-	109,047
Other Creditors and Accruals	-	1,657,229
	<u>48,007</u>	<u>1,868,877</u>

11. Interest Bearing Liabilities

Non-Current		
Bills Payable - Unsecured	30,000,000	30,000,000

12. Financing Arrangements

	2003 \$	2002 \$
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

13. Provisions

Non-Current		
Directors' retirement allowance	140,000	40,000

14. Contributed Equity

Issued and paid-up share capital 80,247,332 (2002 : 80,209,262) ordinary shares, fully paid	144,432,148	144,284,817
Movements in ordinary share capital		
Balance at the beginning of the financial year	144,284,817	88,193,564
Shares Issued		
- Net Proceeds from rights issued (i)	-	56,091,253
- Dividend re-investment plan (ii)	147,331	-
	<u>144,432,148</u>	<u>144,284,817</u>

- (i) on 17 June 2002 16,041,991 new ordinary shares were issued pursuant to a prospectus at \$3.50 per share. Proceeds were recorded net of the costs of the issue of \$55,715. The new ordinary shares did not rank for any dividends in respect of the financial year 2001/02. They commenced to rank for dividends from 1 July 2002. Otherwise they rank equally with existing ordinary shares.
- (ii) in respect to the interim dividend paid in April 2003, 38,070 ordinary shares were issued at \$3.87 each under the new dividend re-investment plan.

Notes to the Financial Statements for the year ended 30 June 2003

15. Reserves

Note	2003 \$	2002 \$
Asset revaluation reserve	100,055,672	127,797,233
Investment fluctuation reserve	49,668,412	50,457,694
	<u>149,724,084</u>	<u>178,254,927</u>

Movements in reserves during the year:

Asset Revaluation Reserve

Balance at the beginning of the financial year	127,797,233	154,529,044
Revaluation of investments	(28,406,861)	(14,595,241)
Less transfer to the Investment Fluctuation Reserve of revaluation increments from prior years realised on sales	665,300	(12,136,570)
Balance at the end of the financial year	<u>100,055,672</u>	<u>127,797,233</u>

Investment Fluctuation Reserve

Balance at the beginning of the financial year	50,457,694	38,567,393
Tax on disposal of long term investments	(123,982)	(246,269)
Add transfer from the Asset Revaluation Reserve of revaluation increments from prior years realised on sales	(665,300)	12,136,570
Balance at the end of the financial year	<u>49,668,412</u>	<u>50,457,694</u>

16. Retained Profits

Retained profits at the beginning of the year	19,505,818	13,168,688
Net profit	12,888,598	9,866,331
Dividends paid	6 (9,945,362)	(3,529,201)
Retained profits at the end of the year	<u>22,449,054</u>	<u>19,505,818</u>

17. Total Equity Reconciliation

Total equity at the beginning of year	342,045,562	294,458,689
Total changes in equity recognised in the statement of financial performance	(15,642,245)	(4,975,179)
Dividends Paid	(9,945,362)	(3,529,201)
Dividends re-invested	147,331	-
Proceeds from rights issue	-	56,091,253
Total equity at end of year	<u>316,605,286</u>	<u>342,045,562</u>

18. Segment Reporting

The Company operates as an investment company in Australia.

19. Remuneration of Directors

Directors' income	2003 \$	2002 \$
Total income paid or payable, or otherwise made available, to all directors of the Company from the Company or any related party:	<u>175,000</u>	<u>146,849</u>

The number of directors of the Company included in this figure are shown below in their relevant remuneration band.

Remuneration of:	Number	
\$0 to \$9,999	-	1
\$10,000 to \$19,999	-	1
\$30,000 to \$39,999	3	2
\$60,000 to \$69,999	-	1
\$70,000 to \$79,999	1	-

The Company has paid insurance premiums in respect of Director's and Officer's insurance as set out in note 20.

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, which is based on the number of years service at balance date.

Notes to the Financial Statements for the year ended 30 June 2003

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, P J Wetherall and P J B Rose.

Under an agreement between the Company and The Myer Family Office Ltd, The Myer Family Office Ltd provided accounting and administrative services during the year for a fee of \$115,000 plus GST (2002: \$110,000). The fee is on normal commercial terms and is subject to annual review. The Myer Family Office 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 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 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 2003 to 18 June 2004.

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 at year end are set out below:

SHARES	2003		2002	
	1	2	1	2
Charles B Goode	50,000	368,119	50,000	362,500
Graeme E Moir	62,500	-	62,500	-
Peter J Wetherall	10,000	-	10,000	-
P John Rose	50,000	-	50,000	-

- 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 dividend re-investment program.

Notes to the Financial Statements for the year ended 30 June 2003

21. Notes to the Statement of Cash Flows

	2003 \$	2002 \$
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:		
Cash	6,251,620	8,159,459
Reconciliation of operating profit after income tax to net cash provided by operating activities		
Operating profit after income tax	12,888,598	9,866,331
Add/(less) non cash items:		
Capitalised interest	(59,400)	-
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividends receivable	(592,784)	(57,540)
(Increase)/decrease in interest receivable	(150)	(4,784)
(Increase)/decrease in bill interest receivable	-	(186,574)
(Increase)/decrease in other debtors	(3,388)	2,245
Increase/(decrease) in taxes payable	(60,562)	(492,498)
(Increase)/decrease in future tax benefits	(32,253)	8,739
Increase/(decrease) in accrued expenses	(54,595)	(65,542)
(Increase)/decrease in prepayments	(300,174)	(39,639)
Increase/(decrease) in provisions	100,000	(29,129)
Increase/(decrease) in unearned income	(109,047)	109,047
Net cash provided by operating activities	11,776,245	9,110,656

22. Additional Financial Instruments Disclosure

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2003 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

Financial Assets - 2003	Note	Floating Interest Rate \$
Cash	21	6,251,620
Weighted Average Interest Rate		4.33%

Financial Assets - 2002	Note	Floating Interest Rate \$
Cash	21	8,159,459
Investments	8	30,000,000
Total		38,159,459
Weighted Average Interest Rate		4.11%

The Company has a borrowing facility in place for up to \$30,000,000 to 30 June 2005 with National Australia Bank Ltd (2002: \$30,000,000). At balance date the Company utilised \$30,000,000 of this commercial bill facility with the full amount 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 5.58% (2002: 6.45%).

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 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

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

- (a) the financial statements and notes, set out on pages 10 to 19, 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 2003 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 2003

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 2003, 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 10 to 20. 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 results 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 2003 and of its performance for the financial 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

A handwritten signature in black ink, appearing to read 'D Pasquariello'.

D Pasquariello
Partner

Melbourne

15 August, 2003

Additional Information for the Australian Stock Exchange

Distribution of shareholders as at 31 July 2003.

Ordinary Shares

Category Holders	Units	No of Holders	%
1-1,000	71,273	126	0.09
1,001-5,000	1,603,279	553	2.00
5,001-10,000	2,617,646	350	3.26
10,001 and 100,000	9,885,191	375	12.32
100,001 and over	66,069,943	41	82.33
	80,247,332	1,445	100.00

There were 13 ordinary shareholders holding less than a marketable parcel (125 shares) at 31 July 2003.

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
The Ian Potter Foundation Limited and Dundee Trading Pty Ltd	30,487,704
Argo Investments Ltd	13,238,803
Lady Primrose Catherine Potter, Primrose Properties Pty Ltd and Decerna Pty Ltd	7,723,293

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 2003, hold 62,814,459 ordinary shares which is 78.27% of the issued capital.

Ordinary Shares

	Shareholder Name	No. of Shares	% Held
1.	The Ian Potter Foundation Ltd	27,215,845	33.91
2.	Argo Investments Ltd	12,350,828	15.39
3.	Primrose Properties Pty Ltd	6,413,795	7.99
4.	Robin Bernice Potter	5,475,000	6.82
5.	Dundee Trading Pty Ltd	3,271,859	4.08
6.	Melbourne Business School Ltd	1,800,000	2.24
7.	The Miller Foundation Ltd	1,520,000	1.89
8.	Lady Primrose Catherine Potter	750,000	0.93
9.	Decerna Pty Ltd	559,498	0.70
10.	Pards Pty Ltd	472,153	0.59
11.	HMS Nominees Ltd	470,000	0.59
12.	Daryl Albert Dixon & Katherine Dixon	445,000	0.55
13.	UBS Private Clients Australia Nominees Pty Ltd	334,398	0.42
14.	Matluc Nominees Pty Ltd	288,443	0.36
15.	Bounty Investments Ltd	281,250	0.35
16.	Beta Gamma Pty Ltd	253,875	0.32
17.	St Hilda's College Nominees Pty Ltd	253,778	0.32
18.	Duesburys Services Pty Ltd <Carolyn Anne Parker Bowles>	224,850	0.28
19.	Stoddarts (1980) Pty Ltd	220,100	0.27
20.	Lorna Elizabeth Pitt	213,787	0.27
		62,814,459	78.27

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2003 totalled \$143,754 (2002:\$169,028). 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 2003

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 \$	30/6/2003 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/2002 Units Held
<i>Materials (0.00%)</i>					
Western Mining Corporation	-	-	-	Demerged & converted to 2,350,000 Western Mining Resources Ltd ordinary shares & 2,350,000 Alumina Ltd ordinary shares	2,350,000
<i>Capital Goods (0.76%)</i>					
Lemarne Corporation Ltd	950,000	0.28%	500,000	-	500,000
Lemvest Ltd	1,637,628	0.48%	627,444	-	627,444
Nautronix Ltd	-	-	-	1,000,000 Sold	1,000,000
<i>Oil & Gas (3.52%)</i>					
Santos Ltd	2,360,000	0.69%	400,000	50,000 Purchased	350,000
Woodside Petroleum Ltd	9,656,400	2.83%	780,000	80,000 Purchased	700,000
<i>Chemicals (2.22%)</i>					
Orica Ltd	7,581,000	2.22%	700,000	200,000 Purchased	500,000
<i>Construction Material (0.30%)</i>					
CSR Ltd	1,028,200	0.30%	530,000	-	530,000
<i>Containers & Packaging (1.55%)</i>					
Amcor Ltd	5,278,000	1.55%	650,000	66,667 Purchased	583,333
Amcor Limited (New)	-	-	-	8,334 converted to Amcor Ltd ordinary shares	8,334
<i>Metals & Mining (13.55%)</i>					
Alumina Ltd	10,175,000	2.98%	2,500,000	2,350,000 ordinary shares acquired from Western Mining Corporation Ltd on Demerger. 150,000 Purchased	-
BHP Billiton Ltd	6,912,000	2.02%	800,000	100,000 Purchased	700,000
BHP Steel Ltd	3,720,000	1.09%	1,000,000	1,000,000 Purchased	-
Iluka Resources Ltd	4,050,000	1.19%	1,000,000	-	1,000,000
Rio Tinto Ltd	13,144,500	3.85%	450,000	50,000 Purchased	400,000
WMC Resources Ltd	8,248,500	2.42%	2,350,000	2,350,000 ordinary shares acquired from Western Mining Corporation Ltd on Demerger.	-
<i>Paper & Forest Products (1.07%)</i>					
Paperlinx Ltd	3,664,000	1.07%	800,000	300,000 Purchased	500,000

List of Investments as at 30 June 2003

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 \$	30/6/2003 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/2002 Units Held
<i>Building Products (0.40%)</i>					
GWA International Ltd	1,350,000	0.40%	500,000	-	500,000
<i>Construction & Engineering(0.00%)</i>					
Leighton Holdings Ltd	1,340	0.00%	134	199,866 Sold	200,000
<i>Industrial Conglomerates (5.19%)</i>					
Wesfarmers Ltd	17,710,000	5.19%	700,000	-	700,000
<i>Machinery (1.18%)</i>					
Crane Group Ltd	4,040,000	1.18%	400,000	-	400,000
<i>Trading Co & Distributors (1.76%)</i>					
Alesco Corporation Ltd	6,017,611	1.76%	1,205,934	405,934 Purchased	800,000
<i>Commercial Services Supplies (1.34%)</i>					
Brambles Industries Ltd	4,570,000	1.34%	1,000,000	250,000 Purchased	750,000
<i>Transportation Infrastructure (0.42%)</i>					
Adsteam Marine Ltd	1,430,000	0.42%	1,100,000	-	1,100,000
<i>Hotels Restaurants & Leisure (6.28%)</i>					
TAB Ltd	6,500,000	1.90%	2,000,000	500,000 Purchased	1,500,000
Tabcorp Holdings Ltd	11,847,000	3.47%	1,100,000	-	1,100,000
Unitab Ltd	3,100,000	0.91%	500,000	500,000 Purchased	-
<i>Media (5.27%)</i>					
APN News & Media Ltd	1,225,000	0.36%	350,000	77,777 Purchased	272,223
Amalgamated Holdings Ltd	1,896,000	0.56%	800,000	300,000 Purchased	500,000
Fairfax (John) Holdings Ltd	2,016,000	0.59%	700,000	-	700,000
News Corporation Ltd (The)	5,880,000	1.72%	525,000	951 Purchased	524,049
News Corporation Ltd (The) - Prefs	-	-	-	18,024 Sold	18,024
Southern Cross Broadcasting (Aust) Ltd	6,960,000	2.04%	800,000	100,000 Purchased	700,000
<i>Food & Drug Retailing (5.08%)</i>					
AWB Ltd	1,552,000	0.45%	400,000	200,000 Purchased	200,000
Coles Myer Ltd	1,400,000	0.41%	200,000	450,000 Sold	650,000
Foodland Associated Ltd	6,895,000	2.02%	350,000	40,000 converted from Foodland Associated Ltd (New) & 10,000 Purchased	300,000
Foodland Associated Ltd (New)	-	-	-	40,000 units converted to Foodland Associated Ltd ordinary shares	40,000
Woolworths Ltd	7,512,000	2.20%	600,000	200,000 Purchased	400,000

List of Investments as at 30 June 2003

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 \$	30/6/2003 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/2002 Units Held
<i>Beverages (1.23%)</i>					
BRL Hardy Ltd	-	-	-	100,000 Sold	100,000
Foster's Group Ltd	4,210,000	1.23%	1,000,000	-	1,000,000
<i>Health Care Equipment & Supplies (0.08%)</i>					
Compumedics Ltd	266,250	0.08%	750,000	-	750,000
<i>Health Care Providers & Services (1.88%)</i>					
Mayne Group Ltd	6,422,560	1.88%	2,344,000	-	2,344,000
<i>Biotechnology (0.36%)</i>					
Bresagen Ltd	-	-	-	500,000 Sold	500,000
CSL Ltd	1,216,510	0.36%	101,800	-	101,800
<i>Banks (27.17%)</i>					
Australia & New Zealand Banking Group Ltd	26,984,500	7.90%	1,450,000	127,000 Purchased	1,323,000
Commonwealth Bank Of Australia Ltd	10,342,500	3.03%	350,000	5,000 Purchased	345,000
National Australia Bank Ltd	33,500,000	9.81%	1,000,000	-	1,000,000
Westpac Banking Corporation	21,937,500	6.43%	1,350,000	199,995 Purchased	1,150,005
<i>Diversified Financials (6.81%)</i>					
Diversified United Investment Ltd	7,791,679	2.28%	4,304,795	-	4,304,795
OFM Investment Group Ltd	1,187,515	0.35%	612,121	374,598 Purchased	237,523
Perpetual Trustees Australia Ltd	6,140,000	1.80%	200,000	50,000 Purchased	150,000
Suncorp Metway Ltd	8,120,000	2.38%	700,000	518,000 Purchased	182,000
<i>Insurance (2.76%)</i>					
AMP Ltd	3,603,250	1.06%	725,000	225,000 Purchased	500,000
AXA Asia Pacific Holdings Ltd	492,000	0.14%	200,000	200,000 Purchased	-
Insurance Australia Group Ltd	680,000	0.20%	200,000	200,000 Purchased	-
QBE Insurance Group Ltd	4,660,000	1.36%	500,000	-	500,000
Tower Ltd	-	-	-	902,654 Sold	902,654
<i>Real Estate (2.20%)</i>					
Australand Holdings Ltd	2,080,000	0.61%	1,300,000	-	1,300,000
Lend Lease Corporation Ltd	2,505,000	0.73%	300,000	-	300,000
Westfield Holdings Ltd	2,920,000	0.86%	200,000	100,000 Purchased	100,000
<i>Software (0.00%)</i>					
Solution 6 Holdings Ltd	-	-	-	500,000 Sold	500,000

List of Investments as at 30 June 2003

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 \$	30/6/2003 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/2002 Units Held
<i>Electronic Equipment (1.14%)</i>					
ERG Ltd	-	-	-	3,407,000 Sold	3,407,000
ERG Ltd def set	1,152,000	0.34%	1,440,000	Converted from 161,000 ERG convertible notes	-
Vision Systems Ltd	2,730,000	0.80%	3,000,000	-	3,000,000
<i>Diversified Telecommunication Services (1.74%)</i>					
Telstra Corporation Ltd	5,940,000	1.74%	1,350,000	22,000 Purchased	1,328,000
<i>Gas Utilities (1.76%)</i>					
Australian Gas Light Company	6,022,500	1.76%	550,000	50,000 Purchased	500,000
<i>Listed Fixed Interest (1.15%)</i>					
<i>Paper & Forest Products</i>					
CPI Group Ltd 8% Non-Cum Cnv Pref	1,006,500	0.29%	550,000	1,000 Purchased	549,000
<i>Commercial Services Supplies</i>					
CPU Ltd 5.5% Res Cnv Non-Cum Pref	483,750	0.14%	5,000	5,000 Purchased	-
<i>Media</i>					
Village Roadshow Ltd 'A' Class Pref	1,500,000	0.44%	2,000,000	-	2,000,000
<i>Insurance</i>					
AMP Res Pref Sec Trust 8.62% Res Cpref	960,100	0.28%	10,000	10,000 Purchased	-
<i>Cash Trust & Other Deposits (1.83%)</i>					
M F Cash Management Fund	1,892,484	0.55%	1,892,484	6,181,671 Sold	8,074,155
NAB - 11 AM Deposit	4,150,734	1.22%	4,150,734	4,150,734 Purchased	-
NAB - Cheque Account	208,402	0.06%	208,402	123,099 Purchased	85,303
Commercial Investment Bills (0.00%)	-	-	-	30,000,000 Sold	30,000,000
	<u>341,412,913</u>	<u>100.00</u>			

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