

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE 51ST ANNUAL GENERAL MEETING OF THE COMPANY HELD AT LEVEL 5, 161 COLLINS STREET, MELBOURNE ON FRIDAY 7 OCTOBER 2005 AT 11.00 AM

Ladies and Gentlemen,

Welcome to this year's Annual General Meeting.

For the year just ended the Company's operating profit after income tax and before investment fluctuations was \$18.3M compared to \$16.3M in the previous year – an increase of 12.7%, or 20.2% if special dividends received in both periods are disregarded.

The earnings per share were 22.2 cents, compared to 20.1 cents for the previous year.

The increase in operating profit reflects a good increase in dividends and trust distributions of \$3.9M (excluding the special dividends received in both periods).

This year special dividends totalling \$1.3M after tax were received from Australian Gas Light Company, Bluescope Steel, GWA International, Macquarie Bank, Macquarie Infrastructure Group, Perpetual Trustees and Telstra Corporation. In 2004, special dividends of \$2.1M were received through the Company's participation in the Foster's Group and Telstra Corporation share buy back arrangements.

Bank borrowings were \$50 million at the end of the financial year (previous year \$37 million) modestly gearing the investment portfolio by around 9%.

The Company's operating expenses (excluding borrowing costs) expressed as a percentage of the average market value of the portfolio were equivalent to 0.16%, compared to 0.17% last year.

The asset backing per share before provision for the final dividend and for estimated tax on unrealised gains was \$6.01 at 30 June 2005, compared to \$4.72 at 30 June 2004.

The Company's compound annual growth in net asset backing (assuming all dividends were re-invested) has outperformed the S&P/ASX 300 Accumulation Index in each of the past one, three, five and seven year periods as follows:

To 30 June 2005	AUI Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	31.4	26.0
3 Years	16.0	14.7
5 Years	13.7	9.5
7 Years	14.1	11.5

The final dividend for the year ending 30 June 2005 is 9 cents per share fully franked which, with the interim dividend of 8 cents per share fully franked, makes a total dividend for the year of 17 cents per share fully franked which is an increase of two cents per share over last year or 13.3%.

The final dividend will include a Listed Investment Company capital gain "attributable part" of 1.5 cents per share. This will enable some shareholders to claim a tax deduction in their income tax return. Details will be provided in the dividend statement.

The portfolio of the Company is invested in Australian equities and at balance date was spread over 55 companies. The Annual Report provides a list of the shareholdings at 30 June 2005 and 30 June 2004; the changes to the portfolio during the year; the percentage of the investment portfolio in terms of market values of each investment; and the twenty-five largest investments ranked in order of size at 30 June 2005.

The largest investments in terms of market value are ANZ Banking Group, National Australia Bank, BHP Billiton, Westpac and Rio Tinto. These five investments at 30 June 2005 comprised 28% of the portfolio and our twenty-five largest investments comprised 82% of the portfolio.

In the year to 30 June 2005 the portfolio was revalued up by \$102.4M to a market value of \$547.3M (2004: revalued up by \$58.4M to a market value of \$419.1M), the increase being taken directly to the asset revaluation reserve.

The share portfolio was invested as to 55% in the top 20 companies by market capitalisation; 23% in companies 21 to 50 in size; 8% in companies 51 to 100; and 14% in companies outside the largest 100 companies.

Continued Over

At 30 June 2005 the main sectors of the portfolio were Banking 23%, Resources 26%, and Diversified Financials 10%. Cash on hand at 30 June 2005 was 0.7% of the portfolio

Your Board is comfortable with the composition of the investment portfolio. Our investment decisions are usually made with a view to the sustained growth in dividend returns, and we are therefore particularly pleased that this policy has enabled us to increase the Company's dividend for the twelfth consecutive year.

Since the end of the financial year we have sold our investment in WMC Resources through the BHP Billiton takeover. We have also sold our holdings in Compumedics, Paperlinx and Crane Group and reduced our investment in Vision Systems. We have added to our holdings in Transurban Group, AXA Asia Pacific, Alumina, Origin Energy, Insurance Australia Group, Henderson Group and Macquarie Infrastructure Group and made a purchase of Promina Group.

The main sectors of the portfolio as at 30 September 2005 were banking 22%, resources 25%, diversified financials 10%, with cash on hand at 3%.

Outlook:

The past year has been a very good year for the Australian share market and for our Company. The recent corporate profit season has been one of the best in memory and it has been reflected in increased corporate dividends.

While the current year has started buoyantly we consider the market is well priced and we look forward to a reasonable rather than a great year.

The Australian economy should continue to benefit from what on balance is a good economic outlook for world trade with many companies experiencing historically high profit margins, relatively low interest rates, and high liquidity.

However many sectors are highly priced compared to international share alternatives and we expect the international markets to absorb some of the surplus liquidity and restrain further across the board advances in our market.

There is also the prospect of an adverse left field event from a further oil crisis, increased terrorist fears, the deficits in the USA balance of payments and budget, a disturbance from the increased use of derivatives world-wide in financial markets, the lack of adequate pricing for risk in many debt markets, problems that may arise from continued asset inflation and the accommodation of China as an increasingly important world power.

There are always matters for the worriers and on balance we consider we are operating in a very favourable environment.

Our net asset backing per share based on investments at market values and after provision for tax on net realised gains, but not unrealised gains, and after provision for the final dividend was \$5.92 at 30 June, 2005 and \$6.63 at 30 September, 2005.

From 1 July the Company is required by the new Australian equivalent to International Reporting Standards to provide for estimated tax that would arise on a theoretical disposal of the entire portfolio. AUI is a long term investor and does not intend disposing of its total portfolio. After deducting this provision the figure at 30 September 2005 was \$5.54. We will continue to announce monthly the NTA both before and after the provision.

Charles Goode
Chairman