

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE 52nd ANNUAL GENERAL MEETING OF THE COMPANY
HELD AT 147 COLLINS STREET, MELBOURNE ON THURSDAY 12 OCTOBER 2006 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 realised investment gains was \$22.1M compared to \$18.6M in the previous year – an increase of 19%, or 15% if special dividends received in both periods are disregarded.

The operating earnings per share excluding realised gains were 26.3 cents, compared to 22.5 cents for the previous year. Excluding special dividends received, earnings per share were 23.6 cents, up from 20.9 cents last year.

The increase in operating profit reflects a good increase in dividends and trust distributions of \$2.4M (excluding the special dividends received in both periods).

This year special dividends totalling \$2.3M after tax were received from Bluescope Steel, CSL, GWA International, Insurance Australia Group, IOOF, Perpetual Trustees, Promina Group, Rio Tinto, Suncorp Metway, Telstra, Ten Network and Village Roadshow. In 2005, special dividends of \$1.3M were received.

Bank borrowings were \$65 million at the end of the financial year (previous year \$50 million) amounting to around 9% of the investment portfolio at market values. Annual interest expense is covered eight times by investment revenue.

The Company's operating expenses (excluding borrowing costs) expressed as a percentage of the average market value of the portfolio were equivalent to 0.13%, compared to 0.16% last year.

The asset backing per share before provision for the final dividend and estimated tax on unrealised gains was \$7.44 at 30 June 2006, compared to \$6.01 at 30 June 2005.

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 2006	AUI Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	27.1	24.0
3 Years	27.3	23.9
5 Years	14.3	12.3
7 Years	15.5	12.7

The final dividend for the year ending 30 June 2006 is 11.0 cents per share fully franked which, with the interim dividend of 8.5 cents per share fully franked, makes a total dividend for the year of 19.5 cents per share fully franked which is an increase of 2.5 cents per share over last year or 14.7%.

The final dividend will include a Listed Investment Company capital gain dividend of 8.5 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 54 companies. The Annual Report provides a list of the shareholdings at 30 June 2006 and 30 June 2005; 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 2006.

The largest investments in terms of market value are BHP Billiton, Rio Tinto, ANZ Banking Group, Woodside Petroleum and National Australia Bank. These five investments at 30 June 2006 comprised 32% of the portfolio and our twenty-five largest investments comprised 83% of the portfolio.

In the year to 30 June 2006 the portfolio was revalued up by \$113M to a market value of \$695M (2005: revalued up by \$102M to a market value of \$547M), the increase being taken directly to the asset revaluation reserve.

Continued Over

The share portfolio was invested as to 60% in the top 20 companies by market capitalisation; 19% in companies 21 to 50 in size; 5% in companies 51 to 100; and 16% in companies outside the largest 100 companies.

At 30 June 2006 the main sectors of the portfolio were Resources 28%, Banking 21%, and Diversified Financials 11%. Cash on hand at 30 June 2006 was 0.2% 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 thirteenth consecutive year.

Since the end of the financial year we have sold our small investment in the Sydney Roads Group. We have added to our holding in ABC Learning Centres and we have added Publishing and Broadcasting and ConnectEast Group to the portfolio.

The main sectors of the portfolio as at 30 September 2006 were banking 21%, resources 24%, diversified financials 11%, with cash on hand at 2%.

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 \$7.35 at 30 June, 2006 and \$7.46 at 30 September, 2006.

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 net asset backing at 30 June 2006 was \$6.06 per share and at 30 September 2006 was \$6.16.

Outlook:

We see good world economic growth for the year ahead with growth being particularly strong in Asia and slowing slightly in the USA and Australia.

There may be some increase in inflation and interest rates.

There are however risks to this scenario from disturbances in the Middle East giving rise to an oil shortage. Terrorist actions would impact on sentiment.

We are not unusually optimistic or apprehensive and are hopeful of a modest gain in markets. We would not be surprised to see the market, with fluctuations, move broadly sideways.

As a long-term investor, we will remain fully invested.

Charles Goode
Chairman