AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE 53rd ANNUAL GENERAL MEETING OF THE COMPANY HELD AT 147 COLLINS STREET, MELBOURNE ON THURSDAY 11 OCTOBER 2007 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 $25.7M compared to $22.1M in the previous year – an increase of 16%, or 23% if special dividends received in both periods are disregarded.

The operating earnings per share excluding realised gains were 30.2 cents, compared to 26.3 cents for the previous year. Excluding special dividends received, earnings per share were 28.6 cents, up from 23.6 cents last year.

The increase in operating profit reflects a very good increase in dividends and trust distributions of $6.3M (excluding the special dividends received in both periods).

This year special dividends totalling $1.3M after tax were received from Perpetual, Over Fifty's Group, Brambles, AGL, Alinta, DCA Group and Toll Holdings. In 2006, special dividends of $2.3M were received.

Bank borrowings were $110 million at the end of the financial year (previous year $65 million) amounting to around 12% of the investment portfolio at market values. Annual interest expense was covered six 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 0.10%, compared to 0.13% last year.

The asset backing per share before provision for the final dividend and estimated tax on unrealised gains was $9.35 at 30 June 2007, compared to $7.44 at 30 June 2006.

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

To 30 June 2007	AUI Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	29.1	29.2
3 Years	29.2	26.4
5 Years	20.7	19.3

The final dividend for the year ending 30 June 2007 is 12.5 cents per share fully franked which, with the interim dividend of 10.5 cents per share fully franked, makes a total dividend for the year of 23.0 cents per share fully franked which is an increase of 3.5 cents per share over last year or 18%.

The final dividend will include a Listed Investment Company capital gain dividend of 0.9 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 57 companies. The Annual Report provides a list of the shareholdings at 30 June 2007 and 30 June 2006; 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 2007.

The largest investments in terms of market value are BHP Billiton, Rio Tinto, ANZ Banking Group, Diversified United Investment, Woodside Petroleum and National Australia Bank. These six investments at 30 June 2007 comprised 35% of the portfolio and our twenty-five largest investments comprised 81% of the portfolio.

In the year to 30 June 2007 the portfolio was revalued up by $155M to a market value of $903M (2006: revalued up by $116M to a market value of $691M), the increase being taken directly to the asset revaluation reserve.

The share portfolio was invested as to 59% in the top 20 companies by market capitalisation; 21% in companies 21 to 50 in size; 4% in companies 51 to 100; and 16% in companies outside the largest 100 companies.

At 30 June 2007 the main sectors of the portfolio were Resources 26%, Banking 19%, and Diversified Financials 10%. Cash on hand at 30 June 2007 was 0.1% 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 fourteenth consecutive year.

Since the end of the financial year, after reviewing the long term outlook for all stocks in the portfolio, we have sold our investments in Coca Cola Amatil, Iluka Resources, ABC Learning Centres, Boral and CSR and some shares in the Over Fifty's Group. Alinta was taken over and we received cash and some securities which have since been sold. Next month we expect to receive further cash from the takeovers of Southern Cross Broadcasting and Coles.

As at 30 September 2007 the main sectors of the portfolio were resources 27%, banking 19%, diversified financials 11%, and net debt had been reduced to $75M. The majority of our borrowings are at fixed interest rates.

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 $9.23 at 30 June, 2007 and $9.70 at 30 September, 2007.

AUI is a long term investor and does not intend disposing of its total portfolio. However, under current accounting standards the Company is required to provide for estimated tax that would arise on a theoretical disposal of the entire portfolio. After deducting this provision the net asset backing at 30 June 2007 was $7.40 per share and at 30 September 2007 was $7.79.

Outlook:

With the possible exception of the USA, the outlook for the global economy is strong, as it is for the Australian economy. There have however been disturbances in the financial network that is so essential for the global economy to operate. The problem originated in the US housing market and the loose criteria on which mortgage loans were provided. These loans were also the subject of financial engineering which involved slicing and dicing various layers of risk exposures, gearing, and derivatives. This allowed some layers of the loans to be marketed with enhanced yields which attracted new investors and in some cases international investors.

Risk was dispersed but so was knowledge of where that risk was held. These developments over recent years have taken place in very favourable markets with competition reducing the reward for risk.

A recent reassessment of the quality of these loans has led to a liquidity crunch and a repricing of risk which will take some time to work through the financial system.

Central Banks around the world have acted promptly to provide liquidity in an environment in which there is an increased preference for liquidity. Their action will reduce the likelihood of a liquidity crisis becoming a credit crisis and reverberating into the equity markets and the economy. Only time will tell whether this needed short term solution adds to the longer term problem.

We have moved from being bullish on the equity market to being cautious. We have made a few sales where we are not as confident in the long term outlook for a company and rather than reinvest in the market we have reduced our moderate borrowings.

We are a long term investor and will hold our portfolio and ride through the ups and downs of the share market and the current turbulence. We do however anticipate lower returns in the year ahead than we have enjoyed in recent years.

Charles Goode
Chairman