

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

## CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE 54<sup>th</sup> ANNUAL GENERAL MEETING OF THE COMPANY  
HELD AT 147 COLLINS STREET, MELBOURNE ON WEDNESDAY 15 OCTOBER 2008 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 net realised investment gains was \$30.6M compared to \$25.7M in the previous year – an increase of 19%, or 16% if special dividends received in both periods are disregarded.

The operating earnings per share excluding net realised gains were 35.2 cents, compared to 30.2 cents for the previous year. Excluding special dividends received, earnings per share were 32.5 cents, up from 28.6 cents last year.

The increase in operating profit reflects a good increase in dividends and trust distributions of \$3.8M (excluding the special dividends received in both periods).

This year special dividends totalling \$2.3M after tax were received from Alinta, Tattersalls, Toll Holdings, Henderson Group, Southern Cross Broadcasting, Macquarie Airports and Village Roadshow. In 2007, special dividends of \$1.3M were received.

Bank borrowings were \$50 million at the end of the financial year (previous year \$110 million) amounting to around 6% of the investment portfolio at market values. Annual interest expense was covered 6.9 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%, unchanged from last year.

The asset backing per share before provision for the final dividend and estimated tax on unrealised gains was \$7.95 at 30 June 2008, compared to \$9.35 at 30 June 2007.

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 2008	AUI Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	(12.6)	(13.7)
3 Years	12.7	11.4
5 Years	18.4	16.2

The final dividend for the year ending 30 June 2008 is 13.5 cents per share fully franked which, with the interim dividend of 11.5 cents per share fully franked, makes a total dividend for the year of 25 cents per share fully franked which is an increase of 2 cents per share over last year or 8.7%.

The whole of the 13.5¢ per share final dividend will be paid in the form of a Listed Investment Company capital gain dividend. This will enable some shareholders to claim a tax deduction in their income tax return. Details will be provided in the dividend statement. This year the realised gains in the portfolio included the takeover of our holdings in Alinta and Southern Cross Broadcasting.

The portfolio of the Company is invested in Australian equities and at balance date was spread over 50 companies. The Annual Report provides a list of the shareholdings at 30 June 2008 and 30 June 2007; 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 2008.

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The largest investments in terms of market value at balance date were BHP Billiton, Rio Tinto, Woodside Petroleum, Diversified United Investment, ANZ Banking Group and National Australia Bank. These six investments at 30 June 2008 comprised 43% of the portfolio and our twenty-five largest investments comprised 84% of the portfolio.

In the year to 30 June 2008 the portfolio was revalued down by \$125M to a market value of \$772M (2007: revalued up by \$155M to a market value of \$903M), the change being taken directly to the asset revaluation reserve.

The share portfolio was invested as to 68% in the top 20 companies by market capitalisation; 14% in companies 21 to 50 in size; 5% in companies 51 to 100; and 13% in companies outside the largest 100 companies.

At 30 June 2008 the main sectors of the portfolio were Resources 33%, Banking 17%, and Diversified Financials 9%. Cash on hand at 30 June 2008 was 4.6% of the portfolio

In May 2008 \$66M of new equity was raised through a share placement at \$8.27 per share and these funds were used to reduce debt and increase our cash reserves.

Your Board remains 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 particularly pleased that this policy has enabled us to increase the Company's dividend for the fifteenth consecutive year.

Since the end of the financial year we have sold our investments in Insurance Australia Group, Macquarie Communications Group, and Virgin Blue Airlines, which was acquired following the Toll Holdings scheme of arrangement. Since 30 June we have increased our investment in Santos and participated in the entitlement offers of Orica and Alumina.

As at 30 September 2008 the main sectors of the portfolio were Resources 27%, Banking 19%, and Diversified Financials 9%. Net debt was \$11M. All 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 \$7.82 at 30 June, 2008 and \$6.82 at 30 September, 2008.

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 2008 was \$6.63 per share and at 30 September 2008 was \$5.96.

#### Outlook:

Our portfolio has fallen in value this year along with the general market. We expect the market this year to be very cautious as assessments are made of the global credit crisis, the response of the authorities, and its implications for economic activity.

We will probably be fairly inactive as we sit on our portfolio during a period of great turbulence and uncertainty.

We expect our dividend income to be broadly maintained while the market value of the portfolio will fluctuate more than normal.

Charles Goode  
Chairman