AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE 57th ANNUAL GENERAL MEETING OF THE COMPANY
HELD AT 147 COLLINS STREET, MELBOURNE ON THURSDAY 13 OCTOBER 2011 AT 11.00 AM

Ladies and Gentlemen,

Welcome to this year's Annual General Meeting.

I particularly welcome our new director Giselle Roux to her first Annual General Meeting of the Company.

For the financial year just ended the Company's operating profit after income tax which excludes net realised investment gains was $32.7M compared to $26.6M in the previous year – an increase of 23%. If special dividends received are excluded profit was $30.7M, an increase of 15%.

The operating profit reflects an increase in dividends and trust distributions received, an increase in interest received, an increase in interest paid, and a decline in option premium received.

The operating earnings per share excluding net realised gains and excluding special dividends were 29.4 cents, compared to 26.8 cents for the previous year.

In October 2010 $15.6 million of new equity was raised through the Company's Share Purchase Plan by the issue of 2,426,619 new shares at $6.42 per share.

The weighted average number of ordinary shares on issue for the year was 104 million as against 99 million in the previous year, an increase of 5%.

This year special dividends of $2M after tax were received from Orica and MAP Group. No special dividends were received in the previous year.

The total net profit after tax for the year of $32.7M excludes net realised gains and losses which are transferred directly to the Asset Allocation Reserve under revised accounting standards. Last year the total profit of $27.4M included $0.75M net realised gains after tax up to the date of adoption of the new standards on 7 December 2009.

Bank borrowings were $100M at the end of the financial year (previous year $97M) amounting to around 12% of the investment portfolio at market values. Cash on hand, cash on deposit and short term receivables were $22M, or 3% of the investment portfolio at market values (previous year $12M, or 2%).

Annual interest expense was covered 6.1 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 0.12%, compared to 0.15% last year. We are very pleased with the low management expense ratio.

The asset backing per share before provision for the final dividend and estimated tax on unrealised gains was $7.24 at 30 June 2011, compared to $6.68 at 30 June 2010.

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, five and ten year periods is as follows:

To 30 June 2011	AUI Net Asset Backing Accumulation % p.a.	AUI Share Price Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	12.4	0.7	11.9
3 Years	(0.5)	(1.9)	0.3
5 Years	2.8	1.4	2.4
10 Years	8.4	8.7	7.2

The final dividend for the year ending 30 June 2011 is 14.5 cents per share fully franked which, with the interim dividend of 12 cents per share fully franked, makes a total dividend for the year of 26.5 cents per share fully franked, an increase of one cent on last year.

The final dividend did not include any Listed Investment Company capital gain dividend.

The portfolio of the Company is invested in Australian equities and at balance date was spread over 44 companies. The Annual Report provides a list of the shareholdings at 30 June 2011 and 30 June 2010; 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 2011.

Continued over

The largest investments in terms of market value at balance date were BHP Billiton, Rio Tinto, ANZ Bank, Commonwealth Bank, Woodside Petroleum, National Australia Bank and Westpac Bank. These seven investments at 30 June 2011 comprised 50% of the portfolio and our twenty-five largest investments comprised 88% of the portfolio.

In the year to 30 June 2011 the portfolio was revalued up by $57M to a market value of $837M (2010: revalued up by $62M to a market value of $762M), the change being taken directly to the asset revaluation reserve.

The share portfolio was invested as to 73% in the top 20 companies by market capitalisation; 13% in companies 21 to 50 in size; 3% in companies 51 to 100; and 11% in companies outside the largest 100 companies.

At 30 June 2011 the main sectors of the portfolio were Resources 30%, Banking 26%, Retailing 9% and Diversified Financials 7%. Cash on hand and short term receivables at 30 June 2011 were 2.4% of the portfolio.

Since the end of the financial year, we have sold our holdings in Bluescope Steel, AWE, APN News & Media and Toll Holdings and reduced our shareholding in Sonic Healthcare. We have added to our holdings in Perpetual, Transurban, Brambles, Tatts Group, Ramsay Health Care, B T Investment Management and Newcrest Mining and introduced to the portfolio shareholdings in Challenger Group and Invocare.

The current composition of our portfolio is broadly 38% in financials being 26.4% in banks, 7.6% in diversified financials and 4.1% in insurance.

There is then broadly 33% in the resource industry comprising 20.4% in metals and mining, 8.1% in oil and gas, and 4.3% in two companies servicing the resource industry, namely Orica and Worley Parsons.

There is 10.2% in retailing comprising Wesfarmers and Woolworths. We have 5.4% in gas utility companies and 2.1% in infrastructure. There is around 2% in each of the gaming industry, media and health services. We have broadly 1.5% in each of Westfield, Brambles, Telstra and cash.

Our net asset backing per share based on investments at market values and after provision for tax on realised gains, but not net unrealised gains and losses, and after provision for the final dividend was $7.10 at 30 June, 2011 and $6.09 at 30 September, 2011.

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 2011 was $6.22 per share and at 30 September 2011 was $5.54.

Outlook:

It is easy to be pessimistic on the outlook. In the USA there are very different economic proposals being put forward by various economists to address the malaise and there are different political agendas from the two major political parties. It is hard to find a "team America" to address the issues of the 9.2% unemployment and the 10% of GDP budget deficit. The housing market has a two to three year over-supply and consumers are cautious.

We see the recovery being slow as the housing over-supply is reduced over time and the fall in the US dollar allows market forces to lead a gradual recovery in the economy.

In Europe we are even more pessimistic as there is a sovereign debt crisis that needs co-ordinated action and there is also a need for a re-capitalisation of the banking system. With different countries involved this is taking time to work out and for policies to be agreed and financed.

In Australia we have low unemployment, low Government debt, a low Government deficit, low but positive growth, and 2% - 3% inflation which may rise as a result of higher electricity and health costs. We have the benefit of being geographically part of Asia and having the resources that are sought by that market. Our shares provide a higher dividend, which is franked, than is available in other parts of the world.

It is difficult to assess if the general pessimistic outlook is fully reflected in the market. We think it is, except if there was a collapse of the financial system which would be particularly serious given governments have used much of their ammunition addressing the 2008-2010 Global Financial Crisis.

We see the outlook as being very uncertain with continuing volatility but on the balance of probabilities we expect a slightly higher share market at the end of the financial year.

Charles Goode
Chairman