

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE FIFTIETH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT LEVEL 5, 161 COLLINS STREET, MELBOURNE ON WEDNESDAY 6 OCTOBER AT 11.00 AM

Ladies and Gentlemen,

Welcome to this year's Annual General Meeting which is the 50th since the Company first listed on the Australian Stock Exchange in 1953. At 30 June 1954 shareholders funds were \$919,870 and net profit was \$58,362. 50 years later at 30 June 2004, shareholders funds are \$385 million and profit exceeds \$16 million.

For the year just ended the Company's operating profit after income tax and before investment fluctuations was \$16,268,691 compared to \$12,888,598 in the previous year – an increase of 26%. The increase in profit includes special dividends of \$2,121,104 received through the Company's participation in the Foster's Group and Telstra Corporation share buy back arrangements. Excluding these buy-back dividends, underlying profit was \$14,147,587 – an increase of 9.8%. The earnings per share were 20.1 cents, or 17.5 cents excluding the special share buy back dividends, compared to 16.1 cents for the previous year.

The increase in operating profit (excluding the Telstra and Foster's special dividends) reflects a good increase in dividends and trust distributions received of \$1,755,604.

Bank borrowings were \$37 million at the end of the financial year (previous year \$30 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 0.17%, compared to 0.18% last year.

The asset backing in the year to 30 June 2004 rose by 19.9% while the Australian S&P/ASX200 Index rose by 16.7%.

The graph in the Annual Report indicates the Company's growth has significantly outperformed the S&P/ASX 300 Accumulation Index over the last five years. Over that period the performance of an investment in AUI based on the Company's Net Asset Backing per share, assuming all dividends were reinvested, has grown 10.4% per annum compound compared to 8% per annum for the Index.

The final dividend for the year ending 30 June 2004 is 8.5 cents per share fully franked which with the interim dividend of 6.5 cents per share fully franked makes a total dividend for the year of 15 cents per share fully franked which is an increase of one cent per share or 7.1%.

The portfolio of the Company is invested in Australian equities and at balance date was spread over 56 companies. The Annual Report provides a list of the shareholdings at 30 June 2004 and 30 June 2003; 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 2004.

The largest investments in terms of market value are ANZ Banking Group, National Australia Bank, Westpac, Rio Tinto and Wesfarmers. These five investments at 30 June 2004 comprised 29% of the portfolio and our twenty-five largest investments comprised 79% of the portfolio.

The share portfolio was invested as to 48% in the top 20 companies by market capitalisation; 28% in companies 21 to 50 in size; 12% in companies 51 to 100; and 12% in companies outside the largest 100 companies.

The main sectors of the portfolio were Banking 25%; Resources 17%, and Diversified Financials 8%.

The Company is invested in a portfolio of Australian equities with which your Board is comfortable. Our investment decisions are usually made with a view to dividend yield, and we are therefore particularly pleased that this policy has enabled us to increase the Company's dividend for the eleventh consecutive year.

Corporate Governance:

The Company has adopted corporate governance principles in accordance with the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations". The principles adopted and any material departures from the recommendations, are outlined in the Corporate Governance Statement in the Annual Report and also on the Company's website.

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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.

World economic growth for calendar year 2004 is expected to be around 4.5% which is one of the highest in the last 25 years and compares to a 30 year average of 3.5%. Calendar 2005 is expected to be 3½%-4%.

In the year ahead we expect a slight increase in consumer price inflation and some increase in interest rates from historically low levels. We expect an increase in Australia's Gross Domestic Product of around 3% - 3½%, a year of reasonable corporate profits and dividend increases and the maintenance of strong corporate balance sheets.

This favourable outlook is to some extent factored into the current high share prices as are a number of uncertainties such as military confrontations, terrorism, high oil prices, the success China has in moderating and extending its extraordinary expansion, and the imbalances in the U.S. economy.

Our greatest concern is the medium term instability that may affect the world from a U.S. Government having greatly increased defence and homeland security expenditure together with rising health expenditure and having a programme of tax reductions. The significant and rising U.S. current Government budget deficit and the U.S. current account deficit are in danger of not being addressed until they become serious U.S. and world problems. The policies to address these issues are likely to have disruptive and adverse consequences during the adjustment period.

There is also the general risk factor in world equity markets, that the U.S. economy, in an advanced stage of an economic cycle, has little capacity in its monetary and fiscal armoury to meet economic softness. Any such softness could therefore become persistent and lingering, if not worse.

These matters may well reflect in the market more in calendar 2006 than 2005.

Our investment policy is long-term and we have been wary of new floats where the company has not shown its ability to successfully handle the down years of the economic cycle. We have been positioning the portfolio more in the leading companies and increasing our weighting in resources.

With increased government expenditure within a balanced budget and low historical interest rates we are looking for a reasonable year ahead.

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 \$4.64 at 30 June, 2004 and \$5.03 at 30 September, 2004.

Charles Goode
Chairman