

ANNUAL FINANCIAL REPORT 2004



2004

**Australian United
Investment Company Limited**

ANNUAL
FINANCIAL
REPORT

ABN 37 004 268 679

Australian United Investment Company Limited

Directors

C B Goode AC - Chairman
G E Moir
P J B Rose AO
P J Wetherall

Company Secretary

Andrew Justin Hancock FCA

Principal Office

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45 Exhibition Street
Melbourne Vic 3000
Tel: (613) 9654 0499
Fax: (613) 9654 3499
Email: info@auicom.com.au
Website: www.auicom.com.au

Registered Office

Australian United Investment Company Limited
C/- KPMG
161 Collins Street
Melbourne Vic 3000

Bankers

National Australia Bank Limited

Auditors

KPMG
Chartered Accountants

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Tel: 1300 850 505 or (613) 9415 5000
Fax: (613) 9473 2500
Website: www.computershare.com

Stock Exchange

The Company is listed on the Australian Stock Exchange Ltd.

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Australian United Investment Company Limited FOR THE YEAR ENDED 30 JUNE 2004

(ABN 37 004 268 679)

Chairman's Report

I am pleased to present the Annual Report of Australian United Investment Company Limited for the year ended 30 June 2004.

The operating profit after income tax was \$16,268,691 compared to \$12,888,598 in the previous year - an increase of 26%. The increase in operating profit includes special dividends of \$2,121,104 received through the Company's participation in the Foster's Group Ltd and Telstra Corporation Ltd share buy back arrangements. The earnings per share were 20.1 cents (17.5 cents excluding the special share buy back dividends) compared to 16.1 cents for the previous year.

Leaving aside the Telstra and Foster's Group special dividends, the increase in operating profit reflects a good increase in dividends and trust distributions received of \$1,755,604, and lower interest received following the utilisation of the cash raised in the June 2002 rights issue.

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 net asset backing per share before provision for the final dividend was \$4.72 at 30 June 2004, compared to \$3.95 at 30 June 2003.

Operating expenses (excluding borrowing costs) were 0.17% of the average market value of the portfolio.

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 15 cents per share fully franked for the year. This compares with 14 cents per share fully franked in the previous year, an increase of 7.1%, and the eleventh consecutive year in which dividends have been increased.

Dividends paid or payable for each of the last 5 financial years are as follows:

1999/00	12.5 cents per share
2000/01	13.0 cents per share
2001/02	13.5 cents per share
2002/03	14.0 cents per share
2003/04	15.0 cents per share

The Company's net tangible asset backing per share after provision for the final dividend (based on investments at market values and after provision for tax on net realised gains but not on unrealised gains) has increased over the last 5 years as follows:

30 June 2000	\$3.83
30 June 2001	\$4.59
30 June 2002	\$4.20 (After one for five rights issue at \$3.50, June 2002)
30 June 2003	\$3.87
30 June 2004	\$4.64

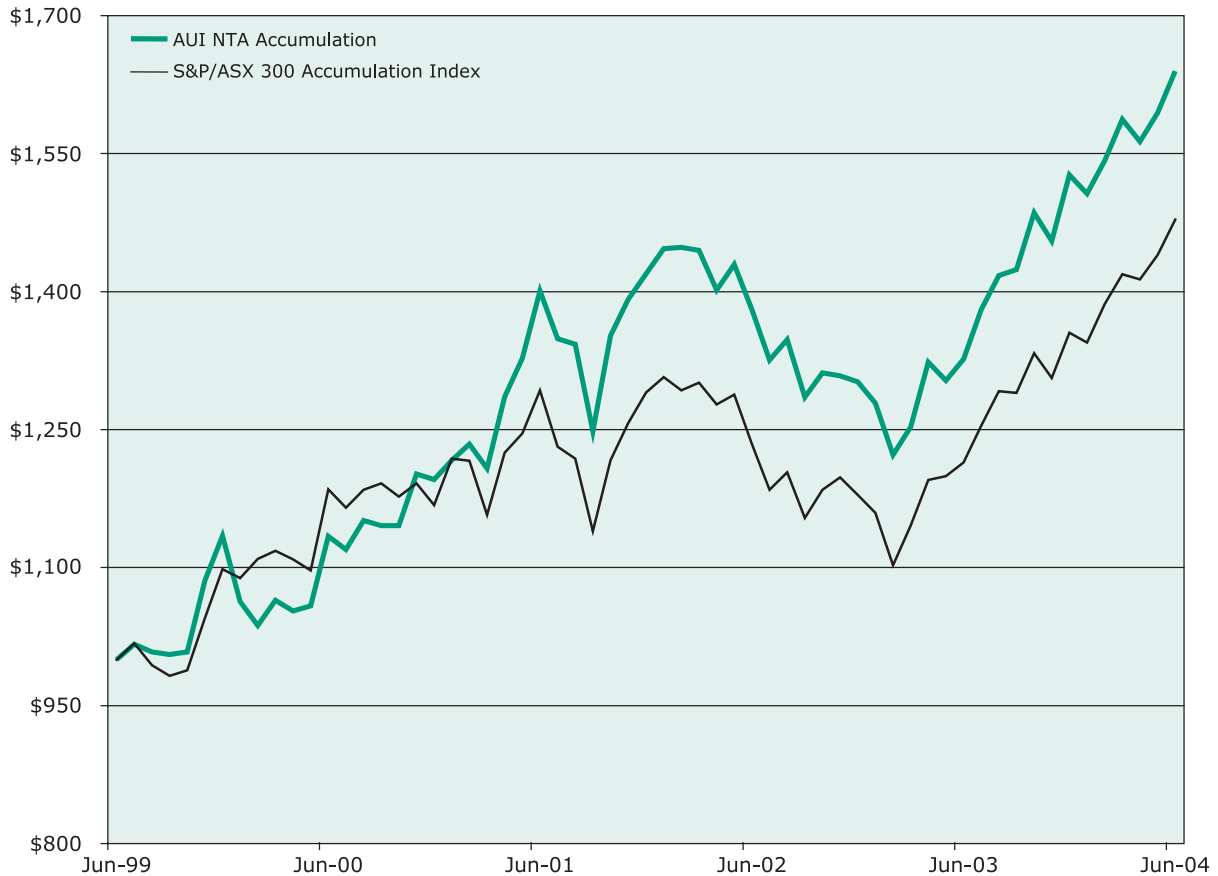
The Company's net asset backing accumulation performance in recent years (assuming all dividends were re-invested) is as follows:

	AUI NTA Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	23.6	22.4
3 Years	5.4	5.0
5 Years	10.4	8.0
7 Years	10.5	7.8

Chairman's Report (Continued)

The following graph shows the accumulation performance of the Company's Net Asset Backing (before provision for tax on unrealised gains) assuming all dividends were re-invested, as compared to the S & P/ASX 300 Accumulation Index over the last five years.

**Australian United Investment Limited
NTA Accumulation Calculated After the
Provision for Tax on Realised Gains**



Source: GSJBW Research

The equity portfolio of the Company is invested in Australian equities and at 30 June 2004 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, and the market values as at 30 June 2004 of each investment together with its percentage of the portfolio.

Chairman's Report (Continued)

As at 30 June 2004 the twenty-five largest shareholdings of the company, at market values were:

Company	Market Value \$'000	% of Market Value of Total Investments
1. ANZ Banking Group Ltd	31,990	7.6%
2. National Australia Bank Ltd	29,840	7.1%
3. Westpac Banking Corporation Ltd	23,760	5.7%
4. Rio Tinto Ltd	17,975	4.3%
5. Wesfarmers Ltd	17,640	4.2%
6. Tabcorp Holdings Ltd	16,946	4.0%
7. BHP Billiton Ltd	16,289	3.9%
8. Commonwealth Bank Ltd	14,661	3.5%
9. Alumina Ltd	13,200	3.1%
10. Woodside Petroleum Ltd	13,003	3.1%
11. WMC Resources Ltd	12,300	2.9%
12. Suncorp Metway Ltd	11,360	2.7%
13. Orica Ltd	10,570	2.5%
14. TAB Ltd	9,840	2.4%
15. Brambles Industries Ltd	9,600	2.3%
16. Southern Cross Broadcasting (Aust) Ltd	9,440	2.3%
17. Perpetual Trustees Australia Ltd	9,398	2.2%
18. Westfield Holdings Ltd	9,240	2.2%
19. Foodland Associated Ltd	9,000	2.2%
20. Alesco Corporation Ltd	8,712	2.1%
21. Diversified United Investment Ltd	8,308	2.0%
22. Woolworths Ltd	7,980	1.9%
23. QBE Insurance Group Ltd	7,680	1.8%
24. Bluescope Steel Ltd	6,740	1.6%
25. Australian Gas Light Company Ltd	6,671	1.6%
	<hr/> <hr/>	
	332,143	79.2%

Total Investments at Market Value and Cash

419,116



Charles Goode
Chairman

Corporate Governance Statement

In July 2003 the Company adopted corporate governance principles in accordance with the Australian Stock Exchange Corporate Governance Council's "Principle of Good Corporate Governance and Best Practice Recommendations." Any material departures from the recommendations are referred to in this statement.

1. Accountability and Responsibility

The Board is accountable to the shareholders and is responsible for:

- Setting strategic and financial objectives;
- Monitoring the Company's performance and financial position and overseeing the financial accounts and reporting;
- Identifying and managing business and compliance risks;
- Managing the Company's investment portfolio;
- Overseeing relationships with outside service providers;
- Appointing the Company Secretary, and setting and overseeing responsibilities delegated to the Company Secretary; and
- Setting ethical standards for the Company.

2. Composition

The Board currently comprises 4 directors. The Company's constitution requires 3 to 5 directors. The Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate after wide and, if necessary, professional consultation.

The Chairman and P John B Rose, being governors of The Ian Potter Foundation, are associated with substantial shareholders. These directors bring significant and relevant experience to the Board. However, in that the Chairman of the Board is not independent and there is not a majority of independent directors, the Company departs from the Australian Stock Exchange Corporate Governance Council's "Best Practice Recommendations". A lead independent director is not considered necessary given the small size of the Board. Appointed directors must stand for election at the next Annual General Meeting. One third of directors stand for re-election at each Annual General Meeting. There is no set retirement age or term for directors. Extensive experience in the investment markets is valued. Directors are not required to own shares in the Company.

3. Operation

The Board usually meets eleven times each year and consults on investment matters between meetings. The Board has day-to-day responsibility for management of the investment portfolio. Transaction levels are low as the portfolio is held for the long term. The Board reviews financial statements, forecasts, the investment portfolio, the net asset backing per share, and compliance reports monthly. The Company Secretary is responsible for either providing the information or co-ordinating it from outside service providers. The Chairman leads the investment management process at and between the meetings.

4. Delegation

The duties and responsibilities of the Company Secretary are set out in his letter of engagement, which the Board approves. The Board also approves letters of engagement for accounting, tax, custody and audit services. Share registry services are purchased on commercial terms.

5. Directors' Terms of Appointment, Remuneration and Performance

Director's fees are reviewed annually by the Nomination and Remuneration Committee in the light of Company activity, changing responsibilities and in comparison to fee levels of a peer group of companies. Independent remuneration advice may be sought. The maximum total of director's fees is set by the shareholders in general meeting.

Each director appointed before 1 July 2003 is entitled to receive a retirement benefit set out in an agreement, the terms of which have been approved by shareholders in Annual General Meeting. Fees for directors appointed after this date take into account the absence of a retirement agreement.

Each director is entitled to enter a Deed of Access, Indemnity and Insurance with the Company and to be covered by the Company's Directors and Officers Liability Insurance.

The duties of directors are as set out in the Corporations Law and in this statement. Directors are expected to attend at least 11 board meetings and approximately 2 committee meetings per year where applicable. They are expected to make a pro-active contribution to the management of the Company's investment portfolio by reading, research, and information collected outside of board meetings. Directors are expected to be available for board committee work, for no additional fee.

Corporate Governance Statement (Continued)

After prior discussion with the Chairman, directors are entitled to seek independent advice at the expense of the Company, which advice will then be made available to all other directors. Directors are entitled to unlimited access to the Company's records.

The Board reviews its performance annually by discussion and by individual communication with the Chairman and by reference to generally accepted Board performance standards. The Board also conducts an annual review of the performance of the Board Committees, the Company Secretary, and outside service providers.

6. Board Committees

The Board has a Nomination and Remuneration Committee comprising all directors and an Audit Committee comprising all directors except the Chairman. The Audit Committee meets at least twice and the Nomination and Remuneration Committee at least once per annum. The terms of reference of each committee is reviewed by the Board annually. The Audit Committee terms include inter-alia, appointment of the auditor, assessing his independence, managing the audit relationship, and overseeing risk management. The external audit partner rotates every 5 years.

The Audit Committee has an independent Chairman and a majority of independent directors. All members are non-executive. It is considered to have sufficient relevant expertise and to comply with the Australian Stock Exchange Corporate Governance Council's "Best Practice Recommendations" and Australian Stock Exchange listing rule 12.7.

The Nomination and Remuneration Committee considers and makes recommendations to the Board regarding Board composition and remuneration of the directors and the Company Secretary.

7. Disclosure Procedures

The Company has established procedures to ensure compliance with the Australian Stock Exchange listing rule disclosure requirements including monthly disclosure of the Company's net tangible asset backing per share.

8. Shareholder Communication

The Company communicates with shareholders through:

- The annual report
- The half year report
- The website, including email contact
- Telephone availability of the Company Secretary at the representative office
- Annual General Meeting including Chairman's address and question time
- Mailing of Chairman's address to all shareholders and posting to website.

The external auditor is to be available for questioning at the Annual General Meeting.

9. Risk Management

The Audit Committee reviews the Company's risk management procedures half yearly.

10. Ethical Conduct

The Company has no employees other than directors and the Company Secretary. Each director and the Company Secretary is expected to adopt high ethical standards in acting for the Company and in the interests of the shareholders. Directors are required to disclose any potential conflict of interest and to refrain from involvement in Board discussions, or leave the room, during the conflicted matter. The directors and the Company Secretary are aware of the Corporations Law regarding dealing in securities in which they possess market sensitive information. The Company's net tangible asset backing per share is announced monthly to the Australian Stock Exchange and the Company has procedures to ensure compliance with Australian Stock Exchange continuous disclosure requirements.

Directors' Report

The Directors present their report together with the financial report of Australian United Investment Company Limited for the year ended 30 June 2004 and the auditors' report thereon.

Directors

The names of each person who has been a Director of the Company at any time during or since the end of the financial year are:

**Charles B. Goode AC, B.Com. (Hons),
MBA (Columbia), Hon LLD (Melb),
Hon LLD (Mon).
Chairman
Age 65
Appointed April 1990**

Mr Goode has been Chairman of the Company since 1994. He is Chairman of Australia and New Zealand Banking Group Ltd, Woodside Petroleum Ltd, Diversified United Investment Limited and The Ian Potter Foundation Ltd. He is a Director of Singapore Airlines Ltd.

**Graeme E. Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.
Director
Age 72
Appointed March 1976**

Mr. Moir has had 42 years experience in the share investment field. He is the principal of the investment management firm, Moir's Investment Service Pty. Ltd., is a Director of Graeme Moir and Associates Pty. Ltd. and Diversified United Investment Limited.

**Dr P John B Rose AO, BCom (NZ), DipEc (Camb),
PhD(Melb).
Director
Age 68
Appointed April 2000**

Dr Rose was appointed Sidney Myer Professor of Commerce and Business Administration of the University of Melbourne in 1978 and was the Director of Melbourne Business School from 1984 to 2000. Formerly he was Advisor to the Prime Minister, 1977 - 1983, and Commissioner of the City of Melbourne, 1993 - 1996. He is a Director of Australian Ballet Centre, The Ian Potter Foundation Ltd, Woodside Petroleum Ltd, and member of the Strategic Advisory Committee, John Curtin School of Medical Research.

**Peter J Wetherall B.E. Hons (Qld), B.A. Hons (Oxon)
Director
Age 48
Appointed November 2001**

Mr Wetherall has 24 years experience in the Australian share market as a stockbroker and funds manager. He is the founder and Managing Director of Wallara Asset Management Pty Ltd. He is Chairman of the Company's Audit Committee.

Directors' Meetings

The number of Directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Directors' Meetings		Audit Committee Meetings		Remuneration & Nomination Committee Meetings	
	No. of Meetings attended	No. of Meetings eligible	No. of Meetings attended	No. of Meetings eligible	No. of Meetings attended	No. of Meetings eligible
Charles B Goode	11	11	2	2	2	2
Graeme E Moir	11	11	2	2	2	2
P John Rose	10	11	1	2	2	2
Peter J Wetherall	11	11	2	2	2	2

Directors' and Officer's Emoluments

Details of the nature and amount of each major element of the emoluments of each Director of the Company are:

Director	Base Emolument \$	Superannuation Contributions \$	Retirement Benefits(1) \$	Total \$
Charles B Goode	1,000	69,000	44,000	114,000
Graeme E Moir	35,000	-	22,000	57,000
P John Rose	35,000	-	22,000	57,000
Peter J Wetherall	32,110	2,890	22,000	57,000
Total	103,110	71,890	110,000	285,000

(1) Retirement benefits provided for during the year

Directors' Report (Continued)

Directors' Interests

The relevant interest of each Director in the share capital of the Company as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Shares	
	1	2
Charles B Goode	50,000	634,688
Graeme E Moir	62,500	-
P John Rose	50,000	-
Peter J Wetherall	10,000	-

Note:

- Beneficial in own name
- Held by proprietary company or superannuation fund in which the Director has a beneficial interest.

Except as stated above, no Director -

- has any relevant interest in shares of the Company or a related body corporate;
- has any relevant interests in debentures of, or interests in a registered scheme made available by, the company or a related body corporate;
- has any rights or options over shares in, debentures of or interests in a registered scheme made available by, the Company or a related body corporate;
- is a party to a contract, or is entitled to a benefit under a contract, that confers a right to call for or deliver shares in, or debenture of or interests in a registered scheme made available by the Company or a related body corporate.

Dividends

Dividends paid or declared by the Company since the end of the previous financial year were:

Paid or declared during the year

Final dividend for the year ended 30 June 2003 of 8.0 cents per share fully franked paid on 9 October 2003 \$6,419,588

Interim dividend for the year ended 30 June 2004 of 6.5 cents per share fully franked paid 13 April 2003 \$5,258,208

Paid or declared after year end

Final dividend for the year ended 30 June 2004 of 8.5 cents per share fully franked declared and payable on 8 October 2004 \$6,938,479

Principal Activity of the Company

The principal activity of the Company is that of an investment company which seeks, through portfolio management, to manage its' risk and improve its income from dividends and other income over the longer term.

The Company's funds are invested predominantly in the shares of companies listed on the Australian Stock Exchange and its portfolio had a market value (including cash management trust investments and commercial bills) of \$419,115,715 as at 30 June 2004 (2003: \$341,412,913). The net tangible asset backing of the Company's ordinary shares at 30 June 2004 was \$4.72 (2003: \$3.95) before provision for the final dividend not booked at 30 June 2004 in accordance with AASB1044. This net asset backing calculation is based on investments at market value and is after provision for tax on net realised gains and before tax on unrealised gains. The Company is a long term investor and does not intend disposing of its portfolio. However, if estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing would be \$4.16 (2003: \$3.60).

No significant change in the nature of the Company's activities has occurred during the financial year.

Directors' Report (Continued)

Results and Review of Operations

The operating profit after income tax was \$16,268,691 compared to \$12,888,598 in the previous year - an increase of 26.21%. The operating profit includes special dividends of \$2,121,104 received through the Company's participation in the Foster's Group Ltd and Telstra Corporation Ltd share buy back schemes.

The earnings per share was 20.12 cents (17.5 cents excluding the special dividends) compared to 16.07 cents for the previous year.

The Company incurred operating expenses (excluding borrowing costs) of \$645,602 (2003: \$637,843) which is equivalent to 0.17% (2003: 0.18%) of the average market value of the portfolio.

Bank Borrowings were \$37 million at the end of the financial year (previous year \$30 million) modestly gearing the investment portfolio by around 9%.

State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the year under review.

Environmental Regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that in the opinion of the Directors of the Company has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Likely Developments

The Directors do not anticipate any particular developments in the operations of the Company which will affect the results of future financial years.

Indemnification

Details of Directors' indemnification are set out in Note 20 to the financial statements.

Dated at Melbourne 12th August 2004

Signed in accordance with a resolution of the Directors:



Charles Goode
Director

Statement of Financial Performance for the Year Ended 30 June 2004

	Note	2004 \$	2003 \$
Revenue from operating activities		18,853,618	15,450,629
Revenue from the sale of long term investments		35,398,138	36,235,576
Total ordinary revenue	3(a)	54,251,756	51,686,205
Carrying value of investments sold	1(b)	(35,398,138)	(36,235,576)
Operating expenses	3(b)	(645,602)	(637,843)
Borrowing costs	3(b)	(2,214,015)	(1,991,140)
Profit from ordinary activities before related income tax expense	3(b)	15,994,001	12,821,646
Income tax benefit relating to ordinary activities	4(a)	274,690	66,952
Profit from ordinary activities after related income tax expense		16,268,691	12,888,598
Net profit		16,268,691	12,888,598
Non-owner transaction changes in equity			
Increase/(decrease) in reserves			
Asset revaluation reserve	15	69,940,188	(27,741,561)
Investment fluctuation reserve	15	(11,543,283)	(789,282)
Total changes in equity from non-owner related transactions	17	74,665,596	(15,642,245)
Basic earnings per share (cents per share)	5	20.12	16.07

There are no factors which cause diluted earnings per share to be different from basic earnings per share.

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 13 to 20.

Statement of Financial Position as at 30 June 2004

	Note	2004 \$	2003 \$
CURRENT ASSETS			
Cash assets		1,121,190	6,251,620
Receivables	7	2,716,610	4,863,101
Other	9	553,617	483,583
TOTAL CURRENT ASSETS		<u>4,391,417</u>	<u>11,598,304</u>
NON-CURRENT ASSETS			
Investments	8	417,994,525	335,161,293
Deferred tax assets	4(c)	333,844	44,253
TOTAL NON-CURRENT ASSETS		<u>418,328,369</u>	<u>335,205,546</u>
TOTAL ASSETS		<u><u>422,719,786</u></u>	<u><u>346,803,850</u></u>
CURRENT LIABILITIES			
Payables	10	42,892	48,007
Current tax liabilities	4(b)	-	10,557
TOTAL CURRENT LIABILITIES		<u>42,892</u>	<u>58,564</u>
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	11	37,000,000	30,000,000
Provisions	13	250,000	140,000
TOTAL NON-CURRENT LIABILITIES		<u>37,250,000</u>	<u>30,140,000</u>
TOTAL LIABILITIES		<u><u>37,292,892</u></u>	<u><u>30,198,564</u></u>
NET ASSETS		<u><u>385,426,894</u></u>	<u><u>316,605,286</u></u>
EQUITY			
Contributed equity	14	150,265,956	144,432,148
Reserves	15	208,120,989	149,724,084
Retained profits	16	27,039,949	22,449,054
TOTAL EQUITY	17	<u><u>385,426,894</u></u>	<u><u>316,605,286</u></u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 13 to 20.

Statement of Cash Flows for the Year Ended 30 June 2004

	Note	2004 \$ Inflows/ (Outflows)	2003 \$ Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		290,898	685,986
Dividends received		18,327,665	14,103,612
Trust distributions received		3,674	-
Fees and other income received		-	9,000
Interest paid		(2,275,939)	(2,388,696)
Cash payments in the course of operations		(546,801)	(607,802)
Income taxes paid		(31,188)	(25,855)
Net cash provided by operating activities	21	15,768,309	11,776,245
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from bank bill maturities		-	30,000,000
Proceeds from sale of investments		37,466,200	9,833,910
Payments for investments		(59,520,950)	(43,719,963)
Net cash used in investing activities		(22,054,750)	(3,886,053)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (excluding dividend re-investment plan)		(5,843,989)	(9,798,031)
Bank Loan - bill facility		7,000,000	-
Net cash (used in)/provided by financing activities		1,156,011	(9,798,031)
Net increase/(decrease) in cash held		(5,130,430)	(1,907,839)
Cash at beginning of the financial year		6,251,620	8,159,459
Cash at the end of the financial year	21	1,121,190	6,251,620

This statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 13 to 20.

Notes to the Financial Statements for the Year Ended 30 June 2004

1. Statement of Significant Accounting Policies

a) Basis of Preparation

This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied and, except where otherwise noted, are consistent with those of the previous year.

b) Investments

The Company revalues its investments to market value continuously. This means that realised gains and losses arising from the disposal of investments are transferred from the Asset Revaluation Reserve to the Investment Fluctuation Reserve and are not recognised in the Statement of Financial Performance.

c) Revaluation of Investments

An increase in the value of the portfolio is credited to the Asset Revaluation Reserve. A decrease in the value of the portfolio is debited to the Asset Revaluation Reserve to the extent of the balance of the Reserve, with any amount in excess of the balance debited to the Statement of Financial Performance for the year.

No provision for any potential capital gains tax liability is made when investments are revalued. Capital gains tax is provided for in the period in which an asset is sold.

The Asset Revaluation Reserve is not considered by the Directors to be available for the payment of dividends.

d) Revenue recognition

Revenue from Ordinary Activities

Revenue from operating activities

The activity of the Company is that of an investment company, returns being in the form of dividends, interest income, trust income and sub-underwriting income. Dividend income is recognised at the ex-dividend date and in accordance with Generally Accepted Accounting Principles.

Revenue from other than operating activities

The proceeds of sale of long term investments are considered to be other revenue of the Company.

e) Taxation

Income tax has been brought to account using the income statement liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or provision for deferred income tax.

f) Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and units in a cash management fund, net of any outstanding bank overdrafts.

g) Borrowing Costs

Borrowing costs include amortisation of premiums related to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of such borrowings and all interest costs. Borrowing costs are expensed as incurred.

2. Changes in Accounting Policy

There have been no material changes in the accounting policies of the Company from those adopted at 30 June 2003.

Notes to the Financial Statements for the Year Ended 30 June 2004

3. Revenue and Operating Profit

	2004 \$	2003 \$
a) Revenue from ordinary activities		
<i>From operating activities</i>		
Dividends received or due and receivable	18,549,430	14,696,396
Interest received or due and receivable	280,514	745,233
Sub-underwriting income	-	9,000
Trust distribution received	23,674	-
	<u>18,853,618</u>	<u>15,450,629</u>
<i>From other than operating activities</i>		
Gross proceeds from the sale of investments	<u>35,398,138</u>	<u>36,235,576</u>
Total revenue from ordinary activities	<u><u>54,251,756</u></u>	<u><u>51,686,205</u></u>

b) Operating Profit before income tax expense

Profit from ordinary activities before income tax expense has been arrived at after charging the following items:

Auditors' remuneration received, or due and receivable, by the auditors for:

- auditing the accounts	33,880	30,800
- other services	10,395	3,850

Provision for Directors' Retirement Allowance	110,000	100,000
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Borrowing costs

Interest expenses	2,205,905	1,979,475
Other	8,110	11,665

4. Income Tax Expense

	Note	2004 \$	2003 \$
(a) Income Tax Expense			
Prima facie income tax expense calculated at 30% on the profit from ordinary activities		4,798,200	3,846,494
Increase in income tax expense due to :			
Imputation gross-up on dividends received		2,144,260	1,599,543
Decrease in income tax expense due to :			
Franking credits on dividends received		(7,147,534)	(5,331,810)
Other permanent differences		(69,872)	(181,179)
Income tax expense/(benefit) on operating profit		<u>(274,946)</u>	<u>(66,952)</u>
Under provision for income tax last year		256	-
Income tax expense/(benefit) attributable to profit from ordinary activities		<u><u>(274,690)</u></u>	<u><u>(66,952)</u></u>
Comprising:			
Under provision for income tax last year		256	-
Current income tax provision		14,645	(34,699)
Future income tax benefit - current year		(289,591)	(32,253)
		<u>(274,690)</u>	<u>(66,952)</u>
(b) Provision for current income tax			
Movements during the year were as follows:			
Balance at the beginning of the year		10,557	(52,871)
Tax (Paid)/Refunded		(31,188)	(9,035)
Dividend Withholding Tax		-	(16,820)
Tax on disposal of long term investments		-	123,982
Under provision for income tax last year		256	-
Current year's income tax expense/(benefit) on operating profit		14,645	(34,699)
	7	<u>(5,730)</u>	<u>10,557</u>

Notes to the Financial Statements for the Year Ended 30 June 2004

4. Income Tax Expense (Continued)

	2004 \$	2003 \$
(c) Future income tax benefit		
Timing differences between tax and accounting income	333,844	44,253

(d) Future income tax benefit not taken to account

In 2004 the potential future income tax benefit to the Company arising from capital tax losses was not recognised as an asset because recovery of capital tax losses is not virtually certain;

	1,317,097	1,165,919
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The potential future income tax benefit will only be obtained if:

- (i) the Company derives future assessable capital gains of a nature and an amount to enable the benefit to be realised;
- (ii) the company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit.

5. Earnings Per Share

	Cents	
Basic earnings per share based on operating profit after income tax.	20.12	16.07

There are no factors which cause diluted earnings per share to be different from basic earnings per share.

The basic earnings per share for the 2004 year is calculated on a weighted average adjusted number of ordinary shares of 80,873,979 taking into account the shares issued in the dividend re-investment program. The 2003 figure is based on a weighted average number of ordinary shares of 80,217,606.

6. Dividends

	Note	2004 \$	2003 \$
Dividends recognised in the current year by the Company are:			
(i)	2003 final dividend of 8.00 cents per share (2002: 8.00 cents) fully franked paid 9 October 2003	6,419,588	5,133,382
(ii)	2004 interim dividend of 6.5 cents per share (2003: 6.0 cents) fully franked paid 13 April 2004	5,258,208	4,811,980
	16	<u>11,677,796</u>	<u>9,945,362</u>

Subsequent to reporting date :

Since 30 June 2004 the directors have declared the following dividend payable on 8 October 2004:
- Final dividend of 8.5 cents per share

6,938,479

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2004.

Dividend Franking Account

The balance of the franking account at 30 June 2004 is \$3,907,835 (compared to \$1,876,215 at 30 June 2003).

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at year-end
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

LIC Capital Gain Account

The balance of the Listed Investment Company (LIC) Capital Gain Account at 30 June 2004 was \$137,827 (2003: \$137,827). When distributed, LIC capital gains may entitle certain shareholders to a special deduction in their taxation return, as set out in the relevant dividend statement.

Notes to the Financial Statements for the Year Ended 30 June 2004

7. Receivables

	2004 \$	2003 \$
Current		
Dividends Receivable	2,679,425	2,457,660
Interest Receivable	1,911	12,297
Prepaid Income Tax	5,730	-
Investment transactions not yet settled	-	2,381,566
Trust Distribution Receivable	20,000	-
Other	9,544	11,578
	<u>2,716,610</u>	<u>4,863,101</u>

8. Investments

Non-Current		
Investments quoted on prescribed stock exchanges (at current market value)		
Ordinary shares in other corporations	414,964,025	331,210,943
Convertible preference shares	3,030,500	3,950,350
	<u>417,994,525</u>	<u>335,161,293</u>

The amount of capital gains tax that would be payable if the quoted shares in other corporations were sold at balance date at the disclosed market values should not exceed \$46,217,292 (2003: \$28,023,518).

9. Other Assets

Current		
Prepayments	<u>553,617</u>	<u>483,583</u>

10. Payables

Current		
Trade Creditors	<u>42,892</u>	<u>48,007</u>

11. Interest Bearing Liabilities

Non-Current		
Bills Payable - Unsecured	<u>37,000,000</u>	<u>30,000,000</u>

12. Financing Arrangements

The Company has access to the following lines of credit:

Total facility available		
Commercial Bill Facility - Unsecured	40,000,000	30,000,000
Facilities utilised at balance date Commercial Bill Facility - Unsecured	37,000,000	30,000,000

13. Provisions

	2004 \$	2003 \$
Non-Current		
Directors' retirement allowance	<u>250,000</u>	<u>140,000</u>

14. Contributed Equity

Issued and paid-up share capital 81,629,164 (2003 : 80,247,332) ordinary shares, fully paid	<u>150,265,956</u>	<u>144,432,148</u>
Movements in ordinary share capital		
Balance at the beginning of the financial year	144,432,148	144,284,817
Shares Issued - Dividend re-investment plan (i)	5,833,808	147,331
	<u>150,265,956</u>	<u>144,432,148</u>

(i) in respect of the final dividend paid in October 2003, 650,107 ordinary shares were issued at \$4.10 each and in respect of the interim dividend paid in April 2004, 731,725 ordinary shares were issued at \$4.33 each.

15. Reserves

Asset revaluation reserve	169,995,860	100,055,672
Investment fluctuation reserve	38,125,129	49,668,412
	<u>208,120,989</u>	<u>149,724,084</u>

Movements in reserves during the year:

<i>Asset Revaluation Reserve</i>		
Balance at the beginning of the financial year	100,055,672	127,797,233
Revaluation of investments	58,396,905	(28,406,861)
Add transfer to the Investment Fluctuation Reserve of revaluation decrements from prior years realised on sales	11,543,283	665,300
Balance at the end of the financial year	<u>169,995,860</u>	<u>100,055,672</u>
<i>Investment Fluctuation Reserve</i>		
Balance at the beginning of the financial year	49,668,412	50,457,694
Tax on disposal of long term investments	-	(123,982)
Less transfer from the Asset Revaluation Reserve of revaluation decrements from prior years realised on sales	(11,543,283)	(665,300)
Balance at the end of the financial year	<u>38,125,129</u>	<u>49,668,412</u>

Notes to the Financial Statements for the Year Ended 30 June 2004

16. Retained Profits

	Note	2004 \$	2003 \$
Retained profits at the beginning of the year		22,449,054	19,505,818
Net profit		16,268,691	12,888,598
Dividends paid	6	(11,677,796)	(9,945,362)
Retained profits at the end of the year		<u>27,039,949</u>	<u>22,449,054</u>

17. Total Equity Reconciliation

Total equity at the beginning of year	316,605,286	342,045,562
Total changes in equity recognised in the statement of financial performance	74,665,596	(15,642,245)
Dividends Paid	(11,677,796)	(9,945,362)
Dividends re-invested	5,833,808	147,331
Total equity at end of year	<u>385,426,894</u>	<u>316,605,286</u>

18. Segment Reporting

The Company operates as an investment company in Australia.

19. Remuneration of Directors

2004 Financial Year

Non-executive Directors	Directors Fees \$	Superannuation Benefits \$	Retirement Benefits ⁽¹⁾ \$	2004 Total \$
Charles B Goode	1,000	69,000	44,000	114,000
Graeme E Moir	35,000	-	22,000	57,000
P John Rose	35,000	-	22,000	57,000
Peter J Wetherall	32,110	2,890	22,000	57,000
Total	103,110	71,890	110,000	285,000

2003 Financial Year

Non-executive Directors	Directors Fees \$	Superannuation Benefits \$	Retirement Benefits ⁽¹⁾ \$	2003 Total \$
Charles B Goode	1,000	69,000	40,000	110,000
Graeme E Moir	35,000	-	20,000	55,000
P John Rose	32,110	2,890	20,000	55,000
Peter J Wetherall	32,110	2,890	20,000	55,000
Total	100,220	74,780	100,000	275,000

(1) Retirement benefits provided for during the year

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors. The Nomination and Remuneration Committee may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies and in light of Company activity and changing responsibilities. Remuneration packages include directors' fees and retirement benefits. The remuneration structures are designed to attract suitably qualified candidates, and to effect the broader outcome of increasing the Company's net profit.

Directors' fees are fixed and reviewed annually and the maximum total of directors' fees are set by the shareholders in general meeting.

Each director is entitled to enter a Deed of Access, Indemnity and Insurance with the Company and to be covered by the Company's Directors and Officers Liability Insurance. Amounts disclosed for Directors' remuneration exclude insurance premiums of \$38,746 paid by the Company in respect of Directors' and Officers' liability insurance as the contracts do not specify premiums paid in respect of individual directors and officers. Refer Note 20 for information relating to the insurance contracts.

Each director appointed before 1 July 2003 is entitled to receive a retirement benefit set out in an agreement, the terms of which have been approved by shareholders in general meeting. Under the retirement scheme, which was approved by shareholders at the 1998 annual general meeting, directors are entitled to one year's fees every three years after three years of service and based on the last three years fees paid. The maximum benefit is the last three years fees after nine years of service. Fees for directors appointed from 1 July 2003 will take into account the absence of a retirement agreement.

The Company's liability for directors' retirement benefits, which is based on the number of years of service provided at the balance date, has been included in the provision for Directors' Retirement Benefits (Note 13).

Notes to the Financial Statements for the Year Ended 30 June 2004

20. Related Parties

Directors and director-related entities

The names of each person holding the position of director of Australian United Investment Company Limited during the financial year are Messrs C B Goode (Chairman), G E Moir, P J Wetherall and P J B Rose.

Remuneration and retirement benefits paid or payable, or otherwise made available, to the Directors of the Company are disclosed in note 19 to the financial statements.

The Company has indemnified each current Director and the Company Secretary against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position with the Company except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, insuring them against liabilities, costs and expenses arising out of conduct which does not involve a wilful breach of duty. This insurance premium covers the period 18 June 2004 to 18 June 2005.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Directors' Holdings of Shares

The relevant interests of Directors and their director related entities in shares of the Company as at year end are set out below:

	SHARES June 2004		SHARES June 2003	
	1	2	1	2
Charles B Goode	50,000	634,688	50,000	368,119
Graeme E Moir	62,500	-	62,500	-
Peter J Wetherall	10,000	-	10,000	-
P John B Rose	50,000	-	50,000	-

1. Beneficial in own name
2. Held by proprietary company or superannuation fund in which the Director has a beneficial interest

The movement in Directors' holdings of ordinary shares resulted from purchases on the open market and participation in the dividend re-investment program.

Notes to the Financial Statements for the Year Ended 30 June 2004

21. Notes to the Statement of Cash Flows

	2004 \$	2003 \$
Reconciliation of cash		
For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash	1,121,190	6,251,620
Reconciliation of operating profit after income tax to net cash provided by operating activities		
Operating profit after income tax	16,268,691	12,888,598
Add/(less) non cash items:		
Capitalised interest	-	(59,400)
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividends receivable	(221,765)	(592,784)
(Increase)/decrease in interest receivable	10,385	(150)
(Increase)/decrease in distributions receivable	(20,000)	-
(Increase)/decrease in other debtors	2,025	(3,388)
Increase/(decrease) in taxes payable	(16,287)	(60,562)
(Increase)/decrease in future tax benefits	(289,591)	(32,253)
Increase/(decrease) in accrued expenses	(5,115)	(54,595)
(Increase)/decrease in prepayments	(70,034)	(300,174)
Increase/(decrease) in provisions	110,000	100,000
Increase/(decrease) in unearned income	-	(109,047)
Net cash provided by operating activities	15,768,309	11,776,245

22. Additional Financial Instruments Disclosure

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2004 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

Financial Assets - - 2004	Note	Floating Interest Rate \$	Total \$
Cash	21	1,121,190	1,121,190
Weighted Average Interest Rate		4.15%	

Financial Assets - - 2003	Note	Floating Interest Rate \$	Total \$
Cash	21	6,251,620	6,251,620
Total		6,251,620	6,251,620
Weighted Average Interest Rate		4.33%	

The Company has a borrowing facility in place for up to \$40,000,000 to 30 June 2005 with National Australia Bank Ltd (2003: \$30,000,000). At balance date the Company had utilised \$37,000,000 of this commercial bill facility. \$15,000,000 was at a fixed rate of 6.65%, \$15,000,000 was at a floating range rate of 5.60% to 6.50% and the balance was at floating rates. The facility is supported by a negative pledge and undertakings. During the year the Company was exposed to an interest rate of 6.09% (2003: 5.8%).

Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company minimises concentration of credit risk by undertaking transactions with a number of counterparties which are recognised banks, cash management trusts or members of the Australian Stock Exchange.

Net Fair Values of Financial Assets and Liabilities

Valuation Approach

Net fair values of financial assets and liabilities are determined by the Company on the following basis:

Recognised Financial Instruments

Listed securities included in "Investments" are readily traded on organised markets in a standardised form. The net fair value of listed securities is determined by valuing them at current quoted market closing prices at balance date. No adjustment for transaction costs necessary to realise the assets has been included as these are deemed to be immaterial. The net fair value of investments is set out in note 8.

Notes to the Financial Statements for the Year Ended 30 June 2004

23. International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the company's financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the

impact of these differences relative to the company's financial reports in the future. The potential impacts on the company's financial performance and financial position of the adoption of IFRS, including implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the Company identified to date are as follows:

- The Company must recognise an additional deferred tax liability amount for the capital gains tax payable on unrealized gains in the investment portfolio. This liability will be offset against the unrealized gains on the investment portfolio recognized in the Asset Revaluation Reserve.
- Revaluation increments or decrements from prior years realised on disposal of investments (net of tax) will be included in the Net Profit of the Company before being transferred to the Investment Fluctuation Reserve. Previously these amounts were transferred directly from the Asset Revaluation Reserve to the Investment Fluctuation Reserve.

Directors' Declaration

1. In the opinion of the directors of Australian United Investment Company Limited:
 - (a) the financial statements and notes, set out on pages 10 to 20, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 12th day of August 2004

Signed in accordance with a resolution of the directors.



Charles Goode
Director

Independent Audit Report to the Members of Australian United Investment Company Limited



Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration set out on pages 10 to 21 for the year ended 30 June 2004.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of their performance as represented by the results by their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Australian United Investment Company Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

Don Pasquariello
Partner

Melbourne
12 August 2004

Additional Information for the Australian Stock Exchange

Distribution of shareholders as at 31 July 2004.

Ordinary shares

Category Holders	Units Held	No of Holders	%
1-1,000	83,182	152	0.10
1,001-5,000	1,959,927	669	2.40
5,001-10,000	2,626,668	356	3.22
10,001 and 100,000	9,931,595	385	12.17
100,001 and over	67,027,792	34	82.11
	81,629,164	1,596	100.00

There were 13 ordinary shareholders holding less than a marketable parcel (110 shares) at 31 July 2004.

Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below :

Substantial Shareholder	Number of Ordinary Shares to which Substantial Shareholder and associates are "entitled"
The Ian Potter Foundation Limited and Dundee Trading Pty Ltd	32,970,199
Argo Investments Ltd	13,795,948
Lady Primrose Catherine Potter, Primrose Properties Pty Ltd and Decerna Pty Ltd	7,723,293

Voting Rights

All ordinary shares carry equal voting rights.

Additional Information for the Australian Stock Exchange

Twenty Largest Equity Security Holders - Ordinary Shares

The twenty largest shareholders, listed below as at 31 July 2004, hold 65,073,195 ordinary shares which is 79.74% of the issued capital.

Shareholder Name	No. of Shares	% Held
1. The Ian Potter Foundation Ltd	29,784,425	36.49
2. Argo Investments Ltd	13,759,198	16.86
3. Primrose Properties Pty Ltd	6,413,795	7.86
4. Robin Bernice Potter	5,475,000	6.71
5. Dundee Trading Pty Ltd	3,185,774	3.90
6. The Miller Foundation Ltd	1,567,326	1.92
7. Lady Primrose Catherine Potter	750,000	0.92
8. Decerna Pty Ltd	559,498	0.69
9. Beta Gamma Pty Ltd	516,467	0.63
10. Pards Pty Ltd	472,153	0.58
11. Daryl Albert Dixon & Katherine Dixon	445,000	0.55
12. UBS Private Clients Australia Nominees Pty Ltd	390,201	0.48
13. Matluc Nominees Pty Ltd	288,443	0.35
14. St Hilda's College Nominees Pty Ltd	253,778	0.31
15. Duesburys Services Pty Ltd <Carolyn Anne Parker Bowles>	224,850	0.28
16. Collier Custodian Corporation	212,500	0.26
17. Lorna Elizabeth Pitt	200,787	0.25
18. Chikenfeed Pty Ltd	196,500	0.24
19. Mrs Sheila Clare Audas Pitt	190,000	0.23
20. Mr J F Henry, Mr J M Lester & Dr G L Blackman	187,500	0.23
	65,073,195	79.74

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2004 totalled \$140,552 (2003:\$143,754). None of that brokerage was paid to any stock or sharebroker, or any employee or nominee of any stock or share broker, who is an officer of the Company.

List of Investments as at 30 June 2004

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units. The industry percentages shown are based on market values of the listed share investments.

	Market Value \$	30/6/2004 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/2003 Units Held
<i>Capital Goods (0.7%)</i>					
Lemarne Corporation Ltd	2,768,982	0.7%	1,252,933	627,444 Lemvest shares converted to 752,933 Lemarne shares on takeover	500,000
Lemvest Ltd	-	-	-	627,444 shares converted to 752,933 Lemarne shares on takeover	627,444
<i>Oil & Gas (3.1%)</i>					
Santos Ltd	-	-	-	400,000 sold	400,000
Woodside Petroleum Ltd	13,002,600	3.1%	780,000	-	780,000
<i>Chemicals (2.5%)</i>					
Orica Ltd	10,570,000	2.5%	700,000	-	700,000
<i>Construction Material (0.3%)</i>					
CSR Ltd	1,176,600	0.3%	530,000	-	530,000
<i>Containers & Packaging (1.3%)</i>					
Amcors Ltd	5,576,000	1.3%	800,000	150,000 Purchased	650,000
<i>Metals & Mining (17.1%)</i>					
Alumina Ltd	13,200,000	3.1%	2,500,000	-	2,500,000
BHP Billiton Ltd	16,289,000	3.9%	1,300,000	500,000 Purchased	800,000
Bluescope Steel Ltd	6,740,000	1.6%	1,000,000	-	1,000,000
Iluka Resources Ltd	5,650,000	1.3%	1,250,000	250,000 Purchased	1,000,000
Rio Tinto Ltd	17,975,000	4.3%	500,000	50,000 Purchased	450,000
WMC Resources Ltd	12,300,000	2.9%	2,500,000	250,000 Purchased	2,350,000
<i>Paper & Forest Products (1.2%)</i>					
Paperlinx Ltd	4,850,000	1.2%	1,000,000	200,000 Purchased	800,000
<i>Building Products (0.4%)</i>					
GWA International Ltd	1,475,000	0.4%	500,000	-	500,000
<i>Construction & Engineering (0.0%)</i>					
Leighton Holdings Ltd	-	-	-	134 Sold	134
<i>Industrial Conglomerates (4.2%)</i>					
Wesfarmers Ltd	17,640,000	4.2%	600,000	100,000 Sold	700,000
<i>Machinery (0.9%)</i>					
Crane Group Ltd	3,596,000	0.9%	400,000	-	400,000
<i>Trading Co & Distributors (2.1%)</i>					
Alesco Corporation Ltd	8,712,000	2.1%	1,320,000	114,066 Purchased	1,205,934

List of Investments as at 30 June 2004

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units. The industry percentages shown are based on market values of the listed share investments.

	Market Value \$	30/6/2004 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/2003 Units Held
<i>Commercial Services Supplies (2.7%)</i>					
Brambles Industries Ltd	9,600,000	2.3%	1,600,000	600,000 Purchased	1,000,000
Tempo Services Ltd	1,500,000	0.4%	1,500,000	1,500,000 Purchased	-
<i>Transportation Infrastructure (0.8%)</i>					
Adsteam Marine Ltd	-	-	-	1,100,000 Sold	1,100,000
Macquarie Airports	1,010,000	0.2%	500,000	500,000 Purchased	-
Macquarie Infrastructure Group	2,475,000	0.6%	750,000	750,000 Purchased	-
<i>Hotels Restaurants & Leisure (7.3%)</i>					
TAB Ltd	9,840,000	2.3%	2,000,000	-	2,000,000
Tabcorp Holdings Ltd	16,945,600	4.0%	1,190,000	90,000 Purchased	1,100,000
Unitab Ltd	4,150,000	1.0%	500,000	-	500,000
<i>Media (5.7%)</i>					
APN News & Media Ltd	1,899,000	0.5%	450,000	100,000 Purchased	350,000
Amalgamated Holdings Ltd	2,696,000	0.6%	800,000	-	800,000
Fairfax (John) Holdings Ltd	-	-	-	700,000 Sold	700,000
News Corporation Ltd (The)	6,657,000	1.6%	525,000	-	525,000
Southern Cross Broadcasting (Aust) Ltd	9,440,000	2.3%	800,000	-	800,000
Village Roadshow Ltd 'A' Class Pref	2,740,000	0.7%	2,000,000	-	2,000,000
<i>Food & Drug Retailing (5.0%)</i>					
AWB Ltd	2,541,000	0.6%	550,000	150,000 Purchased	400,000
Coles Myer Ltd	1,718,000	0.4%	200,000	-	200,000
Foodland Associated Ltd	9,000,000	2.1%	500,000	150,000 Purchased	350,000
Woolworths Ltd	7,980,000	1.9%	700,000	100,000 Purchased	600,000
<i>Beverages (0.9%)</i>					
Foster's Group Ltd	3,776,000	0.9%	800,000	200,000 Sold	1,000,000
<i>Health Care Equipment & Supplies (0.01%)</i>					
Compumedics Ltd	202,500	0.0%	750,000	-	750,000
<i>Health Care Providers & Services (0.0%)</i>					
Mayne Group Ltd	-	-	-	2,344,000 Sold	2,344,000
<i>Biotechnology (0.5%)</i>					
CSL Ltd	2,230,000	0.5%	100,000	1,800 Sold	101,800

List of Investments as at 30 June 2004

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	Market Value \$	30/6/2004 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/2003 Units Held
<i>Banks (25.0%)</i>					
Australia & New Zealand Banking Group Ltd	31,990,000	7.6%	1,750,000	300,000 Purchased	1,450,000
Commonwealth Bank Of Australia Ltd	14,661,000	3.5%	450,000	100,000 Purchased	350,000
National Australia Bank Ltd	29,840,000	7.1%	1,000,000	-	1,000,000
St George Bank Ltd	4,404,000	1.1%	200,000	200,000 Purchased	-
Westpac Banking Corporation	23,760,000	5.7%	1,350,000	-	1,350,000
<i>Diversified Financials (8.0%)</i>					
Diversified United Investment Ltd	8,308,254	2.0%	4,304,795	-	4,304,795
Macquarie Bank Ltd	2,032,800	0.5%	60,000	60,000 Purchased	-
OFM Investment Group Ltd	2,582,323	0.6%	1,218,077	605,956 Purchased	612,121
Perpetual Trustees Australia Ltd	9,398,000	2.2%	200,000	-	200,000
Suncorp Metway Ltd	11,360,000	2.7%	800,000	100,000 Purchased	700,000
<i>Insurance (4.9%)</i>					
AMP Ltd	4,589,250	1.1%	725,000	-	725,000
AXA Asia Pacific Holdings Ltd	4,536,000	1.1%	1,350,000	1,150,000 Purchased	200,000
HHG PLC	862,750	0.2%	725,000	725,000 acquired on AMP demerger	-
IOOF Holdings Ltd	1,181,866	0.3%	246,222	246,222 Purchased	-
Insurance Australia Group Ltd	1,500,000	0.4%	300,000	100,000 Purchased	200,000
QBE Insurance Group Ltd	7,680,000	1.8%	600,000	100,000 Purchased	500,000
<i>Real Estate (2.2%)</i>					
Australand Holdings Ltd	-	-	-	1,300,000 Sold	1,300,000
Lend Lease Corporation Ltd	-	-	-	300,000 Sold	300,000
Westfield Holdings Ltd	9,240,000	2.2%	600,000	400,000 Purchased	200,000
<i>Electronic Equipment (0.6%)</i>					
ERG Ltd def set	-	-	-	1,440,000 Sold	1,440,000
Vision Systems Ltd	2,670,000	0.6%	3,000,000	-	3,000,000
<i>Diversified Telecommunication Services (0.6%)</i>					
Telstra Corporation Ltd	2,515,000	0.6%	500,000	850,000 sold	1,350,000
<i>Gas Utilities (1.6%)</i>					
Australian Gas Light Company	6,671,500	1.6%	550,000	-	550,000

List of Investments as at 30 June 2004

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	Market Value \$	30/6/2004 % of Portfolio at Market Value	Units Held	Capital Movements Or Portfolio Adjustments	30/6/2003 Units Held
<i>Listed Fixed Interest (0.1%)</i>					
<i>Paper & Forest Products</i>					
CPI Group Ltd 8% Non-Cum Cnv Pref	290,500	0.1%	350,000	200,000 Sold	550,000
<i>Commercial Services Supplies (0.0%)</i>					
CPU Ltd 5.5% Res Cnv Non-Cum Pref	-	-	-	5,000 Sold	5,000
<i>Insurance (0.0%)</i>					
AMP Res Pref Sec Trust 8.62% Res Cpref	-	-	-	10,000 Sold	10,000
<i>Cash Trust & Other Deposits (0.3%)</i>					
M F Cash Management Fund	1,098,441	0.3%	1,098,441	794,043 Sold	1,892,484
NAB - 11 AM Deposit	22,749	0.0%	22,749	4,127,985 Sold	4,150,734
NAB - Cheque Account	-	-	-	208,402 Sold	208,402
	<u>419,115,715</u>	<u>100.0%</u>			