

2005 Annual Financial Report

Australian United Investment Company Limited



ABN 37 004 268 679

Australian United Investment Company Limited

Directors

C B Goode - Chairman

G E Moir

P J B Rose

P J Wetherall

R R Dewhurst

Company Secretary

Andrew Justin Hancock FCA

Principal Office

Level 4

45 Exhibition Street

Melbourne Vic 3000

Tel: (613) 9654 0499

Fax: (613) 9654 3499

Email: info@au.com.au

Website: www.au.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

ABN 37 004 268 679

FOR THE YEAR ENDED 30 JUNE 2005

Chairman's Report

I am pleased to present the Annual Report of Australian United Investment Company Limited for the year ended 30 June 2005.

The operating profit after income tax was \$18,338,606 compared to \$16,268,691 in the previous year, an increase of 12.7%, or 20.2% if special dividends received in both periods are disregarded. The earnings per share were 22.2 cents compared to 20.1 cents for the previous year.

This year special dividends totalling \$1,338,850 after tax were received from Australian Gas Light Company, Bluescope Steel, GWA International, Macquarie Bank, Macquarie Infrastructure Group, Perpetual Trustees and Telstra Corporation. In 2004, special dividends of \$2,121,104 were received through the Company's participation in the Foster's Group and Telstra Corporation share buy back arrangements.

Bank borrowings were \$50 million at the end of the financial year (previous year \$37 million) modestly gearing the investment portfolio by around 9%.

The net asset backing per share before provision for estimated tax on unrealised gains and the final dividend was \$6.01 at 30 June 2005, compared to \$4.72 at 30 June 2004.

Operating expenses (excluding borrowing costs) were 0.16% of the average market value of the portfolio compared to 0.17% in 2004.

The final dividend for the year ending 30 June 2005, is 9.0 cents per share fully franked which with the interim dividend of 8.0 cents per share fully franked makes 17 cents per share fully franked for the year. This compares with 15.0 cents per share fully franked in the previous year, an increase of 13.3%, and the twelfth consecutive year in which dividends have been increased.

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

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
2004/05	17.0 cents per share

The Company's net tangible asset backing per share before 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) over the last 5 years was as follows:

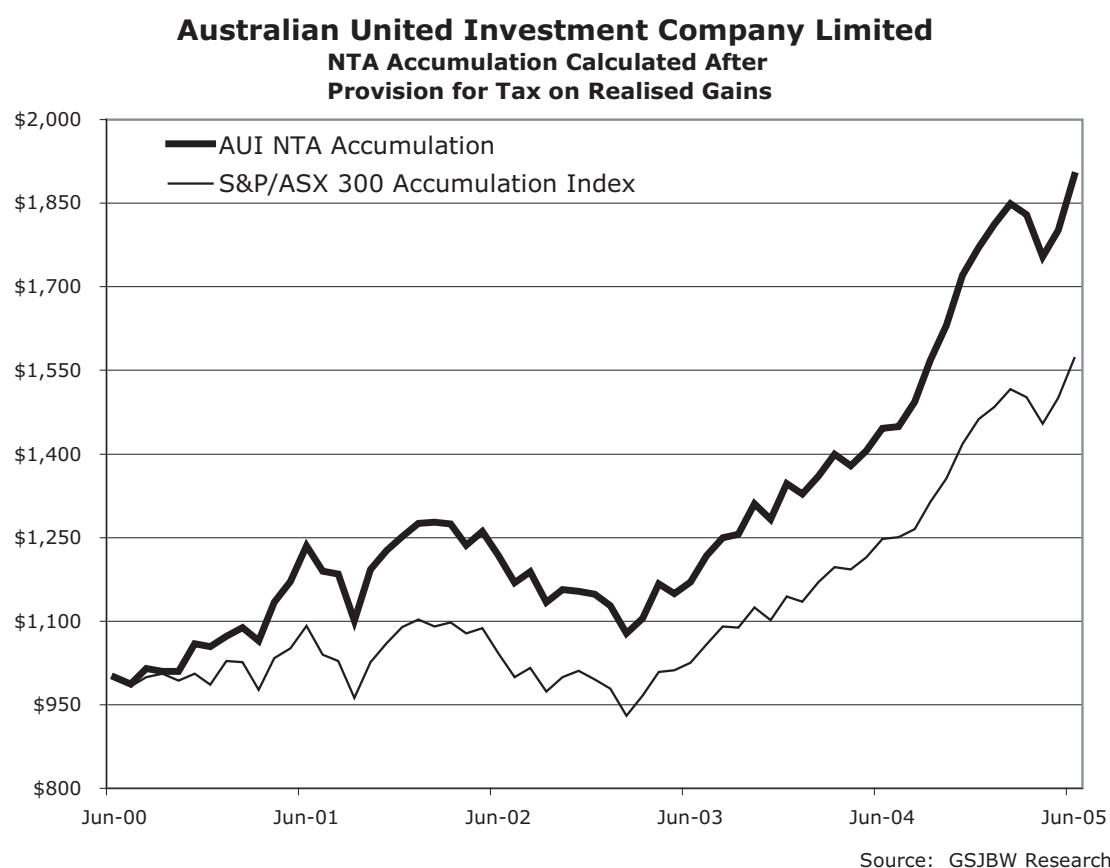
30 June 2001	\$4.67
30 June 2002	\$4.28 (After one for five rights issue at \$3.50, June 2002)
30 June 2003	\$3.95
30 June 2004	\$4.72
30 June 2005	\$6.01

Chairman's Report Continued

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

	AUI Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	31.36	26.03
3 Years	15.98	14.71
5 Years	13.69	9.47
7 Years	14.13	11.52

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.



The equity portfolio of the Company is invested in Australian equities and at 30 June 2005 was spread over 55 companies. The Annual Report provides a list of the shareholdings at 30 June 2005 and 30 June 2004, the changes to the portfolio during the year, and the market values as at 30 June 2005 of each investment together with its percentage of the portfolio.

Chairman's Report Continued

As at 30 June 2005 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	38,062	7.0%
2. National Australia Bank Ltd	30,760	5.6%
3. BHP Billiton Ltd	30,401	5.6%
4. Westpac Banking Corporation Ltd	26,933	4.9%
5. Rio Tinto Ltd	26,892	4.9%
6. Tabcorp Holdings Ltd	26,240	4.8%
7. Wesfarmers Ltd	24,006	4.4%
8. Woodside Petroleum Ltd	23,985	4.4%
9. Alumina Ltd	21,445	3.9%
10. WMC Resources Ltd	19,625	3.6%
11. Commonwealth Bank Ltd	17,077	3.1%
12. Diversified United Investment Ltd	17,012	3.1%
13. Suncorp Metway Ltd	16,088	2.9%
14. Brambles Industries Ltd	13,072	2.4%
15. Orica Ltd	12,460	2.3%
16. St George Bank Ltd	11,790	2.2%
17. Woolworths Ltd	11,557	2.1%
18. Westfield Group Ltd	11,531	2.1%
19. Perpetual Trustees Australia Ltd	11,486	2.1%
20. QBE Insurance Group Ltd	11,221	2.0%
21. Iluka Resources Ltd	9,789	1.8%
22. Alesco Corporation Ltd	9,715	1.8%
23. Southern Cross Broadcasting (Aust) Ltd	9,680	1.8%
24. Bluescope Steel Ltd	8,230	1.5%
25. AXA Asia Pacific Holdings Ltd	7,884	1.4%
	446,941	81.7%
Total Investments at Market Value and Cash	547,256	



Charles Goode
Chairman

Corporate Governance Statement

The Company adopted, in July 2003, corporate governance principles in accordance with the Australian Stock Exchange Corporate Governance Council's "Principles 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 5 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 for appointment and subsequent consideration at the next Annual General Meeting.

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, 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 ten 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.

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. Director's 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 that 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. In addition to board meetings directors are expected to attend, for no additional fee, 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.

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 are reviewed by the Board annually. The Audit Committee terms include inter-alia, appointment of the auditor, assessing their 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.

Corporate Governance Statement Continued

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 potential conflicts of interest and to refrain from involvement in Board decisions, or leave the room, during discussion of 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 2005 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, Appointed April 1990

Age 66

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, Appointed March 1976

Age 73

Mr. Moir has had 43 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, Appointed April 2000

Age 69

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, Appointed November 2001

Age 49

Mr Wetherall has 25 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.

Mr R. R. Dewhurst ASIA Director, Appointed June 2005

Age 53

Mr Dewhurst is Chief Executive of IOOF Group. He has over 30 years domestic and international experience in investment and financial services management. He is a director of IOOF Holdings Ltd, Acctrak21 International Ltd, Breast Cancer Network of Australia, Global Art Source, National Gallery of Victoria and Pride Capital Partners LLC.

Directors' Report Continued

Company Secretary

Andrew J Hancock FCA, B.Ec (Mon), Grad. Dip. CDP (RMIT)

Company Secretary, Appointed 11 October 1995

Age 53

Mr Hancock is also Company Secretary of Diversified United Investment Ltd, has served as Chairman and is currently Secretary of the Australian Listed Investment Companies Association and is Chairman or a director of a number of private investment companies.

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	10	10	2 *	2 *	2	2
Graeme E Moir	10	10	2	2	2	2
P John Rose	10	10	2	2	2	2
Peter J Wetherall	10	10	2	2	2	2
Ron R Dewhurst	1	1	0	0	1	1

* In attendance – not a Committee Member

Remuneration Report

2005 Financial Year

Non-executive Directors	Directors' Fees \$	Superannuation Benefits \$	Retirement Benefits ⁽¹⁾ \$	2005 Total \$
Charles B Goode	1,000	77,000	76,000	154,000
Graeme E Moir	39,000	-	38,000	77,000
P John Rose	39,000	-	38,000	77,000
Peter J Wetherall	35,780	3,220	38,000	77,000
Ron Dewhurst	-	4,128	-	4,128
Total	114,780	84,348	190,000	389,128

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

(1) Retirement benefits provided for during the year

Directors' Report Continued

Remuneration Report (Continued)

The nomination and remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the Company Secretary and directors of the Company, including superannuation entitlements, retirement and termination entitlements, and professional indemnity and liability insurance policies.

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. 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 \$41,140 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 to 20 of the financial statements 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 a benefit after three years of service based on the last three years fees paid. The maximum benefit is the last three years fees after ten years of service. Fees for directors appointed from 1 July 2003 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.

The Company Secretary, Mr Andrew J Hancock, received \$55,000 (2004: \$55,000) for services provided to the Company.

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	51,697	656,244
Graeme E Moir	70,000	-
P John Rose	57,862	-
Peter J Wetherall	10,000	-
Ron Dewhurst	-	-

Note:

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

Except as stated above, no Director -

- (a) has any relevant interest in shares of the Company or a related body corporate;
- (b) has any relevant interests in debentures of, or interests in a registered scheme made available by, the company or a related body corporate;

Directors' Report Continued

Directors' Interests Continued

- (c) 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;
- (d) 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 2004 of 8.5 cents per share fully franked paid on 8 October 2004	\$6,938,278
Interim dividend for the year ended 30 June 2005 of 8.0 cents per share fully franked paid 12 April 2005	\$6,604,399

Paid or declared after year end

Final dividend for the year ended 30 June 2005 of 9.0 cents per share fully franked declared and payable on 11 October 2005	\$7,500,720
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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 \$547,255,846 as at 30 June 2005 (2004: \$419,115,715). The net tangible asset backing of the Company's ordinary shares at 30 June 2005 was \$6.01 (2004: \$4.72). This net asset backing calculation is based on investments at market value and is after provision for tax on net realised gains, before tax on unrealised gains and before provision for the final dividend. 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 \$5.09 (2004: \$4.16).

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

Results and Review of Operations

The operating profit after income tax was \$18,338,606 compared to \$16,268,691 in the previous year - an increase of 12.72%. If special dividends received are disregarded, operating profit increased 20.2%. The operating profit after tax includes \$1,338,850 of special dividends and distributions received including \$315,000 from Macquarie Infrastructure Group Ltd and \$400,000 from Perpetual Trustees Ltd. In 2004, the operating profit included special dividends of \$2,121,104 received through the Company's participation in the Fosters Group Ltd and Telstra Corporation Ltd share buy back schemes.

The earnings per share was 22.2 cents compared to 20.1 cents for the previous year.

The Company incurred operating expenses (excluding borrowing costs) of \$776,001 (2004: \$645,602) which is equivalent to 0.16% (2004: 0.17%) of the average market value of the portfolio.

Bank Borrowings were \$50 million at the end of the financial year (previous year \$37 million) modestly gearing the investment portfolio by around 9%.

Directors' Report Continued

Non-audit services

During the year KPMG, the Company's auditor, has provided taxation services in addition to their statutory duties. They received fees of \$7,865 for these services.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included in the directors' report.

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.

Directors' Report Continued

Indemnification

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

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' report for the year ended 30 June 2005.

Signed in accordance with a resolution of the Directors, for and on behalf of the board.

Melbourne, 18th August 2005

Signed in accordance with a resolution of the Directors:



Charles Goode
Director



**Lead Auditor's Independence Declaration under Section 307C of the
Corporations Act 2001 to the directors of Australian United Investment Company Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'D Pasquariello'. The signature is written in a cursive, flowing style.

D Pasquariello

Partner

Melbourne

18th August 2005

Statement of Financial Performance

for the Year Ended 30 June 2005

	Note	2005 \$	2004 \$
Revenue from operating activities		21,966,396	18,853,618
Revenue from the sale of long term investments		34,326,042	35,398,138
Total ordinary revenue	3(a)	56,292,438	54,251,756
Carrying value of investments sold	1(b)	(34,326,042)	(35,398,138)
Operating expenses	3(b)	(776,001)	(645,602)
Borrowing costs	3(b)	(2,848,265)	(2,214,015)
Profit from ordinary activities before related income tax expense	3(b)	18,342,130	15,994,001
Income tax expense/(benefit) relating to ordinary activities	4(a)	3,524	(274,690)
Profit from ordinary activities after related income tax expense		18,338,606	16,268,691
Net profit		18,338,606	16,268,691
Non-owner transaction changes in equity			
Increase/(decrease) in reserves			
Asset revaluation reserve	15	96,668,714	69,940,188
Investment fluctuation reserve	15	5,377,536	(11,543,283)
Total changes in equity from non-owner related transactions	17	120,384,856	74,665,596
Basic earnings per share (cents per share)	5	22.24	20.12

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 18 to 28.

Statement of Financial Position

as at 30 June 2005

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets		3,399,858	1,121,190
Receivables	7	3,361,165	2,716,610
Other	9	606,260	553,617
TOTAL CURRENT ASSETS		7,367,283	4,391,417
NON-CURRENT ASSETS			
Investments	8	543,855,988	417,994,525
Future income tax benefit	4(c)	192,727	333,844
TOTAL NON-CURRENT ASSETS		544,048,715	418,328,369
TOTAL ASSETS		551,415,998	422,719,786
CURRENT LIABILITIES			
Payables	10	79,675	42,892
TOTAL CURRENT LIABILITIES		79,675	42,892
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	11	50,000,000	37,000,000
Provision for deferred income tax	4(e)	229,119	-
Provisions	13	440,000	250,000
TOTAL NON-CURRENT LIABILITIES		50,669,119	37,250,000
TOTAL LIABILITIES		50,748,794	37,292,892
NET ASSETS		500,667,204	385,426,894
EQUITY			
Contributed equity	14	158,664,087	150,265,956
Reserves	15	310,167,239	208,120,989
Retained profits	16	31,835,878	27,039,949
TOTAL EQUITY	17	500,667,204	385,426,894

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 18 to 28.

Statement of Cash Flows

for the year ended 30 June 2005

	Note	2005 \$ Inflows/ (Outflows)	2004 \$ Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		161,832	290,898
Dividends and trust distributions received		21,146,875	18,331,339
Fees and other income received		1,399	-
Interest paid		(2,921,934)	(2,275,939)
Cash payments in the course of operations		(522,196)	(546,801)
Income taxes paid		5,730	(31,188)
Net cash provided by operating activities	21	17,871,706	15,768,309
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		29,500,552	37,466,200
Payments for investments		(52,949,045)	(59,520,950)
Net cash used in investing activities		(23,448,493)	(22,054,750)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (excluding dividend re-investment plan)		(5,144,545)	(5,843,989)
Bank Loan – bill facility		13,000,000	7,000,000
Net cash provided by financing activities		7,855,455	1,156,011
Net increase/(decrease) in cash held		2,278,668	(5,130,430)
Cash at beginning of the financial year		1,121,190	6,251,620
Cash at the end of the financial year	21	3,399,858	1,121,190

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 18 to 28.

Notes to the financial statements

for the year ended 30 June 2005

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.

Notes to the financial statements
for the year ended 30 June 2005 Continued

2. Changes in Accounting Policy

There have been no material changes in the accounting policies of the Company from those adopted at 30 June 2004.

3. Revenue and Operating Profit

	2005 \$	2004 \$
a) Revenue from ordinary activities		
From operating activities		
Dividends received or due and receivable	20,695,395	18,549,430
Interest received or due and receivable	159,922	280,514
Sub-underwriting income	1,399	-
Trust distributions received	1,109,680	23,674
	21,966,396	18,853,618
From other than operating activities		
Gross proceeds from the sale of investments	34,326,042	35,398,138
Total revenue from ordinary activities	56,292,438	54,251,756
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	33,880
- other services	7,865	10,395
Provision for Directors' Retirement Allowance	190,000	110,000
<i>Borrowing costs</i>		
Interest expenses	2,842,878	2,205,905
Other	5,387	8,110

Notes to the financial statements for the year ended 30 June 2005 Continued

4. Income Tax Expense

(a) Income Tax Expense

	Note	2005 \$	2004 \$
Prima facie income tax expense calculated at 30% on the profit from ordinary activities		5,502,639	4,798,200
Increase in income tax expense due to : Imputation gross-up on dividends received		2,270,093	2,144,260
Decrease in income tax expense due to : Franking credits on dividends received Other permanent differences		(7,566,976) (196,069)	(7,147,534) (69,872)
Income tax expense/(benefit) on operating profit		9,687	(274,946)
Under/(Over) provision for income tax last year		(6,163)	256
Income tax expense/(benefit) attributable to profit from ordinary activities		3,524	(274,690)
Comprising:			
Under/(Over) provision for income tax last year		(6,163)	256
Current income tax provision		-	14,645
Future income tax benefit - current year		141,117	(289,591)
Future income tax benefit - losses utilised to offset capital gains tax		(366,712)	-
Future income tax benefit - over provision of losses last year		6,163	-
Provision for deferred income tax - current year		229,119	-
		3,524	(274,690)
(b) Provision for current income tax			
Movements during the year were as follows:			
Balance at the beginning of the year		(5,730)	10,557
Tax (Paid)/Refunded		5,730	(31,188)
Under provision for income tax last year		-	256
Current year's income tax expense/(benefit) on operating profit		-	14,645
	7	-	(5,730)
(c) Future income tax benefits			
Timing differences between tax and accounting income		192,727	333,844
(d) Future income tax benefits not taken into 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
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.			
(e) Provision for deferred income tax			
Timing differences between tax and accounting income		229,119	-

Notes to the financial statements for the year ended 30 June 2005 Continued

5. Earnings Per Share

	Cents	Cents
Basic earnings per share based on operating profit after income tax.	22.24	20.12

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 2005 year is calculated on a weighted average adjusted number of ordinary shares of 82,472,886 taking into account the shares issued in the dividend re-investment program. The 2004 figure is based on a weighted average number of ordinary shares of 80,873,979.

6. Dividends

	Note	2005 \$	2004 \$
Dividends recognised in the current year by the Company are:			
(i) 2004 final dividend of 8.5 cents per share (2003: 8.00 cents) fully franked paid 8 October 2004		6,938,278	6,419,588
(ii) 2005 interim dividend of 8.0 cents per share (2004: 6.5 cents) fully franked paid 12 April 2005		6,604,399	5,258,208
	16	13,542,677	11,677,796
Subsequent to reporting date :			
Since 30 June 2005 the directors have declared the following dividend payable on 11 October 2005			
- Final dividend of 9.0 cents per share fully franked		7,500,720	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 2005.

Dividend Franking Account

The balance of the franking account is \$6,514,901 (2004: \$3,907,835) after adjusting 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 2005 was \$993,487 (2004: \$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 2005 Continued

7. Receivables

	2005 \$	2004 \$
<i>Current</i>		
Dividends Receivable	3,154,500	2,679,425
Interest Receivable	-	1,911
Prepaid Income Tax	-	5,730
Trust Distributions Receivable	203,125	20,000
Other	3,540	9,544
	3,361,165	2,716,610

8. Investments

<i>Non-Current</i>		
Investments quoted on prescribed stock exchanges (at current market value)		
Ordinary shares in other corporations	543,855,988	414,964,025
Convertible preference shares	-	3,030,500
	543,855,988	417,994,525

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 \$76,394,885 (2004: \$46,217,292).

9. Other Assets

<i>Current</i>		
Prepayments	606,260	553,617

10. Payables

<i>Current</i>		
Trade Creditors	79,675	42,892

11. Interest Bearing Liabilities

<i>Non-Current</i>		
Bills Payable – Secured (Unsecured in 2004)	50,000,000	37,000,000

12. Financing Arrangements

The Company has access to the following lines of credit:

Total facility available		
Commercial Bill Facility - Secured (Unsecured in 2004)	50,000,000	40,000,000
Facilities utilised at balance date		
Commercial Bill Facility - Secured (Unsecured in 2004)	50,000,000	37,000,000

13. Provisions

<i>Non-Current</i>		
Directors' retirement allowance	440,000	250,000

Notes to the financial statements for the year ended 30 June 2005 Continued

14. Contributed Equity

	2005 \$	2004 \$
Issued and paid-up share capital 83,341,329 (2004 : 81,629,164) ordinary shares, fully paid	158,664,087	150,265,956
Movements in ordinary share capital		
Balance at the beginning of the financial year	150,265,956	144,432,148
Shares Issued		
- Dividend re-investment plan (i)	8,398,131	5,833,808
	158,664,087	150,265,956

(i) in respect of the final dividend paid in October 2004, 928,482 ordinary shares were issued at \$4.58 each and in respect of the interim dividend paid in April 2005, 783,683 ordinary shares were issued at \$5.29 each.

15. Reserves

	Note	2005 \$	2004 \$
Asset revaluation reserve		266,664,574	169,995,860
Investment fluctuation reserve		43,502,665	38,125,129
		310,167,239	208,120,989
Movements in reserves during the year:			
Asset Revaluation Reserve			
Balance at the beginning of the financial year		169,995,860	100,055,672
Revaluation of investments		102,412,962	58,396,905
Add/(less) transfer to the Investment Fluctuation Reserve of revaluation decrements/(increments) from prior years realised on sales		(5,744,248)	11,543,283
Balance at the end of the financial year		266,664,574	169,995,860
Investment Fluctuation Reserve			
Balance at the beginning of the financial year		38,125,129	49,668,412
Less tax on disposal of long term investments		(366,712)	-
Add/(less) transfer from the Asset Revaluation Reserve of revaluation Increments/(decrements) from prior years realised on sales		5,744,248	(11,543,283)
Balance at the end of the financial year		43,502,665	38,125,129
16. Retained Profits			
Retained profits at the beginning of the year		27,039,949	22,449,054
Net profit		18,338,606	16,268,691
Dividends paid	6	(13,542,677)	(11,677,796)
Retained profits at the end of the year		31,835,878	27,039,949
17. Total Equity Reconciliation			
Total equity at the beginning of year		385,426,894	316,605,286
Total changes in equity recognised in the statement of financial performance		120,384,856	74,665,596
Dividends Paid		(13,542,677)	(11,677,796)
Dividends re-invested		8,398,131	5,833,808
Total equity at end of year		500,667,204	385,426,894

Notes to the financial statements for the year ended 30 June 2005 Continued

18. Segment Reporting

The Company operates as an investment company in Australia.

19. Directors' Remuneration

Details of the directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report.

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, P J B Rose and R R Dewhurst.

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 willful breach of duty. This insurance premium covers the period 18 June 2005 to 18 June 2006.

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		SHARES	
	June 2005		June 2004	
	1	2	1	2
Charles B Goode	51,697	656,244	50,000	634,688
Graeme E Moir	70,000	-	62,500	-
Peter J Wetherall	10,000	-	10,000	-
P John B Rose	57,862	-	50,000	-
Ron R Dewhurst	-	-	-	-

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 2005 Continued

21. Notes to the Statement of Cash Flows

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:

	2005 \$	2004 \$
Cash	3,399,858	1,121,190
Reconciliation of operating profit after income tax to net cash provided by operating activities		
Operating profit after income tax	18,338,606	16,268,691
Add/(less) non cash items:		
Capitalised interest		-
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividends receivable	(475,075)	(221,765)
(Increase)/decrease in interest receivable	1,902	10,385
(Increase)/decrease in distributions receivable	(183,125)	(20,000)
(Increase)/decrease in other debtors	6,004	2,025
Increase/(decrease) in taxes payable	5,730	(16,287)
(Increase)/decrease in future income tax benefits	141,117	(289,591)
Increase/(decrease) in provision for deferred income tax	229,119	-
Increase/(decrease) in future income tax benefits - losses used to offset capital gains tax	(366,712)	-
Increase/(decrease) in accrued expenses	36,783	(5,115)
(Increase)/decrease in prepayments	(52,643)	(70,034)
Increase/(decrease) in provisions	190,000	110,000
Net cash provided by operating activities	17,871,706	15,768,309

Notes to the financial statements for the year ended 30 June 2005 Continued

22. Additional Financial Instruments Disclosure

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2005 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

Financial Assets - 2005	Note	Floating Interest Rate \$	Total \$
Cash	21	3,399,858	3,399,858
Weighted Average Interest Rate		4.76%	
Financial Assets - 2004	Note	Floating Interest Rate \$	Total \$
Cash	21	1,121,190	1,121,190
Weighted Average Interest Rate		4.15%	

The Company has secured borrowing facilities in place with the National Australia Bank Ltd totalling \$50,000,000 (2004: \$40,000,000 unsecured) as follows:

Amount	Maturity	Interest Rate
\$10,000,000	31 March 2008	Floating
\$10,000,000	31 March 2009	Fixed 5.98%
\$10,000,000	31 March 2010	Fixed 5.99%
\$10,000,000	31 March 2011	Fixed 6.00%
\$10,000,000	31 March 2012	Fixed 6.02%

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 2005 Continued

23. Impact of Adopting Australian Equivalents to International Financial Reporting Standards.

For reporting periods beginning on or after 1 July 2005, the Company must comply with Australian equivalents to International Financial Reporting Standards ("AIFRS") 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) applicable for reporting periods ending 30 June 2005.

Transition management

The board has established a formal implementation project to assess the impact of transition to AIFRS reporting for the financial year commencing 1 July 2005.

The project is achieving its scheduled milestones and the Company is expected to be in a position to fully comply with the requirements of AIFRS for the half year ending 31 December 2005 and the year ending 30 June 2006.

Impacts of transition to AIFRS

The impact of transition to AIFRS, including the transitional adjustments disclosed in this note are based on AIFRS standards that the Company expects to be in place when preparing the first complete AIFRS financial report (being the half-year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary of the significant changes in accounting policies and elections, therefore further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of changes in financial reporting requirements that are relevant to the Company's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report.

The rules for first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The Standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS. This note includes details of the AASB 1 elections adopted.

The significant changes in accounting policies expected to be adopted, the elections expected to be made under AASB 1 and the impact on the financial report are set out below:

(a) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates, enacted or substantively enacted at reporting date.

Notes to the financial statements for the year ended 30 June 2005 Continued

23. Impact of Adopting Australian Equivalents to International Financial Reporting Standards Continued

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

In accordance with AIFRS, the Company must recognise an additional deferred tax liability amount for the capital gains tax potentially payable on unrealised gains in the investment portfolio. This liability will be offset against the unrealised gains on the investment portfolio recognised in the Asset Revaluation Reserve.

The amount of the deferred tax liability to be recognised as at 1 July 2004 is \$46,217,292. The amount of deferred tax liability to be recognised for the year ended 30 June 2005 is \$30,177,593.

With the exception of the above mentioned adjustments, we do not expect the impact on the Company as at 1 July 2004 or for the year ended 30 June 2005 of the change in basis and the transition adjustments on the deferred tax balances and the previously reported tax expense to be material in nature.

(b) Financial instruments

The Company expects to take advantage of the election in AASB 1 to not restate comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

The Company will measure investments as 'available for sale' under AASB 139. As the Company currently revalues its investments to market value continuously, the Company does not expect the transition to AIFRS to materially effect the carrying value of financial instruments.

This is a change in accounting policy as revaluation increments or decrements 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.

In the year ended 30 June 2005 the impact of reclassifying gains and losses on disposal of assets, and associated tax expense, from the Investment Fluctuation Reserve would result in an increase to Net Profit of \$5,377,536.

As at 1 July 2005, debt establishment costs capitalised and amortised over the term of the borrowing under current Australian AGAAP will be recalculated based on the effective interest rate method and recognised as part of the liability rather than as a separate asset.

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 15 to 28, 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 2005 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.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2005.

Dated at Melbourne this 18th day of August 2005

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 (1 to 23) to the financial statements, and the directors' declaration (set out on page 29) for Australian United Investment Company (the "Company") for the year ended 30 June 2005.

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 misstatements. The nature of an audit is influenced by factors such as the use of professional judgment, 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 its performance as represented by the results of its 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.

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 2005 and of its 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 financial reporting requirements in Australia.

KPMG

KPMG

D Pasquariello
Partner

Melbourne
18th August 2005

Additional Information

Distribution of shareholders as at 29 July 2005.

Category Holders – Ordinary shares

	Units Held	No of Holders	%
1-1,000	82,896	157	0.10
1,001-5,000	1,905,238	652	2.29
5,001-10,000	2,691,367	363	3.23
10,001 and 100,000	9,560,555	375	11.47
100,001 and over	69,101,273	35	82.91
	<hr/> 83,341,329	<hr/> 1,582	<hr/> 100.00

There were 9 ordinary shareholders holding less than a marketable parcel (88 shares) at 29 July 2005.

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 is "entitled"
The Ian Potter Foundation Limited and Dundee Trading Pty Ltd	34,089,948
Argo Investments Ltd and Ling Nominees Pty Ltd	14,484,879
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 Continued

Twenty Largest Equity Security Holders - Ordinary

The twenty largest shareholders, listed below as at 29 July 2005, hold 67,028,559 ordinary shares which is 80.42% of the issued capital.

Ordinary Shares

	<i>Shareholder Name</i>	<i>No. of Shares</i>	<i>% Held</i>
1.	The Ian Potter Foundation Ltd	30,955,978	37.14
2.	Argo Investments Ltd	14,448,129	17.34
3.	Primrose Properties Pty Ltd	6,413,795	7.70
4.	Robin Bernice Potter	5,475,000	6.57
5.	Dundee Trading Pty Ltd	3,133,970	3.76
6.	The Miller Foundation Ltd	1,570,000	1.88
7.	Lady Primrose Catherine Potter	750,000	0.90
8.	Decerna Pty Ltd	559,498	0.67
9.	Beta Gamma Pty Ltd	534,008	0.64
10.	Daryl Albert Dixon & Katherine Dixon	515,917	0.62
11.	Pards Pty Ltd	472,153	0.57
12.	UBS Private Clients Australia Nominees Pty Ltd	445,753	0.53
13.	Matluc Nominees Pty Ltd	288,443	0.35
14.	St Hilda's College Nominees Pty Ltd	253,778	0.30
15.	Duesburys Services Pty Ltd <Carolyn Anne Parker Bowles >	224,850	0.27
16.	Collier Custodian Corporation	212,500	0.25
17.	Lorna Elizabeth Pitt	200,787	0.24
18.	Chickenfeed 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	0.22
		<hr/> <hr/>	
		67,028,559	80.42

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2005 totalled \$117,007 (2004: \$140,552). 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 2005

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 \$	30/6/2005 % of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	30/6/2004 Units Held
Capital Goods (0.0%)					
Lemarne Corporation Ltd	0	0.0	-	814,407 sold, and 438,526 disposed of in Company Buyback	1,252,933
Oil & Gas (5.0%)					
Woodside Petroleum Ltd	23,985,000	4.4	820,000	40,000 purchased	780,000
Origin Energy Ltd	3,044,000	0.6	400,000	400,000 purchased	-
Chemicals (2.3%)					
Orica Ltd	12,460,000	2.3	700,000	-	700,000
Construction Material (0.9%)					
Boral Ltd	1,944,000	0.4	300,000	300,000 purchased	-
CSR Ltd	2,948,000	0.5	1,100,000	570,000 purchased	530,000
Containers & Packaging (1.0%)					
Amcor Ltd	5,360,000	1.0	800,000	-	800,000
Metals & Mining (21.3%)					
Alumina Ltd	21,444,500	3.9	3,850,000	1,350,000 purchased	2,500,000
BHP Billiton Ltd	30,401,250	5.6	1,675,000	375,000 purchased	1,300,000
Bluescope Steel Ltd	8,230,000	1.5	1,000,000	-	1,000,000
Iluka Resources Ltd	9,789,000	1.8	1,300,000	50,000 purchased	1,250,000
Rio Tinto Ltd	26,892,000	4.9	600,000	100,000 purchased	500,000
WMC Resources Ltd	19,625,000	3.6	2,500,000	-	2,500,000
Paper & Forest Products (0.5%)					
Paperlinx Ltd	3,010,000	0.5	1,000,000	-	1,000,000
Building Products (0.4%)					
GWA International Ltd	2,044,000	0.4	700,000	200,000 purchased	500,000
Industrial Conglomerates (4.4%)					
Wesfarmers Ltd	24,006,000	4.4	600,000	-	600,000
Machinery (0.6%)					
Crane Group Ltd	3,400,000	0.6	400,000	-	400,000
Trading Co & Distributors (1.8%)					
Alesco Corporation Ltd	9,715,200	1.8	1,320,000	-	1,320,000

List of Investments as at 30 June 2005 Continued

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 \$	30/6/2005 % of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	30/6/2004 Units Held
Commercial Services Supplies (2.4%)					
Brambles Industries Ltd	13,072,000	2.4	1,600,000	-	1,600,000
Tempo Services Ltd	0	0.0	-	1,500,000 sold	1,500,000
Transportation Infrastructure (1.2%)					
Macquarie Airports	1,790,000	0.3	500,000	-	500,000
Macquarie Infrastructure Group	3,120,000	0.6	750,000	-	750,000
Transurban Group	1,862,500	0.3	250,000	250,000 purchased	-
Hotels Restaurants & Leisure (6.1%)					
TAB Ltd	0	0.0	-	Tabcorp Holdings takeover	2,000,000
Tabcorp Holdings Ltd	26,240,000	4.8	1,600,000	400,000 acquired on TAB Ltd takeover and a further 10,000 purchased	1,190,000
Unitab Ltd	7,125,000	1.3	500,000	-	500,000
Media (4.5%)					
APN News & Media Ltd	2,313,000	0.4	450,000	-	450,000
Amalgamated Holdings Ltd	3,440,000	0.6	800,000	-	800,000
News Corporation Ltd	0	0.0	-	Converted to News Corp Inc Class B Common CDI's	525,000
News Corporation Inc Class B Common CDI	5,587,500	1.0	250,000	Converted from News Corp Ltd Shares	-
Southern Cross Broadcasting (Aust) Ltd Village Roadshow Ltd 'A' Class Pref	9,680,000	1.8	800,000	-	800,000
	3,990,000	0.7	2,000,000	-	2,000,000
Food & Drug Retailing (3.0%)					
AWB Ltd	2,535,500	0.5	550,000	-	550,000
Coles Myer Ltd	2,315,000	0.4	250,000	50,000 purchased	200,000
Foodland Associated Ltd	0	0.0	-	500,000 sold	500,000
Woolworths Ltd	11,557,000	2.1	700,000	-	700,000
Beverages (0.0%)					
Foster's Group Ltd	0	0.0	-	800,000 sold	800,000
Health Care Equipment & Supplies (0.03%)					
Compumedics Ltd	168,750	0.0	750,000	-	750,000
Health Care Providers & Services (0.2%)					
Ramsay Health Care Ltd	1,329,000	0.2	150,000	150,000 purchased	-
Biotechnology (0.6%)					
CSL Ltd	3,372,000	0.6	100,000	-	100,000

List of Investments as at 30 June 2005 Continued

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 \$	30/6/2005 % of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	30/6/2004 Units Held
Banks (22.8%)					
Australia & New Zealand Banking Group Ltd	38,062,500	7.0	1,750,000	-	1,750,000
Commonwealth Bank Of Australia Ltd	17,077,500	3.1	450,000	-	450,000
National Australia Bank Ltd	30,760,000	5.6	1,000,000	-	1,000,000
St George Bank Ltd	11,790,000	2.2	450,000	250,000 purchased	200,000
Westpac Banking Corporation	26,932,500	4.9	1,350,000	-	1,350,000
Diversified Financials (9.6%)					
Diversified United Investment Ltd	17,011,988	3.1	6,804,795	2,500,000 purchased	4,304,795
Macquarie Bank Ltd	5,975,000	1.1	100,000	40,000 purchased	60,000
OFM Investment Group Ltd	2,040,000	0.4	1,000,000	218,077 sold	1,218,077
Perpetual Trustees Australia Ltd	11,486,000	2.1	200,000	-	200,000
Suncorp Metway Ltd	16,088,000	2.9	800,000	-	800,000
Insurance (5.5%)					
AMP Ltd	6,470,000	1.2	1,000,000	275,000 purchased	725,000
AXA Asia Pacific Holdings Ltd	7,884,000	1.4	1,800,000	450,000 purchased	1,350,000
HHG Plc	0	0.0	-	725,000 converted to Henderson Group on demerger	725,000
Henderson Group Plc	1,018,800	0.2	720,000	720,000 acquired on HHG demerger	-
IOOF Holdings Ltd	1,998,000	0.4	300,000	53,778 purchased	246,222
Insurance Australia Group Ltd	1,803,000	0.3	300,000	-	300,000
QBE Insurance Group Ltd	11,221,000	2.0	700,000	100,000 purchased	600,000
Real Estate (2.1%)					
Westfield Holdings Ltd	0	0.0	-	600,000 Converted to Westfield Group Ltd	600,000
Westfield Group Ltd	11,531,000	2.1	650,000	600,000 Converted from Westfield Holding 50,000 purchased	-
Electronic Equipment (0.3%)					
Vision Systems Ltd	1,680,000	0.3	1,500,000	1,500,000 sold	3,000,000
Diversified Telecommunication Services (0.5%)					
Telstra Corporation Ltd	2,530,000	0.5	500,000	-	500,000
Gas Utilities (2.3%)					
Alinta Ltd	4,875,000	0.9	500,000	500,000 purchased	-
Australian Gas Light Company	7,826,500	1.4	550,000	-	550,000

List of Investments as at 30 June 2005 Continued

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 \$	30/6/2005 % of Portfolio at Market Value	Units Held	Capital Movements or Portfolio Adjustments	30/6/2004 Units Held
Paper & Forest Products					
CPI Group Ltd 8% Non-Cum Cnv Pref	0	0.0	-	350,000 sold	350,000
Cash Trust & Other Deposits (0.7%)					
M F Cash Management Fund	856,770	0.2	856,770	241,671 redeemed	1,098,441
NAB - 11 AM Deposit	2,543,088	0.5	2,543,088	2,520,339 deposited	22,749
NAB - Cheque Account	0	0.0	-		
	<hr/>	<hr/>			
	547,255,846	100.0%			
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2005 Annual Financial Report