

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

APPENDIX 4E STATEMENT FOR THE YEAR ENDING 30 JUNE 2008

CONTENTS

- Results for announcement to the market
- Letter to Australian Stock Exchange
- Financial Statements
- Independent Audit Report

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2008 with the corresponding period being the year ended 30 June 2007.

Results for announcement to the market

- Revenue from operating activities was \$36.3 million, 17% up from the prior year.
- Operating profit after tax and before net realised gains on the investment portfolio was \$30.6 million, up 19% from the prior year.
- Earnings per share based on net operating profit after tax excluding special dividends received were 32.5 cents per share, an increase of 13.6% from the prior year.
- Net realised capital gains on the investment portfolio after tax were \$11.6 million, up 8% from the prior year.
- The total net profits (including net capital gains) were \$42.3 million, 16% up from the prior year.
- In the current year special dividends and distributions of \$2,303,577 after tax were received. In the previous corresponding year special dividends of \$1,345,375 after tax were received
- The final dividend for the year is 13.5 cents per share (12.5 cents previous period) fully franked payable on 17 October 2008. The entire 13.5 cents final dividend will be a Listed Investment Company capital gain dividend. The record date for determining entitlement to the final dividend is 19 September 2008.
- The net tangible asset backing per share based on the market valuation of investments was \$7.95 at 30 June 2008 (2007: \$9.35). These calculations are after provision for tax on net realised gains, before tax on unrealised gains and before provision for the interim dividend.
- The Company operates a Dividend Reinvestment Plan (“DRP”) under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at a 3% discount to the average selling price of shares traded on the Australian Securities Exchange in the five days beginning from the day the shares begin trading on an ex dividend basis. The last day for the receipt of an election notice for participation in the plan is 19 September 2008.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

ABN 37 004 268 679

Level 4
45 Exhibition Street
Melbourne Victoria 3000
Australia

Telephone (03) 9654 0499
Facsimile (03) 9654 3499

21 August 2008

The General Manager
Australian Stock Exchange
P O Box H224
Australia Square
Sydney NSW 2000

Dear Sir,

Annual Financial Results and Dividend Announcement
for the Financial Year Ended 30 June 2008

The Directors are pleased to make the following report concerning the company's performance and final dividend:-

Operating Profit and Realised Capital Gains

Operating profit after income tax and before net realised gains on the investment portfolio for the year ended 30 June 2008 was \$30,631,916 (previous corresponding period: \$25,710,394). Operating profit includes special dividends and distributions of \$2,303,577 (previously \$1,345,375).

Net realised gains on the investment portfolio after tax were \$11,635,996 (previously \$10,815,684). In accordance with accounting standards, these gains include the non-cash, scrip based deemed sales arising from the schemes of arrangement affecting the holdings in Coles Group Ltd and Publishing and Broadcasting Ltd. They also include the sale by takeover of the holdings in Alinta Ltd and Southern Cross Broadcasting Ltd.

Operating expenses (excluding interest) were 0.10 % of the average market value of the portfolio (previously 0.10%).

Earnings Per Share

The operating earnings per share based on the weighted average number of shares on issue for the year was 35.2 cents per share (32.5 cents excluding the special dividends) compared to 30.2 cents for the year to 30 June 2007 (28.6 cents excluding special dividends). Excluding special dividends, earnings per share rose 13.6%.

Including net realised capital gains and special dividends, earnings per share were 48.5 cents (previously 42.9 cents).

- 2 -

Dividends

The Directors also announce a final dividend of 13.5 cents per share fully franked to shareholders registered on 19 September 2008, to be paid on 17 October 2008. The comparable 2007 final dividend was 12.5 cents per share fully franked. Together with the interim dividend of 11.5 cents per share, total dividends for the year are 25 cents per share (23 cents last year).

LIC Capital Gains

The final dividend will comprise a Listed Investment Company capital gain dividend of 13.5¢ per share which will give rise to an “attributable part” of 19.29¢ per share. This will enable some shareholders to claim a tax deduction in their income tax return. Details will be provided on the dividend statement.

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan (“DRP”) under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at a 3% discount to the average selling price of shares traded on the Australian Securities Exchange in the five days beginning from the day the shares begin trading on an ex dividend basis. The last day for the receipt of an election notice for participation in the plan is 19 September 2008.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$7.95 at 30 June 2008 and \$7.49 at 31 July 2008. These calculations are 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 total portfolio. If estimated tax on unrealised portfolio gains were to be deducted, the above figures would be \$6.76 at 30 June 2008 and \$6.43 at 31 July 2008.

The Company’s net asset backing accumulation performance (assuming all dividends were reinvested, and after all expenses and taxes paid) for the year to 30 June 2008 was a decline of 12.6% while the S&P/ASX 300 accumulation index fell 13.7%.

Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday, 15 October 2008 at 11.00 am at the offices of KPMG, 147 Collins Street, Melbourne.

- 3 -

Investment Portfolio

As at 30 June 2008 the twenty-five largest shareholdings of the company, at market values were:

Company	Market Value \$'000	% of Market Value of Total Investments
1. BHP Billiton Ltd	91,770	11.3%
2. Rio Tinto Ltd	81,300	10.0%
3. Woodside Petroleum Ltd	67,500	8.3%
4. Diversified United Investment Ltd	40,080	5.0%
5. ANZ Banking Group Ltd	36,036	4.5%
6. National Australia Bank Ltd	34,450	4.3%
7. Wesfarmers Ltd	33,570	4.2%
8. Westpac Banking Corporation Ltd	27,000	3.3%
9. Woolworths Ltd	24,450	3.0%
10. Commonwealth Bank Ltd	24,102	3.0%
11. Orica Ltd	21,975	2.7%
12. Alumina Ltd	21,330	2.6%
13. QBE Insurance Group Ltd	19,040	2.4%
14. Telstra Corporation Ltd	16,960	2.1%
15. Westfield Group	16,280	2.0%
16. Brambles Ltd	15,714	1.9%
17. Tabcorp Holdings Ltd	15,696	1.9%
18. Bluescope Steel Ltd	13,608	1.7%
19. Suncorp Metway Ltd	13,040	1.6%
20. Origin Energy Ltd	12,896	1.6%
21. St George Bank Ltd	12,200	1.5%
22. AXA Asia Pacific Holdings Ltd	11,700	1.5%
23. CSL Ltd	10,710	1.3%
24. Perpetual Ltd	10,692	1.3%
25. AGL Energy Ltd	10,010	1.2%
	682,109	84.2%
	682,109	84.2%

Total Investments at Market Value and Cash 809,495

Yours faithfully

A J Hancock
Company Secretary

**AUSTRALIAN UNITED INVESTMENT
COMPANY LIMITED**
(ABN 37 004 268 679)

ANNUAL FINANCIAL REPORT

30 JUNE 2008

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report

The directors present their report together with the financial report of Australian United Investment Company Limited for the year ended 30 June 2008 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Charles Goode AC, B.Com. (Hons) (Melb), MBA (Columbia), Hon LLD (Melb), Hon LLD (Mon).
Chairman, Appointed April 1990
Age 69

Mr Goode is the Chairman of the Boards of Australia and New Zealand Banking Group Limited (director since 1991), Diversified United Investment Limited (since 1991), The Ian Potter Foundation Limited (governor since 1987) and Grosvenor Australia Properties Pty Limited (since 2008).

Formerly Mr Goode was a director of Woodside Petroleum Limited (1988 – 2007, Chairman 1999 – 2007) and Singapore Airlines Limited (1999 – 2006).

Graeme Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.
Non-executive Director, Appointed March 1976
Age 76

Mr Moir has had 46 years experience in the share investment field. He is the principal of Moir's Investment Service Pty. Ltd. (since 1965), is a director of Graeme Moir and Associates Pty. Ltd. (since 1965) and Diversified United Investment Limited (since 1991).

John Rose AO, BCom (NZ), DipEc (Camb), PhD(Melb). Hon D.Bus (Melb).
Non-executive Director, Appointed April 2000
Age 72

Mr Rose is a governor of The Ian Potter Foundation Limited (since 2000). Formerly he was the Sidney Myer Professor of Commerce and Business Administration of the University of Melbourne, a Director of The Melbourne Business School, and a director of Woodside Petroleum Limited (until 2005).

Peter Wetherall B.E. Hons (Qld), B.A. Hons (Oxon)
Non-executive Director, Appointed November 2001
Age 52

Mr Wetherall has 28 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 (since 1995). He is Chairman of the Company's Audit Committee.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report (Continued)

Directors (Continued)

Ronald Dewhurst

Non-executive Director, Appointed June 2005

Age 56

Mr Dewhurst has over 30 years domestic and international experience in investment and financial services management. He was a director and Chief Executive Officer of IOOF Holdings Ltd from 2004 to 2007 and is currently Senior Managing Director, Head of International, for Legg Mason Inc., a US based global asset manager. He is a director of Acctrak21 International Limited (since 2003), Breast Cancer Network of Australia (since 2003), National Gallery of Victoria (since 2003) and Pride Capital Partners LLC (since 2002).

Formerly he was a director of Orchard Petroleum Ltd (2005 – 2007).

Company Secretary

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

Company Secretary, Appointed 11 October 1995

Age 56

Mr Hancock is also the Company Secretary of Diversified United Investment Ltd (since 1991), 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.

Principal Activity of the Company

The principal activity of the Company is that of an investment company which seeks, through a portfolio of securities predominantly comprising shares of companies listed on the ASX, to provide income and capital appreciation over the longer term.

As at 30 June 2008 the Company's portfolio had a market value (including cash management trust investments) of \$804,466,903 (2007: \$903,581,348). The net tangible asset backing of the Company's ordinary shares at 30 June 2008 was \$7.95 (2007: \$9.35). This net tangible 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 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 \$6.76 (2007: \$7.52).

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 before net realised gains from the investment portfolio was \$30,631,916 compared to \$25,710,394 in the previous year - an increase of 19%. If special dividends received are disregarded, operating profit before net realised gains on the investment portfolio increased 16%. The operating profit after tax includes \$2,303,577 of special dividends and distributions received (2007: \$1,345,375).

The basic and diluted earnings per share before net realised gains from the investment portfolio and special dividends was 32.5 cents compared to 28.6 cents for the previous year (adjusted for the bonus element in the May 2008 share placement).

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report (Continued)

Results and Review of Operations (Continued)

Net realised gains on the investment portfolio for the year include the takeover of the holdings in Alinta Ltd and Southern Cross Broadcasting Ltd and the non-cash scrip based deemed sales arising from the schemes of arrangement affecting the holdings in Coles Group Ltd and Publishing and Broadcasting Ltd.

The Company incurred expenses (excluding finance costs) of \$841,797 (2007: \$827,767) which is equivalent to 0.10% (2007: 0.10%) of the average market value of the portfolio.

On 20 May 2008 the Company issued 7,987,300 fully paid shares in accordance with a placement announced on 12 May 2008. The issue raised \$66,054,971 at the placement price of \$8.27 per share, which represented a 5% discount to the Net Tangible Asset Backing per share of the Company as at 30 April 2008 adjusted for the general share market movement to 9 May 2008. The placement increased shareholder numbers by over 1,100, adding to the liquidity of shares in the Company, enabling expansion of the investment portfolio without having to sell long term investments, and assisting in continuing to lower the management expense ratio.

Bank borrowings were \$50 million at the end of the financial year (previous year \$110 million) gearing the investment portfolio by around 6%. Annual interest expense was covered 6.9 times by investment revenue.

Dividends

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

	\$
<i>Paid or declared during the year</i>	
A final dividend in respect of the year ended 30 June 2007 of 12.5 cents per share fully franked paid on 15 October 2007.	10,701,589
An interim dividend in respect of the year ended 30 June 2008 of 11.5 cents per share fully franked paid on 11 April 2008.	9,906,743
<i>Paid or declared after end of year</i>	
A final dividend in respect of the year ended 30 June 2008 of 13.5¢ per share fully franked payable on 17 October 2008.	12,825,293

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:

	<i>Director's Meetings</i>		<i>Audit Committee Meetings</i>		<i>Remuneration & Nomination Committee Meetings</i>	
	<i>No. of Meetings attended</i>	<i>No. of Meetings eligible</i>	<i>No. of Meetings attended</i>	<i>No. of Meetings eligible</i>	<i>No. of Meetings attended</i>	<i>No. of Meetings eligible</i>
Charles B Goode	9	10	2*	2*	1	1
Graeme E Moir	10	10	2	2	1	1
P John Rose	8	10	1	2	1	1
Peter J Wetherall	10	10	2	2	1	1
Ron R Dewhurst	10	10	2	2	1	1

* In attendance – not a Committee member.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report (Continued)

Directors' Interests

The relevant interest of each director in the issued 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	3
Charles B. Goode	55,873	713,624	33,583
Graeme E. Moir	70,000	-	16,792
P. John Rose	63,445	-	10,915
Peter J. Wetherall ⁴	10,354	-	8,256
Ron Dewhurst	-	25,402	-

Note:

1. Beneficial in own name
2. Held by an entity/related party in which the director has a relevant interest
3. Held for the Director in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan
4. In relation to Peter Wetherall's holding, 10,000 of these shares are held in a margin lending account as part of a diversified portfolio with ample liquidity to meet any margin calls.

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;
- (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.

Remuneration report (audited)

Non-executive Directors	Directors' Fees ⁽¹⁾		Retirement benefits ⁽²⁾		Total	
	\$		\$		\$	
	2008	2007	2008	2007	2008	2007
Charles Goode	132,000	112,833	-	29,247	132,000	142,080
Graeme Moir	66,000	56,417	-	14,624	66,000	71,041
P John Rose	66,000	56,417	-	5,400	66,000	61,817
Peter Wetherall	66,000	56,417	-	5,140	66,000	61,557
Ron Dewhurst	66,000	60,666	-	-	66,000	60,666
Total	396,000	342,750	-	54,411	396,000	397,161

(1) Directors fees include superannuation contributions elected by Directors to be paid to their nominated superannuation fund.

(2) The Directors entitlement to retirement benefits ceased on 31 October 2006. All eligible Directors elected to receive shares in the Company on retirement as compensation for their entitlement.

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.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report (Continued)

Remuneration report (audited) (Continued)

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 for the broader outcome of increasing the Company's net profit. Directors' fees are fixed and reviewed annually and the maximum total of directors' fees is 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 \$35,475 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 to Note 15 of the financial statements for information relating to the insurance contracts.

The Company Secretary, Mr Andrew J Hancock, received \$66,000 (2007: \$59,770) for services provided to the Company.

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 \$4,675 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 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.

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 financial year under review other than the value of the investment portfolio fluctuated broadly in line with market movements.

Environmental Regulation

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

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Report (Continued)

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 item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years, except that the market value of the investment portfolio moves broadly in line with the overall Australian share market and the Australian All Ordinaries index fell 7.6% from 30 June 2008 to 19 August 2008.

On 18 June 2008, the Company announced an offer to existing shareholders under the terms of the Company's Share Purchase Plan ("Plan"). On 25 July 2008, 52,388 fully paid ordinary shares were issued at \$7.81 each under the terms of the Plan.

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 other than the value of the investment portfolio is expected to fluctuate broadly in line with market movements.

Indemnification

Details of directors' indemnification are set out in Note 15 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 7 and forms part of the Directors' Report for the year ended 30 June 2008.

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

Melbourne, 20 August 2008

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 2008 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

Msomerville

Michelle Somerville
Partner

Melbourne

20 August 2008

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Income Statement for the Year Ended 30 June 2008

	<i>Note</i>	<i>2008</i> \$	<i>2007</i> \$
Revenue from investment portfolio	2	36,304,518	31,066,642
Administration and other expenses		(841,797)	(827,767)
Finance expenses	2	(5,266,929)	(5,477,714)
Operating profit before income tax expense and net realised gains on investment portfolio		30,195,792	24,761,161
Income tax benefit	4(a)	436,124	949,233
Net operating profit before net gains on investment portfolio		30,631,916	25,710,394
Net realised gains on investment portfolio transferred from revaluation reserve		21,968,372	15,611,019
Unrealised losses on investment portfolio transferred from revaluation reserve		(5,600,457)	-
Income tax expense thereon *	4(a)	(4,731,919)	(4,795,335)
		11,635,996	10,815,684
Profit for the year		42,267,912	36,526,078
Basic and diluted earnings per share (cents)	5	48.5	42.9
Basic and diluted operating earnings per share (cents) before realised gains on investment portfolio are shown in Note 5.			
		<i>2008</i> \$	<i>2007</i> \$
* Total income tax expense	4(a)	(4,295,795)	(3,846,102)

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Balance Sheet as at 30 June 2008

	<i>Note</i>	<i>2008</i>	<i>2007</i>
		\$	\$
ASSETS			
Cash assets	16	2,411,899	415,095
Receivables	7	4,996,250	4,374,695
Investments	8	29,827,872	-
Other	9	31,952	32,809
TOTAL CURRENT ASSETS		37,267,973	4,822,599
Investment portfolio	8	772,227,132	903,166,253
Deferred tax assets	4(b)	-	945,683
TOTAL NON-CURRENT ASSETS		772,227,132	904,111,936
TOTAL ASSETS		809,495,105	908,934,535
LIABILITIES			
Payables	10	125,039	127,977
Current tax liability	4(a)	4,706,578	-
Borrowings – interest bearing	11	9,849,024	-
TOTAL CURRENT LIABILITIES		14,680,641	127,977
Borrowings – interest bearing	11	39,312,291	108,802,863
Deferred tax liability	4(b)	113,137,207	156,291,034
TOTAL NON-CURRENT LIABILITIES		152,449,498	265,093,897
TOTAL LIABILITIES		167,130,139	265,221,874
NET ASSETS		642,364,966	643,712,661
EQUITY			
Issued capital	13(a)	251,635,602	174,674,642
Revaluation reserve	13(b)	264,318,026	364,286,261
Realisation reserve	13(b)	60,214,342	49,348,896
Retained earnings	13(b)	66,196,996	55,402,862
TOTAL EQUITY		642,364,966	643,712,661

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Statement of Changes in Equity for the year ended 30 June 2008

	<i>Note</i>	<i>2008</i>	<i>2007</i>
		\$	\$
Total equity at the beginning of the year		643,712,661	519,859,207
Revaluation of investment portfolio	13(b)	(125,397,681)	155,414,108
Provision for tax on revaluation of investments	13(b)	37,065,442	(47,009,038)
Net realised gains and unrealised losses on investment portfolio after tax transferred to income statement	13(b)	(11,635,996)	(10,815,684)
Total direct equity adjustments		(99,968,235)	97,589,386
Profit for the year		42,267,912	36,526,078
Total direct equity adjustments and profit for the year		(57,700,323)	134,115,464
Transactions with shareholders			
Dividend reinvestment plan	13(b)	10,965,222	7,984,221
Dividends paid from retained earnings	13(b)	(19,837,782)	(11,055,407)
Dividends paid from realisation reserve	13(b)	(770,550)	(7,190,824)
Share placement	13(b)	65,995,738	-
Total transactions with shareholders		56,352,628	(10,262,010)
Total equity at the end of the year		642,364,966	643,712,661

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Statement of Cash Flows for the Year Ended 30 June 2008

	<i>Note</i>	<i>2008</i>	<i>2007</i>
		\$	\$
Cash flows from operating activities			
Interest received		439,692	158,195
Dividends and trust distributions received		34,310,040	30,012,697
Finance costs paid		(4,908,480)	(5,677,455)
Administration and other expenses paid		(844,876)	(1,336,927)
Income taxes paid		-	(2,826,497)
		<hr/>	<hr/>
Net cash flow from operating activities	16	28,996,376	20,330,013
Cash flows from investing activities			
Proceeds from sale of investments		54,268,827	10,523,321
Purchases of investments		(77,621,027)	(66,712,230)
		<hr/>	<hr/>
Net cash flow from investing activities		(23,352,200)	(56,188,909)
Cash flows from financing activities			
Dividends paid		(9,643,110)	(10,262,010)
Proceeds from borrowings		-	45,000,000
Repayments of borrowings		(60,000,000)	-
Proceeds from share placement (net of costs)		65,995,738	-
		<hr/>	<hr/>
Net cash flow from financing activities		(3,647,372)	34,737,990
Net increase/(decrease) in cash held		1,996,804	(1,120,906)
Cash and cash equivalents at 1 July		415,095	1,536,001
		<hr/>	<hr/>
Cash and cash equivalents at 30 June	16	2,411,899	415,095

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

1. Statement of significant accounting policies

Australian United Investment Company Limited (the 'Company') is a company domiciled in Australia.

The financial report was authorised for issue by the directors on 20 August 2008.

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standard Board (AASB) and the Corporations Act 2001. The financial report of the Company complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of preparation

The financial report is presented in Australian dollars. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company has not applied any Australian Accounting Standards or UIG Interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2008 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

The financial report is prepared on a historical cost basis except that financial instruments classified as available-for-sale are stated at their fair value.

(c) Investments

The Company is a long term investor. Under IFRS, investments are classified as available-for-sale. After initial recognition at fair value (being cost), investments are measured at fair value.

Unrealised gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement as a realised gain or loss.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualifies for derecognition in accordance with AASB 139. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the revaluation reserve to the income statement.

The Company reviews its investment portfolio at each balance sheet date to determine whether there is any objective evidence of impairment in the fair value of each investment. When a decline in the fair value of an investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss (after tax) that had been recognised directly in equity is immediately recognised in profit or loss. Any subsequent reversal of an impairment loss is not reversed through profit or loss.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

(c) Investments (cont)

Interest bearing investments are recognised at fair value and then measured at amortised cost. Amortised cost is calculated with any difference between cost and redemption value being recognised in the income statement over the period of the investment on an effective interest basis.

(d) Revenue from investment portfolio

The activity of the Company is that of an investment company, returns being in the form of dividends, interest and trust income. Dividend income is recognised in the income statement at ex-dividend date and all other income is recognised on an accruals basis.

(e) Taxation

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the company tax rate adjusted by changes in deferred tax assets and liabilities which arise from items being brought to account in different periods for income tax and accounting purposes.

The expected tax on disposal of securities in the investment portfolio is recognised directly in equity and as a deferred tax liability. Where the Company disposes of such securities, tax is calculated on gains made according to the particular parcels allocated to the sale for tax purposes and offset against any capital losses carried forward. At this time, the tax recognised directly in equity is transferred to Net Profit and adjusted to income tax expense. The associated deferred tax liability is similarly adjusted and transferred to current tax payable.

When Capital Gains Tax rollover relief is elected on the disposal of securities, tax is still calculated on gains made (even though the income tax liability has been deferred until subsequent disposal of the replacement securities) and recognised in income tax expense for accounting purposes.

A deferred tax asset is 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 are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

(g) Provision for directors' retirement

All eligible directors have elected to receive shares in the Company on retirement in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

(h) Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2. Revenue and Expenses	2008	2007
	\$	\$
(a) Revenue		
Dividends received or due and receivable	32,800,616	28,458,986
Interest received or due and receivable	613,532	158,195
Trust distributions received or due and receivable	2,890,370	2,449,461
	36,304,518	31,066,642
(b) Expenses		
Provision for directors' retirement benefits	-	(12,682)
<i>Finance expenses</i>		
Interest and borrowing expenses	5,266,929	5,477,714
3. Auditor's Remuneration		
During the year, KPMG, the Company's auditor, received \$38,500 for the audit and review of financial reports (2007: \$34,650), \$4,675 for the provision of taxation services (2007: \$6,325) and \$0 (2007: \$2,860) for other assurance services.		
4. Taxation		
(a) Income Tax Expense		
	2008	2007
	\$	\$
(i) Recognised in the income statement		
Current tax expense		
Current year	4,706,578	-
Adjustments for prior years	(63,413)	67,296
	4,643,165	67,296
Deferred Tax Expense		
Tax deferred through CGT rollover relief	284,389	4,567,108
Temporary differences	(631,759)	(788,302)
	(347,370)	3,778,806
Total income tax expense in income statement	4,295,795	3,846,102

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

	2008	2007
	\$	\$
4. Taxation (Cont.)		
(ii) Reconciliation between tax expense and pre-tax net profit		
Prima facie tax expense calculated at 30% on the profit for the year	13,969,112	12,111,654
Increase in tax expense due to:		
Franking credits/foreign tax credit gross-up on dividends received	3,718,343	3,375,507
Decrease in tax expense due to:		
Sundry items	(379,822)	(3)
Tax Deferred revenue received	(553,950)	(456,662)
Franking credits/foreign tax credit on dividends received	<u>(12,394,475)</u>	<u>(11,251,690)</u>
Tax expense on operating profit	4,359,208	3,778,806
Under/ (over) provided in prior years	<u>(63,413)</u>	<u>67,296</u>
Income Tax Expense attributable to profit for the year	<u>4,295,795</u>	<u>3,846,102</u>
(iii) Deferred tax recognised directly in equity		
Increase in provision for tax on unrealised gains on investment portfolio	<u>37,065,442</u>	<u>47,009,038</u>

(b) Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revaluation reserve – Provision for tax on unrealised gains on investment portfolio	-	-	(113,080,960)	(156,215,434)
Other	-	-	(56,247)	(75,600)
Value of tax loss carry-forwards *	-	945,683	-	-
Tax assets/(liabilities)	<u>-</u>	<u>945,683</u>	<u>(113,137,207)</u>	<u>(156,291,034)</u>
Net tax assets/(liabilities)	<u>-</u>	<u>945,683</u>	<u>(113,137,207)</u>	<u>(156,291,034)</u>

* Value of tax loss carry-forwards relates to unutilised tax credits.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

	<i>2008</i>	<i>2007</i>
	<i>Cents</i>	<i>Cents</i>
5. Earnings Per Share *		
Basic earnings per share	48.5	42.9
Basic earnings per share before net gains on investment portfolio	35.2	30.2
Basic earnings per share before special dividends and net realised gains on investment portfolio	32.5	28.6

Net realised gains on the investment portfolio for the current year include non-cash, scrip based deemed sales arising from the schemes of arrangement affecting the holdings in Coles Group Ltd and Publishing and Broadcasting Ltd, and the takeovers of the holdings in Alinta Ltd and Southern Cross Broadcasting Ltd.

** Adjusted for bonus element resulting from the Share Placement on 20 May 2008.*

Profit reconciliation used in the calculation of earnings per share	<i>2008</i>	<i>2007</i>
	<i>\$</i>	<i>\$</i>
Profit for the year	42,267,912	36,526,078
Net gains on investment portfolio	<u>(11,635,996)</u>	<u>(10,815,684)</u>
Net profit before net gains on investment portfolio	30,631,916	25,710,394
Special dividends	<u>(2,303,577)</u>	<u>(1,345,375)</u>
Net profit before net realised gains on investment portfolio and special dividends	<u><u>28,328,339</u></u>	<u><u>24,365,019</u></u>

Earnings per share for the 2008 year are calculated on a weighted average adjusted number of shares taking into account the new issue in May 2008. The 2007 comparative figures have also been adjusted for the bonus element in the 2008 placement.

Weighted average number of ordinary shares*	<i>2008</i>	<i>2007</i>
Issued ordinary shares at 1 July	85,685,651	84,666,117
Effect of dividend reinvestment plan – final dividend	373,867	388,229
Effect of dividend reinvestment plan – interim dividend	190,389	102,611
Effect of placement shares issued in May 2008	894,752	-
Weighted average number of ordinary shares for the year	<u><u>87,144,659</u></u>	<u><u>85,156,957</u></u>

** Adjusted for bonus element resulting from the share placement on 20 May 2008.*

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

6. Dividends	<i>2008</i>	<i>2007</i>
	\$	\$
Dividends recognised in the current year by the Company are:		
(i) 2007 final dividend of 12.5 cents per share (2007: 11.0 cents) fully franked paid 15 October 2007	10,701,589	9,305,600
(ii) 2008 interim dividend of 11.5 cents per share (2007: 10.5 cents) fully franked paid 11 April 2008	<u>9,906,743</u>	<u>8,940,631</u>
	<u>20,608,332</u>	<u>18,246,231</u>
Since 30 June 2008, the directors have declared the following dividend payable on 17 October 2008 :		
- Final dividend of 13.5 cents per share fully franked (2007: 12.5 cents)	<u>12,825,293</u>	<u>10,701,589</u>

The final dividend is fully comprised of a Listed Investment Company capital gain dividend of 13.5 cents per share (2007: 0.9 cents per share).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2008.

Dividend Franking Account:

The balance of the Franking Account at 30 June 2008 is \$27,970,621 (2007: \$19,442,033) after adjusting for:

- (a) franking credits that will arise from the current income tax liability;
- (b) franking credits that will arise from the receipt of dividends recognised as receivables at year-end;
- (c) franking credits that the entity may be prevented from distributing in subsequent years (none at 30 June 2008).

After allowing for the final 2008 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$22,474,067 (2007: \$14,855,427).

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 2008 was \$14,896,034 (2007: \$787,356). 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.

After allowing for the final dividend the balance of the LIC Capital Gain Account at 30 June 2008 would be \$2,070,741.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

	2008	2007
	\$	\$
7. Receivables		
<i>Current</i>		
Dividends Receivable	4,316,553	3,733,500
Trust Distributions Receivable	672,500	635,000
Other	7,197	6,195
	<u>4,996,250</u>	<u>4,374,695</u>
8. Investments		
<i>Current</i>		
Bank Bills endorsed by trading banks – at amortised cost	<u>29,827,872</u>	-
<i>Non-Current</i>		
Investments quoted on prescribed stock exchanges (at fair value)	<u>772,227,132</u>	<u>903,166,253</u>
9. Other Assets		
<i>Current</i>		
Prepayments	<u>31,952</u>	<u>32,809</u>
10. Payables		
<i>Current</i>		
Trade Creditors	<u>125,039</u>	<u>127,977</u>
11. Interest Bearing Liabilities		
<i>Current</i>		
Bills payable – Secured	<u>9,849,024</u>	-
<i>Non-Current</i>		
Bills payable – Secured	<u>39,312,291</u>	<u>108,802,863</u>
<p>The face value of the drawn facility is \$50 million (2007: \$110 million). The amounts disclosed above are net of prepaid interest. For more information regarding the Company's exposure to interest risk and liquidity risk, see Notes 18 and 19.</p>		
12. Financing Arrangements		
<p>The Company has access to the following lines of credit:</p>		
<i>Total facility available</i>		
Commercial Bill Facility – Secured	100,000,000	110,000,000
<i>Facilities utilised at balance date</i>		
Commercial Bill Facility – Secured	50,000,000	110,000,000

AUSTRALIAN UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2008

	Note	2008 \$	2007 \$
13. Capital and Reserves			
(a) Issued Capital			
Issued and paid-up share capital 95,002,170 (2007: 85,616,644) ordinary fully paid shares		251,635,602	174,674,642
Movements in issued capital:			
Balance at beginning of the financial year		174,674,642	166,690,421
Shares issued			
- Dividend re-investment plan (i)		10,965,222	7,984,221
- Placement (ii)		65,995,738	-
		251,635,602	174,674,642

- (i) In respect of the final dividend paid in October 2007 527,897 ordinary shares were issued at \$9.00 each and in respect of the interim dividend paid in April 2008 870,329 ordinary shares were issued at \$7.14 each.
- (ii) On 20 May 2008, the Company issued 7,987,300 fully paid ordinary shares in accordance with a placement announced on 12 May 2008. The issue raised \$66,054,971 at the placement price of \$8.27 per share.

(b) Reconciliation of movements in capital and reserves

	Issued Capital \$	Revaluation Reserve \$	Realisation Reserve \$	Retained Earnings \$	Total Equity \$
As at 1 July 2006	166,690,421	263,164,416	49,256,496	40,747,874	519,859,207
Revaluation of investment portfolio	-	155,414,108	-	-	155,414,108
Provision for tax on net unrealised gains	-	(47,009,038)	-	-	(47,009,038)
Net realised gains on investment portfolio	-	(15,611,019)	-	15,611,019	-
Income tax on net realised gains	-	4,795,335	-	(4,795,335)	-
Transfer of tax relating to previously recognised gains	-	3,532,459	(3,532,459)	-	-
Net operating profit for the period	-	-	-	25,710,394	25,710,394
Dividend reinvestment plan	7,984,221	-	-	-	7,984,221
Dividends paid	-	-	(7,190,824)	(11,055,407)	(18,246,231)
Realised gains transferred after tax	-	-	10,815,683	(10,815,683)	-
As at 30 June 2007	174,674,642	364,286,261	49,348,896	55,402,862	643,712,661
As at 1 July 2007	174,674,642	364,286,261	49,348,896	55,402,862	643,712,661
Revaluation of investment portfolio	-	(125,397,681)	-	-	(125,397,681)
Provision for tax on net unrealised losses	-	37,065,442	-	-	37,065,442
Net realised gains and unrealised losses on investment portfolio	-	(16,367,915)	-	16,367,915	-
Income tax on net realised gains and unrealised losses	-	4,731,919	-	(4,731,919)	-
Net operating profit for the period	-	-	-	30,631,916	30,631,916
Dividend reinvestment plan	10,965,222	-	-	-	10,965,222
Dividends paid	-	-	(770,550)	(19,837,782)	(20,608,332)
Share Placement	65,995,738	-	-	-	65,995,738
Realised gains transferred after tax	-	-	11,635,996	(11,635,996)	-
As at 30 June 2008	251,635,602	264,318,026	60,214,342	66,196,996	642,364,966

AUSTRALIAN UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2008

14. Directors' Remuneration

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

15. 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.

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 2008 to 18 June 2009.

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 other 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:

Directors	Held at 1/7/07	Purchases	Sales	Held at 30/6/08
Charles B. Goode	781,261	21,819	-	803,080
Graeme E. Moir	86,792	-	-	86,792
Peter J. Wetherall	18,359	251	-	18,610
P. John B. Rose	72,179	2,181	-	74,360
Ron R. Dewhurst	-	25,402	-	25,402

AUSTRALIAN UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2008

15. *Related Parties (Cont.)*

Directors' Transactions in Shares

The movements in directors' holdings of ordinary shares resulted from the issue of shares under the Company's dividend reinvestment plan which were made on the same terms and conditions offered to other shareholders, and/or purchases on the open market.

	<i>2008</i>	<i>2007</i>
	\$	\$
16. <i>Notes to the Statement of Cash Flows</i>		
<i>Reconciliation of Cash</i>		
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 balance sheet as follows:		
Cash at bank	-	1,217
Units in Cash Management Trusts and Deposits at call	2,411,899	413,878
	<u>2,411,899</u>	<u>415,095</u>
 <i>Reconciliation of operating profit after income tax to net cash provided by operating activities:</i>		
Operating profit after tax	42,267,912	36,526,078
Add/(less) net realised capital gains	<u>(11,635,996)</u>	<u>(10,815,684)</u>
Net cash provided by operating activities before changes in assets and liabilities	30,631,916	25,710,394
Add/(less) changes in assets and liabilities:		
(Increase)/decrease in dividend receivable	(583,053)	(378,000)
(Increase)/decrease in interest receivable	(173,840)	-
(Increase)/decrease in distributions receivable	(37,500)	(171,250)
(Increase)/decrease in other debtors	(1,002)	225
(Increase)/decrease in deferred tax assets	945,683	(1,004,088)
Increase/(decrease) in deferred tax liability	(19,352)	(12,450)
Increase/(decrease) in current tax	(1,362,454)	(2,759,201)
Increase/(decrease) in accrued expenses	(2,938)	52,192
(Increase)/decrease prepayments	359,308	(195,209)
Increase/(decrease) in provisions	-	(566,100)
Add/(less) non-cash items:		
Distribution reinvested	-	(32,500)
Non-cash income	<u>(760,392)</u>	<u>(314,000)</u>
Net cash provided by operating activities	<u>28,996,376</u>	<u>20,330,013</u>

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

17. Capital Management

The Company's objective in managing capital is to continue to provide shareholders with dividends and capital appreciation over the longer term.

The Company's capital will fluctuate in accordance with prevailing market movements, and it may adjust the amount of dividends paid, issue new shares or sell assets to reduce debt.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

18. Financial Risk Management

AASB 7 – Financial Instruments: Disclosures identifies three types of risk associated with financial instruments (i.e. investments, receivables, payables and borrowings).

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk exposure of the Company lies principally in its cash and receivables to the extent of their carrying values and any accrued unpaid interest.

Cash

The company invests in short-term bank backed securities, cash management units with the MF Cash Management Fund and cash deposits with Australian banks, with a direct or underlying AA or A.1 credit rating assigned by Standard & Poor's, being a Recognised Rating Agency.

Receivables

Receivables are non-interest bearing and represent dividends, proceeds of sales and distributions yet to be received. The credit risk exposure of the Company in relation to receivables is the carrying amount.

Management does not expect any counterparty to fail to meet its obligations. Additionally, none of these assets are over due or considered to be impaired.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

18. *Financial Risk Management (Cont)*

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as they fall due. The Company monitors its cash flow requirements and ensures that it has cash or access to sufficient borrowing facilities or liquid securities to meet all its financial obligations as they fall due.

Bank borrowings were \$50 million at the end of the financial year (previous year \$110 million) representing 6% of the total assets of the Company. The Company has an interest bearing commercial bill facility in place with the National Australia Bank which includes both a fixed and floating rate bill component. This facility expires on various intervals through to 31 May 2013, unless it is renewed. Annual interest expense in the financial year was covered 6.9 times by investment revenue.

The major cash inflows for the Company include dividends, distributions and sales proceeds received. The major cash outflows are the purchase of securities and dividends paid to shareholders, both of which are manageable

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income and/or the value of its holdings of financial instruments.

Inherently, the Company is not free of market risk as it invests its capital in securities whose market prices can fluctuate.

Based on a tax rate of 30%, a general fall in market prices of 5% and 10% would lead to a reduction in the Company's equity of \$27,027,950 (or 4%) and \$54,055,899 (or 8%) respectively, after tax.

Market risk is minimised by ensuring that the Company's investment portfolio is not over exposed to one company or one particular sector. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Board frequently.

The Company also has exposure to interest rate risk on its borrowings as detailed in Note 19, which is minimised through conservative levels of gearing and ensuring that there is appropriate interest cover at all times.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

18. *Financial Risk Management (Cont)*

The Company's investment by sector is set out below:

	2008	2007
	%	%
Energy	9	6
Materials/Resources	29	24
Industrials	5	8
Consumer Discretionary	5	9
Consumer Staples	8	8
Health Care	2	1
Financials	31	36
Real Estate	2	2
Telecommunication Services	2	1
Utilities	3	4
Cash	<u>4</u>	<u>1</u>
	<u>100</u>	<u>100</u>

All of the company's investments are quoted in Australian dollars therefore avoiding any direct exposure to currency risk. Nevertheless, a number of the underlying investee companies may have currency risk exposures.

19. *Financial Instruments Disclosure*

Interest Rate Risk

The Company's exposure to interest rate risk as at 30 June 2008 and the effective weighted average interest rate for classes of financial assets which bear interest is set out below.

Financial Assets – 2008	<i>Note</i>	<i>Floating Interest Rate</i>	<i>Total</i>
Cash	16	\$ 2,411,899	\$ 2,411,899
Weighted Average Interest Rate		6.78%	
Financial Assets – 2007	<i>Note</i>	<i>Floating Interest Rate</i>	<i>Total</i>
Cash	16	\$ 415,095	\$ 415,095
Weighted Average Interest Rate		5.25%	

The Company has secured borrowing facilities in place with the National Australia Bank Ltd totalling \$50,000,000 (2007: \$110,000,000) as follows:

Amount	Maturity	Interest Rate
\$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%
\$10,000,000	31 May 2013	Fixed 6.65%

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

19. Financial Instruments Disclosure (Cont.)

The Company has pledged as collateral for the secured borrowing facilities, the following equity investments:

Equities	No. of Shares	Value at 30 June 2008
		\$
Alumina Ltd	3,000,000	14,220,000
BHP Billiton Ltd	1,850,000	80,845,000
ANZ Bank Ltd	1,750,000	32,760,000
NAB Ltd	1,000,000	26,500,000
Rio Tinto Ltd	500,000	67,750,000

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 last quoted sale price as 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.

For all other financial assets and liabilities, the carrying amount closely approximates its fair value.

20. Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 30 June 2008.

21. Segment Reporting

The Company operates as an investment company in Australia.

22. 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 item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial periods, except that the market value of the investment portfolio moves broadly in line with the overall Australian share market, and the Australian All Ordinaries index fell 7.6% from 30 June 2008 to 19 August 2008.

On 18 June 2008, the Company announced an offer to existing shareholders under the terms of the Company’s Share Purchase Plan (“Plan”). On 25 July 2008, 52,388 fully paid ordinary shares were issued at \$7.81 each under the terms of the Plan.

AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

Directors' Declaration

1. In the opinion of the directors of Australian United Investment Company Limited ("the Company"):
 - (a) The financial statements and notes set out on pages 8 to 25, and the remuneration disclosures that are contained in the Remuneration report on pages 4 and 5 of the Directors' Report, 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 2008 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 Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) The financial report also complies with International Financial Reporting Standards.
 - (c) The remuneration report on pages 4 and 5 of the Directors' Report complies with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001.
 - (d) 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 2008.

Dated at Melbourne this 20th day of August 2008.

Signed in accordance with a resolution of the directors.

Charles Goode
Director



Independent auditor's report to the members of Australian United Investment Company Limited

Report on the financial report

We have audited the accompanying financial report of Australian United Investment Company Limited (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a statement of significant accounting policies and other explanatory notes 1 to 22 and the directors' declaration set out on page 26.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Statement of continued independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Australian United Investment Company Limited on 20 August 2008, would be unchanged if provided to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion:

(a) the financial report of Australian United Investment Company Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in page 4 and 5 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Australian United Investment Company Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

M Somerville

Michelle Somerville

Partner

Melbourne

20 August 2008