

ABERDEEN AUSTRALIA EQUITY FUND INC
Form N-CSRS
July 06, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number:	811-04438
Exact name of registrant as specified in charter:	Aberdeen Australia Equity Fund, Inc.
Address of principal executive offices:	800 Scudders Mill Road Plainsboro, New Jersey 08536
Name and address of agent for service:	Mr Beverly Hendry, 300 S.E. 2 nd Street, Suite #820, Fort Lauderdale, Florida 33301
Registrant's telephone number, including area code:	212-968-8800
Date of fiscal year end:	10/31/05
Date of reporting period:	4/30/05

Item 1 Reports to Stockholders

Semi-Annual Report

April 30, 2005

Letter to Shareholders

June 20, 2005

Dear Shareholder,

We present this Semi-Annual Report which covers the activities of Aberdeen Australia Equity Fund, Inc. (the Fund) for the six months ended April 30, 2005. The Fund's principal investment objective is long-term capital appreciation through investment primarily in equity securities of Australian companies listed on The Australian Stock Exchange. The Fund's secondary investment objective is current income.

Re-Appointment of Independent Chairman of the Board

During the past several months, the Nominating and Corporate Governance Committee of the Board of Directors, composed entirely of independent directors (Committee), has been considering a process of implementing various changes to corporate governance practices. As part of that consideration, the Committee determined that it would be advisable to continue to have an independent director serve as Chairman of the Board. The Committee considered and recommended to the Board of Directors the re-appointment of Mr. Neville Miles as the Chairman of the Board. At its June 2005 Board meeting, the Directors determined to continue to have an independent director serve as Chairman of the Board, and re-appointed Mr. Miles to serve in that capacity.

Managed Distribution Policy

The Fund has a managed distribution policy of paying quarterly distributions at an annual rate, set once a year, that is a percentage of the rolling average of the Fund's prior four quarter-end net asset values. In March 2005, the Board of Directors determined the rolling distribution rate to be 10%, for the 12 month period commencing with the distribution payable in April 2005. This policy will be subject to regular review by the Fund's Board of Directors. The distributions will be made from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

On June 20, 2005, the Board of Directors declared a quarterly distribution of 26 cents per share, payable on July 15, 2005 to all shareholders of record as of June 30, 2005.

Net Asset Value Performance

For the six months ended April 30, 2005, the Fund's total return based on NAV was 10.7% after expenses (assuming reinvestment of distributions), compared with 12.5%, in U.S. dollar terms, for the S&P/ASX 200 Accumulation Index.

Share Price Performance

The Fund's share price rose 8.9% over the six months, from \$10.25 on October 31, 2004 to \$11.16 on April 30, 2005. The Fund's share price on April 30, 2005 represented a discount of 0.8% to the NAV per share of \$11.25 on that date, compared with a discount of 3.7% to the NAV per share of \$10.64 on October 31, 2004. At the date of this letter, the share price was \$12.20, representing a premium of 2.3% to the NAV per share

of \$11.93.

Aberdeen Australia Equity Fund, Inc.

Letter to Shareholders (continued)

Registration Statement For Secondary Offering of Fund s Shares

The Fund has announced that the Board of Directors has authorized the preparation and filing with the Securities and Exchange Commission of a registration statement that would permit Bankgesellschaft Berlin AG (the Bank), the beneficial owner of approximately 29% of the Fund s outstanding shares of Common Stock, to sell its shares of the Fund on the open market pursuant to the registration provisions of the Securities Act of 1933. The expenses in connection with the preparation and filing of the registration statement will be paid by the Bank, and the Fund will not bear any of the expenses associated with such registration. The Bank has indicated that it anticipates that the plan of distribution for the shares to be sold pursuant to the registration statement will be at-the-market sales and not pursuant to an underwritten offering.

Portfolio Holdings Disclosure

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund s Forms N-Q are available on the SEC s website at <http://www.sec.gov> and may be reviewed and copied at the SEC s Public Reference Room in Washington D.C. Information about the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund s schedule of portfolio holdings is part of the fund s quarterly reports to shareholders, which are available on the Fund s website or upon request and without charge by calling Investor Relations toll-free at 1-866-839-5205.

Proxy Voting

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the Fund voted proxies relating to portfolio securities during the twelve months ended June 30, 2004, is available: (i) upon request and without charge by calling Investor Relations toll-free at 1-866-839-5205; and (ii) on the SEC s website at <http://www.sec.gov>.

Investor Relations Information

For information about the Fund, including a market review and outlook, daily updates of share price, NAV and details of recent distributions, please contact Aberdeen Asset Management Inc. by:

Calling toll free on 1-866-839-5205 or 1-954-767-9900 in the United States,

E-mailing to InvestorRelations@aberdeen-asset.com, or

Visiting the website at www.aberdeen-asset.us.

For information about the Aberdeen Group, visit the Aberdeen website at www.aberdeen-asset.com.

Yours sincerely,

Martin Gilbert

President

All amounts are U.S. dollars unless otherwise stated.

Aberdeen Australia Equity Fund, Inc.

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Your Board's policy is to provide investors with a stable distribution rate. Each quarterly distribution will be paid out of current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

The Fund is subject to U.S. corporate, tax and securities laws. Under U.S. tax accounting rules, the amount of distributable income for each fiscal period depends on the actual exchange rates during the entire year between the U.S. dollar and the currencies in which Fund assets are denominated and on the aggregate gains and losses realized by the Fund during the entire year.

Therefore, the exact amount of distributable income for each fiscal year can only be determined as of the end of the Fund's fiscal year, October 31. However, under the U.S. Investment Company Act of 1940, the Fund may be required to indicate the sources of certain distributions to shareholders.

The Fund estimates that distributions for the fiscal year commencing November 1, 2004, including the distribution paid on April 15, 2005, are comprised of 31% net investment income, 20% realized capital gains and 49% return of paid-in-capital.

This estimated distribution composition may vary from quarter to quarter because it may be materially impacted by future realized gains and losses on securities and fluctuations in the value of the currencies in which Fund assets are denominated.

In January 2006, a Form 1099 DIV will be sent to shareholders, which will state the amount and composition of distributions and provide information with respect to their appropriate tax treatment for the 2005 calendar year.

Aberdeen Australia Equity Fund, Inc.

Dividend Reinvestment and Cash Purchase Plan

We invite you to participate in the Fund's Dividend Reinvestment and Cash Purchase Plan (the Plan), which allows you to automatically reinvest your distributions in shares of the Fund's common stock at favorable commission rates. Distributions made under the Plan are taxable to the same extent as are cash distributions. The Plan also enables you to make additional cash investments in shares of at least \$100 per transaction, with a maximum of \$10,000 per month, and an aggregate annual limit of \$120,000. Under this arrangement, The Bank of New York (the Plan Agent) will purchase shares for you on the American Stock Exchange or otherwise on the open market on or before the investment date. The investment date is the 15th day of each month, but if such date is not a business day, the preceding business day.

As a Participant in the Plan, you will have the convenience of:

Automatic reinvestment - the Plan Agent will automatically reinvest your distributions, allowing you to gradually grow your holdings in the Fund;

Lower cost - shares are purchased on your behalf under the Plan at low brokerage rates. Brokerage on share purchases is currently 2 cents per share;

Convenience - the Plan Agent will hold your shares in non-certificated form and will provide a detailed plan account statement of your holdings at the end of each month.

To request a brochure containing information on the Plan, together with an enrollment form, please contact the Plan Agent, The Bank of New York, Shareholder Relations Department, P.O. Box 11258, Church Street Station, New York, NY 10286 or call toll free on 1-800-432-8224.

Aberdeen Australia Equity Fund, Inc.

Portfolio Composition

The following chart summarizes the composition of the Fund's portfolio, in industry classification standard sectors, expressed as a percentage of net assets. An industry sector can include more than one industry group. On April 30, 2005, the Fund held 97.8% of its net assets in equities and 2.2% in other assets in excess of liabilities.

The Fund may invest between 25% and 35% of its total assets in the securities of any one industry group if, at the time of investment, that industry group represents 20% or more of the S&P/ASX 200 Accumulation Index. As of April 30, 2005, the Fund did not have more than 25% of its assets invested in any industry group.

Aberdeen Australia Equity Fund, Inc.

Top Ten Equity Holdings

The following were the Fund's top ten holdings at April 30, 2005.

<u>Name of Security</u>	<u>Percentage of Net Assets</u>
Australia & New Zealand Banking Group Limited	8.6%
QBE Insurance Group Limited	7.5%
Westpac Banking Corporation Limited	6.9%
BHP Billiton Limited	6.8%
Telecom Corporation of New Zealand Limited	6.3%
Woolworths Limited	5.5%
Westfield Group Limited	5.0%
Rio Tinto Limited	4.8%
TABCORP Holdings Limited	4.6%
Leighton Holdings Limited	4.2%

Aberdeen Asset Management Asia Limited

June 2005

Aberdeen Australia Equity Fund, Inc.

Portfolio of Investments (unaudited)

April 30, 2005

Shares	Description	(US\$)
LONG-TERM INVESTMENTS 97.8%		
Common Stocks 97.8%		
Consumer Discretionary 9.5%		
1,265,000	APN News & Media Corporation Limited	\$ 4,731,132
490,000	Billabong International Limited	4,380,671
720,000	TABCORP Holdings Limited	8,713,712
		17,825,515
Consumer Staples 13.5%		
1,443,000	Foster s Group Limited	5,768,665
870,000	Lion Nathan Limited	4,952,059
1,396,533	McGuigan Simeon Wines Limited	4,416,166
865,000	Woolworths Limited	10,326,725
		25,463,615
Energy 1.8%		
188,000	Woodside Petroleum Limited	3,449,568
Financials 34.9%		
960,000	Australia & New Zealand Banking Group Limited	16,168,153
294,000	Australian Stock Exchange Limited	4,572,731
530,000	Bendigo Bank Limited	3,902,353
238,000	Commonwealth Bank of Australia	6,753,065
1,224,635	QBE Insurance Group Limited*	14,247,280
470,000	Suncorp-Metway Limited	7,236,754
860,000	Westpac Banking Corporation Limited	13,060,418
		65,940,754
Shares		
Industrials 8.0%		
775,000	Downer EDI Limited	\$ 2,735,138
1,020,000	Leighton Holdings Limited	7,884,504
1,810,000	Qantas Airways Limited	4,550,650
		15,170,292
Materials 11.7%		
1,026,000	BHP Billiton Limited	12,849,634
283,000	Rio Tinto Limited	9,147,993
		21,997,627
Property 5.0%		
746,000	Westfield Group Limited	9,447,757
Telecommunications 10.1%		
2,677,000	Telecom Corporation of New Zealand Limited	11,809,618
1,932,000	Telstra Corporation Limited	7,301,154
		19,110,772

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Utilities 3.3%			
550,000	Australian Gas Light Company Limited		6,166,747
Total long-term Investments 97.8%			184,572,647
(cost \$116,188,177)			4,147,570
Other assets in excess of liabilities 2.2%			
Net Assets 100.0%			\$ 188,720,217

* Portion of security is on loan. (See Note 3)

Tax Cost of Investments

The United States federal income tax basis of the Fund's investments and net unrealized appreciation as of April 30, 2005 were as follows

<u>Cost</u>	<u>Appreciation</u>	<u>Depreciation</u>	<u>Net Unrealized Appreciation</u>
\$ 142,878,308	\$ 45,757,184	\$ (4,062,845)	\$ 41,694,339

See Notes to Financial Statements.

Aberdeen Australia Equity Fund, Inc.

Statement of Assets and Liabilities (unaudited)

April 30, 2005

Assets

Investments, at value (including \$1,234,985 of securities on loan) (cost \$116,188,177) (Note 3)	\$ 184,572,647
Foreign currency, at value (cost \$4,200,443)	4,219,790
Cash	125,659
Dividends receivable	211,516
Other Assets	139,334
Total assets	189,268,946

Liabilities

Investment management fee payable	172,038
Administration fee payable	7,794
Accrued expenses and other liabilities	368,897
Total liabilities	548,729

Net Assets **\$ 188,720,217**

Composition of Net Assets

Common Stock (par value \$.01 per share)	\$ 167,773
Paid-in capital in excess of par	134,082,419
Distributions in excess of net investment income	(5,407,987)
Accumulated net realized gains on investment transactions	7,060,792
Net unrealized appreciation on investments	41,694,339
Accumulated net realized foreign exchange losses	(15,589,667)
Net unrealized foreign exchange gains	26,712,548

Net Assets **\$ 188,720,217**

Net asset value per common share based on (16,777,298 shares issued and outstanding) \$11.25

See Notes to Financial Statements.

Aberdeen Australia Equity Fund, Inc.

Statement of Operations (unaudited)

For the Six Months Ended April 30, 2005

Net Investment Income

Income	
Dividends (net of foreign withholding taxes of \$162,788)	\$ 4,481,562
Interest	81,187
Income from securities loaned, net	1,127

4,563,876

Expenses

Investment management fee	822,887
Insurance expense	114,055
Directors' fees and expenses	104,261
Legal fees and expenses	100,732
Custodian's fees and expenses	75,213
Independent auditors' fees and expenses	64,124
Administration fee	38,521
Reports to shareholders and proxy solicitation	36,933
Investor relations fees and expenses	29,132
Transfer agent's fees and expenses	18,755
Miscellaneous	9,351

Total operating expenses 1,413,964

Net investment income 3,149,912

Realized and Unrealized Gains/(Losses) on Investments, Swaps and Foreign Currencies

Net realized gain/(loss) on:	
Investment transactions	7,114,154
Foreign currency transactions	333,105

7,447,259

Net change in unrealized appreciation/(depreciation) of:

Investment transactions	5,251,716
Foreign currency translations	2,877,118

8,128,834

Net Increase in Net Assets Resulting from Operations **\$ 18,726,005**

See Notes to Financial Statements.

Aberdeen Australia Equity Fund, Inc.

Statement of Changes in Net Assets

	For the Six Months Ended April 30, 2005 (unaudited)	For the Year Ended October 31, 2004
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 3,149,912	\$ 4,743,112
Net realized gains/(losses) on investments	7,114,154	5,906,261
Net realized gains/(losses) on foreign currency transactions	333,105	7,443,611
Net change in unrealized appreciation/(depreciation) of investments	5,251,716	16,279,442
Net change in unrealized appreciation/(depreciation) on foreign currency translations	2,877,118	(154,910)
	<u>18,726,005</u>	<u>34,217,516</u>
Dividends and Distributions to Shareholders		
From net investment income	(3,149,912)	(5,068,817)
In excess of net investment income	(5,406,511)	
From long-term capital gains		(6,088,832)
Tax return of capital		(1,928,603)
	<u>(8,556,423)</u>	<u>(13,086,252)</u>
Net Increase in Net Assets Resulting from Operations	<u>10,169,582</u>	<u>21,131,264</u>
Net Assets		
Beginning of period	178,550,635	157,419,371
End of period (including accumulated investment loss of (\$5,407,987) and (\$1,476), respectively)	<u>\$ 188,720,217</u>	<u>\$ 178,550,635</u>

See Notes to Financial Statements.

Aberdeen Australia Equity Fund, Inc.

Financial Highlights

	For the Six Months Ended April 30, 2005 (unaudited)
Per Share Operating Performance:	
Net asset value, beginning of period	\$ 10.64
Net investment income	0.19
Net realized and unrealized gains (losses) on investments and foreign currencies	0.93
Total from investment operations	1.12
Dividends and distributions from:	
Net investment income	(0.19)
In excess of net investment income	(0.32)
Net realized gains on investment transactions	
Tax return of Capital	
Total dividends and distributions	(0.51)
Decrease resulting from Fund share repurchase	
Net asset value, end of period	\$ 11.25
Market value, end of period	\$ 11.16
Total investment return based on:(1)	
Market value	13.97%
Net asset value	10.68%
Ratio to Average Net Assets/Supplementary Data:	
Net assets, end of period (000 omitted)	\$ 188,720
Average net assets (000 omitted)	194,202
Operating expenses	1.47% ⁽²⁾
Net investment income	3.27% ⁽²⁾
Portfolio turnover	12%

(1) Total Investment return is calculated assuming a purchase of common stock on the first day and a sale on the last day of each period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.