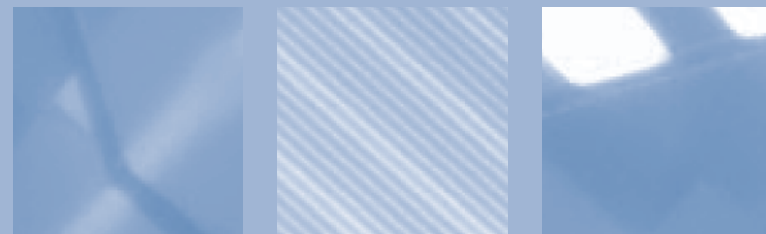
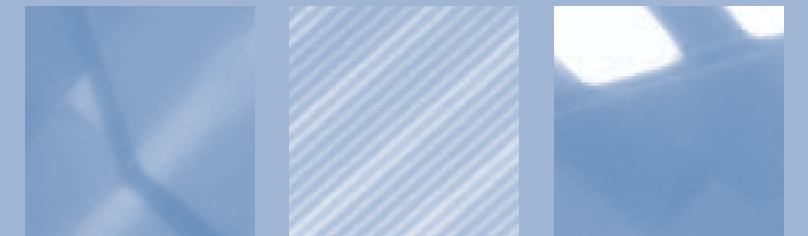


Diversified United
Investment Limited

ABN 33 006 713 177



ANNUAL
FINANCIAL REPORT
2004

ANNUAL FINANCIAL REPORT

2004

Diversified United Investment Limited

Directors

C B Goode AC - Chairman
G E Moir
M K Myer
R H Myer

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@dui.com.au
Website: www.dui.com.au

Registered Office

Diversified United Investment Limited
C/- KPMG
161 Collins Street
Melbourne VIC 3000

Bankers

Australia and New Zealand Banking Group Limited
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.

C O N T E N T S

	<i>Page</i>
Chairman's Report	2
Corporate Governance Statement	5
Directors' Report	7
Statement of Financial Performance	10
Statement of Financial Position	11
Statement of Cash Flows	12
Notes to the Financial Statements	13
Directors' Declaration	22
Independent Audit Report	23
ASX Additional Information	24
List of Investments	26

Diversified United Investment Limited FOR THE YEAR ENDED 30 JUNE 2004

(ABN 33 006 713 177)

Chairman's Report

I am pleased to present the twelfth Annual Report of Diversified United Investment Ltd which is for the year ended 30 June 2004.

The objective of the Company is to seek a mixture of income and longer term capital gain within an acceptable level of risk.

The investment philosophy of the Company is to take a medium to long term view and to invest in Australian equities, fixed interest securities, listed property trusts and short term deposits. During the year the Company did not hold any investments in international equities.

Operating profit after tax was \$10,891,000 which is an increase of 48% on the previous year or 11.3% excluding special dividends of \$2,686,982 received through the Company's participation in the Foster's Group Ltd and Telstra Corporation Ltd share buy back arrangements.

The earnings per share based on weighted average number of shares on issue for the year was 10.9 cents per share, or 8.2 cents excluding the Telstra and Foster's special buy-back dividends - an increase of 10.8% over the previous year.

Income earned during the year was \$12,932,000 comprising \$12,511,000 dividends and trust distributions, \$402,000 interest and \$19,000 from trading activities. The Company incurred operating expenses of \$677,000 before interest which is equivalent to 0.30% of the average value of the portfolio.

Leaving aside the Telstra and Foster's group special dividends, the year's result reflects a slight increase in income from dividends and trust income, an increase in interest income and a small profit on trading activities compared to a loss on trading and options activities last year. The Company closed its option trading portfolio at 30 June 2003.

Bank borrowings were \$34.5 million at the end of the financial year (previous year \$25 million) modestly gearing the portfolio by around 14%.

The net asset backing per share before provision for the final dividend was \$2.15 at 30 June 2004, compared to \$1.79 at 30 June 2003.

The year saw a significant recovery in world equity markets with the Dow Jones Index rising by 16.1% and the Standard & Poors 500 by 17.1%, the FTSE 100 by 10.7% and the Australian S&P/ASX 200 Index by 16.7%.

The Directors have declared a fully franked final dividend of 4.75 cents per share for the year to 30 June 2004, which with the interim dividend of 2.75 cents per share fully franked makes a total fully franked dividend of 7.5 cents

per share for the year. This is an increase of 7.1% over the previous year.

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

1999/00	6.00 cents per share
2000/01	6.25 cents per share
2001/02	6.50 cents per share
2002/03	7.00 cents per share
2003/04	7.50 cents per share

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

30 June 2000	\$1.91
30 June 2001	\$2.14
30 June 2002	\$1.94
30 June 2003	\$1.74
30 June 2004	\$2.10

The investment portfolio at market values was invested as follows:

	Target	As at 30.6.04	As at 30.6.03
	%	%	%
Australian Equities	95.0	97.0	88.0
International Equities	0.0	0.0	0.0
Fixed Interest Securities & Cash	2.0	0.5	7.0
Property Companies and Trusts	3.0	2.5	5.0
	100.0	100.0	100.0

Chairman's Report (Continued)

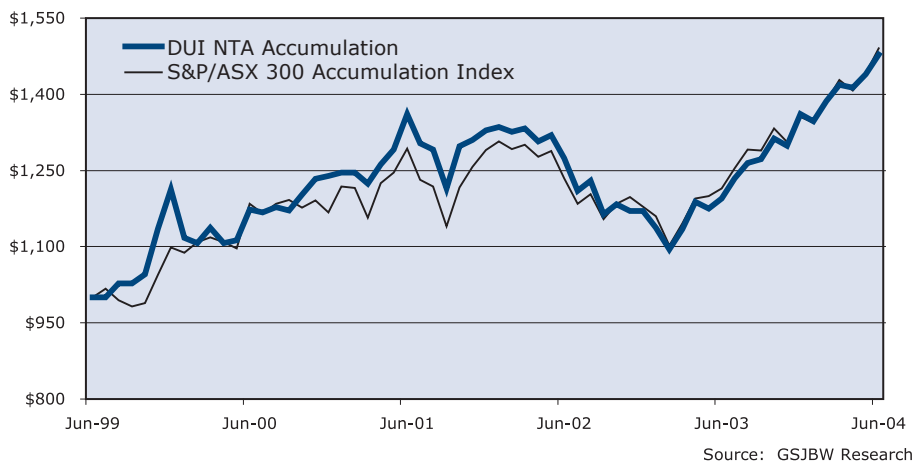
The Australian equities portfolio is mainly in leading companies and at 30 June 2004, in terms of market values, 74% of the Australian equities portfolio was in the leading 50 companies (44% in the top 20 companies and 30% in the next 30 companies), with a further 12% invested in the second 50 companies and 14% invested in companies other than the largest 100 companies.

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

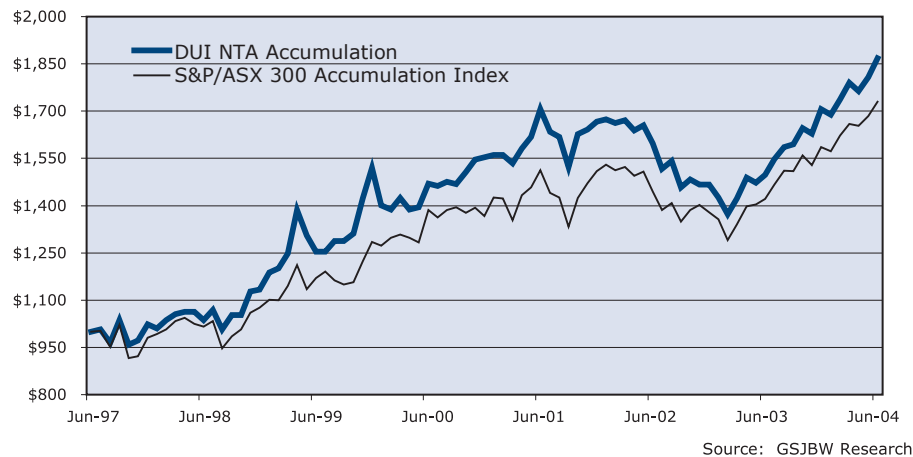
	DUI NTA Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	24.73	22.40
3 Years	3.07	4.96
5 Years	8.31	8.00
7 Years	9.34	7.81

The following graphs show 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 and seven years.

**Diversified United Investment Limited
5 year NTA Accumulation
After Provision for Tax on Realised Gains**



**Diversified United Investment Limited
7 Year NTA Accumulation
After Provision for Tax on Realised Gains**



Chairman's Report (Continued)

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

Company	Market Value \$'000	% of Market Value of Total Investments
1. ANZ Banking Group Ltd	18,280	7.3%
2. Commonwealth Bank of Australia Ltd	16,290	6.5%
3. Woodside Petroleum Ltd	15,003	6.0%
4. Westpac Banking Corporation Ltd	14,080	5.7%
5. National Australia Bank Ltd	11,936	4.8%
6. QBE Insurance Group Ltd	11,520	4.6%
7. Tabcorp Holdings Ltd	11,392	4.6%
8. Perpetual Trustees Ltd	9,398	3.8%
9. Rio Tinto Ltd	8,988	3.6%
10. Alumina Ltd	8,976	3.6%
11. Southern Cross Broadcasting (Aust) Ltd	8,260	3.3%
12. BHP Billiton Ltd	7,518	3.0%
13. Australian Gas Light Company Ltd	7,278	2.9%
14. Foodland Associated Ltd	7,200	2.9%
15. Australand Holdings Ltd	5,565	2.2%
16. St George Bank	5,505	2.2%
17. Telstra Corporation Ltd	5,030	2.0%
18. TAB Limited	4,920	2.0%
19. WMC Resources Ltd	4,920	2.0%
20. Transurban Group	4,870	2.0%
21. Westfield Trust	4,851	2.0%
22. Macquarie Infrastructure Group	4,290	1.7%
23. Suncorp Metway Ltd	4,260	1.7%
24. Foster's Group Ltd	4,248	1.7%
25. Brambles Industries Ltd	4,200	1.7%
	208,778	83.8%

The total investment portfolio including cash and bills of exchange had a market value at 30 June 2004 of \$249,189,000 (2003: \$200,470,000).



Charles Goode
Chairman

Corporate Governance Statement

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

1. Accountability and Responsibility

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

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

2. Composition

The Board currently comprises 4 directors. The Company's constitution requires 3 to 6 directors. The Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate after wide and, if necessary, professional consultation.

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

3. Operation

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

4. Delegation

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

5. 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 this date take into account the absence of a retirement agreement.

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

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

Corporate Governance Statement (Continued)

5. Director's Terms of Appointment, Remuneration and Performance (continued)

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

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

6. Board Committees

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

The Audit Committee has an independent Chairman and a majority of independent directors. Mr M K Myer is regarded as independent for the purposes of the audit committee as he does not have a financial interest in the substantial shareholder, Myer Family Investments Pty Ltd, which could materially affect his duties as a member of the Audit Committee. All members are non-executive. The Committee is considered to have sufficient relevant expertise and to comply with the Australian Stock Exchange Corporate Governance Council's "Best Practice Recommendations" and Australian Stock Exchange listing rule 12.7.

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

7. Disclosure Procedures

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

8. Shareholder Communication

The Company communicates adequately with shareholders through:

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

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

9. Risk Management

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

10. Ethical Conduct

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

Directors' Report

The directors present their report together with the financial report of Diversified United Investment Limited for the year ended 30 June 2004 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 B. Goode AC, B.Com (Hons) (Melb), MBA (Columbia), Hon LLD (Melb), Hon LLD (Mon).
Non-Executive Chairman
Age 65
Appointed Chairman September 1991.

Mr Goode is the Chairman of the Boards of Australia and New Zealand Banking Group Limited, Woodside Petroleum Limited, Australian United Investment Company Limited and The Ian Potter Foundation Limited. He is a director of Singapore Airlines Limited.

Graeme E. Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.
Non-Executive Director
Age 72
Appointed September 1991.

Mr Moir is the principal of the investment management firm Moir's Investment Service Pty. Ltd., and is a director of Graeme Moir and Associates Pty. Ltd., and Australian United Investment Company Limited.

Martyn K. Myer B.Eng, MEng (Mon), MSM (MIT), FIE (Aust).
Non-Executive Director
Age 46
Appointed September 1991.

Mr Myer is Chairman of CogState Ltd and is a director of Coles Myer Ltd, Neuroscience Australia Ltd and a number of private companies.

Rupert Myer B.Com (Hons) (Melb), MA Cantab
Non-Executive Director
Age 46
Appointed 18 November 2002.

Mr Myer is a Director of AMCIL Limited. He serves as Chairman of The Myer Family Company Pty Ltd (Group) and is a Vice President of The Myer Foundation.

Graeme W. Sinclair B.Com , ACA, ACIS.
Non-Executive Alternate Director for Martyn K. Myer
Age 56
Appointed 1 August 2002.

Resigned 6 May 2004.

John W. Hopkins A.S.I.A.
Non-Executive Director
Age 57
Appointed November 1996.

Retired 31 December 2003.

Directors' and Officer's Emoluments

Details of the nature and amount of each major element of the emoluments of each director of the Company are detailed below:

Non-executive Directors	Base Emolument \$	Superannuation Contributions \$	Retirement Benefits \$	Total \$
Charles Goode	1,000	79,000	36,000 ⁽¹⁾	116,000
John Hopkins	18,348	1,652	93,333 ⁽²⁾	113,333
Graeme Moir	40,000	-	18,000 ⁽¹⁾	58,000
Martyn Myer	36,697	3,303	18,000 ⁽¹⁾	58,000
Rupert Myer	36,697	3,303	18,000 ⁽¹⁾	58,000
Total	132,742	87,258	183,333	403,333

(1) Provided

(2) Paid

Directors' Meetings

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

Director	Directors' Meetings		Audit Committee Meetings		Nomination & Remuneration 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 Goode	11	11	2	2	3	3
John Hopkins	6	6	1	1	1	1
Graeme Moir	11	11	2	2	3	3
Martyn Myer	9	11	2	2	3	3
Rupert Myer	11	11	2	2	3	3

Directors' Report (Continued)

Principal Activity

The principal activity of the Company is that of investment. The directors have sought to invest in a diversified portfolio of investments with the objective of obtaining current income and longer term capital gain within an acceptable level of risk.

Results and Review of Operations

The Company's target asset allocation and the portfolio's actual asset allocation will both vary from time to time and at 30 June 2004 were as follows:

	Target %	Investments At Market Value %
Australian Equities	95	97.0
International Equities	0	0.0
Fixed Interest Securities & Cash	2	0.5
Property Companies and Trusts	3	2.5

The Company's profitability in its twelfth full year of operations has been positive. For the year ended 30 June 2004 the Company earned an operating profit after tax of \$10,891,000 (compared to \$7,372,000 in 2003).

The operating profit includes special dividends of \$2,686,982 received through the Company's participation in the Foster Group Ltd and Telstra Corporation Ltd share buy back schemes.

During the year the unrealised gain in the value of listed non-current assets increased from \$38,482,000 to \$81,975,000. The net tangible asset backing of each of the Company's shares at 30 June 2004 was \$2.15 (2003: \$1.79) before provision for the final dividend not booked at 30 June 2004 in accordance with AASB 1044. This net tangible asset backing calculation is based on investments at market value and is after provision for tax on net realised gains and before tax on unrealised gains. The Company is a long-term investor and does not intend disposing of its total portfolio. If however estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing per share would be \$1.90 (2003: \$1.64).

The Board has increased the Company's borrowings to \$34.5 million which means the investment portfolio at market value is geared to the extent of around 14%.

The composition of the operating profit after income tax was as follows:

	2004 \$'000	2003 \$'000
INCOME		
Dividends	11,553	8,564
Trust Distributions	958	1,086
Interest	402	246
Sub Underwriting Commission	-	9
Trading and Options Related Net Profits/(Losses)	19	(626)
	<u>12,932</u>	<u>9,279</u>
EXPENSES		
Operating expenses:		
Accounting & Custody Fees	117	118
Audit	37	35
Share Registry	43	44
Directors' Fees	220	225
Directors' Retirement Provision	90	80
ASX Fees	39	31
Company Secretary Fees	55	42
Insurance	32	27
Other	37	30
Borrowing Costs:		
Interest	1,485	1,317
Other	7	27
	<u>2,162</u>	<u>1,976</u>
Profit from ordinary activities before related income tax expense	10,770	7,303
Income tax expense/(benefit)	(121)	(69)
Profit from ordinary activities after related income tax expense	<u>10,891</u>	<u>7,372</u>

Operating expenses (excluding borrowing costs) were 0.30% of the average market value of the investment portfolio (2003: 0.30%)

Dividends

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

	\$'000
Paid or declared during the year	
A final dividend in respect of the year ended 30 June 2003 of 4.50¢ per share fully franked paid on 9 October 2003	4,473
An interim dividend in respect of the year ended 30 June 2004 of 2.75¢ per share fully franked paid on 13 April 2004.	2,751
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2004 of 4.75¢ per share fully franked payable on 8 October 2004	4,766

Directors' Report (Continued)

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.

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 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 subsequent 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' Interests

As at the date of this report 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 Section 205G(1) of the Corporations Act 2001 is as follows:-

	SHARES	
	1	2
Charles B Goode	984,527	1,202,423
Graeme E Moir	62,500	-
Martyn K Myer	5,008	-
Rupert H Myer	-	47,675

Note:

- Beneficial in own name
- Held by an entity/related party in which the director has a relevant interest

Except as stated above, no director -

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

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

Indemnification

Details of directors' indemnification are set out in Note 21 to the financial statements.

Rounding Of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and amounts in this report and accompanying financial statements have been rounded to the nearest one thousand dollars in accordance with that Class Order.

Dated at Melbourne this 12th day of August 2004

Signed in accordance with a resolution of the directors:



Charles Goode
Director

Statement of Financial Performance for the year ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
Revenue from operating activities		13,456	13,229
Revenue from the sale of long term investments		33,218	26,140
Total ordinary revenue	3	46,674	39,369
Operating expenses		(670)	(632)
Borrowing costs		(1,492)	(1,344)
Carrying value of investments sold- trading stock		(524)	(3,950)
Carrying value of investments sold- long term investments		(33,218)	(26,140)
Profit from ordinary activities before related income tax expense		10,770	7,303
Income tax (benefit) relating to ordinary activities	5(a)	(121)	(69)
Profit from ordinary activities after related income tax expense		10,891	7,372
Net profit	1(b)(ii)	10,891	7,372
Non-owner transaction changes in equity			
Increase/(decrease) in retained earnings arising from the sale of non-current assets net of tax	17	(10,496)	103
Increase/(decrease) in reserves			
Asset revaluation reserve	16	43,493	(20,249)
Total changes in equity from non-owner related transactions	18	43,888	(12,774)
Basic earnings per share before net gains on long term investments (cents per share)	24	10.9	7.4

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

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 13 to 21.

Statement of Financial Position as at 30 June 2004

	Note	2004 \$'000	2003 \$'000
CURRENT ASSETS			
Cash assets	7	1,166	7,118
Receivables	8	1,705	1,491
Investments	9(a)	-	261
Other	10	80	1,268
Total Current Assets		<u>2,951</u>	<u>10,138</u>
NON-CURRENT ASSETS			
Investments	9(b)	248,023	193,091
Deferred tax assets	5(d)	322	166
Total Non-Current Assets		<u>248,345</u>	<u>193,257</u>
TOTAL ASSETS		<u>251,296</u>	<u>203,395</u>
CURRENT LIABILITIES			
Payables	11	38	72
Interest-bearing liabilities	12	-	25,000
Total Current Liabilities		<u>38</u>	<u>25,072</u>
NON-CURRENT LIABILITIES			
Deferred tax liability	5(c)	405	367
Interest-bearing liabilities	12	34,500	-
Provisions	14	527	530
Total Non-Current Liabilities		<u>35,432</u>	<u>897</u>
TOTAL LIABILITIES		<u>35,470</u>	<u>25,969</u>
NET ASSETS		<u>215,826</u>	<u>177,426</u>
EQUITY			
Contributed equity	15	109,079	107,343
Asset revaluation reserve	16	81,975	38,482
Retained profits	17	24,772	31,601
TOTAL EQUITY	18	<u>215,826</u>	<u>177,426</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 13 to 21.

Statement of Cash Flows for the year ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		420	177
Dividends & trust distributions received		12,237	9,489
Proceeds from the trading portfolio		279	3,181
Other items		-	9
Cash payments in the course of operations		(756)	(551)
Interest paid		(255)	(1,506)
Income taxes (paid)/refunded		51	(290)
Net cash provided by operating activities	23(b)	<u>11,976</u>	<u>10,509</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(55,158)	(11,077)
Proceeds from the sale of investments		33,218	12,648
Net cash provided by/(used in) investing activities		<u>(21,940)</u>	<u>1,571</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (excluding dividend re-investment plan)		(5,488)	(4,856)
Proceeds from drawdown of bank bills		9,500	-
Net cash provided by/(used in) financing activities		<u>4,012</u>	<u>(4,856)</u>
Net increase/(decrease) in cash held		(5,952)	7,224
Cash at beginning of the financial year	23(a)	<u>7,118</u>	<u>(106)</u>
Cash at the end of the financial year	23(a)	<u><u>1,166</u></u>	<u><u>7,118</u></u>

This statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 13 to 21.

Notes to the Financial Statements for the year ended 30 June 2004

1. Statement of Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of this financial report are:

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

(i) Statement of Financial Position Classification

Investments classified as "Current Assets" describe holdings of short term trading securities or assets which are intended to be converted to cash within 12 months. Investments classified as "Non-Current Assets" describe holdings of securities which are intended to be retained on a long term basis.

(ii) Valuation of Non-Current Assets

The Company has elected to revalue its non-current investments to market value continuously. This means that realised gains and losses arising from the disposal of non-current investments are transferred from the Asset Revaluation Reserve to Retained Profits and are not recognised in the Statement of Financial Performance.

(iii) Revaluation of Non-Current Investments

An increase in the value of non-current assets is credited to the Asset Revaluation Reserve. A decrease 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.

(iv) Valuation of Current Assets

Realised gains and losses on sales of trading securities are taken into account in determining the operating profit. Current assets are carried at the lower of cost or net realisable value on an

individual basis, or in aggregate for the options trading portfolio which includes shares and open option positions.

c) TAXATION

(i) Income Tax

The Company adopts 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 tax benefit or a provision for deferred income tax. Future tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

(ii) Capital Gains Tax

Capital gains tax is included in the period in which an asset is sold as shown in Note 17.

d) FOREIGN CURRENCY

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Investments, receivables and payables in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to current amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses, in the statement of financial performance in the financial year in which the exchange rates change.

e) 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.

f) DERIVATIVES AND HEDGES

The Company from time to time uses derivatives principally to hedge specific exposures. All hedge transactions are initially recorded at the market value on the date of the transaction. Hedges outstanding at balance date are translated at the market value ruling on that date and any differences are brought to account in the statement of financial performance.

Notes to the Financial Statements for the year ended 30 June 2004

g) COMPARATIVES

Where necessary comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

h) BANK LOANS

Bank loans are carried on the statement of financial position at their principal amount. Interest expense is prepaid at a contracted rate and included in "other current assets".

i) REVENUE

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, trading income, options 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 on sale of long term investments are considered to be other revenue of the Company.

2. Changes in Accounting Policy

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

3. Revenue from Ordinary Activities

	2004 \$'000	2003 \$'000
<i>From operating activities</i>		
Dividends received or due and receivable	11,553	8,564
Trust distributions received or due and receivable	958	1,086
Interest received or due and receivable	402	246
Revenue from trading portfolio and options dealing	543	3,324
Other	-	9
	<u>13,456</u>	<u>13,229</u>
<i>From other than operating activities</i>		
Gross proceeds from sale of long term investments	33,218	26,140
Total revenue from ordinary activities	<u>46,674</u>	<u>39,369</u>

Profit from ordinary activities before income tax expense:

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

Borrowing costs:

- Interest	(1,485)	(1,317)
- Other	(7)	(27)
Trading and options related net profits	19	(626)
Provision for directors' retirement benefits	(90)	(80)

4. Auditors' Remuneration

Audit services	37	35
Other services	4	4
	<u>41</u>	<u>39</u>

Notes to the Financial Statements for the year ended 30 June 2004

5. Taxation

Note	2004 \$'000	2003 \$'000
a) INCOME TAX EXPENSE		
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	3,231	2,191
<i>Increase in income tax expense due to:</i>		
Imputation gross up on dividends received	1,360	938
<i>Decrease in income tax expense due to:</i>		
Sundry items	(174)	(67)
Franking credits on dividends received	(4,535)	(3,128)
Income tax expense/(benefit) on operating profit	(118)	(66)
Under/(Over) provision prior year	(3)	(3)
<i>Income tax expense/(benefit) attributable to operating profit</i>	<u>(121)</u>	<u>(69)</u>
<i>Income tax expense/(benefit) attributable to operating profit is made up of:</i>		
Current income tax provision	-	(97)
Deferred income tax provision	38	58
Future income tax benefit	(156)	(27)
Under/(Over) provision prior year	(3)	(3)
	<u>(121)</u>	<u>(69)</u>

b) PROVISION FOR CURRENT INCOME TAX

Movements during the year were as follows:		
Balance at the beginning of the year	(93)	196
Tax (paid)/refunded	51	(286)
Withholding Tax	-	(4)
Under/(Over) provision prior year	(3)	(3)
Current years income tax on operating profit	-	(97)
Tax on disposal of long term investments	-	101
8	<u>(45)</u>	<u>(93)</u>

c) PROVISION FOR DEFERRED INCOME TAX

	2004 \$'000	2003 \$'000
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30%		
Balance at the beginning of the year	367	385
Timing difference on tax on disposal of long term investments	-	(76)
Other timing differences	38	58
	<u>405</u>	<u>367</u>

d) FUTURE INCOME TAX BENEFIT

Future income tax benefit comprises the estimated expense at the applicable rate of 30%		
Balance at the beginning of the year	166	139
Other timing differences	156	27
	<u>322</u>	<u>166</u>

e) FUTURE INCOME TAX BENEFIT NOT TAKEN TO ACCOUNT

In 2004 the potential future income tax benefit to the Company arising from capital tax losses was not recognised as an asset because recovery of capital tax losses is not virtually certain.		
	<u>159</u>	<u>175</u>

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.

Notes to the Financial Statements for the year ended 30 June 2004

6. Dividends

	2004 \$'000	2003 \$'000
Dividends recognised in the current year by the Company are:		
(i) 2003 final dividend of 4.50¢ per share (2002: 4.00¢) fully franked paid 9 October 2003	4,473	3,940
(ii) 2004 interim dividend of 2.75¢ per share (2003: 2.50¢) fully franked paid 13 April 2004	2,751	2,476
	<u>7,224</u>	<u>6,416</u>

Subsequent to reporting date:

Since 30 June 2004, the directors have declared the following dividend payable on 8 October 2004:

- Final dividend of 4.75 cents per share	<u>4,766</u>	<u>4,473</u>
--	--------------	--------------

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

Dividend Franking Account:

The balance of the Franking Account at 30 June 2004 is \$5,239,246 (compared to \$2,617,886 at 30 June 2003).

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

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

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

LIC Capital Gain Account:

The balance of the Listed Investment Company (LIC) Capital Gain Account at 30 June 2004 was \$129,231 (2003: \$129,231). 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.

7. Cash Assets

	2004 \$'000	2003 \$'000
Cash at bank	522	128
Units in Cash Management Trusts and Deposits at Call	644	6,990
	<u>1,166</u>	<u>7,118</u>

8. Receivables

	2004 \$'000	2003 \$'000
Current		
Sundry debtors	1,660	1,398
Prepaid income tax	45	93
	<u>1,705</u>	<u>1,491</u>

9. Investments

	2004		2003	
	Book Value \$'000	Market Value \$'000	Book Value \$'000	Market Value \$'000
a) CURRENT				
Ordinary shares at cost	-	-	385	261
Less provision for write down	-	-	(124)	-
Total Current Investments	<u>-</u>	<u>-</u>	<u>261</u>	<u>261</u>

Ordinary shares are classified as current if they form part of the trading portfolio. These shares are written down to the lower of cost or their estimated realisable value.

b) NON-CURRENT

	2004 \$'000	2003 \$'000
Investments quoted on prescribed stock exchanges (at current market value)	248,023	193,091

10. Other Assets

Current		
Prepayments	80	1,268

11. Payables

Current		
Trade Creditors	38	66
Other	-	6
	<u>38</u>	<u>72</u>

Notes to the Financial Statements for the year ended 30 June 2004

12. Interest Bearing Liabilities

	Note	2004 \$'000	2003 \$'000
Current			
Fixed Rate Commercial Bill			
- Secured		-	25,000
Non-Current			
Multi-option Facility - Secured		34,500	-

13. Financing Arrangements

The Company has access to the following lines of credit:

Total facility available			
Fixed Rate Commercial Bill			
- Secured		-	25,000
Multi-option Facility - Secured		35,000	-
Bank Overdraft - Unsecured		-	250
Facilities utilised at balance date			
Fixed Rate Commercial Bill - Secured		-	25,000
Multi-option Facility - Secured		34,500	-
Bank Overdraft- Unsecured		-	-

14. Provisions

Non-Current			
Provision for directors' retirement benefits	19	527	530

15. Contributed Equity

Issued and paid-up share capital 100,328,914 (2003: 99,384,743) ordinary fully paid shares		109,079	107,343
Movements in ordinary share capital			
Balance at beginning of the year		107,343	105,783
Shares issued			
- Dividend re-investment plan	(i), (ii)	1,736	1,560
		109,079	107,343

- (i) In respect of the 2003 final dividend 597,584 shares were issued at \$1.82 each under the dividend re-investment plan.
- (ii) In respect of the 2004 interim dividend 346,587 shares were issued at \$1.87 each under the dividend re-investment plan.

16. Reserves

	Note	2004 \$'000	2003 \$'000
Asset revaluation reserve		81,975	38,482
Movements in reserves during the year:			
Asset Revaluation Reserve			
Balance at the beginning of the financial year		38,482	58,731
Revaluation of long term investments		32,997	(20,121)
Add/Less transfer of (profit)/loss before tax realised on the disposal of long term investments		10,496	(128)
Balance at the end of the financial year		81,975	38,482

17. Retained Profits

Retained profits at the beginning of the year		31,601	30,542
Net profit		10,891	7,372
Increase/(decrease) in retained earnings arising from the sale of non-current assets		(10,496)	128
Tax benefit/(expense) on disposal of long term investments		-	(25)
Dividends paid or declared	6	(7,224)	(6,416)
Retained profits at the end of the year		24,772	31,601

18. Total Equity Reconciliation

Total equity at the beginning of year		177,426	195,056
Total changes in equity recognised in the statement of financial performance		43,888	(12,774)
Dividends paid		(7,224)	(6,416)
Dividends re-invested		1,736	1,560
Total equity at end of year		215,826	177,426

Notes to the Financial Statements for the year ended 30 June 2004

19. Directors' Remuneration

Non-executive Directors	Directors Fees		Superannuation benefits		Retirement benefits ⁽¹⁾		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
Charles Goode	1,000	1,000	79,000	79,000	36,000	26,668	116,000	106,668
John Hopkins	18,348	36,697	1,652	3,303	93,333	13,333	113,333	53,333
Graeme Moir	40,000	40,000	-	-	18,000	13,333	58,000	53,333
Martyn Myer	36,697	36,697	3,303	3,303	18,000	13,333	58,000	53,333
Rupert Myer	36,697	22,521	3,303	2,027	18,000	13,333	58,000	37,881
Total	<u>132,742</u>	<u>136,915</u>	<u>87,258</u>	<u>87,633</u>	<u>183,333</u>	<u>80,000</u>	<u>403,333</u>	<u>304,548</u>

(1) Retirement benefits provided for each director during the year, except for John Hopkins in which case the benefit paid on retirement is shown.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors. The Nomination and Remuneration Committee may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies and in light of Company activity and changing responsibilities. Remuneration packages include directors' fees and retirement benefits. The remuneration structures are designed to attract suitably qualified candidates, and to effect the broader outcome of increasing the Company's net profit. Directors' fees are fixed and reviewed annually and the maximum total of directors' fees 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 \$30,740 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 21 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, for each three years of service a director will receive one year of directors fees up to a maximum number of completed years of service of fifteen. Fees for directors appointed after 1 July 2003 will take into account the absence of a retirement agreement.

The Company's liability for directors' retirement benefits, which is based on the number of years of service provided at the balance date, has been included in the provision for Directors' Retirement Benefits (Note 14). In accordance with his retirement allowance provision Mr Hopkins, who retired as a director on 31 December 2003, was paid a retirement allowance of \$93,333 based on the Company's retirement scheme.

20. Segment Reporting

GEOGRAPHICAL SEGMENTS- Primary

	Aust 2004 \$'000	Foreign 2004 \$'000	Total 2004 \$'000	Aust 2003 \$'000	Foreign 2003 \$'000	Total 2003 \$'000
Revenue	46,674	-	46,674	34,543	4,826	39,369
Operating profit before tax	10,770	-	10,770	7,295	8	7,303
Income tax benefit/(expense)			121			69
Operating profit after tax			<u>10,891</u>			<u>7,372</u>
Segment Assets		251,296	251,296	203,395	-	203,395

INDUSTRY SEGMENTS- Secondary

All the Company's operating revenue and operating profit is derived from investment.

Notes to the Financial Statements for the year ended 30 June 2004

21. Related Parties

The names of persons holding the position of director of the Company during the year were Messrs C B Goode, J W Hopkins, G E Moir, M K Myer, R H Myer and G W Sinclair.

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, for current and former directors and officers, insuring them against liabilities, costs and expenses arising out of conduct which does not involve a wilful breach of duty. This insurance premium covers the period from 18 June 2004 to 18 June 2005.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end, other than each director has entered into a director's retirement agreement with the Company as set out in Note 19.

DIRECTORS' HOLDINGS OF SHARES

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

SHARES	2004		2003	
	1	2	1	2
Charles B Goode	984,527	1,202,423	984,527	1,156,402
John W Hopkins	6,250	-	6,250	-
Graeme E Moir	62,500	-	62,500	-
Martyn K Myer	5,008	-	5,008	-
Rupert H Myer	-	47,675	-	45,850
Graeme W Sinclair	-	3,000	-	3,000

- Beneficial in own name
- Held by an entity/related party in which the director has a relevant interest

DIRECTORS' TRANSACTIONS IN SHARES

The movement 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.

OTHER

Mr M K Myer and Mr R H Myer have an interest in The Myer Family Investments Pty Ltd Group of Companies that includes The Myer Family Office Ltd which receives management fees from the Company. These fees were \$114,000 plus GST for the year ended 30 June 2004 and \$115,000 for the year ended 30 June 2003.

The Myer Family Office Ltd also earned a fee on short term deposits placed by the Company during the year with the M F Cash Management Fund. During the year the Company maintained loan facilities with ANZ Banking Group Ltd, of which Mr C B Goode is a director.

The terms and conditions of the transactions with the ANZ Banking Group Ltd and The Myer Family Office Ltd are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

22. Tax Liability on Unrealised Profits

The amount of additional income tax payable had the Company's investments been realised at market values at balance date, after allowing for realisation costs, would have been \$25,378,530 (2003: \$14,750,067).

Notes to the Financial Statements for the year ended 30 June 2004

23. Notes to the Statement of Cash Flows

a) 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 balance sheet as follows:

	Note	2004 \$'000	2003 \$'000
Cash at bank	7	522	128
Units in Cash Management Trusts and Bills of Exchange	7	644	6,990
		<u>1,166</u>	<u>7,118</u>

b) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating profit after income tax:

	10,891	7,372
--	--------	-------

Add/(less) non cash items:

Increase/(decrease) in Tax Payable	48	(314)
Capitalised interest	-	(56)
Write (Up)/Down of Trading Portfolio	(124)	(909)

Net cash provided by operating activities before changes in assets and liabilities

	10,815	6,093
--	--------	-------

Change in assets and liabilities:

(Increase)/decrease in prepayments	1,188	(174)
(Increase)/decrease in debtors	(262)	(176)
(Increase)/decrease in future income tax benefit	(156)	(27)
(Increase)/decrease in current investments	385	4,716
Increase/(decrease) in provision for deferred income tax	38	(18)
Increase/(decrease) in non current provisions	(3)	80
Increase/(decrease) in creditors	(29)	15

Net cash provided by operating activities

	<u>11,976</u>	<u>10,509</u>
--	---------------	---------------

c) FINANCING FACILITIES

The Company's financing facilities are set out in note 13 of these Financial Statements

24. Earnings Per Share

	2004 \$'000	2003 \$'000
Earnings used in the calculation of earnings per share before net gains on long term investments	10,891	7,372
Basic earnings per share (¢ per share)	10.9¢	7.4¢
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	99,891,283	98,957,217

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

25. Additional Financial Instruments Disclosure

INTEREST RATE RISK

The Company's exposure to interest risk and the effective weighted average interest rate for classes of financial assets and financial liabilities which bear interest is set out below:

2004	Note	Floating Interest Rate \$'000
Financial Assets		
Cash	7	1,166
Weighted average interest rate		4.15%
2003	Note	Floating Interest Rate \$'000
Financial Assets		
Cash	7	7,118
Weighted average interest rate		4.02%

Borrowings

On 28 June 2004 the Company entered a Multi-option Facility of \$35,000,000 with ANZ Banking Group Ltd of which \$25,000,000 is fixed within a range rate between 5.59 - 7.00% for a period of three years. The remaining \$10,000,000 is at a floating rate.

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 principally recognised banks or members of the Australian Stock Exchange.

Notes to the Financial Statements for the year ended 30 June 2004

25. *Additional Financial Instruments Disclosure (continued)*

NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Valuation Approach

Listed shares, convertible notes and redeemable preference shares are readily traded on organised markets in a standard form. The unlisted shares and options held by the Company are also readily traded on an organised market.

On Statement of Financial Position Financial Instruments

The net fair value of listed shares, convertible notes and redeemable preference shares are determined by valuing them at current quoted market closing prices at balance date. No adjustment for transaction costs necessary to realise the asset or settle the liability has been included as these are deemed to be immaterial. The net fair value of investments is set out in Note 9.

26. *Events Subsequent to Reporting Date*

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

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

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

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

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

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


Directors' Declaration

In the opinion of the directors of Diversified United Investment Limited:

- (a) the financial statements and notes, set out on pages 10 to 21 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 12th day of August 2004.

Signed in accordance with a resolution of the directors.



Charles Goode
Director

Independent Audit Report to the Members of Diversified United Investment Limited



Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration set out on pages 10 to 22 for the year ended 30 June 2004.

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

Audit approach

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

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

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

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

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

Independence

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

Audit opinion

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

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

KPMG

KPMG

Don Pasquariello
Partner

Melbourne
12 August 2004

Additional Information for the Australian Stock Exchange

Distribution of shareholders as at 31 July 2004.

Ordinary Shares

Category Holders	Units	Ordinary Shares No of Holders	%
1 - 1,000	93,572	397	0.1%
1,001 - 5,000	2,253,876	732	2.3%
5,001 - 10,000	5,544,801	755	5.5%
10,001 - 100,000	21,586,004	905	21.5%
100,001 and over	70,850,661	65	70.6%
	100,328,914	2,854	100.0%

There were 278 ordinary shareholders holding less than a marketable parcel (257 shares) at 31 July 2004.

Substantial Shareholders

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

Shareholder	Ordinary Shares
The Myer Family Investments Pty Ltd	15,956,371
The Ian Potter Foundation Ltd, Dundee Trading Pty Ltd and Australian United Investment Company Limited	19,153,590
Perpetual Trustees Australia Ltd	12,603,310

Voting Rights

At 31 July 2004 there were 2,854 holders of ordinary shares of the Company. All ordinary shares carry equal voting rights.

Additional Information for the Australian Stock Exchange

Top Twenty Shareholders

The number of shares held by the top twenty shareholders listed in the Company's register as at 31 July 2004 were:

Shareholder	Ordinary Shares	% Held
1. M F Custodians Ltd	15,956,371	15.90
2. The Ian Potter Foundation Ltd	9,708,466	9.68
3. RBC Global Services Australia Nominees Pty Ltd	5,614,433	5.60
4. Dundee Trading Pty Ltd	5,140,329	5.12
5. Australian Foundation Investment Company Ltd	4,775,168	4.76
6. Australian United Investment Company Ltd	4,304,795	4.29
7. Djerriwarrh Investments Ltd	3,841,871	3.83
8. National Nominees Limited	3,094,247	3.08
9. RBC Global Services Australia Nominees Pty Ltd	2,534,626	2.53
10. J P Morgan Nominees Australia Ltd	1,360,004	1.36
11. Mutual Trust Pty Ltd	1,184,071	1.18
12. Mr Charles Barrington Goode	984,527	0.98
13. Beta Gamma Pty Ltd (Walsh Street Super Fund A/C)	899,115	0.90
14. Mr Richard Raymond Hinds	669,218	0.67
15. Mr Daryl Albert Dixon & Mrs Katherine Dixon	612,377	0.61
16. Mr James Vincent Chester Guest	472,343	0.47
17. RBC Global Services Australia Nominees Pty Ltd	457,816	0.46
18. Glenshera Pty Ltd (Farm A/C)	395,082	0.39
19. Questor Financial Services Ltd	389,921	0.39
20. Primrose Properties Pty Ltd	362,633	0.36
	62,757,413	62.56

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2004 totalled \$143,990 (2003:\$75,296). None of that brokerage was paid to any stock or sharebroker, or any employee or nominee of any stock or sharebroker, who is an officer of the Company.

List of Investments as at 30 June 2004

	Market Value \$	30/6/04 Units Held	% of Portfolio at Market Value	30/6/03 Units Held
Australian Equities				
<i>Oil & Gas</i>				
Woodside Petroleum Ltd	15,003,000	900,000	6.0	900,000
<i>Containers & Packaging</i>				
Amcor Ltd	2,613,750	375,000	1.1	-
<i>Metals & Mining</i>				
Alumina Ltd	8,976,000	1,700,000	3.6	1,325,000
BHP Billiton Ltd	7,518,000	600,000	3.0	-
Rio Tinto Ltd	8,987,500	250,000	3.6	200,000
WMC Resources Ltd	4,920,000	1,000,000	2.0	1,325,000
<i>Paper & Forest Products</i>				
Paperlinx Ltd	-	-	-	500,000
<i>Machinery</i>				
Crane Group Ltd	1,798,000	200,000	0.7	150,000
<i>Trading Co & Distributors</i>				
Alesco Corporation Ltd	3,993,000	605,000	1.6	555,936
<i>Commercial Services Supplies</i>				
Brambles Industries Ltd	4,200,000	700,000	1.7	432,575
Tempo Services Ltd	1,500,000	1,500,000	0.6	-
<i>Transportation Infrastructure</i>				
Adsteam Marine	-	-	-	1,000,000
Macquarie Airports	1,515,000	750,000	0.6	-
Macquarie Communications Infrastructure Group	1,840,000	500,000	0.7	-
Macquarie Infrastructure Group	4,290,000	1,300,000	1.7	-
Transurban Group	4,870,000	1,000,000	2.0	1,000,000
<i>Hotels Restaurants & Leisure</i>				
TAB Ltd	4,920,000	1,000,000	2.0	1,000,000
Tabcorp Holdings Ltd	11,392,000	800,000	4.6	1,000,000
<i>Media</i>				
Amalgamated Holdings Ltd	-	-	-	200,000
Fairfax (John) Holdings Ltd	-	-	-	250,000
News Corporation Ltd (The) - Prefs	3,539,417	301,227	1.4	257,510
Southern Cross Broadcasting (Aust) Ltd	8,260,000	700,000	3.3	500,000

List of Investments as at 30 June 2004

	Market Value \$	30/6/04 Units Held	% of Portfolio at Market Value	30/6/03 Units Held
Australian Equities (Continued)				
<i>Food & Drug Retailing</i>				
AWB Ltd	1,386,000	300,000	0.6	200,000
Foodland Associated Ltd	7,200,000	400,000	2.9	250,000
<i>Beverages</i>				
Foster's Group Ltd	4,248,000	900,000	1.7	1,700,000
<i>Health Care Equipment & Supplies</i>				
Compumedics Ltd	270,000	1,000,000	0.1	1,000,000
Resmed Inc	-	-	-	100,000
<i>Health Care Providers & Services</i>				
Mayne Group Ltd	-	-	-	2,344,000
<i>Biotechnology</i>				
CSL Ltd	3,456,500	155,000	1.4	155,000
<i>Banks</i>				
ANZ Banking Group Ltd	18,280,000	1,000,000	7.3	832,000
Commonwealth Bank of Australia Ltd	16,290,000	500,000	6.5	400,000
National Australia Bank Ltd	11,936,000	400,000	4.8	400,000
St George Bank Ltd	5,505,000	250,000	2.2	-
Westpac Banking Corporation Ltd	14,080,000	800,000	5.7	600,000
<i>Diversified Financials</i>				
OFM Investment Group Ltd	525,760	248,000	0.2	-
Perpetual Trustees Australia Ltd	9,398,000	200,000	3.8	200,000
Suncorp-Metway Ltd	4,260,000	300,000	1.7	100,000
Washington H Soul Pattinson & Company Ltd	4,080,000	600,000	1.6	600,000
<i>Insurance</i>				
AXA Asia Pacific Holdings Ltd	1,680,000	500,000	0.7	-
IOOF Holdings Ltd	1,440,000	300,000	0.6	-
QBE Insurance Group Ltd	11,520,000	900,000	4.6	900,000
<i>Real Estate</i>				
Australand Property Group	5,565,000	3,500,000	2.2	2,000,000
Lend Lease Corporation Ltd	-	-	-	269,000
Westfield Holdings Ltd	3,080,000	200,000	1.2	-
<i>Electronic Equipment</i>				
ERG Ltd def set	-	-	-	1,350,000
Vision Systems Ltd	2,670,000	3,000,000	1.1	3,000,000

List of Investments as at 30 June 2004

	Market Value \$	30/6/04 Units Held	% of Portfolio at Market Value	30/6/03 Units Held
Australian Equities (Continued)				
<i>Diversified Telecommunications Services</i>				
Telstra Corporation Ltd	5,030,000	1,000,000	2.0	1,265,000
<i>Capital Goods</i>				
Lemvest Ltd	-	-	-	100,000
<i>Gas Utilities</i>				
Australian Gas Light Company Ltd	7,278,000	600,000	2.9	600,000
Total Australian Equities	239,313,927		96.0	
Listed Property Trusts				
AMP Industrial Trust	-	-	-	1,400,000
AMP Shopping Centre Trust	-	-	-	500,000
CFS Gandel Retail Trust	-	-	-	325,000
Deutsche Diversified Trust	-	-	-	500,000
Deutsche Industrial Trust	-	-	-	591,667
Stockland Trust Group	1,554,000	300,000	0.6	300,000
Westfield Trust	4,851,000	1,100,000	2.0	1,100,000
Total Listed Property Trusts	6,405,000		2.6	
Australian Fixed Interest Converting Preference Shares				
<i>Paper & Forest Products</i>				
CPI Group Ltd 8% Non-Cum Cnv Pref	249,000	300,000	0.1	300,000
<i>Insurance</i>				
AMP Res Pref Sec Trust 8.62% Res Cpref	-	-	-	6,500
<i>Media</i>				
Village Roadshow Ltd 'A' Class Pref	2,055,000	1,500,000	0.8	2,000,000
<i>Real Estate</i>				
Australand Holdings Ltd 8.5% Res Cpref	-	-	-	35,000
Total Australian Fixed Interest	2,304,000		0.9	
Cash & Bills of Exchange	1,165,691		0.5	
Total	249,188,618		100.0	