Diversified United Investment Limited

ABN 33 006 713 177

2005

annual

financial

report

Directory

Directors

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

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.

CONTENTS

	Page
Chairman's Report	2
Corporate Governance Statement	5
Directors' Report	8
Statement of Financial Performance	15
Statement of Financial Position	16
Statement of Cash Flows	17
Notes to the Financial Statements	18
Directors' Declaration	29
Independent Audit Report	30
Additional Information	31
List of Investments	33

Diversified United Investment Limited

ABN 33 006 713 177

FOR THE YEAR ENDED 30 JUNE 2005

CHAIRMAN'S REPORT

I am pleased to present the thirteenth Annual Report of Diversified United Investment Ltd which is for the year ended 30 June 2005.

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 $10,798,000 which is a decrease of 0.85% on the previous year or an increase of 10% if special dividends received in both periods are excluded.

The earnings per share based on weighted average number of shares on issue for the year was 10.7 cents per share, a decrease of 1.8% over the previous year (or an increase of 6% excluding special dividends).

Income earned during the year was $13,976,000 comprising $13,854,000 dividends and trust distributions, $121,000 interest and $1,000 from underwriting activities. The Company incurred operating expenses of $719,000 before interest which is equivalent to 0.25% of the average value of the portfolio.

This year, special dividends totalling $1,781,000, after tax, were received from Australian Gas Light, Macquarie Infrastructure Group, Perpetual Trustees, Telstra and Washington H Soul Pattinson & Co. In 2004, special dividends of $2,686,928 were received through the Company's participation in the Foster's and Telstra share buy backs schemes.

Leaving aside the special dividends, the year's result reflects a 20% increase in income from dividends and trust income, a decrease in interest income and higher interest expense.

Bank borrowings were $36.0 million at the end of the financial year (previous year $34.5 million) modestly gearing the portfolio by around 11%.

The net asset backing per share before estimated tax on unrealised gains and before provision for the final dividend was $2.76 at 30 June 2005, compared to $2.15 at 30 June 2004.

The year saw continued strength in Australian equities with the S&P/ASX 300 price index rising 20.8% but mixed results in world equity markets with the Dow Jones Index falling 1.5%, the Standard & Poors 500 rising 4.4% and the FTSE 100 gaining 14.5%.

The Directors have declared a fully franked final dividend of 5.0 cents per share for the year to 30 June 2005, which with the interim dividend of 3.5 cents per share fully franked makes a total fully franked dividend of 8.5 cents per share for the year. This is an increase of 13.3% over the previous year.

The final dividend will include a Listed Investment Company capital gain "attributable part" of 1¢. This will enable some shareholders to claim a tax deduction in their income tax return. Details will be provided in the dividend statement.

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

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
2004/05	8.50 cents per share

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

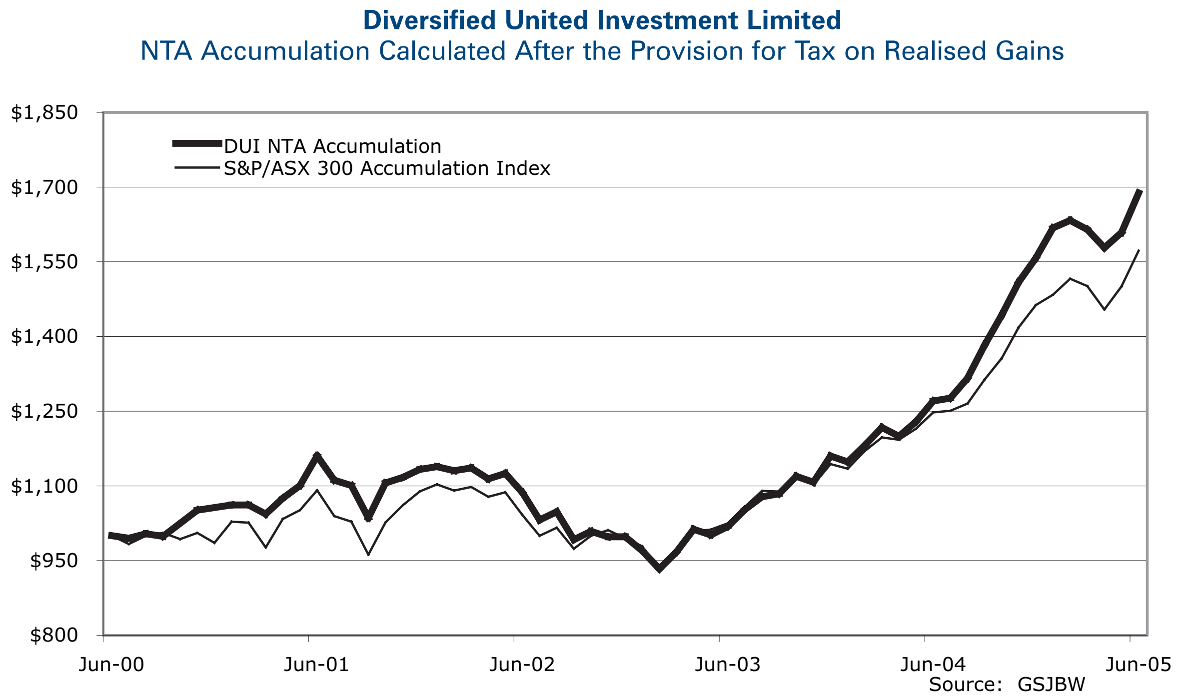
30 June 2001	$2.18
30 June 2002	$1.98
30 June 2003	$1.79
30 June 2004	$2.15
30 June 2005	$2.76

The Australian equities portfolio is mainly in leading companies and at 30 June 2005, in terms of market values, 79% of the Australian equities portfolio was in the leading 50 companies (56% in the top 20 companies and 23% in the next 30 companies), with a further 7% 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 Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	32.89	26.03
3 Years	15.82	14.71
5 Years	11.04	9.47
7 Years	13.29	11.52

The following graph 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.



	Company	Market Value $'000	% of Market Value of Total Investments
1.	Woodside Petroleum Ltd	26,325	8.4%
2.	ANZ Banking Group Ltd	21,750	6.9%
3.	Commonwealth Bank of Australia Ltd	18,975	6.0%
4.	Tabcorp Holdings Ltd	16,400	5.2%
5.	Westpac Banking Corporation Ltd	15,960	5.1%
6.	QBE Insurance Group Ltd	14,427	4.6%
7.	Alumina Ltd	13,925	4.4%
8.	Rio Tinto Ltd	13,446	4.3%
9.	National Australia Bank Ltd	12,304	3.9%
10.	BHP Billiton Ltd	12,251	3.9%
11.	Perpetual Trustees Ltd	11,486	3.6%
12.	Westfield Group	10,644	3.4%
13.	Australian Gas Light Company Ltd	8,538	2.7%
14.	Southern Cross Broadcasting (Aust) Ltd	8,470	2.7%
15.	St George Bank Ltd	7,860	2.5%
16.	WMC Resources Ltd	7,850	2.5%
17.	Transurban Group Ltd	7,450	2.4%
18.	Macquarie Communications Infrastructure Group	6,300	2.0%
19.	Suncorp Metway Ltd	6,033	1.9%
20.	Brambles Industries Ltd	5,719	1.8%
21.	Washington H. Soul Pattinson & Co Ltd	5,430	1.7%
22.	Macquarie Infrastructure Group	5,408	1.7%
23.	News Corporation Inc Class A Common CDI	5,335	1.7%
24.	CSL Ltd	5,227	1.7%
25.	Telstra Corporation Ltd	5,060	1.6%
		272,573	86.6%

The total investment portfolio including cash and bills of exchange had a market value at 30 June 2005 of $314,725,000 (2004: $249,189,000).

Charles Goode
Chairman

CORPORATE GOVERNANCE STATEMENT

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

1. Accountability and Responsibility

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

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

2. Composition

The Board currently comprises 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 for appointment and subsequent consideration by shareholders at the next Annual General Meeting.

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

4. Delegation

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

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

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

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

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

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

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

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

6. Board Committees

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

The Audit Committee has an independent Chairman and a majority of independent directors. 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 potential conflicts of interest and to refrain from involvement in Board decisions, or leave the room, during discussion of the conflicted matter. The directors and the Company Secretary are aware of the Corporations Law regarding dealing in securities in which they possess market sensitive information. The Company's net tangible asset backing per share is announced monthly to the Australian Stock Exchange and the Company has procedures to ensure compliance with Australian Stock Exchange continuous disclosure requirements.

DIRECTORS' REPORT

The directors present their report together with the financial report of Diversified United Investment Limited for the year ended 30 June 2005 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, Appointed Chairman September 1991.

Age 66

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, Appointed September 1991.

Age 73

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, MESc.(Mon), MSM (MIT), FIE (Aust).

Non-Executive Director, Appointed September 1991.

Age 47

Mr Myer is Chairman of CogState Ltd, President of the Howard Florey Institute and is a director of Coles Myer Ltd and a number of private companies.

Rupert Myer AM, B.Com (Hons) (Melb), MA Cantab

Non-Executive Director, Appointed 18 November 2002.

Age 47

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.

Company Secretary

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

Company Secretary, Appointed 23 September 1991

Age 53

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

Remuneration report

Non-executive Directors	Directors Fees		Superannuation benefits		Retirement benefits[1]		Total	
	$		$		$		$	
	2005	2004	2005	2004	2005	2004	2005	2004
Charles Goode	1,000	1,000	84,000	79,000	52,000	36,000	137,000	116,000
Graeme Moir	42,500	40,000	-	-	26,000	18,000	68,500	58,000
Martyn Myer	38,991	36,697	3,509	3,303	26,000	18,000	68,500	58,000
Rupert Myer	4,798	36,697	37,702	3,303	26,000	18,000	68,500	58,000
John Hopkins	-	18,348	-	1,652	-	93,333	-	113,333
Total	87,289	132,742	125,211	87,258	130,000	183,333	342,500	403,333

(1) Retirement benefits provided for each director during the year, except for John Hopkins in which case the benefit paid on retirement in 2004 is shown

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, fringe benefits policies and professional indemnity and liability insurance policies.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors. The Nomination and Remuneration Committee may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies and in light of Company activity and changing responsibilities. The remuneration structures are designed to attract suitably qualified candidates, and to effect the broader outcome of increasing the Company's net profit. Directors' fees are fixed and reviewed annually and the maximum total of directors' fees 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 $31,460 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 20 of the financial statements for information relating to the insurance contracts.

Each director appointed before 1 July 2003 is entitled to receive a retirement benefit set out in an agreement, the terms of which have been approved by shareholders in general meeting. Under the retirement scheme, 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.

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

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.

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 Number of Meetings		Audit Committee Meetings Number of Meetings		Nomination & Remuneration Committee Meetings Number of Meetings	
	attended	eligible	attended	eligible	attended	eligible
Charles Goode	10	10	2*	2*	1	1
Graeme Moir	10	10	2	2	1	1
Martyn Myer	9	10	2	2	1	1
Rupert Myer	9	10	2	2	0	1

** In attendance – not a Committee Member*

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 2004 of 4.75¢ per share fully franked paid on 8 October 2004	4,767
An interim dividend in respect of the year ended 30 June 2005 of 3.50¢ per share fully franked paid on 12 April 2005.	3,533
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2005 of 5.00¢ per share fully franked payable on 11 October 2005	5,066

Results and Review of Operations

For the year ended 30 June 2005 the Company earned an operating profit after tax of $10,798,000 (compared to $10,891,000 in 2004).

If special dividends received are disregarded, operating profit increased 10%. In the current year special dividends and distributions of $1,781,000 after tax were received including $546,000 from Macquarie Infrastructure Group Ltd and $600,000 from Telstra Corporation Ltd. In the previous year, special dividends of $2,687,000 were 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 $81,975,000 to $139,367,000. The net tangible asset backing of each of the Company's shares at 30 June 2005 was $2.76 (2004: $2.15). 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 provision for the final dividend. 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 $2.34 (2004: $1.90).

The Board has increased the Company's borrowings to $36.0 million which means the investment portfolio at market value is geared to the extent of around 11%.

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

	2005 $'000	2004 $'000
INCOME		
Dividends	11,077	11,553
Trust Distributions	2,777	958
Interest	121	402
Sub Underwriting Commission	1	-
Trading and Options Related Net Profits	-	19
	13,976	12,932
EXPENSES		
Operating expenses:		
Accounting & Custody Fees	117	117
Audit	40	37
Share Registry	42	43
Directors' Fees	213	220
Directors' Retirement Provision	130	90
ASX Fees	37	39
Company Secretary Fees	55	55
Insurance	35	32
Other	50	37
Borrowing Costs:		
Interest	2,147	1,485
Other	8	7
	2,874	2,162
Profit from ordinary activities before related income tax expense	11,102	10,770
Income tax expense/(benefit)	304	(121)
Profit from ordinary activities after related income tax expense	10,798	10,891

Operating expenses (excluding borrowing costs) were 0.25% of the average market value of the investment portfolio (2004: 0.30%)

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.

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 $5,775 for these services.

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

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

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

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 Note 1	SHARES Note 2
Charles B Goode	984,527	1,503,523
Graeme E Moir	100,000	-
Martyn K Myer	5,008	-
Rupert H Myer	-	49,553

Note:

1. Beneficial in own name

2. Held by an entity/related party in which the director has a relevant interest

Except as stated above, no director -

(a) has any relevant interest in shares of the Company or a related body corporate;

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

(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.

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.

Indemnification

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

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

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

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 11th day of August 2005

Signed in accordance with a resolution of the directors:

Charles Goode
Director

KPMG

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

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

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

D Pasquariello

D Pasquariello
Partner

Melbourne
11th August 2005

Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 $'000	2004 $'000
Revenue from operating activities		13,976	13,456
Revenue from the sale of long term investments		20,101	33,218
Total ordinary revenue	3	34,077	46,674
Operating expenses		(719)	(670)
Borrowing costs		(2,155)	(1,492)
Carrying value of investments sold- trading stock		-	(524)
Carrying value of investments sold- long term investments		(20,101)	(33,218)
Profit from ordinary activities before related income tax expense		11,102	10,770
Income tax expense/(benefit) relating to ordinary activities	5(a)	304	(121)
Profit from ordinary activities after related income tax expense		10,798	10,891
Net profit	1(b)(ii)	10,798	10,891
Non-owner transaction changes in equity			
Increase/(decrease) in retained earnings arising from the sale of non-current assets net of tax	17	1,849	(10,496)
Increase/(decrease) in reserves Asset revaluation reserve	16	57,392	43,493
Total changes in equity from non-owner related transactions	18	70,039	43,888
Basic earnings per share before net gains on long term investments (cents per share)	23	10.7	10.9

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

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

Statement of Financial Position as at 30 June 2005

	Note	2005 $'000	2004 $'000
CURRENT ASSETS			
Cash assets	7	3,919	1,166
Receivables	8	2,291	1,705
Other	10	24	80
TOTAL CURRENT ASSETS		6,234	2,951
NON CURRENT ASSETS			
Investments	9	310,806	248,023
Future income tax benefit	5(d)	329	322
TOTAL NON CURRENT ASSETS		311,135	248,345
TOTAL ASSETS		317,369	251,296
CURRENT LIABILITIES			
Payables	11	58	38
TOTAL CURRENT LIABILITIES		58	38
NON-CURRENT LIABILITIES			
Provision for deferred income tax	5(c)	980	405
Interest-bearing liabilities	12	36,000	34,500
Provisions	14	657	527
TOTAL NON-CURRENT LIABILITIES		37,637	35,432
TOTAL LIABILITIES		37,695	35,470
NET ASSETS		279,674	215,826
EQUITY			
Contributed equity	15	111,188	109,079
Asset revaluation reserve	16	139,367	81,975
Retained profits	17	29,119	24,772
TOTAL EQUITY	18	279,674	215,826

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

Statement of Cash Flows for the year ended 30 June 2005

	Note	2005 $'000	2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		120	420
Dividends & trust distributions received		13,273	12,237
Proceeds from the trading portfolio		-	279
Other items		2	-
Cash payments in the course of operations		(511)	(756)
Interest paid		(2,147)	(255)
Income taxes refunded		45	51
Net cash provided by operating activities	22(b)	10,782	11,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(20,491)	(55,158)
Proceeds from the sale of investments		17,152	33,218
Net cash provided by/(used in) investing activities		(3,339)	(21,940)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (excluding dividend re-investment plan)		(6,190)	(5,488)
Proceeds from drawdown of bank bills		1,500	9,500
Net cash provided by/(used in) financing activities		(4,690)	4,012
Net increase/(decrease) in cash held		2,753	(5,952)
Cash at beginning of the financial year	22(a)	1,166	7,118
Cash at the end of the financial year	22(a)	3,919	1,166

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

1. Statement of Significant Accounting Policies

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 "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.

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 virtually certain.

(ii) Capital Gains Tax

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

d) 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.

e) COMPARATIVES

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

f) 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".

g) 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 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 2004.

3. Revenue from Ordinary Activities

	2005 $'000	2004 $'000
From operating activities		
Dividends received or due and receivable	11,077	11,553
Trust distributions received or due and receivable	2,777	958
Interest received or due and receivable	121	402
Revenue from trading portfolio and options dealing	-	543
Other	1	-
	13,976	13,456
From other than operating activities		
Gross proceeds from sale of long term investments	20,101	33,218
Total revenue from ordinary activities	34,077	46,674
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	(2,147)	(1,485)
Other	(8)	(7)
Trading and options related net profits	-	19
Provision for directors' retirement benefits	(130)	(90)

4. Auditors' Remuneration

During the year KPMG, the Company's auditor, received $39,670 for audit services (2004: $36,900) and $5,775 for other services (2004: $4,125).

5. Taxation

	2005 $'000	2004 $'000
a) INCOME TAX EXPENSE		
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	3,330	3,231
Increase in income tax expense due to:		
Imputation gross up on dividends received	1,283	1,360
Decrease in income tax expense due to:		
Sundry items	(31)	(174)
Franking credits on dividends received	(4,277)	(4,535)
Income tax expense/(benefit) on operating profit	305	(118)
Under/(Over) provision prior year	(1)	(3)
Income tax expense/(benefit) attributable to operating profit	304	(121)
Income tax expense/(benefit) attributable to operating profit is made up of:		
Provision for deferred income tax	575	38
Future income tax benefit - current year	(7)	(156)
Future income tax benefit - losses utilised to offset capital gains tax	(263)	-
Under/(Over) provision prior year	(1)	(3)
	304	(121)
b) PROVISION FOR CURRENT INCOME TAX		
Movements during the year were as follows:		
Balance at the beginning of the year	(45)	(93)
Tax (paid)/refunded	45	51
Under/(Over) provision prior year	-	(3)
	-	(45)
c) PROVISION FOR DEFERRED INCOME TAX		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30%		
Balance at the beginning of the year	405	367
Other timing differences	575	38
	980	405
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	322	166
Other timing differences	7	156
	329	322

	2005 $'000	2004 $'000
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 was not virtually certain.	-	159

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

6. Dividends

Dividends recognised in the current year by the Company are:

	2005 $'000	2004 $'000
(i) 2004 final dividend of 4.75¢ per share (2003: 4.50¢) fully franked paid 8 October 2004	4,767	4,473
(ii) 2005 interim dividend of 3.50¢ per share (2004: 2.75¢) fully franked paid 12 April 2005	3,533	2,751
	8,300	7,224
Subsequent to reporting date:		
Since 30 June 2005, the directors have declared the following dividend payable on 11 October 2005:		
- Final dividend of 5.00 cents per share fully franked	5,066	4,766

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2005.

Dividend Franking Account:

The balance of the Franking Account is $6,058,672 (2004: $5,239,246) after adjusting for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends

(c) franking credits that will arise from the receipt of dividends recognised as receivables at year-end

(d) franking credits that the entity may be prevented from distributing in subsequent years

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

LIC Capital Gain Account:

The balance of the Listed Investment Company (LIC) Capital Gain Account at 30 June 2005 was $742,695 (2004: $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.

	Note	2005 $'000	2004 $'000

7. Cash Assets

Cash at bank		1	522
Units in Cash Management Trusts and Deposits at Call		3,918	644
		3,919	1,166

8. Receivables

Current			
Sundry debtors and other receivables		2,291	1,660
Prepaid income tax		-	45
		2,291	1,705

9. Investments

Non-Current			
Investments quoted on prescribed stock exchanges (at current market value)		310,806	248,023

10. Other Assets

Current			
Prepayments		24	80

11. Payables

Current			
Trade Creditors		58	38

12. Interest Bearing Liabilities

Non-Current			
Multi-option Facility - Secured		36,000	34,500

13. Financing Arrangements

The Company has access to the following lines of credit:

Total facility available			
Multi-option Facility - Secured		36,000	35,000
Facilities utilised at balance date			
Multi-option Facility - Secured		36,000	34,500

14. Provisions

Non-Current			
Provision for directors' retirement benefits	19	657	527

	Note	2005 $'000	2004 $'000

15. Contributed Equity

	Note	2005 $'000	2004 $'000
Issued and paid-up share capital			
101,320,974 (2004: 100,328,914) ordinary fully paid shares		111,188	109,079
Movements in ordinary share capital			
Balance at beginning of the year		109,079	107,343
Shares issued			
Dividend re-investment plan	(i), (ii)	2,109	1,736
		111,188	109,079

(i) In respect of the 2004 final dividend 576,409 shares were issued at $1.98 each under the dividend re-investment plan.

(ii) In respect of the 2005 interim dividend 415,651 shares were issued at $2.33 each under the dividend re-investment plan.

16. Reserves

	Note	2005 $'000	2004 $'000
Asset revaluation reserve		139,367	81,975
Movements in reserves during the year:			
Asset Revaluation Reserve			
Balance at the beginning of the financial year		81,975	38,482
Revaluation of long term investments		59,504	32,997
Add/Less transfer of (profit)/loss before tax realised on the disposal of long term investments		(2,112)	10,496
Balance at the end of the financial year		139,367	81,975

17. Retained Profits

	Note	2005 $'000	2004 $'000
Retained profits at the beginning of the year		24,772	31,601
Net profit		10,798	10,891
Increase in retained earnings arising from the sale of non-current assets		2,112	(10,496)
Tax (expense) on disposal of long term investments		(263)	-
Dividends paid or declared	6	(8,300)	(7,224)
Retained profits at the end of the year		29,119	24,772

18. Total Equity Reconciliation

	Note	2005 $'000	2004 $'000
Total equity at the beginning of year		215,826	177,426
Total changes in equity recognised in the statement of financial performance		70,039	43,888
Dividends paid		(8,300)	(7,224)
Dividends re-invested		2,109	1,736
Total equity at end of year		279,674	215,826

19. Directors' Remuneration

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

20. Related Parties

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

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.

20. Related Parties (Continued)

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 2005 to 18 June 2006.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end, 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			
	2005		2004	
	1	2	1	2
Charles B Goode	984,527	1,503,523	984,527	1,202,423
Graeme E Moir	100,000	-	62,500	-
Martyn K Myer	5,008	-	5,008	-
Rupert H Myer	-	49,553	-	47,675

1. Beneficial in own name
2. 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 Company Pty Ltd Group of Companies that includes The Myer Family Office Ltd which receives management fees from the Company. These fees were $117,000 for the year ended 30 June 2005 and $114,000 for the year ended 30 June 2004. 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.

21. 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 $42,962,626 (2004: $25,378,530).

22. 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	2005 $'000	2004 $'000
Cash at bank	7	1	522
Units in Cash Management Trusts	7	3,918	644
		3,919	1,166

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

	2005 $'000	2004 $'000
Operating profit after income tax:	10,798	10,891
Add/(less) non cash items:		
Increase/(decrease) in Tax Payable	-	48
Write (Up)/Down of Trading Portfolio	-	(124)
Net cash provided by operating activities before changes in assets and liabilities	10,798	10,815
Change in assets and liabilities:		
(Increase)/decrease in prepayments	55	1,188
(Increase)/decrease in debtors	(526)	(262)
(Increase)/decrease in future income tax benefit - current period	(7)	(156)
(Increase)/decrease in future income tax benefit - losses utilised to offset capital gains tax	(263)	-
(Increase)/decrease in current investments	-	385
Increase/(decrease) in provision for deferred income tax	575	38
Increase/(decrease) in non current provisions	130	(3)
Increase/(decrease) in creditors	20	(29)
Net cash provided by operating activities	10,782	11,976

c) FINANCING FACILITIES

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

23. Earnings Per Share

	2005	2004
Earnings used in the calculation of earnings per share before net gains on long term investments	10,798	10,891
Basic earnings per share (¢ per share)	10.7¢	10.9¢
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	100,837,366	99,891,283

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

24. 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:

	Note	Floating Interest Rate 2005 $'000	Floating Interest Rate 2004 $'000
Financial Assets			
Cash	7	3,919	1,166
Weighted average interest rate		4.81%	4.15%

Borrowings

On 15 June 2005, the Company entered a Multi-option Facility of $36,000,000 with ANZ Banking Group Ltd which expires on 2 July 2008, and of which $25,000,000 is fixed within a range rate between 5.59 – 7.00% for a period of two years and then $30,000,000 is fixed at 5.90% for one year. Remaining borrowings are at floating rates.

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.

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.

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.

25. Segment Reporting

The Company operates as an investment company in Australia.

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

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

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending 30 June 2005.

Transition management

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

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

Impacts of transition to AIFRS

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

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

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

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

(a) Taxation

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

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

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

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

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

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

The amount of the deferred tax liability to be recognised as at 1 July 2004 is $25,378,530. The amount of deferred tax liability to be recognised for the year ended 30 June 2005 is $17,584,096.

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

(b) Financial instruments

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

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

This is a change in accounting policy as revaluation increments or decrements realised on disposal of investments (net of tax) will be included in the Net Profit of the Company. Previously, these amounts were transferred directly from the Asset Revaluation Reserve to Retained Earnings.

In the year ended 30 June 2005 the impact of reclassifying gains and losses on disposal of assets, and associated tax expense, from Retained Earnings would result in an increase to Net Profit of $1,848,737.

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

Directors' Declaration

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

   (a) the financial statements and notes, set out on pages 15 to 28, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

      (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated at Melbourne this 11th day of August 2005.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

KPMG

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 (1 to 26) to the financial statements, and the directors' declaration (set our on page 29) for Diversified United Investment (the "Company") for the year ended 30 June 2005.

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

Audit approach

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

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

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 2005 and of its performance for the year ended on that date; and

   ii) Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) Other mandatory financial reporting requirements in Australia.

KPMG

KPMG

D Pasquariello
Partner

Melbourne
11th August 2005

ADDITIONAL INFORMATION

Distribution of shareholders as at 29 July 2005.

Ordinary Shares

Category Holders	Ordinary Shares		
	Units	No of Holders	%
1 – 1,000	84,586	400	0.08%
1,001 – 5,000	2,468,013	785	2.44%
5,001 – 10,000	6,116,397	825	6.04%
10,001 – 100,000	23,521,582	979	23.21%
100,001 and over	69,130,396	59	68.23%
	101,320,974	3,048	100.00%

There were 273 ordinary shareholders holding less than a marketable parcel (191 shares) at 29 July 2005.

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 and associates	15,956,371
The Ian Potter Foundation Ltd, Dundee Trading Pty Ltd and Australian United Investment Company Limited	22,137,022
Australian Foundation Investment Company Limited	10,025,168
Argo Investments Limited and Ling Nominees Pty Ltd	6,774,600

Voting Rights

At 29 July 2005 there were 3,048 holders of ordinary shares of the Company. All ordinary shares carry equal voting rights.

Top Twenty Shareholders

The number of shares held by the top twenty shareholders listed in the Company's register as at 29 July 2005 were:

Shareholder		Ordinary Shares	% Held
1.	M F Custodians Ltd	15,956,371	15.75
2.	The Ian Potter Foundation Ltd	10,090,706	9.96
3.	Australian Foundation Investment Company Ltd	10,025,168	9.89
4.	Australian United Investment Company Ltd	6,804,795	6.72
5.	Argo Investments Limited	6,659,600	6.57
6.	Dundee Trading Pty Ltd	5,241,521	5.17
7.	Beta Gamma Pty Ltd (Walsh Street Super Fund A/c)	1,137,520	1.12
8.	Mutual Trust Pty Ltd	1,117,994	1.10
9.	Mr Charles Barrington Goode	984,527	0.97
10.	Mr Richard Raymond Hinds	695,567	0.69
11.	Mr Daryl Albert Dixon & Mrs Katherine Dixon	636,488	0.63
12.	Mr James Vincent Chester Guest	472,343	0.47
13.	Mr D J Mrs E A Mead (I & J Radman Family A/c)	425,000	0.42
14.	Yelgarn Pty Ltd	405,527	0.40
15.	Questor Financial Services Ltd	380,121	0.38
16.	Primrose Properties Pty Ltd	376,911	0.37
17.	Pards Pty Ltd	322,440	0.32
18.	Chabar Pty Ltd	315,251	0.31
19.	Somoke Pty Ltd	300,239	0.30
20.	The Uniting Church in Australia Property Trust	300,000	0.30
		62,648,089	61.84

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2005 totalled $42,629 (2004:$143,990). 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 2005

Unless otherwise stated, the securities in this list are fully paid ordinary shares or stock units.

	Market Value $	30/6/05 Units Held	% of Portfolio at Market Value	30/6/04 Units Held
Australian Equities				
Oil & Gas				
Woodside Petroleum Ltd	26,325,000	900,000	8.4	900,000
Construction Material				
Boral Ltd	648,000	100,000	0.2	-
CSR Ltd	268,000	100,000	0.1	-
Containers & Packaging				
Amcor Ltd	399,320	59,600	0.1	375,000
Metals & Mining				
Alumina Ltd	13,925,000	2,500,000	4.4	1,700,000
BHP Billiton Ltd	12,251,250	675,000	3.9	600,000
Rio Tinto Ltd	13,446,000	300,000	4.3	250,000
WMC Resources Ltd	7,850,000	1,000,000	2.5	1,000,000
Machinery				
Crane Group Ltd	1,700,000	200,000	0.5	200,000
Trading Co & Distributors				
Alesco Corporation Ltd	4,416,000	600,000	1.4	605,000
Commercial Services Supplies				
Brambles Industries Ltd	5,719,000	700,000	1.8	700,000
Tempo Services Ltd	-	-	-	1,500,000
Transportation Infrastructure				
Macquarie Airports	2,685,000	750,000	0.9	750,000
Macquarie Communications Infrastructure Group	6,300,000	1,000,000	2.0	500,000
Macquarie Infrastructure Group	5,408,000	1,300,000	1.7	1,300,000
Transurban Group	7,450,000	1,000,000	2.4	1,000,000
Hotels Restaurants & Leisure				
TAB Ltd	-	-	-	1,000,000
Tabcorp Holdings Ltd	16,400,000	1,000,000	5.2	800,000

	Market Value $	30/6/05 Units Held	% of Portfolio at Market Value	30/6/04 Units Held
Media				
News Corporation Ltd (The) - Prefs	-	-	-	302,227
News Corporation Inc Class A Common CDI	5,335,000	250,000	1.7	-
Southern Cross Broadcasting (Aust) Ltd	8,470,000	700,000	2.7	700,000
Village Roadshow Ltd 'A' Class Pref	2,992,500	1,500,000	0.9	1,500,000
Food & Drug Retailing				
AWB Ltd	-	-	-	300,000
Foodland Associated Ltd	2,715,000	100,000	0.9	400,000
Beverages				
Foster's Group Ltd	3,724,000	700,000	1.2	900,000
Health Care Equipment & Supplies				
Compumedics Ltd	-	-	-	1,000,000
Health Care Providers & Services				
Ramsay Health Care Ltd	664,500	75,000	0.2	-
Biotechnology				
CSL Ltd	5,226,600	155,000	1.7	155,000
Banks				
ANZ Banking Group Ltd	21,750,000	1,000,000	6.9	1,000,000
Commonwealth Bank of Australia Ltd	18,975,000	500,000	6.0	500,000
National Australia Bank Ltd	12,304,000	400,000	3.9	400,000
St George Bank Ltd	7,860,000	300,000	2.5	250,000
Westpac Banking Corporation Ltd	15,960,000	800,000	5.1	800,000
Diversified Financials				
OFM Investment Group Ltd	-	-	-	248,000
Perpetual Trustees Australia Ltd	11,486,000	200,000	3.6	200,000
Suncorp-Metway Ltd	6,033,000	300,000	1.9	300,000
Washington H Soul Pattinson & Company Ltd	5,430,000	600,000	1.7	600,000
Insurance				
AXA Asia Pacific Holdings Ltd	3,942,000	900,000	1.2	500,000
IOOF Holdings Ltd	3,330,000	500,000	1.1	300,000
QBE Insurance Group Ltd	14,427,000	900,000	4.6	900,000

	Market Value $	30/6/05 Units Held	% of Portfolio at Market Value	30/6/04 Units Held
Real Estate				
Australand Property Group	4,830,000	3,500,000	1.5	3,500,000
Stockland Trust Group	1,656,000	300,000	0.5	300,000
Westfield Group Ltd	10,644,000	600,000	3.4	-
Westfield Holdings Ltd	-	-	-	200,000
Westfield Trust	-	-	-	1,100,000
Electronic Equipment				
Vision Systems Ltd	2,800,000	2,500,000	0.9	3,000,000
Diversified Telecommunications Services				
Telstra Corporation Ltd	5,060,000	1,000,000	1.6	1,000,000
Gas Utilities				
Alinta Ltd	1,462,500	150,000	0.5	-
Australian Gas Light Company Ltd	8,538,000	600,000	2.7	600,000
Total Australian Equities	310,805,670		98.7	
Australian Fixed Interest Converting Preference Shares				
Paper & Forest Products				
CPI Group Ltd 8% Non-Cum Cnv Pref	-	-	-	300,000
Total Australian Fixed Interest	-		-	
Cash & Bills of Exchange	3,918,661		1.3	
Total	314,724,331		100.0	

This page has been left intentionally blank.

2005

annual financial report