

**Diversified United
Investment Limited**

ACN 006 713 177

**Annual
Financial
Report 2007**

Directory

Directors

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

Company Secretary

Andrew J Hancock FCA

Principal Office

Level 4
45 Exhibition Street
Melbourne VIC 3000
Telephone: (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
147 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 Limited
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Telephone: 1300 850 505 or (613) 9415 5000
Fax: (613) 9473 2500
Website: www.computershare.com

Stock Exchange

The Company is listed on the Australian Securities Exchange Ltd.
ASX Code: DUI

Diversified United Investment Limited

CONTENTS

	Page
Chairman's Report	2
Corporate Governance Statement	6
Directors' Report	9
Lead Auditor's Independence Declaration	15
Income Statement	16
Balance Sheet	17
Statement of Changes in Equity	18
Statement of Cash Flows	19
Notes to the Financial Statements	20
Directors' Declaration	31
Independent Audit Report	32
Additional Information	34
List of Investments	36

Chairman's Report

I am pleased to present the fifteenth Annual Report of Diversified United Investment Ltd which is for the year ended 30 June 2007.

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 \$16,685,000 which is an increase of 28% on the previous year or an increase of 34% if special dividends received in both periods are excluded. The increase in operating profit includes additional income earned from the investment of \$55,190,000 raised in May 2006 through a one for five rights issue.

The operating earnings per share based on the weighted average number of shares on issue for the year was 13.6 cents per share (12.8 cents excluding the special dividends) compared to 12.1 cents for the year to 30 June 2006 (10.9 cents excluding special dividends).

Including realised investment gains and special dividends, earnings per share were 18.6 cents (previously 15.5 cents).

Income earned during the year was \$20,347,000 comprising \$20,184,000 dividends and trust distributions and \$163,000 interest. The Company incurred operating expenses of \$836,000 before interest which is equivalent to 0.17% of the average value of the portfolio.

This year, special dividends totalling \$891,000, after tax, were received from Perpetual Trustees, Brambles, Alinta, AGL, Washington H Soul Pattinson & Co, DCA Group and Macquarie Equities. In 2006, special dividends of \$1,300,000, after tax were received from Australand, CSL, IOOF, Perpetual Trustees, Washington H Soul Pattinson & Co, Suncorp Metway, Telstra, Village Roadshow and Rio Tinto.

Leaving aside the special dividends, the year's result reflects a 37% increase in income from dividends and trust income, a 63% decrease in interest income and 44% higher interest expense.

Bank borrowings were \$73 million at the end of the financial year (previous year \$25 million) amounting to around 12% of the investment portfolio at market values. Annual interest expense was covered six times by investment revenue.

The net asset backing per share before estimated tax on unrealised gains and before provision for the final dividend was \$4.16 at 30 June 2007, compared to \$3.32 at 30 June 2006.

The year saw continued strength in world equities with the Australian S&P/ASX 300 price index rising 24%, the Dow Jones Index rising 20%, the Standard & Poors 500 rising 18%, the FTSE 100 gaining 13% and the Nikkei-225 rising 17%.

The Directors have declared a fully franked final dividend of 6.5¢ per share for the year to 30 June 2007, which with the interim dividend of 5.5¢ per share fully franked makes a total fully franked dividend of 12.0¢ per share for the year. This is an increase of 26% over the previous year.

Chairman's Report

continued

The final dividend will include a Listed Investment Company capital gain dividend of 0.7¢ per share. This will enable some shareholders to claim a tax deduction in their income tax return. Details will be provided on the dividend statement. The ability of the Company to pay LIC dividends is dependent on a number of factors including gains released from time to time on the long term investment portfolio.

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

2002/03	7.0 cents per share
2003/04	7.5 cents per share
2004/05	8.5 cents per share
2005/06	9.5 cents per share
2006/07	12.0 cents per share

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

30 June 2003	\$1.79
30 June 2004	\$2.15
30 June 2005	\$2.76
30 June 2006	\$3.32 (after one for five rights issue at \$2.70, May 2006).
30 June 2007	\$4.16

The Australian equities portfolio is mainly in leading companies and at 30 June 2007 in terms of market values, 81% of the Australian equities portfolio was in the leading 50 companies (63% in the top 20 companies and 18% in the next 30 companies), with a further 6% invested in the second 50 companies and 13% invested in companies other than the largest 100 companies.

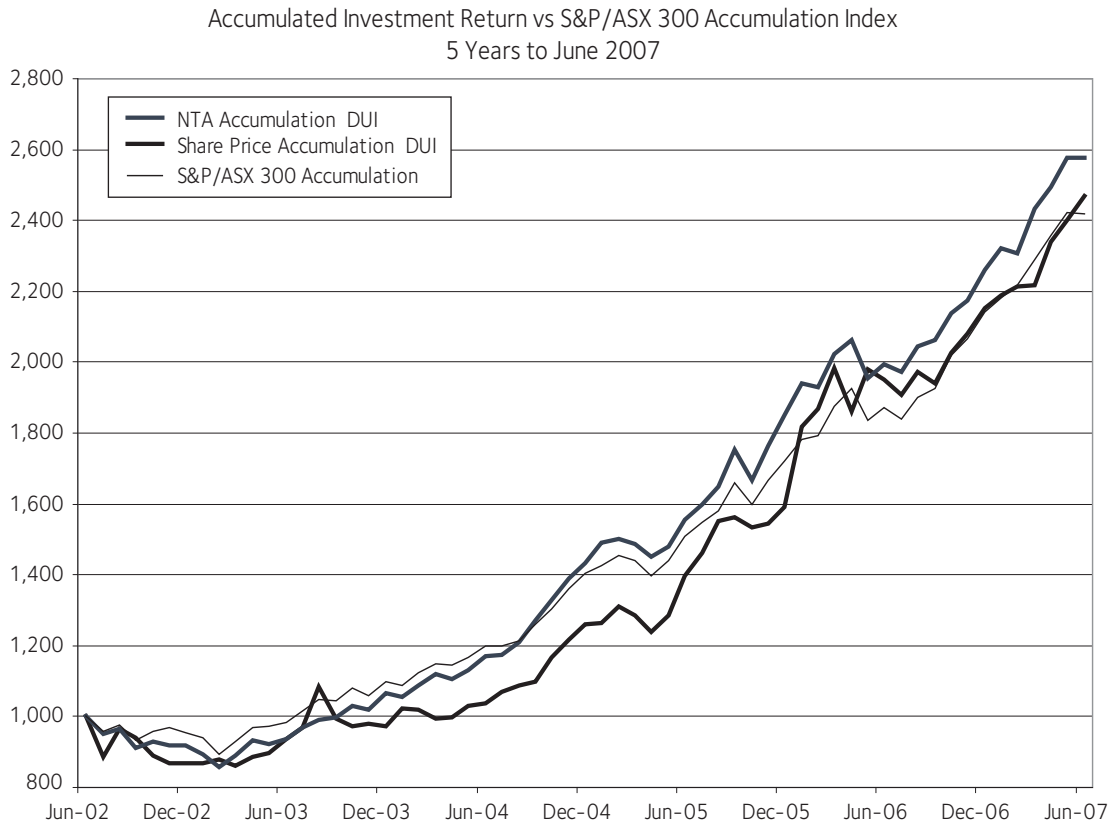
The Company's net asset backing accumulation performance in recent years (assuming all dividends were re-invested) is as follows:

	DUI Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	29.1	29.2
3 Years	30.1	26.4
5 Years	20.8	19.3

Chairman's Report

continued

The following graph shows the accumulation performance of the Company's net asset backing (before provision for tax on unrealized gains) assuming all dividends were re-invested, as compared to the S&P/ASX 300 Accumulation Index over the last five years.



Source: Goldman Sachs JB Were

Chairman's Report

continued

Company	Market Value \$'000	% of Market Value of Total Investments
1. BHP Billiton Ltd	52,545	9.0%
2. Woodside Petroleum Ltd	45,750	7.8%
3. Rio Tinto Ltd	34,576	5.9%
4. QBE Insurance Group Ltd	31,200	5.4%
5. ANZ Banking Group Ltd	28,990	5.0%
6. Commonwealth Bank of Australia Ltd	27,625	4.7%
7. Alumina Ltd	25,317	4.3%
8. Westfield Group	23,952	4.1%
9. Westpac Banking Corporation Ltd	20,528	3.5%
10. National Australia Bank Ltd	18,459	3.2%
11. Tabcorp Holdings Ltd	17,150	2.9%
12. Perpetual Trustees Ltd	15,702	2.7%
13. CSL Ltd	13,640	2.3%
14. Suncorp Metway Ltd	13,615	2.3%
15. Brambles Ltd	12,180	2.1%
16. St George Bank Ltd	12,046	2.1%
17. Southern Cross Broadcasting (Aust) Ltd	11,200	1.9%
18. Woolworths Ltd	10,800	1.9%
19. Transurban Group Ltd	10,413	1.8%
20. AGL Energy Ltd	9,860	1.7%
21. Coles Group Ltd	9,672	1.7%
22. Alesco Corporation Ltd	8,310	1.4%
23. Publishing & Broadcasting Ltd	7,840	1.3%
24. Alinta Ltd	7,610	1.3%
25. News Corporation Inc Class A Common CDI	7,527	1.3%
	476,507	81.6%

Total Investments at Market Value and Cash **583,451**

The total investment portfolio including cash and bills of exchange had a market value at 30 June 2007 of \$583,451,000 (2006: \$431,743,000).



Charles Goode
Chairman

Corporate Governance Statement

The Company has adopted corporate governance principles in accordance with the Australian Securities 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 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 Securities 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.

Corporate Governance Statement

continued

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.

Previously each director appointed before 1 July 2003 was entitled to receive a retirement benefit set out in an agreement, the terms of which were approved by shareholders in Annual General Meeting. Fees for directors appointed after that date took into account the absence of a retirement agreement. Shareholder approval was granted at the 2006 Annual General Meeting to terminate the Directors Retirement Agreements and give Directors the alternative of converting accrued entitlements to either an equivalent cash benefit on retirement, with interest, or the Company's shares (to be held under a Share Plan until retirement). Directors' fees paid thereafter have been adjusted in line with market practice and independent advice.

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, The Myer Family Company 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 Securities Exchange Corporate Governance Council's "Best Practice Recommendations" and Australian Securities 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.

Corporate Governance Statement

continued

7. Disclosure Procedures

The Company has established procedures to ensure compliance with the Australian Securities 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 Securities Exchange and the Company has procedures to ensure compliance with Australian Securities Exchange continuous disclosure requirements.

Directors' Report

The directors present their report together with the financial report of Diversified United Investment Limited for the financial year ended 30 June 2007 and the auditors' report thereon.

Directors

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

Charles Goode AC, B.Com (Hons) (Melb), MBA (Columbia), Hon LLD (Melb), Hon LLD (Mon).
Non-Executive Chairman
Age 68
Appointed Chairman September 1991.

Mr Goode is the Chairman of the Boards of Australia and New Zealand Banking Group Limited (director since 1991), Australian United Investment Company Limited (since 1990) and The Ian Potter Foundation Limited (governor since 1987).

Since the end of the financial year Mr Goode has resigned as director of Woodside Petroleum Limited

Graeme Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.
Non-Executive Director
Age 75
Appointed September 1991.

Mr Moir is the principal of the investment management firm Moir's Investment Service Pty Ltd (since 1965), and is a director of Graeme Moir and Associates Pty Ltd (since 1965), and Australian United Investment Company Limited (since 1976). He is Chairman of the Company's Audit Committee.

Martyn Myer B.Eng, MEng.(Mon), MSM (MIT), FIE (Aust).
Non-Executive Director
Age 49
Appointed September 1991.

Mr Myer is Chairman of CogState Limited (director since 1999), Vice President of The Myer Foundation (director since 2004), and is a director of SP AusNet Group (since 2005), the Florey Neuroscience Institutes (since 2007) and a number of private companies.

During the year Mr Myer resigned as director of Coles Group Ltd.

Rupert Myer AM, B.Com (Hons) (Melb), MA Cantab.
Non-Executive Director
Age 49
Appointed 18 November 2002.

Mr Myer is Chairman of The Myer Family Company Pty Ltd (director since 1991), the National Gallery of Australia (Council member since 2003), and is a director of AMCIL Limited (since 2000), The Myer Foundation (since 1992) and of Myer Pty Ltd (since 2006).

Directors' Report

continued

Company Secretary

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

Company Secretary

Age 55

Appointed 23 September 1991.

Mr Hancock is also Company Secretary of Australian United Investment Company Ltd (since 1995), has served as Chairman and is currently Secretary of the Australian Listed Investment Companies Association and is Chairman or a director of a number of private investment companies.

Principal Activity

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

For the year ended 30 June 2007 the Company earned an operating profit after tax before net realised gains on the investment portfolio of \$16,685,000 (compared to \$13,082,000 in 2006) – an increase of 28%.

If special dividends received are disregarded, operating profit before net realised gains on investment portfolio increased 34%. The operating profit after tax includes \$891,000 of special dividends and distributions received. In 2006, the operating profit after tax included \$1,300,000 of special dividends and distributions received.

The basic and diluted earnings per share before net realised gains on investment portfolio and special dividends was 12.8 cents compared to 10.9 cents for the previous year (adjusted for the bonus element in the May 2006 rights issue).

Net realised gains on the investment portfolio for the period include non-cash scrip based deemed sales arising from the scheme of arrangement affecting our holdings in Alinta Ltd and Australian Gas Light Company.

During the year the unrealised gain in the value of listed non-current assets after provision for tax increased from \$137,900,000 to \$202,160,000. The net tangible asset backing of each of the Company's shares at 30 June 2007 was \$4.16 (2006: \$3.32). This net tangible asset backing calculation is based on investments at market value and is after provision for tax on net realised gains, before tax on unrealised gains and before the final dividend. The Company is a long-term investor and does not intend disposing of its total portfolio. If however estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing per share would be \$3.41 (2006: \$2.81).

Borrowings as at 30 June 2007 were \$73.0 million (2006: \$25.0 million) amounting to around 12.5% of the investment portfolio at market values (2006: 6%).

Directors' Report

continued

The composition of the operating profit after income tax and before net realised gains was as follows:

	2007 \$'000	2006 \$'000
REVENUE FROM INVESTMENT PORTFOLIO		
Dividends	16,262	12,919
Trust Distributions	3,922	2,462
Interest	163	442
	20,347	15,823
EXPENSES		
Administration and other expenses:		
Accounting and Custody Fees	127	121
Audit	39	38
Share Registry	53	44
Directors' Fees	277	220
Directors' Retirement Provision	125	209
ASX Fees	52	40
Company Secretary Fees	60	57
Insurance	33	32
Other	70	57
Finance Costs:		
Interest	3,188	2,213
	4,024	3,031
Operating profit before income tax expense and net realised gains on investment portfolio	16,323	12,792
Income tax (expense)/benefit	362	290
Net operating profit before net realised gains on investment portfolio	16,685	13,082

Expenses (excluding finance costs) were 0.17% of the average market value of the investment portfolio (2006: 0.22%)

Dividends

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

Paid or declared during the year	\$'000
A final dividend in respect of the year ended 30 June 2006 of 5.5¢ per share fully franked paid on 16 October 2006	5,622
An interim dividend in respect of the year ended 30 June 2007 of 5.5¢ per share fully franked paid on 12 April 2007.	6,770
A final dividend in respect of the year ended 30 June 2007 of 6.5¢ per share fully franked payable on 15 October 2007	8,025

Directors' Report

continued

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	10	10	2*	2*	2	2
Graeme Moir	10	10	2	2	2	2
Martyn Myer	10	10	2	2	2	2
Rupert Myer	10	10	2	2	2	2

* In attendance – not a Committee Member

Directors' Interests

As at the date of this report the relevant interest of each director in the issued capital of the Company as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001 is as follows:-

	SHARES		
	1	2	3
Charles Goode	1,183,590	1,914,368	140,000
Graeme Moir	130,000	-	70,000
Martyn Myer	6,010	20,000	70,000
Rupert Myer	216	112,232	14,000

Note:

- Beneficial in own name
- Held by an entity/related party in which the director has a relevant interest
- Held for the director in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan

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.

Directors' Report

continued

Remuneration Report (audited)

Non-executive Directors	Directors' Fees ⁽¹⁾		Retirement benefits		Total	
	\$		\$		\$	
	2007	2006	2007	2006	2007	2006
Charles Goode	110,800	88,000	60,939	83,467	171,739	171,467
Graeme Moir	55,400	44,000	30,469	41,733	85,869	85,733
Martyn Myer	55,400	44,000	30,469	41,733	85,869	85,733
Rupert Myer	55,400	44,000	3,161	41,733	58,561	85,733
Total	277,000	220,000	125,038	208,666	402,038	428,666

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

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 \$33,348 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 17 of the financial statements for information relating to the insurance contracts.

In accordance with the restructure of directors' remuneration which was approved at the Company's annual general meeting on 12 October 2006, the following shares have been purchased for the directors and are held for each director in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan:

Charles Goode	140,000
Graeme Moir	70,000
Martyn Myer	70,000
Rupert Myer	14,000

The Company Secretary, Mr Andrew J Hancock, received \$59,770 (2006: \$56,925) for services provided to the Company.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years, except that the market value of the investment portfolio moves broadly in line with the overall Australian share market and the Australian All Ordinaries index fell 8.1% from 30 June 2007 to 15 August 2007.

Directors' Report

continued

Non-audit Services

During the year KPMG, the Company's auditor, has provided taxation services in addition to their statutory duties. They received fees of \$6,325 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 APES 110 Code of Ethics for Professional Accountants, 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.

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.

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 17 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 15 and forms part of the Directors' Report for the year ended 30 June 2007.

Rounding Of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Melbourne this 16th day of August 2007

Signed in accordance with a resolution of the directors:



Charles Goode
Director

Lead Auditor's Independence Declaration

*under Section 307C of the Corporations Act 2001 to the directors of
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 2007 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

Mitch Craig

Mitch Craig

Partner

Melbourne

16 August 2007

Income Statement

for the Year Ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Revenue from investment portfolio	2	20,347	15,823
Administration and other expenses		(836)	(818)
Finance expenses	2	(3,188)	(2,213)
Operating profit before income tax expense and net realised gains on investment portfolio		16,323	12,792
Income tax benefit *	4(a)	362	290
Net operating profit before net realised gains on investment portfolio		16,685	13,082
Net realised gains on investment portfolio transferred from revaluation reserve		9,103	5,451
Income tax expense thereon*	4(a)	(2,925)	(1,769)
		6,178	3,682
Profit for the year		22,863	16,764
Basic and diluted earnings per share (cents)	19	18.6	15.5
Basic and diluted operating earnings per share (cents) before net realised gains on investment portfolio are shown in Note 19.			
* Total income tax (expense)/benefit	4(a)	(2,563)	(1,479)

Balance Sheet

as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
CURRENT ASSETS			
Cash assets	6	1,026	8,523
Receivables	7	2,883	2,678
Other	9	30	31
TOTAL CURRENT ASSETS		3,939	11,232
NON-CURRENT ASSETS			
Investment portfolio	8	582,425	423,220
Deferred tax assets	4(b)	269	260
TOTAL NON-CURRENT ASSETS		582,694	423,480
TOTAL ASSETS		586,633	434,712
CURRENT LIABILITIES			
Current tax liability	4(a)	-	1,389
Payables	10	98	59
TOTAL CURRENT LIABILITIES		98	1,448
NON-CURRENT LIABILITIES			
Borrowings – interest bearing	11	72,766	24,960
Deferred tax liability	4(b)	92,927	62,907
Employee benefits	13	-	866
TOTAL NON-CURRENT LIABILITIES		165,693	88,733
TOTAL LIABILITIES		165,791	90,181
NET ASSETS		420,842	344,531
EQUITY			
Issued capital	14(a)	171,647	168,912
Revaluation reserve	14(b)	202,160	137,900
Realisation reserve	14(b)	15,101	14,167
Retained earnings	14(b)	31,934	23,552
TOTAL EQUITY		420,842	344,531

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 20 to 30.

Statement of Changes in Equity

for the Year Ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Total equity at the beginning of the year		344,531	236,711
Revaluation of investment portfolio	14(b)	99,682	66,870
Net realised gains on investment portfolio after tax transferred to income statement		(6,178)	(3,682)
Provision for tax on unrealised gains	14(b)	(30,399)	(20,712)
Total direct equity adjustments		63,105	42,476
Profit for the year		22,863	16,764
Total direct equity adjustments and profit for the year		85,968	59,240
Transactions with shareholders			
Dividend reinvestment plan	14(b)	2,740	2,627
Dividends paid from retained earnings	14(b)	(8,303)	(8,131)
Dividends paid from realisation reserve	14(b)	(4,089)	(1,013)
Rights issue net of costs	14(a)	(5)	55,097
		(9,657)	48,580
Total equity at the end of the year		420,842	344,531

Statement of Cash Flows

for the Year Ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Cash flows from operating activities			
Interest received		163	443
Dividends and trust distributions received		19,938	14,940
Administration and other expenses paid		(1,658)	(620)
Finance costs paid		(3,345)	(2,290)
Income taxes paid		(1,416)	-
Net cash from operating activities	18(b)	13,682	12,473
Cash flows from investing activities			
Proceeds from sale of investments		10,624	19,384
Purchases of investments		(70,146)	(64,833)
Net cash from investing activities		(59,522)	(45,449)
Cash flows from financing activities			
Proceeds from rights issue net of costs		(5)	55,097
Dividends paid		(9,652)	(6,517)
Cash proceeds from borrowings		48,000	22,000
Cash repayments of borrowings		-	(33,000)
Net cash from financing activities		38,343	37,580
Net increase/(decrease) in cash held		(7,497)	4,604
Cash and cash equivalents at 1 July	18(a)	8,523	3,919
Cash and cash equivalents at 30 June	18(a)	1,026	8,523

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 20 to 30.

Notes to the Financial Statements

for the Year Ended 30 June 2007

1. Statement of significant accounting policies

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

The financial report was authorised for issue by the directors on 16 August 2007.

(a) Statement of compliance

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

(b) Basis of preparation

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

The Company has elected to early adopt the following accounting standards and amendments:

AASB 8 Operating Segments, and

AASB 101 Presentation of Financial Statements (October 2006), and

ED 151 Australian Additions to, and Deletions from, IFRSs.

The following accounting standard has not been early adopted by the Company in these financial statements; *AASB 7 Financial Instruments: Disclosures*.

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

(c) Investments

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

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

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

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

(d) Revenue from investment portfolio

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 in the income statement at ex-dividend date and all other income is recognised on an accruals basis.

Notes to the Financial Statements

for the Year Ended 30 June 2007 (continued)

1. Statement of significant accounting policies (continued)

(e) Taxation

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

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

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

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

(f) Interest bearing borrowings

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

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

(g) Provision for directors' retirement

In accordance with the restructure of Directors remuneration which was approved at the Company's Annual General Meeting on 12 October 2006, the Directors entitlement to retirement benefits ceased on 31 October 2006.

The resolution provided that directors who had accrued retirement benefits as at 31 October 2006 would be entitled to receive on retirement either a cash payment or shares in satisfaction of their accrued entitlement.

All Directors elected to receive shares in the Company on retirement as compensation for their entitlement and in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan.

Notes to the Financial Statements

for the Year Ended 30 June 2007 (continued)

	2007 \$'000	2006 \$'000
2. Revenue and Expenses		
(a) Revenue		
Dividends received or due and receivable	16,262	12,919
Trust distributions received or due and receivable	3,922	2,462
Interest received or due and receivable	163	442
	20,347	15,823
(b) Expenses		
Finance expenses:		
- Interest	3,188	2,213
Provision for directors' retirement benefits	125	209
3. Auditor's Remuneration		
During the year KPMG, the Company's auditor, received \$39,380 for the audit and review of financial reports (2006: \$38,280), and \$6,325 for taxation related services (2006: \$4,675).		
4. Taxation		
(a) Income Tax Expense		
(i) Recognised in the income statement		
Current tax expense		
Current Year	-	1,389
Adjustments for prior years	27	21
	27	1,410
Deferred Tax Expense		
Tax deferred through CGT rollover relief	2,554	-
Temporary differences	(18)	69
	2,536	69
Total income tax expense/(benefit) in income statement	2,563	1,479
(ii) Reconciliation between tax expense and pre-tax net profit		
Prima facie tax expense calculated at 30% on the profit for the year	7,628	5,473
Increase in tax expense due to:		
Franking/ foreign tax credits gross up on dividends received	1,970	1,556
Sundry items	113	263
Decrease in tax expense due to:		
Tax deferred distributions received	(609)	(516)
Effect of tax losses utilised	-	(132)
Franking/ foreign tax credits on dividends received	(6,566)	(5,186)
Tax expense/(benefit) on operating profit	2,536	1,458
Under/(Over) provision prior year	27	21
Tax expense/(benefit) attributable to Profit for the year	2,563	1,479
(iii) Deferred tax liability recognised directly in equity		
Increase in provision for tax on unrealised gains on investment portfolio	30,399	20,712

Notes to the Financial Statements

for the Year Ended 30 June 2007 (continued)

4. Taxation (continued)

(b) Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revaluation reserve – Provision for tax on unrealised gains on investment portfolio	-	-	(92,915)	(62,886)
Other	-	-	(12)	(21)
Provision for directors retirement	-	260	-	-
Value of tax loss carried forward*	269	-	-	-
Tax assets/(liabilities)	269	260	(92,927)	(62,907)
Net tax assets/(liabilities)	269	260	(92,927)	(62,907)

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

	2007 \$'000	2006 \$'000
5. Dividends		
Dividends recognised in the current year by the Company are:		
(i) 2006 final dividend of 5.5¢ per share (2005: 5¢) fully franked paid 16 October 2006	5,622	5,068
(ii) 2007 interim dividend of 5.5¢ per share (2006: 4¢) fully franked paid 12 April 2007	6,770	4,076
	12,392	9,144
Subsequent to reporting date:		
Since 30 June 2007, the directors have declared the following dividend payable on 15 October 2007:		
- Final dividend of 6.5 cents per share fully franked	8,025	5,622

The final dividend will contain a Listed Investment Company capital gain dividend of 0.7 cents per share (2006: 4.0 cents per share).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2007.

Dividend Franking Account:

The balance of the Franking Account at 30 June 2007 is \$12,505,624 (2006: \$11,051,255) after adjusting for:

- (a) franking credits that will arise from the current income tax liability;
- (b) franking credits that will arise from the receipt of dividends recognised as receivables at year-end;
- (c) franking credits that the entity may be prevented from distributing in subsequent years (nil at 30 June 2007).

After allowing for the final 2007 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$9,066,462 (2006: \$8,641,713).

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 2007 was \$906,435 (2006: \$4,160,421). When distributed, LIC capital gains may entitle certain shareholders to a special deduction in their taxation return, as set out in the relevant dividend statement. After allowing for the final dividend the balance of the LIC Capital Gain Account at 30 June 2007 would be \$42,235.

Notes to the Financial Statements

for the Year Ended 30 June 2007 (continued)

	Note	2007 \$'000	2006 \$'000
6. Cash Assets			
Cash at bank		221	221
Units in Cash Management Trusts and Deposits at Call		805	8,302
		1,026	8,523
7. Receivables			
<i>Current</i>			
Sundry debtors and other receivables		2,883	2,678
8. Investments			
<i>Non-Current</i>			
Investments quoted on prescribed stock exchanges (at fair value)		582,425	423,220
9. Other Assets			
<i>Current</i>			
Prepayments		30	31
10. Payables			
<i>Current</i>			
Trade Creditors		98	59
11. Interest Bearing Liabilities			
<i>Non-Current</i>			
Multi-option Facility – Secured	20	72,766	24,960
The face value of the drawn facility is \$73 million (2006: \$25 million). The amount disclosed above is net of prepaid interest.			
12. Financing Arrangements			
The Company has access to the following lines of credit:			
<i>Total facility available</i>			
Multi-option Facility – Secured		73,000	36,000
Interest Rate Swap Facility – Secured		2,000	-
		75,000	36,000
<i>Facilities utilised at balance date</i>			
Multi-option Facility – Secured		73,000	25,000

Notes to the Financial Statements

for the Year Ended 30 June 2007 (continued)

	Note	2007 \$'000	2006 \$'000
13. Employee Benefits			
<i>Non-Current</i>			
Provision for directors' retirement benefits	15	-	866
14. Capital and Reserves			
(a) Issued Capital			
Issued and paid-up share capital 123,457,107 ordinary fully paid shares (2006: 122,660,900)		171,647	168,912
Movements in issued capital			
Balance at beginning of the year		168,912	111,188
Shares issued			
- Dividend re-investment plan (i) (ii)		2,740	2,627
- Rights issue (iii)		-	55,199
- Rights issue capitalised costs		(5)	(102)
		171,647	168,912

(i) In respect of the 2006 final dividend, 373,655 shares were issued at \$3.30 each under the dividend re-investment plan.

(ii) In respect of the 2007 interim dividend, 422,552 shares were issued at \$3.57 each under the dividend re-investment plan.

(iii) In respect of the 2006 rights issue on 17 May 2006, 20,444,001 shares were issued at \$2.70 each. The new ordinary shares did not rank for any dividends in respect of the financial year to 30 June 2006. The new ordinary shares ranked for dividends paid after the 2006 final dividend. Therefore, the first dividend received on the new ordinary shares was the interim dividend for 2007, paid in April 2007. The new ordinary shares otherwise ranked equally with existing shares.

Notes to the Financial Statements

for the Year Ended 30 June 2007 (continued)

14. Capital and Reserves (continued)

(b) Reconciliation of movements in capital and reserves

	Issued Capital (\$'000)	Revaluation Reserve (\$'000)	Realisation Reserve (\$'000)	Retained Earnings (\$'000)	Total Equity (\$'000)
Balance at 1 July 2005	111,188	95,424	-	30,099	236,711
Revaluation of investment portfolio	-	66,870	-	-	66,870
Provision for tax on unrealised gains	-	(20,712)	-	-	(20,712)
Net realised gains on investment portfolio	-	(5,451)	-	5,451	-
Income tax on net realised gains	-	1,769	-	(1,769)	-
Net operating profit for the period	-	-	-	13,082	13,082
Rights issue	55,097	-	-	-	55,097
Dividend reinvestment plan	2,627	-	-	-	2,627
Dividends paid	-	-	(1,013)	(8,131)	(9,144)
Realised gains transferred after tax - prior years (i)	-	-	11,498	(11,498)	-
Realised gains transferred after tax - current period	-	-	3,682	(3,682)	-
Balance at 30 June 2006	168,912	137,900	14,167	23,552	344,531
Balance at 1 July 2006	168,912	137,900	14,167	23,552	344,531
Revaluation of investment portfolio	-	99,682	-	-	99,682
Provision for tax on unrealised gains	-	(30,399)	-	-	(30,399)
Net realised gains on investment portfolio	-	(9,103)	-	9,103	-
Income tax on net realised gains	-	2,925	-	(2,925)	-
Transfer of tax relating to previously recognised gains	-	1,155	(1,155)	-	-
Net operating profit for the period	-	-	-	16,685	16,685
Rights issue capitalised costs	(5)	-	-	-	(5)
Dividend reinvestment plan	2,740	-	-	-	2,740
Dividends paid	-	-	(4,089)	(8,303)	(12,392)
Realised gains transferred after tax	-	-	6,178	(6,178)	-
Balance at 30 June 2007	171,647	202,160	15,101	31,934	420,842

(i) The Company established a Realisation Reserve as at 1 July 2005 to which all capital profits (net of income tax) since inception have been transferred from retained profits.

Notes to the Financial Statements

for the Year Ended 30 June 2007 (continued)

15. Directors' Remuneration

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

16. Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 30 June 2007 with the exception of the final call payable on the Telstra Corporation Limited Instalment Receipts. Based on the Company's current holding of 2,000,000 instalment receipts, the Company expects to pay \$3,200,000 in May 2008 if the instalment receipts are held at that time.

17. 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.

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 2007 to 18 June 2008.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no other material contracts involving directors' interests existing at year end.

Directors' holdings of shares

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

Directors	Held at 1/7/06	Purchases	Acquired and held under the Directors' Share Plan	Sales	Held at 30/6/07
Charles Goode	3,040,926	57,032	140,000	-	3,237,958
Graeme Moir	120,000	10,000	70,000	-	200,000
Martyn Myer	6,010	20,000	70,000	-	96,010
Rupert Myer	61,287	21,948	14,000	-	97,235

Directors' transactions in shares

The movements in directors' holdings of ordinary shares resulted from the issue of shares under the Company's dividend reinvestment plan which were made on the same terms and conditions offered to other shareholders, shares acquired in accordance with the restructure of directors remuneration as set out in note 1(g), and/or purchases on the open market.

Notes to the Financial Statements

for the Year Ended 30 June 2007 (continued)

17. Related Parties (continued)

Other

During the year the Company paid management fees to The Myer Family Office Ltd of which Mr R H Myer is a director. 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.

	2007 \$'000	2006 \$'000
18. 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:		
Cash at bank	221	221
Units in Cash Management Trusts and Deposits at Call	805	8,302
	1,026	8,523
(b) Reconciliation of operating profit after income tax to net cash provided by operating activities		
Profit for the year	22,863	16,764
Add/(less) net realised capital gains	(6,178)	(3,682)
Net cash provided by operating activities before changes in assets and liabilities	16,685	13,082
Adjustments for:		
(Increase)/decrease in prepayments	1	(7)
(Increase)/decrease in debtors	(205)	(446)
(Increase)/decrease in deferred tax asset- current period	(380)	69
Increase / (decrease) in current tax	(1,389)	(380)
(Increase)/decrease in prepaid interest (on bills payable)	(195)	(40)
Increase / (decrease) in deferred tax liability	(8)	21
Non cash dividend received	-	(36)
Increase/(decrease) in non current provisions	(866)	209
Increase/(decrease) in creditors	39	1
Net cash provided by operating activities	13,682	12,473

(c) Financing facilities

The Company's financing facilities are set out in note 12 of these Financial Statements

Notes to the Financial Statements

for the Year Ended 30 June 2007 (continued)

19. Earnings per Share

	2007 Cents	2006 Cents
Basic earnings per share	18.6	15.5
Basic earnings per share before net realised gains on investment portfolio	13.6	12.1
Basic earnings per share before special dividends and net realised gains on investment portfolio	12.8	10.9

There are no factors which cause diluted earnings per share to be different from basic earnings per share. Net realised gains on the investment portfolio for the period include non-cash, scrip based deemed sales arising from the scheme of arrangement affecting our holdings in Alinta Ltd and Australian Gas Light Company.

	2007 \$'000	2006 \$'000
Profit reconciliation used in the calculation of earnings per share		
Profit for the year	22,863	16,764
Net realised gains on investment portfolio	(6,178)	(3,682)
Special dividends received	(891)	(1,300)
Net profit before net realised gains on investment portfolio and special dividends received	15,794	11,782

Earnings per share for the 2007 year are calculated on a weighted average adjusted number of shares. 2006 comparative figures been adjusted for the new issue in May 2006.

Weighted average number of ordinary shares

Issued ordinary shares at 1 July	122,660,900	104,921,314
Effect of shares issued in October 2006	263,094	433,721
Effect of shares issued in April 2007	92,614	70,025
Effect of rights shares issued in May 2006	-	2,464,482
Weighted average number of ordinary shares for the year	123,016,608	107,889,542

Notes to the Financial Statements

for the Year Ended 30 June 2007 (continued)

20. 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:

2007	Note	Floating Interest Rate \$'000
<i>Financial Assets</i>		
Cash	6	1,026
Weighted average interest rate		4.89%

2006	Note	Floating Interest Rate \$'000
<i>Financial Assets</i>		
Cash	6	8,523
Weighted average interest rate		5.20%

Borrowings

On 8 June 2007, the Company entered a Multi-option and Interest Rate Swap Facilities of \$75,000,000 with ANZ Banking Group Ltd which expire as to \$8,000,000 in November 2007, \$10,000,000 in each of July 2008, July 2009 and July 2010, \$15,000,000 in July 2011 and \$22,000,000 in July 2012.

At 30 June 2007 the Multi-option facility comprised a \$10,000,000 facility fixed at a rate of 6.88%, a \$25,000,000 facility fixed in a range of 5.59% to 7.00% and a \$38,000,000 facility at floating rates, normally rolled (reset) on a 90 day basis.

The Interest Rate Swap Facility of \$2,000,000 provides an additional facility in respect of adverse interest rate movements if the multi-option facility is terminated prior to maturity.

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 Securities Exchange.

Net fair values of financial assets and liabilities

Valuation Approach

The Company's investments are readily traded on organised markets in a standard form.

The net fair value of investments is determined by valuing them at current quoted market 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 8.

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

21. Segment Reporting

The Company operates as an investment company in Australia.

Directors' Declaration

1. In the opinion of the directors of Diversified United Investment Limited ("the Company"):
 - (a) The financial statements and notes set out on pages 16 to 30, and the remuneration disclosures contained in the Remuneration Report on page 13 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2007 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) The Remuneration Report on page 13 of the Directors' Report complies with Australian Accounting Standard AASB 124 Related Party Disclosures.
 - (c) 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 2007.

Dated at Melbourne this 16th day of August 2007.

Signed in accordance with a resolution of the directors.



Charles Goode
Director

Independent auditor's report

to members of Diversified United Investment Limited



Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Diversified United Investment Limited ("the Company"), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 21 and the directors' declaration set out on pages 16 to 31.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australia Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Independent auditor's report

to members of Diversified United Investment Limited (continued)



Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Diversified United Investment Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Auditor's opinion on AASB /24 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the section "remuneration report" of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

Mitch Craig

Mitch Craig

Partner

Melbourne

16 August 2007

Additional Information

Distribution of shareholders as at 31 July 2007.

Ordinary Shares

Category Holders	Units	No of Holders	%
1 - 1,000	110,075	505	0.09%
1,001 - 5,000	2,346,241	770	1.90%
5,001 - 10,000	5,817,378	801	4.71%
10,001 - 100,000	29,202,946	1,248	23.65%
100,001 and over	85,980,467	79	69.65%
	123,457,107	3,403	100.00%

There were 314 ordinary shareholders holding less than a marketable parcel (124 shares) at 31 July 2007.

Substantial Shareholders

The number of shares held by the substantial shareholders and their associates as at 31 July 2007 are set out below:

Shareholder	Ordinary Shares
The Myer Family Company Pty Ltd	12,868,971
The Ian Potter Foundation Ltd, Dundee Trading Pty Ltd and Australian United Investment Company Limited	31,235,995
Australian Foundation Investment Company Limited	12,030,202
Argo Investments Limited	10,906,805

Voting Rights

At 31 July 2007 there were 3,403 holders of ordinary shares of the Company. All ordinary shares carry equal voting rights.

Additional Information

(continued)

Top Twenty Shareholders

The number of shares held by the top twenty shareholders listed in the Company's register as at 31 July 2007 were:

	Ordinary Shares	% Held
M F Custodians Ltd	13,242,031	10.73
The Ian Potter Foundation Ltd	12,847,985	10.41
Australian Foundation Investment Company Ltd	12,030,202	9.74
Australian United Investment Company Ltd	12,000,000	9.72
Argo Investments Limited	10,906,805	8.84
Dundee Trading Pty Ltd	6,388,010	5.17
Beta Gamma Pty Ltd	1,448,349	1.17
Mr Charles Barrington Goode	1,181,433	0.96
Mutual Trust Pty Ltd	976,588	0.79
Mr Daryl Albert Dixon & Mrs Katherine Dixon	831,495	0.67
Mr James Vincent Chester Guest	553,312	0.45
Yelgarn Pty Ltd	545,741	0.44
Primrose Properties Pty Ltd	530,675	0.43
UBS Wealth Management Australia Nominees Pty Ltd	491,949	0.40
Questor Financial Services Ltd	416,919	0.34
Chabar Pty Ltd	401,396	0.33
Pards Pty Ltd	386,928	0.31
Somoke Pty Ltd	360,287	0.29
The Uniting Church in Australia Property Trust	360,000	0.29
Mr James Vincent Chester Guest	351,006	0.28
	76,251,111	61.76

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2007 totalled \$141,441 (2006:\$136,282). 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 2007

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

	30/6/07			30/6/06
	Market Value \$	Units Held	% of Portfolio at Market Value	Units Held
Australian Equities				
<i>Oil & Gas</i>				
Santos Ltd	2,788,000	200,000	0.5	-
Woodside Petroleum Ltd	45,750,000	1,000,000	7.8	900,000
<i>Construction Material</i>				
Bluescope Steel Ltd	2,585,000	250,000	0.4	-
Boral Ltd	-	-	-	35,000
<i>Metals & Mining</i>				
Alumina Ltd	25,317,500	3,250,000	4.3	3,250,000
BHP Billiton Ltd	52,545,000	1,500,000	9.0	1,000,000
Iluka Resources Ltd	3,080,000	500,000	0.5	150,000
Macarthur Coal Ltd	3,385,000	500,000	0.6	250,000
Rio Tinto Ltd	34,576,500	350,000	5.9	300,000
<i>Industrial Conglomerates</i>				
Wesfarmers Ltd	4,573,000	100,000	0.8	-
<i>Trading Co & Distributors</i>				
Alesco Corporation Ltd	8,310,000	600,000	1.4	600,000
<i>Commercial Services Supplies</i>				
ABC Learning Centres Ltd	-	-	-	300,000
Brambles Industries Ltd	12,180,000	1,000,000	2.1	1,000,000
<i>Transportation Infrastructure</i>				
Australian Infrastructure Fund	6,580,000	2,000,000	1.1	500,000
ConnectEast Group	6,360,000	4,000,000	1.1	1,000,000
Macquarie Airports	3,030,000	750,000	0.5	750,000
Macquarie Communications Infrastructure Group	6,330,000	1,000,000	1.1	1,000,000
Macquarie Infrastructure Group	-	-	-	1,600,000
Transurban Group	10,413,000	1,300,000	1.8	1,300,000

List of Investments

as at 30 June 2007 (continued)

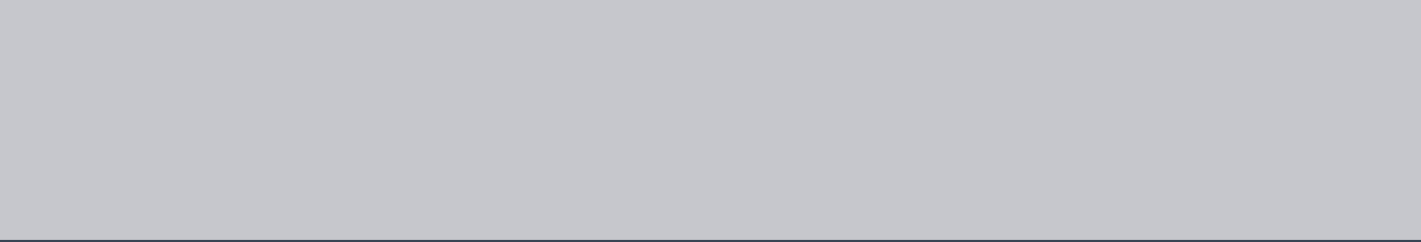
	30/6/07			30/6/06
	Market Value \$	Units Held	% of Portfolio at Market Value	Units Held
<i>Hotels Restaurants & Leisure</i>				
Tabcorp Holdings Ltd	17,150,000	1,000,000	2.9	1,000,000
<i>Media</i>				
Amalgamated Holdings Ltd	1,612,500	250,000	0.3	-
News Corporation Inc Class A Common CDI	7,527,000	300,000	1.3	300,000
Publishing & Broadcasting Ltd	7,840,000	400,000	1.3	150,000
Southern Cross Broadcasting (Aust) Ltd	11,200,000	700,000	1.9	700,000
Village Roadshow Ltd 'A' Class Pref	4,785,000	1,500,000	0.8	1,500,000
<i>Food & Drug Retailing</i>				
Coles Group Ltd	9,672,000	600,000	1.7	500,000
Metcash Ltd	2,250,000	500,000	0.4	500,000
Woolworths Ltd	10,800,000	400,000	1.9	400,000
<i>Beverages</i>				
Coca-Cola Amatil Ltd	4,770,000	500,000	0.8	250,000
Foster's Group Ltd	4,466,000	700,000	0.8	700,000
<i>Health Care Providers & Services</i>				
CSL Ltd	13,640,000	155,000	2.3	155,000
DCA Group Ltd	-	-	-	500,000
Ramsay Health Care Ltd	3,363,000	300,000	0.6	75,000
<i>Banks</i>				
ANZ Banking Group Ltd	28,990,000	1,000,000	5.0	1,000,000
Commonwealth Bank of Australia Ltd	27,625,000	500,000	4.7	500,000
National Australia Bank Ltd	18,459,000	450,000	3.2	400,000
St George Bank Ltd	12,046,200	340,000	2.1	300,000
Westpac Banking Corporation Ltd	20,528,000	800,000	3.5	800,000
<i>Diversified Financials</i>				
Macquarie Capital Alliance Group	2,245,000	500,000	0.4	-
Perpetual Trustees Australia Ltd	15,702,000	200,000	2.7	200,000
Suncorp-Metway Ltd	13,614,750	675,000	2.3	500,000
Washington H Soul Pattinson & Company Ltd	6,054,000	600,000	1.0	600,000

List of Investments

as at 30 June 2007 (continued)

	30/6/07			30/6/06
	Market Value \$	Units Held	% of Portfolio at Market Value	Units Held
<i>Insurance</i>				
AXA Asia Pacific Holdings Ltd	7,430,000	1,000,000	1.3	1,000,000
Henderson Group Plc	2,597,000	700,000	0.4	500,000
IOOF Holdings Ltd	7,133,000	700,000	1.2	500,000
QBE Insurance Group Ltd	31,200,000	1,000,000	5.4	900,000
<i>Diversified Telecommunications Services</i>				
Telstra Corporation Ltd Instalment Receipts	6,220,000	2,000,000	1.1	-
<i>Gas Utilities</i>				
AGL Energy Ltd	9,860,500	650,000	1.7	-
Alinta Ltd	7,610,000	500,000	1.3	-
Alintagas Ltd	-	-	-	150,000
Australian Gas Light Company Ltd	-	-	-	600,000
SP AusNet	4,380,000	3,000,000	0.8	2,000,000
Total Australian Equities	548,572,950		94.0	
Listed Property Trusts				
Australand Property Group	7,455,000	3,500,000	1.3	3,500,000
Stockland Trust Group	2,445,000	300,000	0.4	300,000
Westfield Group Ltd	23,952,000	1,200,000	4.1	1,200,000
Total Listed Property Trusts	33,852,000		5.8	
Cash & Bills of Exchange	1,026,170		0.2	
Total	583,451,120		100.0	

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DUI Annual Financial Report 2007

(ACN 006 713 177)

Notice of Annual General Meeting

Diversified United Investment Limited ABN 33 066 713 177

The Annual General Meeting of shareholders of Diversified United Investment Limited ("the Company") will be held at the offices of KPMG, 147 Collins Street, Melbourne, Victoria on Thursday, 11 October 2007 at 9:00am.

Business:

Financial Statements and Reports:

1. To receive the Statement and Report of the Directors, the Report of the Auditor and the Financial Statements for the financial year ended 30 June 2007. The auditor will be available at the meeting to receive questions from shareholders about the preparation of the auditors report and the conduct of the audit.

Remuneration Report:

2. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That the Remuneration Report that forms part of the directors report for the Company for the financial year ended 30 June 2007 be adopted."

The Remuneration Report is set out on page 13 of the Annual Report.

Please note that the vote on this resolution is advisory only and does not bind the directors or the Company.

Directors:

3. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*"That **Mr G E Moir**, a Director retiring from office by rotation in accordance with clause 9.3 of the constitution, being eligible, is re-elected as a Director of the Company."*

Other Business

To deal with any other business that may be brought forward in accordance with the Constitution and the Corporations Act.

Dated this Day 10th day of September 2007

By order of the Board



Andrew J Hancock.
Company Secretary

Voting entitlements

The Board has determined, in accordance with the Company's Constitution and the Corporations Act 2001 that a shareholder's voting entitlement at the meeting will be taken to be the entitlement of that person shown in the register of members as at 7.00pm on Tuesday 9th October 2007

Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. The Proxy Form must be deposited at the share registry of the Company, Computershare Investor Services Pty Limited, located at GPO Box 242, Melbourne Victoria 3001 or by facsimile to Computershare on (03) 9473 2555 or to the Company on (03) 9654 3499, no later than 48 hours before the commencement of the meeting.

Diversified United Investment Limited

ABN 33 006 713 177

Proxy Form

All correspondence to:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2555
www.computershare.com

Mark this box with an 'X' if you have made any changes to your address details (see reverse)



000001 000 DUI
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



I 1234567890

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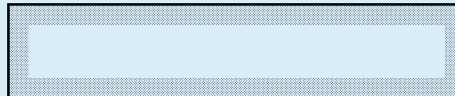
Appointment of Proxy

I/We being a member/s of Diversified United Investment Limited and entitled to attend and vote hereby appoint



the Chairman
of the Meeting
(mark with an 'X')

OR



If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Diversified United Investment Limited to be held at the offices of KPMG, 147 Collins Street, Melbourne, Victoria on Thursday, 11 October 2007 at 9.00am and at any adjournment of that meeting.

Voting directions to your proxy - please mark



to indicate your directions

Item 2 Adopt Remuneration Report

Item 3 To re-elect a Director - Mr G E Moir

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

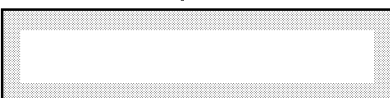
In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE

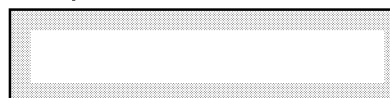
This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1



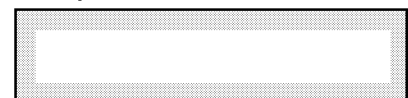
Sole Director and
Sole Company Secretary

Securityholder 2



Director

Securityholder 3



Director/Company Secretary

In addition to signing the Proxy Form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

/ /

DUI

13PR



How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's Share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's Share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's Share registry or at www.computershare.com.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 9.00am on Thursday, 11 October 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

- IN PERSON Business Office - Level 4, 45 Exhibition Street Melbourne VIC 3000
Share Registry Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067 Australia
- BY MAIL Business Office - Level 4, 45 Exhibition Street Melbourne VIC 3000
Share Registry Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067 Australia
- BY FAX 61 3 9473 2555