DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE SIXTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT 147 COLLINS STREET, MELBOURNE ON THURSDAY 11 OCTOBER 2007 AT 9.00 AM

Ladies and Gentlemen,

Welcome to the sixteenth Annual General Meeting of Diversified United Investment Limited.

I can again report that in the latest year there was a satisfactory increase in the Company's profit (before special dividends received and net gains on long term investments) and in our dividends paid, while the accumulation of the net asset backing per share plus dividends paid rose 29%.

The operating profit after income tax and before net gains on long term investments was $16.7 million in the period to 30 June 2007, an increase of 28%, or, if special dividends received in both periods are excluded, $15.8 million, an increase of 34%. The increase in operating profit includes additional income earned from the investment of $55 million raised in May 2006 through a one for five rights issue.

The operating earnings per share excluding realised gains were 13.6 cents, compared to 12.1 cents for the previous year. Excluding special dividends, earnings per share were 12.8 cents, up from 10.9 cents last year a rise of over 17%.

This year, special dividends totalling $891,000, after tax, were received from Perpetual, Brambles, Alinta, AGL, Washington H Soul Pattinson & Co, DCA Group and Macquarie Capital Alliance. In 2006, special dividends of $1.3 million were received.

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 value. At this level of borrowings our annual interest expense was covered six times by investment revenue.

Operating expenses represented 0.17% of the average market value of the portfolio compared to 0.22% last year.

A final fully franked dividend of 6.5 cents per share has been declared which with the interim dividend of 5.5 cents brought the dividend for the year to 12.0 cents per share, an increase of 2.5 cents per share or 26% over last year. The dividend has been increased every year since the Company was floated sixteen years ago.

The final dividend will include a Listed Investment Company capital gain dividend of 0.7 cents per share. This will enable some shareholders to claim a tax deduction in their income tax return such that they should have a similar after tax position as if they had held their investments through an investment trust. Details will be provided in the dividend statement. The ability of the Company to pay LIC dividends is dependent on a number of factors including whether or not the Company holds its investments on revenue or capital account. Given our low portfolio turnover and long term investment horizons, our portfolio is viewed as held on capital account and accordingly when we do make a sale or an investee company is taken over we are able to pass on the capital gain to shareholders in the annual dividend.

The net tangible asset backing per share after provision for the final dividend and based on investments at market values and after provision for tax on net realised gains, but not unrealised gains, increased from $3.27 at 30 June 2006 to $4.10 at 30 June, 2007, a rise of 25%.

This rise was in a year in which the Australian S&P/ASX 300 Price Index rose by 24%, while in the USA the Dow Jones Index rose 20% and the Standard and Poors 500 rose 18%, in the UK the Financial Times 100 rose 13%, and in Japan the Nikkei – 225 index rose 17%.

The performance of an investment in DUI based on the Net Asset Backing per share, assuming all dividends were reinvested, compares to the S&P/ASX 300 Accumulation Index over the one, three and five year periods as follows:

To 30 June 2007	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

Continued Over

The Annual Report provides details of the investments of the Company at 30 June 2007 and 30 June 2006, and the proportion of the market value of the investment portfolio held in each company.

At 30 June 2007 we were 99.8% invested in 49 Australian listed companies or trusts and 0.2% in cash and bills of exchange.

The largest 25 equity investments comprised 81.6% of the portfolio and the details are set out on page five of the Annual Report.

The largest industry sectors were resources 29%; banking 18%; insurance 8%; diversified financials 6%; media 6% and transportation infrastructure 6%.

Our investment decisions are not driven by the index weighting of stocks, rather by the long term capital growth and dividend prospects of companies in which we invest. However, we note that at 30 June 2007 our largest overweight/underweight positions compared to the ASX 200 index were:

		DUI %	Index %
Overweight:	Woodside Petroleum	7.8	1.6
	Rio Tinto	5.9	2.2
	Alumina	4.3	0.7
	QBE Insurance	5.3	2.2
Underweight:	National Australia Bank	3.2	5.4
	Telstra	1.1	3.3
	Macquarie Bank	0.0	1.8

Since the end of the financial year, after reviewing the long term outlook for all stocks in our portfolio, we have sold our holdings in Santos, Wesfarmers, Foster's Group, Amalgamated Holdings, Coca Cola Amatil, Iluka Resources and Macarthur Coal. Alinta was taken over and we received cash and some securities which have since been sold. Next month we expect to receive further cash from the takeovers of Southern Cross Broadcasting and Coles.

At 30 September 2007 our net debt was $40 million and the portfolio was invested in the resources sector as to 29%, banking 18%, diversified financials 7%, insurance 7%, and property 6%.

Our net asset backing per share based on investments at market values and after provision for tax on net realised gains, but not unrealised gains, and after provision for the final dividend was $4.10 at 30 June 2007 and $4.35 at 30 September, 2007.

DUI is a long term investor and does not intend disposing of its total portfolio. However, under current accounting standards, the Company is required to provide for estimated tax that would arise on a theoretical disposal of the entire portfolio. After deducting this provision the figure was $3.35 at 30 June 2007 and at 30 September 2007 was $3.55.

<u>Outlook</u>:

There has been a disruption in the sub-prime debt market in the USA which has spread through the US debt market, impacted on liquidity, and been transmitted to other countries in our globalised world. This is impacting on the US home building market, house prices, and causing a reassessment of related financially engineered products and the reward for risk. The reverberations of this reassessment will take some time to work through the financial system.

The question arises as to how much the disturbances in the debt markets will impact on economic activity and equity markets.

It has caused us to move from a bullish to a cautious stance. When we sell a share because we consider the long term outlook is not as favourable for the Company as when we bought the share, we are now more likely to reduce our moderate borrowings than reinvest in the market.

We have been stirred but not shaken and our portfolio, which is held for long term investment, is expected over time to move up and down broadly in line with the general share market. We expect returns in the year ahead to be subject to greater fluctuations and be lower than in recent years.

Charles Goode
Chairman