Annual Financial Report

2010

Diversified United Investment Limited

ABN 33 006 713 177

Directory

Directors

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

Company Secretary

Andrew J Hancock FCA

Registered Office

Level 20
101 Collins Street
Melbourne VIC 3000
Tel: (613) 9654 0499
Fax: (613) 9654 3499
Email: info@dui.com.au
Website: www.dui.com.au

Bankers

Australia and New Zealand Banking Group Limited
National Australia Bank Limited

Auditors

KPMG
Chartered Accountants

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235
Tel: (612) 8280 7644
Fax: (612) 9287 0303

Securities Exchange

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

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Chairman's Report

I present the eighteenth Annual Report of Diversified United Investment Ltd which is for the year ended 30 June 2010.

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 and short term deposits. Investments may also be made from time to time in listed property trusts, fixed interest securities, convertible notes or international equities.

Operating profit after tax was $17,388,000 which is a decrease of 4% on the previous year or a decrease of 4.4% if special dividends received in both periods are excluded.

The total result for the year is a profit of $16,260,000 after including realised losses after tax $1,128,000 ($5,979,000 last year). This year only realised gains and losses to the date of adoption of AASB 9 on 7 December 2009 are included in the income statement. After that date, under the new accounting standards, realised gains and losses are transferred directly to the Asset Realisation Reserve.

The weighted average number of ordinary shares for the year was 154,954,340 as against 144,047,460 in the previous year, an increase of 7.6%.

The operating earnings per share based on the weighted average number of shares on issue for the year was 11.2 cents per share (11.1 cents excluding the special dividends) compared to 12.6 cents for the year to 30 June 2009 (12.5 cents excluding special dividends).

Income earned during the year was $22,366,000 comprising $21,048,000 from dividends and trust distributions and $1,318,000 from interest and options trading. The Company incurred operating expenses of $996,000 (before interest costs) which is equivalent to 0.20% of the average value of the portfolio.

This year a special dividend totalling $150,000, after tax, was received from Washinton H Soul Pattinson & Company. In 2009, a special dividend of $105,000, after tax was received from St. George Bank.

Leaving aside the special dividends, the year's result reflects a 3% increase in income from dividends and trust income, a significant decrease in interest and options trading income and a 20% higher interest expense.

$22,931,877 of new equity was raised through the share placement in April this year of 7,211,282 new shares at $3.18 per share.

Bank borrowings were $65 million at the end of the financial year (previous year $65 million) amounting to around 12% of the investment portfolio at market values. Cash on hand, cash on deposit and short term receivables were $7 million, or 1% of the investment portfolio at market values (previous year $56 million, or 12%). Annual interest expense was covered 5 times by investment revenue.

The net asset backing per share before estimated tax on unrealised gains and before provision for the final dividend was $2.94 at 30 June 2010, compared to $2.67 at 30 June 2009, an increase of 10%.

The year saw a recovery in world equities markets with the Australian S&P/ASX 200 price index rising 8.8%, the Dow Jones Index rising 15.7%, the Standard & Poors 500 rising 12.1% and the FTSE 100 rising 15.7%. However the Nikkei-225 fell by 5.8%.

The Directors have declared a fully franked final dividend of 7¢ per share for the year to 30 June 2010, which with the interim dividend of 6¢ per share fully franked makes a total fully franked dividend of 13¢ per share for the year, unchanged from the previous year.

The final dividend will not include a Listed Investment Company capital gain dividend.

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

2005/06	9.5 cents per share
2006/07	12.0 cents per share
2007/08	13.0 cents per share
2008/09	13.0 cents per share
2009/10	13.0 cents per share

The Company's reported 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:

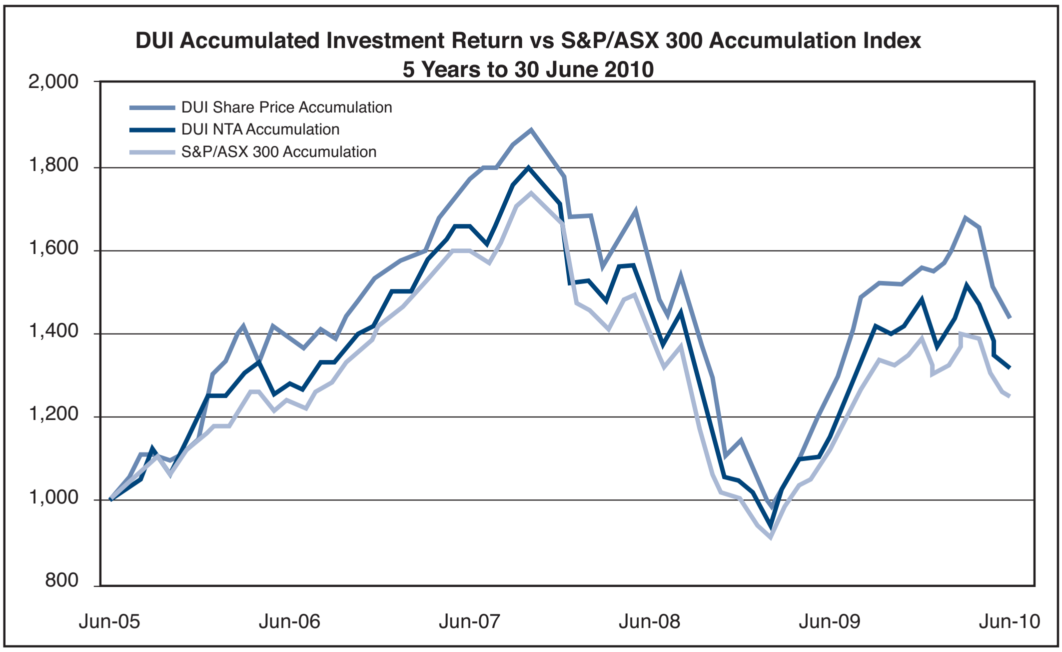
30 June 2006	$3.32 (after one for five rights issue at $2.70, May 2006)
30 June 2007	$4.16
30 June 2008	$3.54 (after placement of 15,350,000 shares at $3.46, March 2008)
30 June 2009	$2.67 (after share purchase plan – 9,442,625 shares at $2.00, April 2009)
30 June 2010	$2.94 (after placement of 7,211,282 shares at $3.18, April 2010)

The Australian equities portfolio is mainly in leading companies and at 30 June 2010 in terms of market values, 88% of the Australian equities portfolio was in the leading 50 companies (77% in the top 20 companies and 11% in the next 30 companies), with a further 5% invested in the second 50 companies and 7% invested in companies other than the largest 100 companies.

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

	DUI Net Asset Backing Accumulation % p.a.	DUI Share Price Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	14.6	15.8	13.1
3 Years	(7.4)	(6.7)	(8.1)
5 Years	5.6	7.6	4.5

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.



Source: JB Were

Company		Market Value $'000	% of Market Value of Total Investments
1.	BHP Billiton Ltd	56,475	10.6%
2.	Woodside Petroleum Ltd	52,300	9.8%
3.	ANZ Banking Group Ltd	41,059	7.7%
4.	Commonwealth Bank of Australia Ltd	38,912	7.3%
5.	Rio Tinto Ltd	35,002	6.6%
6.	Westpac Banking Corporation Ltd	33,968	6.4%
7.	National Australia Bank Ltd	27,936	5.3%
8.	QBE Insurance Group Ltd	27,300	5.1%
9.	CSL Ltd	19,548	3.7%
10.	Woolworths Ltd	18,914	3.6%
11.	Westfield Group	18,270	3.4%
12.	Telstra Corporation Ltd	14,625	2.8%
13.	Wesfarmers Ltd PPS and Ordinary	12,935	2.4%
14.	Transurban Group	11,872	2.2%
15.	AGL Energy Ltd	11,760	2.2%
16.	Consolidated Media Holdings	9,540	1.8%
17.	Alumina Ltd	9,150	1.7%
18.	Mystate Ltd	8,112	1.5%
19.	Washington H Soul Pattinson & Co Ltd	7,770	1.5%
20.	Santos Ltd	6,300	1.2%
21.	Leighton Holdings Ltd	5,790	1.1%
22.	Perpetual Ltd	5,652	1.1%
23.	Australian Infrastructure Fund	5,610	1.1%
24.	Worley Parsons Ltd	5,552	1.0%
25.	Brambles Ltd	5,460	1.0%
		489,812	92.1%
Total Investments at Market Value, Cash and Receivables		531,977	

Mr Graeme Moir has advised us of his intention to retire at the conclusion of the 2010 Annual General Meeting. Graeme has been a director since the Company was listed in 1991 and has made a significant contribution to the management of the Company's share portfolio. We thank him for his insightful views on the share market over many years and we wish him well in his retirement.

Charles Goode
Chairman

Corporate Governance Statement

The Company has adopted corporate governance principles in accordance with the Australian Securities Exchange Corporate Governance Council's "Good Corporate Governance Principles and 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 5 directors. The Company's constitution requires 3 to 6 directors. Other than the Company Secretary the Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate using professional advice if this is deemed necessary. An appointed director then submits themselves for election by shareholders at the next Annual General Meeting.

Messrs C B Goode, 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 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. Directors have agreed not to enter into any margin loans over their shareholdings in the Company.

3. Operation

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

4. Delegation

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

5. Directors' Terms of Appointment, Remuneration and Performance

Directors' fees are reviewed annually by the Nomination and Remuneration Committee in the light of the Company's 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 directors' fees is set by the shareholders in general meeting. Details of directors' remuneration are set out in the Remuneration Report in the Annual Report.

Each director appointed before October 2006 entered into a Retirement Agreement at that time to convert accrued retirement benefits into shares in the Company to be held until retirement in the Non-Executive Directors 2006 Accrued Entitlements Share Plan, as approved by shareholders.

Each director has entered into a Deed of Access, Indemnity and Insurance with the Company and is 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 committee meetings where applicable, for no additional fee. They are expected to make a pro-active contribution to the management of the Company's investment portfolio from their 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 A R Burgess, M K Myer and G E Moir. The Audit Committee meets at least twice and the Nomination and Remuneration Committee at least once per annum. The Charter of each committee is reviewed by the Board annually. The Audit Committee Charter includes 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. 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 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. The Company Secretary's remuneration is paid on a fee for services basis and is disclosed in the Remuneration Report in the Annual Report. No additional fees are paid to members of the Board committees.

Committee Members' qualifications and attendance at meetings are set out in the Directors' Report in the Annual Report.

7. Disclosure Procedures and Share Trading

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. Directors and the Company Secretary are prohibited from dealing in the Company's securities (other than to participate in the Dividend Reinvestment Plan or any Share Purchase Plan or rights issue) from 1 January to the day after the announcement of the Company's half year results and interim dividend, and from 1 July to the day after the announcement of the Company's financial year results and final dividend.

8. Shareholder Communication

The Company communicates 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 internal control system and the management of risk half yearly after receiving reports from the Company Secretary on these matters and makes appropriate recommendations to the Board.

The Board receives a letter half yearly from the Company's external accountants regarding their procedures, and reporting that the financial records have been properly maintained and the financial statements comply with the Accounting Standards.

Based on his review of the internal control systems, management of risk and the letter from the Company's external accountants, the Company Secretary provides half yearly the declarations required by Section 295A of the Corporations Act and confirms that in his opinion the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view

Details of the Company's financial risk management are set out in the notes to the financial statements in the Annual Report.

10. Ethical Conduct

The Company has no executives or executive directors other than 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.

Directors' Report

The directors present their report together with the financial report of Diversified United Investment Limited for the financial year ended 30 June 2010 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 71
Appointed Chairman September 1991.

Mr Goode is the Chairman of the Boards of Australian United Investment Company Limited (since 1990), The Ian Potter Foundation Limited (governor since 1987) and Grosvenor Australia Properties Pty Limited (since 2008).

Formerly Mr Goode was a director of Australia and New Zealand Banking Group Limited (1991 – 2010, Chairman 1996 – 2010) and Woodside Petroleum Limited (1988 – 2007, Chairman 1999 – 2007).

Graeme Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.
Non-Executive Director
Age 78
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).

Martyn Myer AO, B.Eng, MESc.(Mon), MSM (MIT), FIE (Aust).
Non-Executive Director
Age 52
Appointed September 1991.

Mr Myer is Chairman of CogState Ltd (since 1999), a director of The Myer Family Company Ltd (since 2007), and he is a member of the council of the University of Melbourne (since 2009).

Formerly Mr Myer was a director of Coles Group Ltd (1996 – 2006), SP AusNet Group (2005 - 2010) and the Florey Neuroscience Institutes (2007 – 2009), and was President of the Howard Florey Institute (2004 – 2007).

Rupert Myer AM, B.Com (Hons) (Melb), MA Cantab.
Non-Executive Director
Age 51
Appointed November 2002.

Mr Myer is a director of AMCIL Limited (since 2000). He serves as Chairman of The Myer Family Company Ltd (since 2004 and a director since 1991) and the National Gallery of Australia (since 2005), and is a director of Myer Holdings Ltd (since 2006).

Anthony Burgess ASA, B.Com (Hons) (Melb), MBA (Dist'n) (Harvard).
Non-Executive Director
Age 51
Appointed September 2008.

Mr Burgess has 28 years experience in corporate finance in Melbourne, London and New York. He is currently Chief Executive of Flagstaff Partners, an independent corporate finance advisory firm. He was formerly Global Co-Head of Mergers and Acquisitions at Deutsche Bank AG, based in London. He is a Director of the St. Vincent's Institute Foundation. He is Chairman of the Company's Audit Committee.

Company Secretary

Andrew Hancock FCA, B.Ec (Mon), Grad. Dip. CDP (RMIT).
Company Secretary,
Age 58
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 2010 the Company earned an operating profit after tax before net gains and losses on the investment portfolio of $17,388,000 (compared to $18,134,000 in 2009) – a decrease of 4%.

Operating profit after tax excluding special dividends received, and before net gains and losses on the investment portfolio, decreased 4.4%. The operating profit includes $150,000 of special dividends and distributions received. In 2009, the operating profit after tax included $105,000 of special dividends and distributions received. The weighted average number of ordinary shares for the year was 154,954,340 as against 144,047,460 in the previous year, an increase of 7.6% The basic and diluted earnings per share before net realised gains on investment portfolio and special dividends was 11.1 cents compared to 12.5 cents for the previous year.

The net tangible asset backing of each of the Company's shares at 30 June 2010 was $2.94 (2009: $2.67). This net tangible asset backing calculation is based on investments at market value and is after the tax effect of net realised gains and losses, before estimated tax on unrealised gains and losses 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 $2.63 (2009: $2.43).

On 8 April 2010 the Company issued 7,211,282 fully paid shares in accordance with a capital raising announced on 29 March 2010. The issue raised $22,931,877 (before costs) at the placement price of $3.18 per share, which represented a 5% discount to the Net Tangible Asset Backing per share of the Company as at 28 February 2010 adjusted for the general share market movement to 24 March 2010.

Borrowings as at 30 June 2010 were $65 million (2009: $65 million) amounting to around 12% of the investment portfolio at market values (2009: 14%). Cash on hand, cash deposits and short term receivables were $7 million, or 1% of the investment portfolio at market values (2009 $56 million, or 12%).

The composition of the operating profit after income tax and before net realised and unrealised losses on the investment portfolio was as follows:

	2010 $'000	2009 $'000
Revenue from investment portfolio		
Dividends	18,373	17,256
Trust Distributions	2,675	3,095
Interest	1,048	2,797
Profit/ (Loss) on Options Trading	270	-
	22,366	23,148
Expenses		
Administration and other expenses:		
Accounting and Custody Fees	159	156
Audit	46	48
Share Registry	80	85
Directors' Fees	420	406
ASX Fees	76	64
Company Secretary Fees	70	70
Insurance	45	29
Office rent, printing and other	100	68
Finance Costs:		
Interest	4,218	3,514
	5,214	4,440
Operating profit before income tax benefit/ (expense) and net gains and losses on investment portfolio	17,152	18,708
Income tax benefit/ (expense)	236	(574)
Net operating profit before net gains and losses on investment portfolio	17,388	18,134

Expenses (excluding finance costs) were 0.20% of the average market value of the investment portfolio (2009: 0.19%)

Dividends

Dividends paid or declared by the Company to members 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 2009 of 7.0¢ per share fully franked paid on 21 September 2009.	10,630
An interim dividend in respect of the year ended 30 June 2010 of 6.0¢ per share fully franked paid on 16 March 2010.	9,190
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2010 of 7.0¢ per share fully franked payable on 24 September 2010.	11,281

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:

	Directors' Meetings		Audit Committee Meetings		Nomination & Remuneration Committee Meetings	
Director	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*	1	1
Graeme Moir	10	10	2	2	1	1
Martyn Myer	8	10	-	2	1	1
Rupert Myer	10	10	2*	2*	1	1
Anthony Burgess	10	10	2	2	1	1

The Audit Committee comprises Mr A R Burgess (Chairman), Mr G E Moir, and Mr M K Myer.

All members of the board are members of the Nomination and Remuneration Committee.

* 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	1,351,815	2,201,362	140,000
Graeme Moir	130,000	-	70,000
Martyn Myer	1,445	106,010	70,000
Rupert Myer	7,462	128,563	14,000
Anthony Burgess	-	100,000	-

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

Except as stated, 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.

Remuneration Report (audited)

Non-executive Directors' Fees (1), (2)	2010 $	2009 $
Charles Goode	140,000	140,000
Graeme Moir	70,000	70,000
Martyn Myer	70,000	70,000
Rupert Myer	70,000	70,000
Anthony Burgess	70,000	56,477
Total	420,000	406,477

(1) Directors fees include superannuation contributions elected by Directors to be paid to their nominated superannuation fund.
(2) No additional fees are paid to members of the board committees.

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 has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance. Amounts disclosed for Directors' remuneration exclude insurance premiums of $44,597 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 16 of the financial statements for information relating to the insurance contracts and the cessation of directors entitlement benefits in 2006 and conversion of accrued entitlements at that date into shares in the Company to be held until retirement.

The Company Secretary, Mr Andrew J Hancock, received $70,000 (2009: $70,000) 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.

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 $9,350 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 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 other than the value of the investment portfolio is expected to fluctuate broadly in line with market movements.

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 other than the value of the investment portfolio fluctuated broadly in line with market movements.

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 16 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 2010.

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.

Signed in accordance with a resolution of the directors:

Charles Goode
Director
Melbourne 12th August 2010

Lead Auditor's Independence Declaration

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 2011 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

MSomerville

Michelle Somerville
Partner

Melbourne

12 August 2010

Income Statement for the Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
Revenue from investment portfolio	2	22,366	23,148
Administration and other expenses		(996)	(926)
Finance expenses	2	(4,218)	(3,514)
Operating profit before income tax benefit/ (expense) and net gains/ (losses) on investment portfolio		17,152	18,708
Income tax benefit/ (expense) [1]		236	(574)
Net operating profit before net gains/ (losses) on investment portfolio		17,388	18,134
Net realised losses on investment portfolio [2]		(1,561)	(8,541)
Income tax benefit thereon [1]		433	2,562
		(1,128)	(5,979)
Unrealised impairment losses on investment portfolio		-	(17,136)
Income tax benefit/ (expense) thereon [1]		-	4,737
		-	(12,399)
		(1,128)	(18,378)
Profit/ (Loss) for the year		16,260	(244)
[1] Total income tax benefit	4(a)	669	6,725
[2] Up to date of adoption of AASB 9 on 7 December 2009			
Basic and diluted earnings per share (cents)		10.5	(0.2)

Basic and diluted operating earnings per share (cents) before net realised and unrealised losses on investment portfolio are shown in Note 18.

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 20 to 31.

Statement of Comprehensive Income for the Year Ended 30 June 2010

	2010 $'000	2009 $'000
Profit/ (Loss) for the Year	16,260	(244)
Other Comprehensive Income		
Revaluation/ (devaluation) of investment portfolio for the year	40,025	(119,636)
Provision for tax (expense)/ benefit on revaluation/ (devaluation) of investment portfolio for the year	(12,425)	35,472
Net realised losses on investments transferred to the income statement from the asset revaluation reserve [2]	1,128	5,979
Net unrealised impairment losses transferred to the income statement from the asset revaluation reserve	-	12,399
Other comprehensive income/ (loss) net of income tax	28,728	(65,786)
Total comprehensive income [1]	44,988	(66,030)

[1] This is the Company's total net return for the year, which includes the net operating profit plus the net realised and unrealised gains and loses on the Company's investment portfolio

[2] Up to date of adoption AASB 9 on 7 December 2009

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 20 to 31

Balance Sheet as at 30 June 2010

	Note	2010 $'000	2009 $'000
Assets			
Cash assets	6	3,200	18,416
Receivables	7	3,763	2,970
Investments	8	-	35,000
Other	9	43	-
Current tax refundable	4(a)	255	-
Total current assets		7,261	56,386
Investment portfolio	8	524,703	409,852
Other	9	13	-
Total non current assets		524,716	409,852
Total assets		531,977	466,238
Liabilities			
Current tax liability	4(a)	-	584
Payables	10	113	460
Total current liabilities		113	1,044
Borrowings – interest bearing	11	64,794	64,629
Deferred tax liability	4(b)	43,467	31,130
Total non-current liabilities		108,261	95,759
Total liabilities		108,374	96,803
Net assets		423,603	369,435
Equity			
Issued capital	13(a)	282,392	253,392
Reserves		141,211	116,043
Total equity		423,603	369,435

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 20 to 31.

Statement of Changes in Equity for the Year Ended 30 June 2010

	Issued Capital $'000	Revaluation Reserve $'000	Realisation Reserve $'000	Impairment Reserve $'000	Retained Earnings $'000	Total Equity $'000
Prior Period:						
Balance at 1 July 2008	229,491	139,019	23,961	-	37,362	429,833
Comprehensive income						
Devaluation of investment portfolio	-	(119,636)	-	-	-	(119,636)
Tax benefit on revaluation	-	35,472	-	-	-	35,472
Net realised and unrealised losses on investment portfolio	-	25,677	-	(17,136)	(8,541)	-
Tax benefit on net realised and unrealised losses	-	(7,299)	-	4,737	2,562	-
Net operating profit for the period	-	-	-	-	18,134	18,134
Realised losses transferred after tax	-	-	(12,334)	6,355	5,979	-
	-	(65,786)	(12,334)	(6,044)	18,134	(66,030)
Transactions with shareholders						
Share purchase plan (net of costs)	18,802	-	-	-	-	18,802
Dividend reinvestment plan	5,099	-	-	-	-	5,099
Dividends paid	-	-	(8,970)	-	(9,299)	(18,269)
	23,901	-	(8,970)	-	(9,299)	5,632
Balance at 30 June 2009 (Refer Note 1b)	253,392	73,233	2,657	(6,044)	46,197	369,435
Current Period:						
Balance at 1 July 2009 (as reported)	253,392	76,619	2,657	(9,430)	46,197	369,435
Adoption of AASB 9 (Refer Note 1b)	-	(3,386)	-	3,386	-	-
Balance at 1 July 2009 (restated)	253,392	73,233	2,657	(6,044)	46,197	369,435
Comprehensive Income						
Revaluation of investment portfolio	-	40,025	-	-	-	40,025
Tax expense on revaluation	-	(12,425)	-	-	-	(12,425)
Net realised gains and losses on investment portfolio	-	1,108	453 [1]	-	(1,561) [2]	-
Tax expense or benefit on net realised gains and losses	-	(24)	(409) [1]	-	433 [2]	-
Net operating profit for the period	-	-	-	-	17,388	17,388
Realised losses transferred after tax	-	-	(7,172)	6,044 [3]	1,128	-
	-	28,684	(7,128)	6,044	17,388	44,988
Transactions with shareholders						
Share placement (net of costs)	22,896	-	-	-	-	22,896
Dividend reinvestment plan	6,104	-	-	-	-	6,104
Dividends paid	-	-	-	-	(19,820)	(19,820)
	29,000	-	-	-	(19,820)	9,180
Balance at 30 June 2010	282,392	101,917	(4,471)	-	43,765	423,603

[1] Net realised gains/ (losses) after 7 December 2009 and tax thereon transferred directly to realisation reserve.
[2] Net realised gains/ (losses) before 7 December 2009 and tax thereon.
[3] Impairment realised on investments sold in the period prior to 7 December 2009 transferred to realisation reserve.

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on page 20 to 31.

Statement of Cash Flows for the Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Interest received		1,108	2,834
Dividends and trust distributions received		20,193	21,028
Other income		270	-
Administration and other expenses paid		(1,046)	(891)
Finance costs paid		(4,053)	(3,765)
Income taxes paid		(691)	(4,440)
Net cash from operating activities	17(b)	15,781	14,766
Cash flows from investing activities			
Proceeds from sale of investments		66,190	30,965
Purchases of investments		(106,367)	(65,901)
Net cash used in investing activities		(40,177)	(34,936)
Cash flows from financing activities			
Proceeds from share placement net of costs		22,896	-
Proceeds from share purchase plan net of costs		-	18,802
Dividends paid		(13,716)	(13,170)
Proceeds from borrowings		-	25,000
Net cash from financing activities		9,180	30,632
Net (decrease)/ increase in cash held		(15,216)	10,462
Cash and cash equivalents at 1 July	17(a)	18,416	7,954
Cash and cash equivalents at 30 June	17(a)	3,200	18,416

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 20 to 31.

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 12 August 2010.

(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 Standards Board ('AASB') and the Corporations Act 2001. The financial report of the Company also complies with 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.

AASB 101 (revised): *Presentation of Financial Statements*

With effect from 1 July 2009 the Company has adopted AASB 101 (revised) which requires the presentation of a new Statement of Comprehensive Income separate from changes in equity arising from transactions with shareholders.

The adoption of this new standard changes the presentation of the financial statements by disclosing the unrealised gains and losses on the investment portfolio in the Statement of Comprehensive Income rather than the Statement of Changes in Equity.

The Company has not applied any Australian Accounting Standards or UIG Interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2010 ("the inoperative standards") with the following exceptions:

AASB 9: *Financial Instruments*

The Company has early adopted AASB 9 Financial Instruments (AASB 9) with initial application from 7 December 2009 (being the earliest available date of application). The standard has been applied retrospectively to investments held at 7 December 2009 and comparative amounts have been restated.

In accordance with AASB 9 the Company has designated its investments in equity securities, that were formerly designated as "available-for-sale", as "fair value through other comprehensive income" as disclosed below. This results in all realised and unrealised gains and losses from the investment portfolio being recognised directly in equity through "other comprehensive income" in the Statement of Comprehensive Income. Dividend income is recognised in the income statement.

Realised net gains and losses from the investment portfolio arising from transactions prior to 7 December 2009 are recognised in the income statement. Realised net gains and losses from the investment portfolio arising from transactions after 7 December 2009 are recognised as "other comprehensive income".

There is no longer a requirement to assess individual investments for impairment under AASB 9. The impact of this has been to restate net profit, asset revaluation reserve and impairment reserve for the period to 30 June 2009 to remove impairment losses that were booked in previous periods against investments that were held in the portfolio at 7 December 2009. This has also resulted in a restatement of earnings per share for the comparative period as disclosed in note 18.

The adoption of this standard has no impact on the valuation of the Company's investments and therefore has no impact on the Company's net assets.

Restatement of comparatives:

	30 June 2009		
	As reported $'000	**Reversal of impairment $'000**	**Restated $'000**
Asset revaluation reserve	76,619	(3,386)	73,233
Loss for the year	(3,630)	3,386	(244)
	Cents	Cents	Cents
Earnings per share	(2.5)	2.3	(0.2)

The impact of other inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt other inoperative standards at the date at which their adoption becomes mandatory.

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.

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

(c) Investments

The Company is a long term investor. Under IFRS, investments are classified as fair value through other comprehensive income. After initial recognition at fair value (being cost), investments are measured at fair value.

Unrealised gains or losses on investments are recognised in the Asset Revaluation Reserve until the investment is sold, collected or otherwise disposed of, at which time the cumulative gain or loss is transferred to the Asset Realisation Reserve.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualifies 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 realisation reserve.
Interest bearing investments are recognised at fair value and then measured at amortised cost. Amortised cost is calculated with any difference between cost and redemption value being recognised in the income statement over the period of the investment on an effective interest basis.

(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, option premiums 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.

(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 the Revaluation Reserve is transferred to the Realisation Reserve and adjusted for 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) Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2. Revenue and Expenses

	2010 $'000	2009 $'000
(a) Revenue		
Dividends received or due and receivable	18,373	17,256
Trust distributions received or due and receivable	2,675	3,095
Interest received or due and receivable	1,048	2,797
Profit/ (Loss) on Options Trading	270	-
	22,366	23,148

(b) Expenses

	2010 $'000	2009 $'000
Finance expenses:		
- Interest	4,218	3,514

3. Auditor's Remuneration

	2010 $	2009 $
During the year KPMG, the Company's auditor, received the following remuneration (including GST):		
- Audit and review of financial reports	46,000	48,087
- Taxation related services	9,350	6,270

4. Taxation

	2010 $'000	2009 $'000
(a) Income Tax Expense		
(i) Recognised in the income statement		
Current tax expense/(benefit)		
Current year (refundable)/payable	(255)	584
Adjustments for prior years	(112)	(31)
Current year tax paid	218	28
	(149)	581
Deferred Tax Expense		
Tax benefit of capital losses carried forward	(2,558)	(4,502)
Tax benefit of excess imputation credits	(90)	-
Impairment losses now realised	2,125	113
Temporary differences	3	(7)
Recognition of CGT rollover relief	-	(785)
Tax benefit on impairment loss	-	(2,125)
	(520)	(7,306)
Total income tax benefit in income statement	(669)	(6,725)
(ii) Reconciliation between tax expense and pre-tax net profit		
Prima facie tax expense/ (benefit) calculated at 30% on the profit for the year	4,677	(2,091)
Increase in tax expense due to:		
Franking/ withholding tax credits gross up on dividends received	1,987	1,982
Sundry items	-	440
Decrease in tax expense due to:		
Tax deferred distributions received	(402)	(419)
Franking/ withholding tax credits on dividends received	(6,534)	(6,606)
Sundry items	(285)	-
Tax benefit on operating profit	(557)	(6,694)
Over provision prior year	(112)	(31)
Tax benefit attributable to Profit for the year	(669)	(6,725)
(iii) Deferred tax liability recognised directly in equity		
(Increase)/ Decrease in provision for tax on unrealised gains on investment portfolio	(12,425)	35,472

(b) Deferred Tax Assets and Liabilities
Recognised deferred tax assets and liabilities

	Liabilities	
Revaluation reserve - Provision for tax on unrealised gains on investment portfolio	(50,195)	(35,620)
Other	76	(12)
Tax benefit of capital losses carried forward	6,652	4,502
Net tax assets/(liabilities)	(43,467)	(31,130)

	2010 $'000	2009 $'000
5. Dividends		
Dividends recognised in the current year by the Company are		
(i) 2009 final dividend of 7.0¢ per share (2008: 7.0¢) fully franked paid 21 September 2009	10,630	9,813
(ii) 2010 interim dividend of 6.0¢ per share (2009: 6.00¢) fully franked paid 16 March 2010	9,190	8,456
	19,820	18,269
Subsequent to reporting date:		
Since 30 June 2010, the directors have declared the following dividend payable on 24 September 2010:		
- Final dividend of 7.0 cents per share fully franked (2009: 7.0¢)	11,281	10,630

The final dividend will not contain a Listed Investment Company capital gain dividend (2009: no LIC capital gain dividend).

The financial effect of the final dividend has not been brought to account in the financial statements for the year ended 30 June 2010.

Dividend Franking Account:

The balance of the Franking Account at 30 June 2010 is $15,392,441 (2009: $17,025,577) 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

After allowing for the final 2010 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be $10,557,808 (2009: $12,471,149).

The ability to utilise the franking credits is dependent upon the Company being in a position to declare dividends in compliance with the provisions of the Corporations Act.

LIC Capital Gain Account:

The balance of the Listed Investment Company (LIC) Capital Gain Account at 30 June 2010 was $125,092 (2009: $125,092). 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.

	2010 $'000	2009 $'000
6. Cash Assets		
Units in Cash Management Trusts and Deposits at Call	3,200	18,416
7. Receivables		
Current		
Sundry debtors and other receivables	3,763	2,970
8. Investments		
Current		
Term Deposits	-	35,000
Non-Current		
Investments quoted on prescribed stock exchanges (at fair value)	524,703	409,852
9. Other Assets		
Current		
Prepayments	43	-
Non-Current		
Leasehold improvements	13	-
10. Payables		
Current		
Trade Creditors and outstanding settlements	113	460
11. Interest Bearing Liabilities		
Non-Current		
Multi-option Facility – Secured *	64,794	64,629

* The face value of the drawn facility is $65 million (2009: $65 million). The amount disclosed above is held at amortised cost (being the proceeds of discounted bank bills plus amortised interest to balance date). For more information about the company's exposure to interest risk and liquidity risk, see notes 20 and 21.

12. Financing Arrangements

The Company has access to the following lines of credit:

	2010 $'000	2009 $'000
Total facility available		
Multi-option Facility – Secured	65,000	65,000
Facilities utilised at balance date		
Multi-option Facility – Secured	65,000	65,000

	2010 $'000	2009 $'000

13. Capital and Reserves

(a) Issued Capital

Issued and paid-up share capital		
161,154,434 ordinary fully paid shares		
(2009:151,814,270)	282,392	253,392
Movements in issued capital		
Balance at beginning of the year	253,392	229,491
Shares issued		
- Dividend re-investment plan (i) (ii)	6,104	5,099
- Share Placement – net of costs (iii)	22,896	-
- Share Purchase Plan – net of costs (iv)	-	18,802
	282,392	253,392

(i) In respect of the 2009 final dividend, 1,311,713 shares were issued at $2.76 each under the dividend re-investment plan.

(ii) In respect of the 2010 interim dividend, 817,169 shares were issued at $3.04 each under the dividend re-investment plan.

(iii) On 8 April 2010, the Company issued 7,211,282 fully paid ordinary shares in accordance with a placement announced on 29 March 2010. The issue raised $22,931,877 (before costs) at the placement price of $3.18 per share.

(iv) On 30 April 2009, the Company issued 9,442,625 fully paid ordinary shares in accordance with the terms of the Company's Share Purchase Plan. The issue raised $18,885,250 (before costs) at the purchase price of $2.00 per share.

(b) Nature and purpose of Reserves

Revaluation Reserve
Increments or decrements on the revaluation of long term investments after provision for deferred tax are recorded in this reserve. When an investment has been sold or de-recognised, realised gains or losses (after tax) are transferred from the revaluation reserve to the realisation reserve.

Realisation Reserve
The realisation reserve records realised gains and losses (after tax) from sale of investments which are transferred from the revaluation reserve.

14. Directors' Remuneration

Details of the directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report. Total remuneration received by the directors for 2010 was $420,000 (2009: $406,477).

15. Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 30 June 2010.

16. 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, R H Myer and A R Burgess.

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 2010 to 18 June 2011.

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, except A.R. Burgess, entered into a directors' retirement agreement with the Company in 2006 converting retirement entitlements accrued to that date into shares in the Company to be held in a Share Plan until retirement.

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 1/7/09	Purchases	Sales	Held at 30/6/10
Charles Goode	3,532,109	161,068	-	3,693,177
Graeme Moir	200,000	-	-	200,000
Martyn Myer	177,455	-	-	177,455
Rupert Myer	143,478	6,547	-	150,025
Anthony Burgess	100,000	-	-	100,000

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 and share purchase plan which were made on the same terms and conditions offered to other shareholders, and/or purchases on the open market.

OTHER

During the year the Company paid management fees to The Myer Family Company Ltd of which Rupert Myer and Martyn Myer are directors. The Myer Family Company 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 Australia and New Zealand Banking Group Ltd, of which Charles Goode was a director until 28 February 2010.

The terms and conditions of the transactions with the Australia and New Zealand Banking Group Ltd and The Myer Family Company 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.

	2010 $'000	2009 $'000

17. 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:

	2010 $'000	2009 $'000
Units in Cash Management Trusts and Deposits at Call	3,200	18,416

(b) Reconciliation of operating profit after income tax to net cash provided by operating activities

	2010 $'000	2009 $'000
Profit/ (loss) for the year	16,260	(244)
Add net realised and unrealised capital losses	1,128	18,378
Net cash provided by operating activities before changes in assets and liabilities	17,388	18,134
Adjustments for:		
(Increase)/ decrease in prepayments	(43)	26
(Increase)/ decrease in debtors	(853)	613
Decrease in interest receivable	60	97
(Increase)/decrease in deferred tax asset	(90)	-
Increase/ (decrease) in current tax	(839)	(3,859)
(Increase)/ decrease in prepaid interest	165	(251)
Increase/ (decrease) in deferred tax liability	3	(7)
Increase in creditors	3	13
(Increase)/decrease in other assets	(13)	-
Net cash provided by operating activities	15,781	14,766

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

18. Earnings per Share

	2010 Cents	2009 Cents
Basic earnings per share	10.5	(0.2)[1]
Basic earnings per share before net gains and losses on investment portfolio	11.2	12.6
Basic earnings per share before special dividends and net gains and losses on investment portfolio	11.1	12.5

[1] Restated on adoption of AASB 9 (refer note 1b).

	2010 $'000	2009 $'000
Profit reconciliation used in the calculation of earnings per share		
Profit/ (Loss) for the year	16,260	(244)
Net realised and unrealised losses on investment portfolio included in the income statement	1,128	18,378
Net profit before net realised and unrealised losses on investment portfolio	17,388	18,134
Special dividends received	(150)	(105)
Net profit before net realised and unrealised losses on investment portfolio and special dividends received	17,238	18,029

Earnings per share for the 2010 year are calculated on a weighted average adjusted number of shares, taking into account the Share Placement in April 2010.

	2010 Shares	2009 Shares
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	152,061,727	141,526,443
Effect of dividend reinvestment plan in September 2009	1,015,085	554,040
Effect of dividend reinvestment plan in March 2010	237,702	386,322
Effect of purchase plan shares issued in April 2009	-	1,580,655
Effect of placement shares issued in April 2010	1,639,826	-
Weighted average number of ordinary shares for the year	154,954,340	144,047,460

19. Capital Management

The Company's objective in managing capital is to provide shareholders with dividends and capital appreciation over the longer term.

The Company's capital will fluctuate with prevailing market movements and it may adjust the amount of dividends paid, issue new shares or sell assets to reduce debt.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any external regulation in respect to capital requirements.

20. Financial Risk Management

AASB 7 – Financial Instruments: Disclosures identifies three types of risk associated with financial instruments (i.e. investments, receivables, payable and borrowings).
The Company has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk exposure of the Company lies principally in its cash and receivables to the extent of their carrying values and any accrued unpaid interest.

Cash

The company invests in short-term bank backed securities, cash management units with the MF Cash Management Fund and cash deposits with Australian banks, with a direct or underlying AA or A.1 credit rating assigned by Standard & Poor's, being a Recognised Rating Agency.

Receivables

Receivables are non-interest bearing and represent dividends, proceeds of sales and distributions yet to be received. The credit risk exposure of the Company in relation to receivables is the carrying amount.
Management does not expect any counterparty to fail to meet its obligations. Additionally, none of these assets are over due or considered to be impaired.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as they fall due. The Company monitors its cash flow requirements and ensures that it has cash or access to sufficient borrowing facilities to meet all its financial obligations as they fall due.

Bank Borrowings were $65 million at the end of the financial year (2009: $65 million) gearing the investment portfolio by around 12%. The Company has an interest bearing commercial bill facility in place with the Australia and New Zealand Banking Group Ltd which includes both a fixed and floating rate bill component. This facility expires at various intervals through to 2 July 2014, unless these are renewed. Annual interest expense was covered 5 times by investment revenue (2009: 7 times).

The major cash inflows for the Company include dividends, distributions, sales proceeds received and proceeds from the issue of further shares to shareholders. The major cash outflows are the purchase of securities and dividends paid to shareholders, both of which can be managed by the Company.

The Company's investments are quoted on a prescribed stock exchange and are able to be realised if required.

Market Risk
Market risk is the risk that changes in markets such as foreign exchange rates, dividend rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Inherently, the Company is subject to market risk as it invests its capital in securities whose market prices can fluctuate.

Based on a tax rate of 30%, a general movement in market prices of 5% and 10% would lead to an change in the Company's equity of $18,365,000 (or 4%) and $36,729,000 (or 9%) respectively.

Market risk is minimised by ensuring that the Company's investment portfolio is not over exposed to one company or one particular sector. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Board frequently.

The Company also has exposure to interest rate risk on its borrowings as detailed in Note 21 which is contained through conservative levels of gearing and ensuring that there is appropriate interest cover at all times.
All of the company's investments are quoted in Australian dollars therefore avoiding any direct exposure to currency risk.

21. Financial Instruments Disclosure

Interest rate risk

The Company's exposure to interest rate 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 $'000
2010		
Financial Assets		
Cash	6	3,200
Weighted average interest rate		4.72%
2009		
Financial Assets		
Cash	6	18,416
Weighted average interest rate		4.45%

Borrowings

The Company has a facility of $65,000,000 (fully drawn) with Australia and New Zealand Banking Group Ltd which will mature as to $15,000,000 in July 2011, $20,000,000 in July 2012, $20,000,000 in July 2013 and $10,000,000 in July 2014.

The Company's borrowings comprise fixed rate arrangements of $55,000,000 maturing from 2011 to 2013 and floating rate arrangements of $10,000,000, with total interest rate, margin and line fees ranging from 6.65% to 7.27%.

The Company has pledged as collateral for the secured borrowing facilities, the following equity investments:

Equities	No. of Shares	Value at 30 June 2010 $'000
BHP Billiton Ltd	1,500,000	56,475
NAB Ltd	900,000	20,952
Woodside Petroleum Ltd	1,000,000	41,840
Rio Tinto Ltd	518,976	34,595
Total		**153,862**

The terms of the agreement require the market value of the securities to satisfy a maximum Loan Valuation Ratio of 70%. At 30 June this was 42%.

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 last quoted sale price at balance date. In accordance with Australian Accounting Standards, this is considered "level 1" under the fair value measurement hierarchy, which is defined as quoted prices (unadjusted) in active markets for identical assets or liabilities. 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.

22. Segment Reporting

The Company operates as an investment company in Australia.

23. 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 periods.

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 15 to 31, and the remuneration disclosures that are contained in the Remuneration report on page 12 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 2010 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 (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) The financial report also complies with International Financial Reporting Standards.

   (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 2010.

Signed in accordance with a resolution of the directors.

Charles Goode
Director
Melbourne 12th August 2010.

Independent auditor's report to the members of Diversified United Investment Limited

Report on the financial report

We have audited the accompanying financial report of Diversified United Investment Limited (the Company), which comprises the balance sheet as at 30 June 2010, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 23 and the directors' declaration.

Directors' responsibility for the financial 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. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statement and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procesures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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 reasonablness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial 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 Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

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 2010 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 Internationl Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included on page 12 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards*.

Auditor's opinion

In our opinion, the remuneration report of Diversified United Investment Limited for the year ended 30 June 2010, complies with the Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

MSomerville

Michelle Somerville
Partner

Melbourne

12 August 2010

Distribution of shareholders as at 31 July 2010

Category Holders	Ordinary Shares	No of Holders	%
1 – 1,000	130,688	582	0.08
1,001 – 5,000	3,376,374	1,166	2.10
5,001 – 10,000	7,987,670	1,086	4.96
10,001 – 100,000	50,959,142	2,063	31.62
100,001 and over	98,700,560	108	61.24
	161,154,434	5,005	100.00

There were 365 ordinary shareholders holding less than a marketable parcel (170 shares) at 31 July 2010.

Substantial Shareholders

The number of shares held by the substantial shareholders and their associates as at 31 July 2010 are set out below:

Shareholder	Ordinary Shares
The Myer Family Company Ltd	12,868,971
The Ian Potter Foundation Ltd, Dundee Trading Pty Ltd and Australian United Investment Company Limited	33,695,970
Australian Foundation Investment Company Limited	12,030,202
Argo Investments Limited	14,769,575

Voting Rights

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 31 July 2010 were:

Shareholder	Ordinary Shares	% Held
1. The Ian Potter Foundation Ltd	15,302,960	9.50
2. Argo Investments Limited	14,769,575	9.16
3. M F Custodians Ltd	14,124,583	8.76
4. Australian Foundation Investment Company Ltd	12,030,202	7.46
5. Australian United Investment Company Ltd	12,000,000	7.45
6. Dundee Trading Pty Ltd	6,393,010	3.97
7. Beta Gamma Pty Ltd	1,658,839	1.03
8. Mr Charles Barrington Goode	1,351,815	0.84
9. Mr Daryl Albert Dixon & Mrs Katherine Dixon	988,237	0.61
10. Mutual Trust Pty Ltd	816,086	0.51
11. UBS Wealth Management Australia Nominees Pty Ltd	709,459	0.44
12. Primrose Properties Pty Ltd	612,708	0.38
13. Mr James Vincent Chester Guest	558,312	0.35
14. Chabar Pty Ltd	463,512	0.29
15. Somoke Pty Ltd	409,883	0.25
16. Mrs Claudia Jessica Craig	400,000	0.25
17. Yelgarn Pty Ltd	386,417	0.24
18. Questor Financial Services Ltd	385,817	0.24
19. Mythia Pty Ltd	382,000	0.24
20. Mr David J Brownell & Mrs Joanna M Brownell	360,000	0.22
	84,103,415	52.19

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2010 totalled $251,486 (2009:$100,189). 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.

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

	Market Value $	30/6/10 Units Held	% of Portfolio at Market Value	30/6/09 Units Held
Australian Equities				
Oil & Gas				
Oil Search Ltd	1,106,000	200,000	0.2	1,106,000
Santos Ltd	6,300,000	500,000	1.2	200,000
Woodside Petroleum Ltd	52,300,000	1,250,000	9.8	1,000,000
Chemicals				
Orica Ltd	5,040,000	200,000	0.9	150,000
Metals & Mining				
Alumina Ltd	9,150,000	6,000,000	1.7	7,140,000
BHP Billiton Ltd	56,475,000	1,500,000	10.6	1,500,000
Rio Tinto Ltd	35,001,833	525,080	6.6	518,976
Construction & Engineering				
Leighton Industries Ltd	5,790,000	200,000	1.1	165,582
Monadelphous Group Ltd	1,274,000	100,000	0.2	-
Worley Parsons Ltd	5,552,500	250,000	1.0	-
Commercial Services Supplies				
Brambles Ltd	5,460,000	1,000,000	1.0	1,000,000
Transportation Infrastructure				
Australian Infrastructure Fund	5,610,000	3,300,000	1.1	3,000,000
ConnectEast Group	-	-	-	6,000,000
MAp Group	-	-	-	750,000
Macquarie Communications Infrastructure Group	-	-	-	1,000,000
Transurban Group	11,872,000	2,800,000	2.2	1,500,000
Media				
Consolidated Media Holdings Ltd	9,540,000	3,000,000	1.8	655,552
News Corporation Inc Class A Common CDI	-	-	-	300,000
Village Roadshow Ltd 'A' Class Pref	-	-	-	1,500,000
Retailing				
Metcash Ltd	2,095,000	500,000	0.4	500,000
Wesfarmers Ltd	4,297,500	150,000	0.8	128,572
Wesfarmers Ltd PPS	8,637,000	300,000	1.6	300,000
Woolworths Ltd	18,914,000	700,000	3.6	400,000
Health Care Providers & Services				
CSL Ltd	19,548,000	600,000	3.7	500,000
Healthscope Ltd	3,114,000	600,000	0.6	-
Primary Health Care Ltd	5,340,000	1,500,000	1.0	-
Sonic Healthcare Ltd	4,172,000	400,000	0.8	-

List of Investments as at 30 June 2010

	Market Value $	30/6/10 Units Held	% of Portfolio at Market Value	30/6/09 Units Held
Australian Equities (Continued)				
Banks				
Australian & New Zealand Banking Group Ltd	41,059,000	1,900,000	7.7	1,900,000
Commonwealth Bank of Australia Ltd	38,912,000	800,000	7.3	800,000
Mystate Ltd	8,112,000	2,600,000	1.5	-
National Australia Bank Ltd	27,936,000	1,200,000	5.3	1,020,000
Westpac Banking Corporation Ltd	33,968,000	1,600,000	6.4	1,600,000
Diversified Financials				
Perpetual Ltd	5,652,000	200,000	1.1	200,000
The Trust Company Ltd	1,656,000	300,000	0.3	-
Washington H Soul Pattinson & Company Ltd	7,770,000	600,000	1.5	600,000
Insurance				
AXA Asia Pacific Holdings Ltd	4,102,500	750,000	0.8	1,200,000
Henderson Group Plc	-	-	-	1,000,000
QBE Insurance Group Ltd	27,300,000	1,500,000	5.1	1,200,000
Diversified Telecommunications Services				
Telstra Corporation Ltd	14,625,000	4,500,000	2.8	2,000,000
Gas Utilities				
AGL Energy Ltd	11,760,000	800,000	2.2	650,000
Origin Energy Ltd	3,735,000	250,000	0.7	-
Total Australian Equities	503,176,333		94.6	
Listed Fixed Interest				
Santos Ltd Non Cum Prefs (FUELS)	-	-	-	50,000
Total Fixed Interest	-	-	-	
Real Estate				
Australand Property Group	1,694,000	700,000	0.3	3,500,000
Stockland	1,562,400	420,000	0.3	420,000
Westfield Group Ltd	18,270,000	1,500,000	3.4	1,368,686
Total Real Estate	21,526,400		4.0	
Cash, Bills of Exchange & Short Term receivables	7,274,217		1.4	
Total	531,976,950		100.0	

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