

# **DIVERSIFIED UNITED INVESTMENT LIMITED**

ABN 33 006 713 177

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## **APPENDIX 4E STATEMENT FOR THE YEAR ENDING 30 JUNE 2011**

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- Results for announcement to the market
- Letter to Australian Securities Exchange
- Financial Statements
- Independent Audit Report

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

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The reporting period is the year ended 30 June 2011 with the corresponding period being the year ended 30 June 2010.

### Results for announcement to the market

- Revenue from ordinary activities was \$26.6 million, up 19% from the prior period.
- Operating Profit after tax and before net realised and unrealised losses/gains on the investment portfolio was \$21 million, up 21% from the prior period.
- The total net profit for the period of \$21 million excludes net realised gains and losses which are transferred directly to the Asset Revaluation Reserve under revised accounting standards. The prior period total net profit of \$16.3 million included \$1,128,000 net realised losses after tax up to the date of adoption of the new standards on 7 December 2009.
- Earnings per share based on net operating profit after tax were 12.8 cents, an increase of 14% from the prior year. Excluding special dividends received, earnings per share rose 12.6% to 12.5 cents. The weighted average number of ordinary shares for the year was 164,025,670 as against 154,991,128 in the previous year, an increase of 6%.
- This year special dividends and distributions of \$527,000 after tax were received. Last year special dividends of \$150,000 after tax were received.
- The final dividend is 7.0 cents per share (7.0 cents for the previous period) fully franked making total dividends for the year 13.0 cents fully franked, unchanged on the previous year. The final dividend is payable on 20 September 2011. The record date for determining entitlement to the final dividend is 24 August 2011.
- The final dividend will not include any Listed Investment Company capital gain dividend.
- The net tangible asset backing per share based on the market valuation of investments was \$3.08 at 30 June 2011, compared to \$2.94 at the end of the previous corresponding period. These calculations are after the tax effect of net realised gains, before estimated tax on net unrealised gains/losses and before provision for the final dividend.
- The Company operates a Dividend Reinvestment Plan ("DRP") under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at the average selling price of shares traded on the Australian Securities Exchange on the Record Date of 24 August 2011 and the three business days immediately preceding that date, without any discount. The last day for receipt of an election notice for participation in the plan is 24 August 2011.

**DIVERSIFIED UNITED INVESTMENT LIMITED**

ABN 33 006 713 177

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101 COLLINS STREET  
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Australia

TEL (613) 9654 0499  
FAX (613) 9654 3499

12 August 2011

The General Manager  
Australian Securities Exchange Ltd  
10<sup>th</sup> Floor  
20 Bond Street  
Sydney NSW 2000

Dear Sir,

**Annual Financial Results and Dividend Announcement**  
**for the Financial Year Ended 30 June 2011**

The Directors make the following report concerning the company's performance and final dividend:-

**Operating Profit and Realised Capital Gains**

Operating profit after income tax and before net realised gains on the investment portfolio for the year ended 30 June 2011 was \$20,970,000 (previous corresponding period: \$17,388,000). Operating profit includes special dividends and distributions of \$527,000 (previously \$150,000).

Total net realised losses on the investment portfolio after tax for the year were \$1,786,000 (previously losses of \$1,128,000).

The total net profit for the year of \$20,970,000 excludes net realised gains and losses which are transferred directly to the Asset Revaluation Reserve under revised accounting standards. The prior period total net profit of \$16,260,000 included \$1,128,000 net realised losses after tax up to the date of adoption of AASB 9 on 7 December 2009.

Operating expenses (excluding interest) were 0.17% of the average market value of the portfolio (previously 0.20%).

**Earnings Per Share**

The operating earnings per share based on the weighted average number of shares on issue for the year was 12.8 cents per share (12.5 cents excluding special dividends) compared to 11.2 cents for the year to 30 June 2010 (11.1 cents excluding special dividends). Excluding the special dividends, earnings per share rose 12.6%. The weighted average number of ordinary shares for the year was 164,025,670 as against 154,991,128 in the previous year, an increase of 6%.

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### **Dividends**

The Directors also announce a final dividend of 7 cents per share fully franked to shareholders registered on 24 August 2011, to be paid on 20 September 2011. The comparable 2010 final dividend was 7 cents per share fully franked. Together with the interim dividend of 6.0 cents per share, total dividends for the year are unchanged at 13 cents per share, fully franked.

### **LIC Capital Gains**

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

### **Dividend Reinvestment Plan**

The Company operates a Dividend Reinvestment Plan ("DRP") under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at the average selling price of shares traded on the Australian Securities Exchange on the Record Date of 24 August 2011 and the three business days immediately preceding that date, without any discount. The last day for the receipt of an election notice for participation in the plan is 24 August 2011.

### **Asset Backing**

The net tangible asset backing per share based on the market valuation of investments was \$3.08 at 30 June 2011 and \$2.91 at 31 July 2011. These calculations are after the tax effect of net realised gains, before estimated tax on net unrealised gains and losses and before provision for the final dividend.

The Company is a long term investor and does not intend disposing of its total portfolio. If estimated tax on net unrealised gains were to be deducted, the above figures would be \$2.76 at 30 June 2011 and \$2.64 at 31 July 2011.

### **Performance**

The Company's net asset backing accumulation performance (assuming all dividends were reinvested, and after all expenses and tax) for the year to 30 June 2011 was a rise of 9.2% while the S&P/ASX 200 and 300 accumulation indices rose 11.7% and 11.9% respectively over the same period. The Company's returns are after tax and expenses and the impact of the Company's gearing for which no allowance is made in the indices. The market value of the portfolio moves broadly in line with the S&P/ASX 300 index and from 30 June 2011 to 11 August 2011 the index fell 10%, arising from the disruption in global financial markets.

### **Annual General Meeting**

The Annual General Meeting of the Company will be held on Thursday, 13 October 2011 at 9.00 am at the offices of KPMG, 147 Collins Street, Melbourne.

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**Investment Portfolio**

As at 30 June 2011 the twenty-five largest shareholdings of the company, at market values were:

| <i>Company</i>  | <i>Market Value<br/>\$'000</i> | <i>% of Market<br/>Value of Total<br/>Investments</i> |
|---|--------------------------------|---|
| 1. BHP Billiton Ltd   | 65,700                         | 11.4%   |
| 2. Woodside Petroleum Ltd   | 53,300                         | 9.3%  |
| 3. Rio Tinto Ltd  | 43,576                         | 7.6%  |
| 4. Commonwealth Bank of Australia Ltd   | 41,840                         | 7.3%  |
| 5. ANZ Banking Group Ltd  | 41,800                         | 7.3%  |
| 6. Westpac Banking Corporation Ltd  | 35,616                         | 6.2%  |
| 7. National Australia Bank Ltd  | 30,744                         | 5.3%  |
| 8. QBE Insurance Group Ltd  | 25,875                         | 4.5%  |
| 9. CSL Ltd  | 19,836                         | 3.4%  |
| 10. Woolworths Ltd  | 19,425                         | 3.4%  |
| 11. Transurban Group  | 15,690                         | 2.7%  |
| 12. Wesfarmers Ltd PPS and Ordinary   | 14,453                         | 2.5%  |
| 13. Westfield Group   | 12,990                         | 2.3%  |
| 14. Alumina Ltd   | 12,660                         | 2.2%  |
| 15. Perpetual Ltd   | 12,465                         | 2.2%  |
| 16. Washington H Soul Pattinson & Co Ltd                                      | 11,790                         | 2.0%  |
| 17. AGL Energy Ltd  | 11,720                         | 2.0%  |
| 18. Consolidated Media Holdings   | 10,440                         | 1.8%  |
| 19. Mystate Ltd   | 9,126                          | 1.6%  |
| 20. Australian Infrastructure Fund  | 8,640                          | 1.5%  |
| 21. Worley Parsons Ltd  | 7,060                          | 1.2%  |
| 22. Orica Ltd   | 6,735                          | 1.2%  |
| 23. Origin Energy Ltd   | 6,316                          | 1.1%  |
| 24. Westfield Retail Trust  | 6,233                          | 1.1%  |
| 25. Sonic Healthcare Ltd  | 5,148                          | 1.0%  |
|   | 529,178                        | 92.1%   |
| <b>Total Investments at Market Value, Short Term<br/>Receivables and Cash</b> | 574,622                        |   |

Yours faithfully,

**A J Hancock**  
Company Secretary

**DIVERSIFIED UNITED INVESTMENT LIMITED**  
(ABN 33 006 713 177)

**ANNUAL FINANCIAL REPORT**  
**30 JUNE 2011**

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Directors' Report*

The directors present their report together with the financial report of Diversified United Investment Limited for the financial year ended 30 June 2011 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 72  
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), Grosvenor Australia Properties Pty Limited (since 2008) and Flagstaff Partners Pty Ltd (since 2010).

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).

**Martyn Myer** AO, B.Eng, MEng (Mon), MSM (MIT), FIE (Aust).  
Non-Executive Director  
Age 53  
Appointed September 1991.

Mr Myer is Chairman of CogState Ltd (since 1999), a director of The Myer Family Company Ltd (since 2007), President of The Myer Foundation (since 2009) 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), the Florey Neuroscience Institutes (2007 – 2009) and SP AusNet Group (2005-2010), and was President of the Howard Florey Institute (2004 – 2007) .

**Rupert Myer** AM, B.Com (Hons) (Melb), MA Cantab  
Non-Executive Director  
Age 52  
Appointed November 2002.

Mr Myer is a director of AMCIL Limited (since 2000). He serves as Chairman of The Myer Family Company Ltd (Group) (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), and is a member of the Advisory Board of the Faculty of Business and Economics at the University of Melbourne.

**Anthony Burgess** CPA, F.Fin, B.Com (Hons) (Melb), MBA (Dist'n) (Harvard)  
Non-Executive Director  
Age 52  
Appointed September 2008.

Mr Burgess has 29 years experience in corporate finance in Melbourne, London and New York. He is currently Chief Executive Officer of Flagstaff Partners Pty Ltd, 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 Vice Chair of the St. Vincent's Institute Foundation and a member of the Advisory Board of the Faculty of Business and Economics at the University of Melbourne. He is Chairman of the Company's Audit Committee.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Directors' Report (Continued)*

Graeme Moir B.Com (Univ. of NZ), ACA (NZ), ACIS. *Retired 14 October 2010.*

Non-Executive Director

Age 79

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 was a director of Australian United Investment Company Limited (1976 - 2010).

### *Company Secretary*

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

Company Secretary,

Age 59

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 2011 the Company earned an operating profit after tax before net gains and losses on the investment portfolio of \$20,970,000 (compared to \$17,388,000 in 2010) – a increase of 21%.

If special dividends received are disregarded, operating profit before net realised and unrealised losses on investment portfolio increased by 19%. The operating profit includes \$527,000 of special dividends and distributions received. In 2010, the operating profit after tax included \$150,000 of special dividends and distributions received. The weighted average number of ordinary shares for the year was 164,025,670 as against 154,991,128 in the previous year, an increase of 6%. The basic and diluted earnings per share before net realised gains on investment portfolio and special dividends was 12.5 cents compared to 11.1 cents for the previous year.

The net tangible asset backing of each of the Company's shares at 30 June 2011 was \$3.08 (2010: \$2.94). This net tangible asset backing calculation is based on investments at market value and is after the tax effect of net realised gains, before estimated tax on net 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 \$2.76 (2010: \$2.63).



# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Directors' Report (Continued)*

### *Results and Review of Operations (Continued)*

On 4 October 2010 the Company issued 2,351,680 fully paid shares in accordance with the Company's Share Purchase Plan. The issue raised \$6,607,000 (before costs) at the purchase price of \$2.81 per share, which represented a 5% discount to the Net Tangible Asset Backing per share of the Company as at 31 August 2010 adjusted for the general share market movement to 6 September 2010.

Borrowings as at 30 June 2011 were \$65 million (2010: \$65 million) amounting to around 11% of the investment portfolio at market values (2010: 12%). Cash on hand, cash deposits and short term receivables were \$5 million, or 0.8% of the investment portfolio at market values (2010 \$7 million, or 1.4%).

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

|  | <i>2011</i><br>\$'000 | <i>2010</i><br>\$'000 |
|--|-----------------------|-----------------------|
| <i>REVENUE FROM INVESTMENT PORTFOLIO</i>   |                       |                       |
| Dividends  | 22,905                | 18,373                |
| Trust Distributions  | 2,462                 | 2,675                 |
| Interest   | 631                   | 1,048                 |
| Option Premium Income  | 575                   | 270                   |
| Sub-Underwriting Commission  | 40                    | -                     |
|  | <u>26,613</u>         | <u>22,366</u>         |
| <i>EXPENSES</i>  |                       |                       |
| Administration and other expenses:   |                       |                       |
| Accounting and Custody Fees  | 162                   | 159                   |
| Audit  | 43                    | 46                    |
| Share Registry   | 73                    | 80                    |
| Directors' Fees  | 370                   | 420                   |
| ASX Fees   | 76                    | 76                    |
| Company Secretary Fees   | 70                    | 70                    |
| Insurance  | 45                    | 45                    |
| Office rent, printing and other  | 88                    | 100                   |
| Finance Costs:   |                       |                       |
| Interest   | 4,527                 | 4,218                 |
|  | <u>5,454</u>          | <u>5,214</u>          |
| Operating profit before income tax benefit/ (expense) and net gains and losses on investment portfolio | 21,159                | 17,152                |
| Income tax benefit/ (expense)  | <u>(189)</u>          | <u>236</u>            |
| Net operating profit before net gains and losses on investment portfolio                               | <u>20,970</u>         | <u>17,388</u>         |

Expenses (excluding finance costs) were 0.17% of the average market value of the investment portfolio (2010: 0.20%)

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Directors' Report (Continued)*

### *Dividends*

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

|  | \$'000 |
|--|--------|
| <i>Paid or declared during the year</i>  |        |
| A final dividend in respect of the year ended 30 June 2010 of 7.0¢ per share fully franked paid on 24 September 2010.    | 11,284 |
| An interim dividend in respect of the year ended 30 June 2011 of 6.0¢ per share fully franked paid on 15 March 2011.     | 9,879  |
| <i>Paid or declared after end of year</i>  |        |
| A final dividend in respect of the year ended 30 June 2011 of 7.0¢ per share fully franked payable on 20 September 2011. | 11,585 |

### *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:

| <i>Director</i> | <i>Directors' Meetings</i>      |                                 | <i>Audit Committee Meetings</i> |                                 | <i>Nomination &amp; Remuneration Committee Meetings</i> |                                 |
|-----------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---|---------------------------------|
|                 | <i>No. of Meetings attended</i> | <i>No. of Meetings eligible</i> | <i>No. of Meetings attended</i> | <i>No. of Meetings eligible</i> | <i>No. of Meetings attended</i>                         | <i>No. of Meetings eligible</i> |
| Charles Goode   | 10                              | 11                              | 2*                              | 2*                              | 1   | 1                               |
| Martyn Myer     | 11                              | 11                              | 2                               | 2                               | 1   | 1                               |
| Rupert Myer     | 11                              | 11                              | 1#                              | 1#                              | 1   | 1                               |
| Anthony Burgess | 11                              | 11                              | 2                               | 2                               | 1   | 1                               |
| Graeme Moir     | 4                               | 4                               | 1#                              | 1#                              | -   | -                               |

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

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

\* In attendance – not a committee member.

# Rupert Myer became a member of the Audit Committee on 14 of October 2010 following Graeme Moir's retirement on the same day.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Directors' Report (Continued)*

### *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 Stock Exchange in accordance with Section 205G(1) of the Corporations Act 2001 is as follows:-

|                 | SHARES    |           |         |
|-----------------|-----------|-----------|---------|
|                 | 1         | 2         | 3       |
| Charles Goode   | 1,428,758 | 2,425,300 | 140,000 |
| Martyn Myer     | 1,445     | 106,010   | 70,000  |
| Rupert Myer     | 13,943    | 145,033   | 14,000  |
| Anthony Burgess |           | 200,000   |         |

**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 above, no director -

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

### *Remuneration Report (audited)*

#### Non-executive Directors' Fees (1)

|                 | 2011<br>\$     | 2010<br>\$     |
|-----------------|----------------|----------------|
| Charles Goode   | 140,000        | 140,000        |
| Martyn Myer     | 70,000         | 70,000         |
| Rupert Myer     | 70,000         | 70,000         |
| Anthony Burgess | 70,000         | 70,000         |
| Graeme Moir     | 20,192         | 70,000         |
| <b>Total</b>    | <b>370,192</b> | <b>420,000</b> |

(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.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Directors' Report (Continued)*

### *Remuneration Report (audited) (Continued)*

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 strategy 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.

Directors' remuneration is fixed annually taking into account the company's performance and market conditions. The Company's performance in respect of the current financial year and each of the previous four financial years was:

|   | 2011   | 2010   | 2009   | 2008   | 2007   |
|---|--------|--------|--------|--------|--------|
| Operating Profit ( <i>\$ Millions</i> )   | 21.0   | 17.4   | 18.1   | 20.0   | 16.7   |
| Dividends paid ( <i>cents per share</i> ) | 13.0   | 13.0   | 13.0   | 13.0   | 12.0   |
| Share Price 30 June                       | \$2.71 | \$2.82 | \$2.54 | \$3.26 | \$3.91 |
| Management Expense Ratio                  | 0.17%  | 0.20%  | 0.19%  | 0.14%  | 0.17%  |
| Net Asset Backing Per Share 30 June       | \$3.08 | \$2.94 | \$2.67 | \$3.54 | \$4.16 |
| S&P/ASX 300 Index 30 June                 | 4,608  | 4,293  | 3,949  | 5,219  | 6,297  |

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 \$45,250 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.

The Company Secretary, Mr Andrew J Hancock, received \$70,000 (2010: \$70,000) for services provided to the Company.

### *Events Subsequent to Balance Date*

The market value of the investment portfolio moves broadly in line with the S&P/ASX 300 index and from 30 June 2011 to 11 August 2011 the index fell 10%, arising from the disruption in global financial markets. Apart from this, 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.

### *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.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Directors' Report (Continued)*

### *State of Affairs*

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review other than the value of the investment portfolio fluctuated broadly in line with market movements.

### *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 \$7,425 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.

### *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 8 and forms part of the Directors' report for the year ended 30 June 2011.

### *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 12<sup>th</sup> day of August 2011*

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 review 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 2011

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Income Statement for the Year Ended 30 June 2011*

|  | <i>Note</i> | <i>2011</i><br><i>\$'000's</i> | <i>2010</i><br><i>\$'000's</i> |
|--|-------------|--------------------------------|--------------------------------|
| Revenue from investment portfolio  | 2           | 26,613                         | 22,366                         |
| Administration and other expenses  |             | (927)                          | (996)                          |
| Finance expenses   | 2           | (4,527)                        | (4,218)                        |
| <b>Operating profit before income tax benefit and net gains on investment portfolio</b>                    |             | <b>21,159</b>                  | <b>17,152</b>                  |
| Income tax (expense) / benefit <sup>1</sup>  |             | (189)                          | 236                            |
| <b>Net operating profit before net gains on investment portfolio</b>                                       |             | <b>20,970</b>                  | <b>17,388</b>                  |
| Net realised losses on investment portfolio <sup>2</sup>   |             | -                              | (1,561)                        |
| Income tax benefit thereon <sup>1</sup>  |             | -                              | 433                            |
| <b>Profit for the year</b>   |             | <b>20,970</b>                  | <b>16,260</b>                  |
| <br>   |             |                                |                                |
| <sup>1</sup> Total income tax (expense)/benefit  | 4(a)        | (189)                          | 669                            |
| <sup>2</sup> Up to date of adoption of AASB 9 on 7 December 2009   |             |                                |                                |
| Basic and diluted earnings per share (cents)   | 18          | 12.8                           | 10.5                           |
| Basic earnings per share before net gains and losses on investment portfolio (cents)                       | 18          | 12.8                           | 11.2                           |
| Basic earnings per share before special dividends and net gains and losses on investment portfolio (cents) | 18          | 12.5                           | 11.1                           |

The Income Statement is to be read in conjunction with the notes to the financial statements set out on pages 14 to 29.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Statement of Comprehensive Income for the Year Ended 30 June 2011*

|  | <i>2011</i><br>\$'000's | <i>2010</i><br>\$'000's |
|--|-------------------------|-------------------------|
| <b>Profit for the Year</b>   | 20,970                  | 16,260                  |
| <b>Other Comprehensive Income</b>  |                         |                         |
| Revaluation of investment portfolio for the year   | 30,762                  | 40,025                  |
| Provision for tax expense on revaluation of investment portfolio for the year  | (9,378)                 | (12,425)                |
| Net realised losses on investments transferred to the income statement from the asset revaluation reserve <sup>2</sup> | -                       | 1,128                   |
| <b>Other comprehensive income net of income tax</b>  | <u>21,384</u>           | <u>28,728</u>           |
| <b>Total comprehensive income <sup>1</sup></b>   | <u><u>42,354</u></u>    | <u><u>44,988</u></u>    |

<sup>1</sup> 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 losses on the Company's investment portfolio

<sup>2</sup> 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 report set out on pages 14 to 29.



# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Balance Sheet as at 30 June 2011*

|                                      | <i>Note</i> | <i>2011</i><br>\$'000's | <i>2010</i><br>\$'000's |
|--------------------------------------|-------------|-------------------------|-------------------------|
| <b>ASSETS</b>                        |             |                         |                         |
| Cash assets                          | 6           | 272                     | 3,200                   |
| Receivables                          | 7           | 4,318                   | 3,763                   |
| Other                                | 9           | 43                      | 43                      |
| Current tax refundable               | 4(a)        | -                       | 255                     |
| <b>TOTAL CURRENT ASSETS</b>          |             | <b>4,633</b>            | <b>7,261</b>            |
| Investment portfolio                 | 8,24        | 570,017                 | 524,703                 |
| Other                                | 9           | 12                      | 13                      |
| <b>TOTAL NON-CURRENT ASSETS</b>      |             | <b>570,029</b>          | <b>524,716</b>          |
| <b>TOTAL ASSETS</b>                  |             | <b>574,662</b>          | <b>531,977</b>          |
| <b>LIABILITIES</b>                   |             |                         |                         |
| Current tax liability                | 4(a)        | 60                      | -                       |
| Payables                             | 10          | 142                     | 113                     |
| <b>TOTAL CURRENT LIABILITIES</b>     |             | <b>202</b>              | <b>113</b>              |
| Borrowings – interest bearing        | 11          | 64,669                  | 64,794                  |
| Deferred tax liability               | 4(b)        | 52,975                  | 43,467                  |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |             | <b>117,644</b>          | <b>108,261</b>          |
| <b>TOTAL LIABILITIES</b>             |             | <b>117,846</b>          | <b>108,374</b>          |
| <b>NET ASSETS</b>                    |             | <b>456,816</b>          | <b>423,603</b>          |
| <b>EQUITY</b>                        |             |                         |                         |
| Issued capital                       | 13(a)       | 294,414                 | 282,392                 |
| Reserves                             |             | 162,402                 | 141,211                 |
| <b>TOTAL EQUITY</b>                  |             | <b>456,816</b>          | <b>423,603</b>          |

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 14 to 29.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Statement of Changes in Equity for the Year Ended 30 June 2011*

|   | <i>Issued<br/>Capital</i> | <i>Revaluation<br/>Reserve</i> | <i>Realisation<br/>Reserve</i> | <i>Impairment<br/>Reserve</i> | <i>Retained<br/>Earnings</i> | <i>Total<br/>Equity</i> |
|---|---------------------------|--------------------------------|--------------------------------|-------------------------------|------------------------------|-------------------------|
|   | (\$'000)                  | (\$'000)                       | (\$'000)                       | (\$'000)                      | (\$'000)                     | (\$'000)                |
| <b>Balance at 1 July 2009 (as reported)</b>             | 253,392                   | 76,619                         | 2,657                          | (9,430)                       | 46,197                       | 369,435                 |
| Adoption of AASB 9 (refer to Note 1b)                   | -                         | (3,386)                        | -                              | 3,386                         | -                            | -                       |
| <b>Balance at 1 July 2009 (restated)</b>                | 253,392                   | 73,233                         | 2,657                          | (6,044)                       | 46,197                       | 369,435                 |
| <b>Comprehensive income</b>                             |                           |                                |                                |                               |                              |                         |
| 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 <sup>(1)</sup>             | -                             | (1,561) <sup>(2)</sup>       | -                       |
| Tax expense or benefit on net realised gains and losses | -                         | (24)                           | (409) <sup>(1)</sup>           | -                             | 433 <sup>(2)</sup>           | -                       |
| Net operating profit for the period                     | -                         | -                              | -                              | -                             | 17,388                       | 17,388                  |
| Realised losses transferred after tax                   | -                         | -                              | (7,172)                        | 6,044 <sup>(3)</sup>          | 1,128                        | -                       |
|   | -                         | 28,684                         | (7,128)                        | 6,044                         | 17,388                       | 44,988                  |
| <b>Transactions with shareholders</b>                   |                           |                                |                                |                               |                              |                         |
| Share purchase plan (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                   |
| <b>Balance at 30 June 2010</b>                          | 282,392                   | 101,917                        | (4,471)                        | -                             | 43,765                       | 423,603                 |
| <b>Balance at 1 July 2010</b>                           | 282,392                   | 101,917                        | (4,471)                        | -                             | 43,765                       | 423,603                 |
| <b>Comprehensive Income</b>                             |                           |                                |                                |                               |                              |                         |
| Revaluation of investment portfolio                     | -                         | 30,762                         | -                              | -                             | -                            | 30,762                  |
| Tax expense on revaluation                              | -                         | (9,378)                        | -                              | -                             | -                            | (9,378)                 |
| Net realised gains and losses on investment portfolio   | -                         | 2,552                          | (2,552)                        | -                             | -                            | -                       |
| Tax expense or benefit on net realised gains and losses | -                         | (766)                          | 766                            | -                             | -                            | -                       |
| Net operating profit for the period                     | -                         | -                              | -                              | -                             | 20,970                       | 20,970                  |
|   | -                         | 23,170                         | (1,786)                        | -                             | 20,970                       | 42,354                  |
| <b>Transactions with shareholders</b>                   |                           |                                |                                |                               |                              |                         |
| Share Purchase Plan                                     | 6,565                     | -                              | -                              | -                             | -                            | 6,565                   |
| Dividend reinvestment plan                              | 5,457                     | -                              | -                              | -                             | -                            | 5,457                   |
| Dividends paid  | -                         | -                              | -                              | -                             | (21,163)                     | (21,163)                |
|   | 12,022                    | -                              | -                              | -                             | (21,163)                     | (9,141)                 |
| <b>Balance at 30 June 2011</b>                          | 294,414                   | 125,087                        | (6,257)                        | -                             | 43,572                       | 456,816                 |

<sup>1</sup> Net realised gains/ (losses) after 7 December 2009 and tax thereon transferred directly to realisation reserve.

<sup>2</sup> Net realised gains/ (losses) before 7 December 2009 and tax thereon.

<sup>3</sup> 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 14 to 29.

**DIVERSIFIED UNITED INVESTMENT LIMITED**

*Statement of Cash Flows  
for the Year Ended 30 June 2011*

|  | <i>Note</i> | <i>2011<br/>\$'000's</i> | <i>2010<br/>\$'000's</i> |
|--|-------------|--------------------------|--------------------------|
| <b>Cash flows from operating activities</b>      |             |                          |                          |
| Interest received                                |             | 631                      | 1,108                    |
| Dividends and trust distributions received       |             | 24,411                   | 20,193                   |
| Other income                                     |             | 615                      | 270                      |
| Administration and other expenses paid           |             | (892)                    | (1,046)                  |
| Finance costs paid                               |             | (4,652)                  | (4,053)                  |
| Income taxes refunded/ (paid)                    |             | 255                      | (691)                    |
|  |             | <hr/>                    | <hr/>                    |
| <b>Net cash from operating activities</b>        | 17(b)       | <b>20,368</b>            | <b>15,781</b>            |
| <b>Cash flows from investing activities</b>      |             |                          |                          |
| Proceeds from sale of investments                |             | 35,925                   | 66,190                   |
| Purchases of investments                         |             | (50,080)                 | (106,367)                |
|  |             | <hr/>                    | <hr/>                    |
| <b>Net cash used in investing activities</b>     |             | <b>(14,155)</b>          | <b>(40,177)</b>          |
| <b>Cash flows from financing activities</b>      |             |                          |                          |
| Proceeds from share placement - net of costs     |             | -                        | 22,896                   |
| Proceeds from share purchase plan - net of costs |             | 6,565                    | -                        |
| Dividends paid                                   |             | (15,706)                 | (13,716)                 |
|  |             | <hr/>                    | <hr/>                    |
| <b>Net cash from financing activities</b>        |             | <b>(9,141)</b>           | <b>9,180</b>             |
| Net (decrease)/ increase in cash held            |             | (2,928)                  | (15,216)                 |
| Cash and cash equivalents at 1 July              | 17(a)       | 3,200                    | 18,416                   |
|  |             | <hr/>                    | <hr/>                    |
| <b>Cash and cash equivalents at 30 June</b>      | 17(a)       | <b>272</b>               | <b>3,200</b>             |
|  |             | <hr/> <hr/>              | <hr/> <hr/>              |

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 14 to 29.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

### **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 2011.

#### **(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.

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 2011 ("the inoperative standards") with the exception of AASB9: Financial Instruments, which was adopted on 7 December 2009 and disclosed in the 2010 Annual Financial Report.

The impact of 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 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.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

### **1. Statement of significant accounting policies (continued)**

#### **(c) Investments (continued)**

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.

#### *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.

**DIVERSIFIED UNITED INVESTMENT LIMITED**

*Notes to the Financial Statements  
for the Year Ended 30 June 2011*

|   | <i>2011</i>     | <i>2010</i>   |
|---|-----------------|---------------|
|   | <i>\$'000's</i> | <i>\$'000</i> |
| <b>2. Revenue and Expenses</b>  |                 |               |
| <b>(a) Revenue</b>  |                 |               |
| Dividends received or due and receivable  | 22,905          | 18,373        |
| Trust distributions received or due and receivable  | 2,462           | 2,675         |
| Interest received or due and receivable   | 631             | 1,048         |
| Option Premium Income   | 575             | 270           |
| Sub-Underwriting Commission   | 40              | -             |
|   | 26,613          | 22,366        |
| <b>(b) Expenses</b>   |                 |               |
| Finance expenses:   |                 |               |
| - Interest  | 4,527           | 4,218         |
| <b>3. Auditor's Remuneration</b>  | <i>2011</i>     | <i>2010</i>   |
|   | <i>\$</i>       | <i>\$</i>     |
| During the year KPMG, the Company's auditor, received the following remuneration (including GST): |                 |               |
| - Audit and review of financial reports   | 42,768          | 46,000        |
| - Taxation related services   | 7,425           | 9,350         |
| <b>4. Taxation</b>  | <i>2011</i>     | <i>2010</i>   |
|   | <i>\$'000's</i> | <i>\$'000</i> |
| <b>(a) Income Tax Expense</b>   |                 |               |
| <i>(i) Recognised in the income statement</i>   |                 |               |
| <b>Current tax expense</b>  |                 |               |
| Current year  | (60)            | 255           |
| Adjustments for prior years   | 24              | 112           |
| Current year tax paid   | -               | (218)         |
|   | (36)            | 149           |
| <b>Deferred Tax Expense</b>   |                 |               |
| Tax benefit of capital losses carried forward   | -               | 2,558         |
| Tax benefit of excess imputation credits  | -               | 90            |
| Utilization of prior year excess imputation credits   | (154)           | -             |
| Impairment losses now realised  | -               | (2,125)       |
| Temporary differences   | 1               | (3)           |
|   | (153)           | 520           |
| Total income tax (expense)/benefit in income statement  | (189)           | 669           |

DIVERSIFIED UNITED INVESTMENT LIMITED

*Notes to the Financial Statements  
for the Year Ended 30 June 2011*

|   | <i>2011</i><br>\$'000's | <i>2010</i><br>\$'000's |
|---|-------------------------|-------------------------|
| <b>4. Taxation (continued)</b>  |                         |                         |
| <b><i>(ii) Reconciliation between tax expense and pre-tax net profit</i></b>          |                         |                         |
| Prima facie tax (expense)/ benefit calculated at 30% on the profit for the year       | (6,348)                 | (4,677)                 |
| <b>Increase in tax expense due to:</b>  |                         |                         |
| Franking/ withholding tax credits gross up on dividends received                      | (2,407)                 | (1,987)                 |
| <b>Decrease in tax expense due to:</b>  |                         |                         |
| Tax deferred distributions received   | 246                     | 402                     |
| Franking/ withholding tax credits on dividends received                               | 8,025                   | 6,534                   |
| Sundry items  | 271                     | 285                     |
|   | <hr/>                   | <hr/>                   |
| Tax benefit/ (expense) on operating profit  | (213)                   | 557                     |
| Over provision prior year   | 24                      | 112                     |
|   | <hr/>                   | <hr/>                   |
| <b>Tax (expense)/benefit attributable to Profit for the year</b>                      | <b>(189)</b>            | <b>669</b>              |
|   | <hr/> <hr/>             | <hr/> <hr/>             |
| <b><i>(iii) Deferred tax liability recognised directly in equity</i></b>              |                         |                         |
| (Increase)/ Decrease in provision for tax on unrealised gains on investment portfolio | (9,378)                 | (12,425)                |
|   | <hr/> <hr/>             | <hr/> <hr/>             |

**(b) Deferred Tax Assets and Liabilities**

*Recognised deferred tax assets and liabilities*

|   | <b>Liabilities</b>    |                       |
|---|-----------------------|-----------------------|
|   | <i>2011</i><br>\$'000 | <i>2010</i><br>\$'000 |
| Revaluation reserve – Provision for tax on unrealised gains on investment portfolio | (60,525)              | (50,195)              |
| Other   | (14)                  | 76                    |
| Tax benefit of capital losses carried forward                                       | 7,564                 | 6,652                 |
|   | <hr/>                 | <hr/>                 |
| <b>Net tax assets/(liabilities)</b>   | <b>(52,975)</b>       | <b>(43,467)</b>       |
|   | <hr/> <hr/>           | <hr/> <hr/>           |

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

|   | <i>2011</i>     | <i>2010</i>   |
|---|-----------------|---------------|
|   | <i>\$'000's</i> | <i>\$'000</i> |
| <b>5. Dividends</b>   |                 |               |
| Dividends recognised in the current year by the Company are:                              |                 |               |
| (i) 2010 final dividend of 7¢ per share (2009: 7.0¢) fully franked paid 24 September 2010 | 11,284          | 10,630        |
| (ii) 2011 interim dividend of 6¢ per share (2010: 6.00¢) fully franked paid 15 March 2011 | 9,879           | 9,190         |
|   | 21,163          | 19,820        |

Subsequent to reporting date:

Since 30 June 2011, the directors have declared the following dividend payable on 20 September 2011:

|  |        |        |
|--|--------|--------|
| - Final dividend of 7.0 cents per share fully franked (2010: 7.0¢) | 11,585 | 11,284 |
|--|--------|--------|

The final dividend will not contain a Listed Investment Company capital gain dividend (2010: no LIC capital gain dividend).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2011.

### *Dividend Franking Account:*

The balance of the Franking Account at 30 June 2011 is \$14,719,672 (2010: \$15,392,441) 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 (none at 30 June 2011)

After allowing for the final 2011 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$9,754,866 (2010: \$10,557,808).

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 2011 was \$125,092 (2010: \$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.



**DIVERSIFIED UNITED INVESTMENT LIMITED**

*Notes to the Financial Statements  
for the Year Ended 30 June 2011*

|   | <i>2011</i><br><i>\$'000's</i> | <i>2010</i><br><i>\$'000</i> |
|---|--------------------------------|------------------------------|
| <b>6. Cash Assets</b>   |                                |                              |
| Units in Cash Management Trusts<br>and Deposits at Call                                   | 272                            | 3,200                        |
| <b>7. Receivables</b>   |                                |                              |
| <i>Current</i><br>Sundry debtors and other receivables                                    | 4,318                          | 3,763                        |
| <b>8. Investments</b>   |                                |                              |
| <i>Non-Current</i><br>Investments quoted on prescribed stock exchanges (at<br>fair value) | 570,017                        | 524,703                      |
| <b>9. Other Assets</b>  |                                |                              |
| <i>Current</i><br>Prepayments   | 43                             | 43                           |
| <i>Non-Current</i><br>Leasehold improvements  | 12                             | 13                           |
| <b>10. Payables</b>   |                                |                              |
| <i>Current</i><br>Trade Creditors and outstanding settlements                             | 142                            | 113                          |
| <b>11. Interest Bearing Liabilities *</b>   |                                |                              |
| <i>Non-Current</i><br>Multi-option Facility – Secured                                     | 64,669                         | 64,794                       |

\* The face value of the drawn facility is \$65 million (2010: \$65 million). The amount disclosed above is held at amortised cost. For more information about the company's exposure to interest risk and liquidity risk, see notes 20 and 21.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

|  | <i>Note</i> | <i>2011<br/>\$'000</i> | <i>2010<br/>\$'000</i> |
|--|-------------|------------------------|------------------------|
| <b>12. Financing Arrangements</b>                        |             |                        |                        |
| The Company has access to the following lines of credit: |             |                        |                        |
| <i>Total facility available</i>                          |             |                        |                        |
| Multi-option Facility – Secured                          |             | 65,000                 | 65,000                 |
| <i>Facilities utilised at balance date</i>               |             |                        |                        |
| Multi-option Facility – Secured                          |             | 65,000                 | 65,000                 |

### 13. Capital and Reserves

#### *(a) Issued Capital*

|   |  |         |         |
|---|--|---------|---------|
| Issued and paid-up share capital                              |  |         |         |
| 165,493,512 ordinary fully paid shares<br>(2010: 161,154,434) |  | 294,414 | 282,392 |
| Movements in issued capital                                   |  |         |         |
| Balance at beginning of the year                              |  | 282,392 | 253,392 |
| Shares issued   |  |         |         |
| - Share Placement – net of costs (i)                          |  | -       | 22,896  |
| - Dividend re-investment plan (ii)                            |  | 5,457   | 6,104   |
| - Share Purchase Plan – net of costs (iii)                    |  | 6,565   | -       |
|   |  | 294,414 | 282,392 |

(i) On 8 April 2010, the Company issued, at a purchase price of \$3.18 per share, 7,211,282 fully paid ordinary shares in accordance with a placement announced on 29 March 2010.

(ii) In respect of the 2010 final dividend, paid on 24 September 2010, 1,094,872 shares were issued at \$2.6452 each under the dividend re-investment plan.

In respect of the 2011 interim dividend, paid on 15 March 2011, 892,526 shares were issued at \$2.87 each under the dividend re-investment plan.

(iii) On 4 October 2010, the Company issued, at a purchase price of \$2.81 per share, 2,351,680 fully paid ordinary shares in accordance with the terms of the Company's Share Purchase Plan.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

### **13. Capital and Reserves (continued)**

#### **(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 2011 was \$370,192 (2010: \$420,000).

### **15. Contingent Liabilities and Capital Commitments**

There were no contingent liabilities or capital commitments as at 30 June 2011.

### **16. Related Parties**

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

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 2011 to 18 June 2012.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

### 16. *Related Parties (continued)*

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.

#### 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 1/7/10 | Purchases | Sales   | Held at 30/6/11 |
|-----------------|----------------|-----------|---------|-----------------|
| Charles Goode   | 3,693,177      | 300,881   | -       | 3,994,058       |
| Martyn Myer     | 177,455        | -         | -       | 177,455         |
| Rupert Myer     | 150,025        | 51,347    | 28,396  | 172,976         |
| Anthony Burgess | 100,000        | 255,339   | 155,339 | 200,000         |

#### 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.

The terms and conditions of the transactions with 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.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the year ended 30 June 2011*

|  | <i>2011</i>   | <i>2010</i>   |
|--|---------------|---------------|
|  | <i>\$'000</i> | <i>\$'000</i> |
| <b>17. Notes to the Statement of Cash Flows</b>  |               |               |
| a) RECONCILIATION OF CASH  |               |               |
| <p>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:</p> |               |               |
| Units in Cash Management Trusts and Deposits at Call   | <u>272</u>    | <u>3,200</u>  |
| b) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES  |               |               |
| Profit/ (loss) for the year  | 20,970        | 16,260        |
| Add net realised and unrealised capital losses   | <u>-</u>      | <u>1,128</u>  |
| Net cash provided by operating activities before changes in assets and liabilities   | 20,970        | 17,388        |
| Adjustments for:   |               |               |
| (Increase)/ decrease in prepayments  | -             | (43)          |
| (Increase)/ decrease in debtors  | (555)         | (853)         |
| Decrease in interest receivable  | -             | 60            |
| (Increase)/decrease in deferred tax asset  | 133           | (90)          |
| Increase/ (decrease) in current tax  | 315           | (839)         |
| (Increase)/ decrease in prepaid interest   | (125)         | 165           |
| Increase/ (decrease) in deferred tax liability   | (1)           | 3             |
| Increase in creditors  | 29            | 3             |
| (Increase)/decrease in other assets  | -             | (13)          |
| Non-cash dividends received  | <u>(398)</u>  | <u>-</u>      |
| Net cash provided by operating activities  | <u>20,368</u> | <u>15,781</u> |
| c) FINANCING FACILITIES  |               |               |

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

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

| <b>18. Earnings per Share</b>   | <i>2011<br/>Cents</i>      | <i>2010<br/>Cents</i>      |
|---|----------------------------|----------------------------|
| Basic earnings per share  | 12.8                       | 10.5                       |
| Basic earnings per share before net gains and losses on investment portfolio                                    | 12.8                       | 11.2                       |
| Basic earnings per share before special dividends and net gains and losses on investment portfolio              | 12.5                       | 11.1                       |
| <br><b>Profit reconciliation used in the calculation of earnings per share</b>                                  | <br><i>2011<br/>\$'000</i> | <br><i>2010<br/>\$'000</i> |
| Profit/ (Loss) for the year   | 20,970                     | 16,260                     |
| Net realised and unrealised losses on investment portfolio  | -                          | 1,128                      |
| Net profit before net realised and unrealised losses on investment portfolio                                    | 20,970                     | 17,388                     |
| Special dividends received  | (527)                      | (150)                      |
| <br>Net profit before net realised and unrealised losses on investment portfolio and special dividends received | <br><u>20,443</u>          | <br><u>17,238</u>          |

Earnings per share for the 2011 year are calculated on a weighted average adjusted number of shares.

### **Weighted average number of ordinary shares <sup>(1)</sup>**

|   |                        |                        |
|---|------------------------|------------------------|
| Issued ordinary shares at 1 July                            | 161,193,764            | 152,097,809            |
| Effect of placement shares issued in April 2010             | -                      | 1,640,226              |
| Effect of dividend reinvestment plan in September 2010      | 837,105                | 1,015,333              |
| Effect of purchase plan shares issued in October 2010       | 1,733,156              | -                      |
| Effect of dividend reinvestment plan in March 2011          | 261,645                | 237,760                |
| <br>Weighted average number of ordinary shares for the year | <br><u>164,025,670</u> | <br><u>154,991,128</u> |

<sup>(1)</sup> Adjusted for bonus element resulting from the Shares issued under the Share Purchase Plan on 4 October 2010.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

### **19. Capital Management**

The Company's objective in managing capital is to continue 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 externally imposed 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.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

### 20. *Financial Risk Management (Continued)*

#### 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 (2010: \$65 million) gearing the investment portfolio by around 11%. 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 2015, unless these are renewed. Annual interest expense was covered 6 times by investment income (2010: 5 times).

The major cash inflows for the Company include dividends, distributions, sales proceeds received and the issuing 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 market prices such as foreign exchange 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 not free of 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 a change in the Company's equity of \$19,950,602 (or 4%) and \$39,901,204 (or 9%) respectively.

Market risk is managed 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 managed through conservative levels of gearing, fixing the interest rate on a portion of the borrowings and ensuring that there is appropriate interest cover at all times.



# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

### 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:

|                                |             |                               |
|--------------------------------|-------------|-------------------------------|
| <b>2011</b>                    | <i>Note</i> | <i>Floating Interest Rate</i> |
|                                |             | <i>\$'000</i>                 |
| <i>Financial Assets</i>        |             |                               |
| Cash                           | 6           | 272                           |
| Weighted average interest rate |             | 5.04%                         |
| <b>2010</b>                    | <i>Note</i> | <i>Floating Interest Rate</i> |
|                                |             | <i>\$'000</i>                 |
| <i>Financial Assets</i>        |             |                               |
| Cash                           | 6           | 3,200                         |
| Weighted average interest rate |             | 4.72%                         |

#### *Borrowings*

The Company has a facility of \$65,000,000 (fully drawn) with Australia and New Zealand Banking Group Ltd as follows:

| <b>Amount</b> | <b>Maturity</b> | <b>Interest Rate<sup>(1)</sup></b> |
|---------------|-----------------|------------------------------------|
| \$20,000,000  | 2 July 2012     | Fixed 7.22%                        |
| \$20,000,000  | 2 July 2013     | Fixed 6.97%                        |
| \$10,000,000  | 2 July 2014     | Floating 6.83%                     |
| \$15,000,000  | 2 July 2015     | Floating 6.52%                     |

(1) Interest rate includes bank margins and fees.

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

| <b>Equities</b>        | <b>No. of Shares</b> | <b>Value at 30 June 2011</b> |
|------------------------|----------------------|------------------------------|
|                        |                      | <i>\$'000</i>                |
| BHP Billiton Ltd       | 1,500,000            | 65,700                       |
| NAB Ltd                | 900,000              | 23,058                       |
| Woodside Petroleum Ltd | 1,000,000            | 41,000                       |
| Rio Tinto Ltd          | 518,976              | 43,070                       |
| <b>Total</b>           |                      | <b>172,828</b>               |

The terms of the agreement require the market value of the securities to satisfy a minimum LVR of 70%. At 30 June this was 38%.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

### **21. *Financial Instruments Disclosure (continued)***

#### 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. 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 Notes 8 and 24.

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***

The market value of the investment portfolio moves broadly in line with the S&P/ASX 300 index and from 30 June 2011 to 11 August 2011 the index fell 10%, arising from the disruption in global financial markets. Apart from this, 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.

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *Notes to the Financial Statements for the Year Ended 30 June 2011*

### 24. *Holdings of Securities as at 30 June 2011*

The following is a list of the Company's top 25 Investments as at 30 June 2011, which represent 93% of the total investment portfolio (2010: 93%). All investments are valued at fair value through Other Comprehensive Income.

| Company   | 2011<br>Market Value<br>\$'000 | Company                                      | 2010<br>Market Value<br>\$'000 |
|---|--------------------------------|--|--------------------------------|
| 1 BHP Billiton Ltd                              | 65,700                         | BHP Billiton Ltd                             | 56,475                         |
| 2 Woodside Petroleum Ltd                        | 53,300                         | Woodside Petroleum Ltd                       | 52,300                         |
| 3 Rio Tinto Ltd                                 | 43,576                         | ANZ Banking Group Ltd                        | 41,059                         |
| 4 Commonwealth Bank Of Australia Ltd            | 41,840                         | Commonwealth Bank of Australia Ltd           | 38,912                         |
| 5 ANZ Banking Group Ltd                         | 41,800                         | Rio Tinto Ltd                                | 35,002                         |
| 6 Westpac Banking Corporation Ltd               | 35,616                         | Westpac Banking Corporation Ltd              | 33,968                         |
| 7 National Australia Bank Ltd                   | 30,744                         | National Australia Bank Ltd                  | 27,936                         |
| 8 QBE Insurance Group Ltd                       | 25,875                         | QBE Insurance Group Ltd                      | 27,300                         |
| 9 CSL Ltd                                       | 19,836                         | CSL Ltd                                      | 19,548                         |
| 10 Woolworths Ltd                               | 19,425                         | Woolworths Ltd                               | 18,914                         |
| 11 Transurban Group                             | 15,690                         | Westfield Group                              | 18,270                         |
| 12 Wesfarmers Ltd                               | 14,453                         | Telstra Corporation Ltd                      | 14,625                         |
| 13 Westfield Group                              | 12,990                         | Wesfarmers Ltd                               | 12,935                         |
| 14 Alumina Ltd                                  | 12,660                         | Transurban Group                             | 11,872                         |
| 15 Perpetual Ltd                                | 12,465                         | AGL Energy Ltd                               | 11,760                         |
| 16 Washington H Soul Pattinson &<br>Company Ltd | 11,790                         | Consolidated Media Holdings Ltd              | 9,540                          |
| 17 AGL Energy Ltd                               | 11,720                         | Alumina Ltd                                  | 9,150                          |
| 18 Consolidated Media Holdings Ltd              | 10,440                         | Mystate Ltd                                  | 8,112                          |
| 19 Mystate Ltd                                  | 9,126                          | Washington H Soul Pattinson &<br>Company Ltd | 7,770                          |
| 20 Australian Infrastructure Fund               | 8,640                          | Santos Ltd                                   | 6,300                          |
| 21 Worley Parsons Ltd                           | 7,060                          | Leighton Holdings Ltd                        | 5,790                          |
| 22 Orica Ltd                                    | 6,735                          | Perpetual Ltd                                | 5,652                          |
| 23 Origin Energy Ltd                            | 6,316                          | Australian Infrastructure Fund               | 5,610                          |
| 24 Westfield Retail Trust                       | 6,233                          | Worley Parsons Ltd                           | 5,552                          |
| 25 Sonic Healthcare Ltd                         | 5,148                          | Brambles Ltd                                 | 5,460                          |
| <b>Total Top 25 Investments</b>                 | <b>529,178</b>                 |  | <b>489,812</b>                 |
| <b>Total Investments at Market Value</b>        | <b>570,017</b>                 |  | <b>524,703</b>                 |

# DIVERSIFIED UNITED INVESTMENT LIMITED

## *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 9 to 29, and the remuneration disclosures that are contained in the Remuneration report on pages 5 and 6 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 2011 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 2011.

Signed in accordance with a resolution of the directors.

Charles Goode  
Director  
Melbourne 12<sup>th</sup> August 2011



## **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 statement of financial position as at 30 June 2011, 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 24 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 statements 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 procedures 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 reasonableness 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 2011 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).

**Report on the remuneration report**

We have audited the Remuneration Report included on pages 5 and 6 of the directors' report for the year ended 30 June 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

MSomerville

Michelle Somerville  
*Partner*

Melbourne

12 August 2011