Diversified United Investment Limited

ABN 33 006 713 177

2012 ANNUAL FINANCIAL REPORT

Directory

Directors

C B Goode AC - Chairman
A R Burgess
S G Hiscock
P R Prentice

Company Secretary

Andrew J Hancock FCA

Registered Office

Level 20
101 Collins Street
Melbourne VIC 3000

Tel:	(613) 9654 0499
Fax:	(613) 9654 3499
Email:	info@dui.com.au
Website:	www.dui.com.au

Bankers

Australia and New Zealand Banking Group Limited
National Australia Bank Limited

Auditors

KPMG
Chartered Accountants

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235

Tel:	(612) 8280 7644
Fax:	(612) 9287 0303
Email:	registrars@linkmarketservices.com.au
Web:	www.linkmarketservices.com.au

Securities Exchange

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

Contents

Chairman's Report

I present the twentieth Annual Report of Diversified United Investment Ltd which is for the year ended 30 June 2012.

The objective of the Company is to seek, through portfolio diversification and professional management, to improve its income from dividends and interest over the longer term within an acceptable level of risk.

The investment philosophy of the Company is to take a medium to long term view and to invest in Australian equities and short term deposits. Investments may also be made from time to time in listed property trusts, fixed interest securities, convertible notes or international equities.

Operating profit after tax was $21,729,000 which is an increase of 4% on the previous year or an increase of 6.3% if special dividends received are excluded. The profit for the year excludes net realised gains and losses which are transferred directly to the Asset Revaluation Reserve.

The weighted average number of ordinary shares for the year was 166,437,026 as against 164,025,670 in the previous year, an increase of 1.5%.

The operating earnings per share based on the weighted average number of shares on issue for the year was 13.1 cents per share (13.1 cents excluding the special dividends) compared to 12.8 cents for the year to 30 June 2011 (12.5 cents excluding special dividends). Excluding special dividends, earnings per share rose 5%.

Income earned during the year was $27,076,000 comprising $26,009,000 from dividends and trust distributions and $1,067,000 from interest, options trading and sub-underwriting commission. The Company incurred operating expenses of $924,000 (before interest costs) which is equivalent to 0.17% of the average value of the portfolio.

This year no special dividends were received. In 2011 special dividends totalling $527,000, after tax, were received from Orica, Healthscope and Washington H Soul Pattinson & Company.

Leaving aside the special dividends, the year's result reflects a 6.3% increase in income from dividends and trust income, a 14.4% decrease in interest, options trading and sub-underwriting income and a 3.8% lower interest expense.

Bank borrowings were $65 million at the end of the financial year (previous year $65 million) amounting to around 12.5% of the investment portfolio at market values. Cash on hand, cash on deposit and short term receivables were $23 million, or 5% of the investment portfolio at market values (previous year $5 million, or 1%). Annual interest expense was covered 6 times by investment revenue.

The net asset backing per share before estimated tax on unrealised gains and before provision for the final dividend was $2.72 at 30 June 2012, compared to $3.08 at 30 June 2011, a decrease of 12%.

The year saw a mixed performance in world equities markets with the Australian S&P/ASX 200 price index falling 11.1%, the Dow Jones Index rising 3.8%, the Standard & Poors 500 rising 3.1%, the FTSE 100 falling 6.3% and the Nikkei-225 falling 8.2%.

The Directors have declared a fully franked final dividend of 7¢ per share for the year to 30 June 2012, which with the interim dividend of 6¢ per share fully franked makes a total fully franked dividend of 13¢ per share for the year, unchanged from the previous year.

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

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

2007/08	13.0 cents per share
2008/09	13.0 cents per share
2009/10	13.0 cents per share
2010/11	13.0 cents per share
2011/12	13.0 cents per share

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

30 June 2008	$3.54 (after placement of 15,350,000 shares at $3.46, March 2008)
30 June 2009	$2.67 (after share purchase plan – 9,442,625 shares at $2.00, April 2009)
30 June 2010	$2.94 (after placement of 7,211,282 shares at $3.18, April 2010)
30 June 2011	$3.08 (after share purchase plan – 2,351,680 shares at $2.81, October 2010)
30 June 2012	$2.72

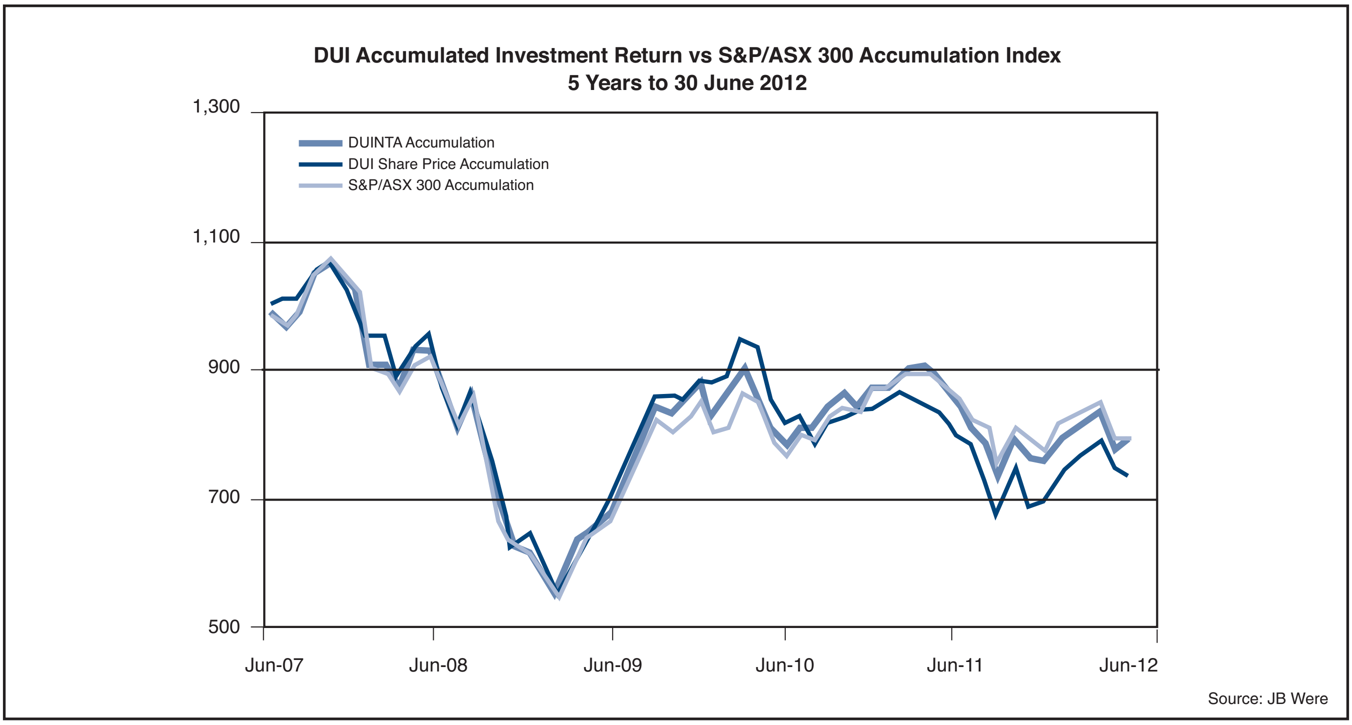
The Australian equities portfolio is mainly in leading companies and at 30 June 2012 in terms of market values, 87% of the Australian equities portfolio was in the leading 50 companies (74% in the top 20 companies and 13% in the next 30 companies), with a further 3% invested in the second 50 companies and 10% invested in companies other than the largest 100 companies.

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

	DUI Net Asset Backing Accumulation % p.a.	DUI Share Price Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	(7.5)	(7.7)	(7.0)
3 Years	5.0	1.6	5.6
5 Years	(4.3)	(5.9)	(4.2)
10 Years	7.5	6.2	6.9

The Company's net asset backing accumulation performance is after tax and expenses and the impact of the Company's gearing for which no allowance is made in the index.

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



The Company's top twenty-five investments at 30 June 2012 were as follows:

Company	Market Value $'000	% of Market Value of Total Investments
1. BHP Billiton Ltd	47,175	9.1%
2. Commonwealth Bank of Australia Ltd	42,480	8.2%
3. ANZ Banking Group Ltd	41,857	8.1%
4. Westpac Banking Corporation Ltd	33,808	6.5%
5. Woodside Petroleum Ltd	32,571	6.3%
6. Rio Tinto Ltd	29,667	5.7%
7. National Australia Bank Ltd	28,248	5.4%
8. CSL Ltd	22,272	4.3%
9. QBE Insurance Group Ltd	21,074	4.0%
10. Woolworths Ltd	18,760	3.6%
11. Transurban Group	17,070	3.3%
12. Wesfarmers Ltd PPS and Ordinary	13,953	2.7%
13. AGL Energy Ltd	13,785	2.6%
14. Washington H Soul Pattinson & Co Ltd	12,411	2.4%
15. Australian Infrastructure Fund	10,800	2.1%
16. Westfield Group	9,464	1.8%
17. Mystate Ltd	7,930	1.5%
18. AMP Ltd	7,700	1.5%
19. Consolidated Media Holdings	6,552	1.3%
20. Asciano Ltd	6,525	1.2%
21. Worley Parsons Ltd	6,275	1.2%
22. Orica Ltd	6,173	1.2%
23. Brickworks Ltd	5,050	1.0%
24. Origin Energy Ltd	4,880	0.9%
25. Alumina Ltd	4,740	0.9%
	451,220	86.6%
Total Investments at Market Value, Short Term Receivables and Cash	519,885	

Charles Goode
Chairman

Corporate Governance Statement

The Company has adopted corporate governance principles in accordance with the Australian Securities Exchange Corporate Governance Council's "Good Corporate Governance Principles and Recommendations." Any material departures from the recommendations are referred to in this statement.

1. Accountability and Responsibility

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

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

2. Composition

The Board currently comprises 4 directors. The Company's constitution requires 3 to 6 directors. Other than the Company Secretary the Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate using professional advice if this is deemed necessary. In this process the Company has a neutral approach to gender diversity. An appointed director then stands for election by shareholders at the next Annual General Meeting.

Mr C B Goode is associated with The Potter Foundation, a substantial shareholder. He brings significant relevant experience to the Board, but in that the Chairman of the Board is not independent, the Company departs from the Australian Securities Exchange Corporate Governance Council's Recommendations. A lead independent director is not considered necessary given the small size of the Board. Appointed directors must stand for election at the next Annual General Meeting. One third of directors stand for re-election at each Annual General Meeting. There is no set retirement age or term for directors. Extensive experience in the investment markets is valued. Directors are not required to own shares in the Company. Directors have agreed not to enter into any margin loans over their shareholdings in the Company.

3. Operation

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

4. Delegation

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

5. Directors' Terms of Appointment, Remuneration and Performance

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

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

Each director has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance.

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

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

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

6. Board Committees

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

The Audit Committee has an independent Chairman and all members are independent directors. The Committee is considered to have sufficient relevant expertise. All members are non-executive.

The Nomination and Remuneration Committee has an independent chairman, and a majority of independent directors. It considers and makes recommendations to the Board regarding Board composition and remuneration of the directors and the Company Secretary. The Company Secretary's remuneration is paid on a fee for services basis and is disclosed in the Remuneration Report in the Annual Report. No additional fees are paid to members of the Board committees.

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

7. Disclosure Procedures and Share Trading

The Company has established procedures to ensure compliance with the Australian Securities Exchange listing rule disclosure requirements including monthly disclosure of the Company's net tangible asset backing per share and a list of the top 25 investments held. Directors and the Company Secretary are prohibited from dealing in the Company's securities (other than to participate in the Dividend Reinvestment Plan or any Share Purchase Plan or rights issue) from 1 January to the day after the announcement of the Company's half year results and interim dividend, and from 1 July to the day after the announcement of the Company's financial year results and final dividend.

8. Shareholder Communication

The Company communicates with shareholders through:

- The annual report;
- The half year report;
- The website, including email contact;
- Telephone availability of the Company Secretary at the Company's office;
- Annual General Meeting including Chairman's address and question time;
- Mailing of Chairman's Address to all shareholders and posting to website.

The external auditor is to be available for questioning at the Annual General Meeting.

9. Risk Management

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

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

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

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

10. Ethical Conduct

The Company has no executives or executive directors other than the Company Secretary. Each director and the Company Secretary is expected to adopt high ethical standards in acting for the Company and in the interests of the shareholders. Directors are required to disclose potential conflicts of interest and to refrain from involvement in Board decisions, or leave the room, during discussion of the conflicted matter.

Directors’ Report

The directors present their report together with the financial report of Diversified United Investment Limited for the financial year ended 30 June 2012 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
Appointed Chairman September 1991.

Mr Goode is the Chairman of the Boards of Australian United Investment Company Limited (since 1990), The Ian Potter Foundation Limited (governor since 1987) and 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), Woodside Petroleum Limited (1988 – 2007, Chairman 1999 – 2007) and Grosvenor Australia Properties Pty Limited (Chairman 2008 - 2012).

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

Mr Burgess has 30 year’s 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 Vice Chairman of the St. Vincent’s Institute Foundation and is Chairman of the Foundation for Business and Economics at the University of Melbourne.
He is Chairman of the Company’s Audit Committee.

Stephen Hiscock B.Com (Melb), M.App.Fin (Macq), F.Fin.
Non-Executive Director
Appointed 16 November 2011

Mr Hiscock is Chairman and a founding shareholder of SG Hiscock & Company Ltd (SGH), a fund manager specialising in Australian Equities and REITs. Prior to setting up SGH, Mr Hiscock was Chief Investment Officer, National Asset Management Ltd (NAM), a subsidiary of National Australia Bank Ltd and he was also the Chairman of its Asset Allocation Committee. Prior to that he was the Head of NAM’s Australian Equities team (for 5 years) and the Head of NAM’s Property Team.

Pierre Prentice CA, B. Com (Wellington, N.Z.).
Non-Executive Director
Appointed 1 February 2012

Mr Prentice in 1999 co-founded JCP Investment Partners (JCP) and is currently a Non Executive Director. Until 2010, he was JCP’s Head of Research. Prior to joining JCP, he worked in institutional broker research and became Executive Vice President of BT Australia where he was head of industrial research for BT Stockbroking and a member of their Executive Committee. His earlier career was as a Chartered Accountant and was a partner of KPMG Peat Marwick.

Martyn Myer AO, B.Eng, MESc.(Mon), MSM (MIT), FIE (Aust).
Non-Executive Director
Appointed September 1991 – Retired 16 November 2011

Mr Myer is Chairman of CogState Ltd (since 1999) and The Myer Family Company Ltd (Director since 2007, Chairman since 2011), 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), 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
Appointed November 2002 – Retired 1 February 2012

Mr Myer is a director of AMCIL Limited (since 2000) and Myer Holdings Limited (since 2006, Deputy Chairman 2012). He serves as a Director of The Myer Family Company Ltd (Group) (Director since 1991, Chairman 2004 - 2011) and as chairman of The Australia Council (since 2012).

Company Secretary

Andrew Hancock FCA, B.Ec (Mon), Grad. Dip. CDP (RMIT).
Company Secretary,
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 seek, through portfolio diversification and professional management, to improve the Company's income from dividends and interest over the longer term within an acceptable level of risk.

Results and Review of Operations

For the year ended 30 June 2012 the Company earned an operating profit after tax before net gains and losses on the investment portfolio of $21,729,000 (compared to $20,970,000 in 2011) – a increase of 3.6%.

If special dividends received are disregarded, operating profit increased by 6.3%. In 2012, there were no special dividends or distributions included in the operating profit. In 2011, the operating profit after tax included income of $527,000 from special dividends and distributions. The weighted average number of ordinary shares for the year was 166,437,026 as against 164,025,670 in the previous year, an increase of 1.5% The basic and diluted earnings per share before special dividends was 13.1 cents compared to 12.5 cents for the previous year.

The net tangible asset backing of each of the Company's shares at 30 June 2012 was $2.72 (2011: $3.08). This net tangible asset backing calculation is based on investments at market value and is after the tax effect of net realised gains and losses, before estimated tax on unrealised gains and losses and before the final dividend. The Company is a long-term investor and does not intend disposing of its total portfolio. If, however, estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing per share would be $2.51 (2011: $2.76).

Borrowings as at 30 June 2012 were $65 million (2011: $65 million) amounting to around 13% of the investment portfolio at market values (2011: 11%). Cash on hand, cash deposits and short term receivables were $23 million, or 5% of the investment portfolio at market values (2010 $5 million, or 1%).

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

	2012 $'000	2011 $'000
Revenue from investment portfolio		
Dividends	23,284	22,905
Trust Distributions	2,725	2,462
Interest	342	631
Option Premium Income	639	575
Sub-Underwriting Commission	86	40
	27,076	26,613
Expenses		
Administration and other expenses:		
Accounting and Custody Fees	167	162
Audit	44	43
Share Registry	73	73
Directors' Fees	350	370
ASX Fees	66	76
Company Secretary Fees	73	70
Insurance	39	45
Office rent, printing and other	112	88
Finance Costs:		
Interest	4,353	4,527
	5,277	5,454
Operating profit before income tax expense and net gains and losses on investment portfolio	21,799	21,159
Income tax expense	(70)	(189)
Net operating profit before net gains and losses on investment portfolio	21,729	20,970

Expenses (excluding finance costs) were 0.17% of the average market value of the investment portfolio (2011: 0.17%).

Dividends

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

	$'000
Paid or declared during the year	
A final dividend in respect of the year ended 30 June 2011 of 7.0¢ per share fully franked paid on 20 September 2011.	11,587
An interim dividend in respect of the year ended 30 June 2012 of 6.0¢ per share fully franked paid on 15 March 2012.	9,983
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2012 of 7.0¢ per share fully franked payable on 21 September 2012.	11,712

Directors' Meetings

The number of directors' meetings held (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year were:

	Directors' Meetings		Audit Committee Meetings		Nomination & Remuneration Committee Meetings	
Director	No. of Meetings attended	No. of Meetings eligible	No. of Meetings attended	No. of Meetings eligible	No. of Meetings attended	No. of Meetings eligible
Charles Goode	10	11	2*	-	1	1
Anthony Burgess	10	11	2	2	-	1
Stephen Hiscock	7	7	1	1	-	-
Pierre Prentice	5	5	1	1	-	-
Martyn Myer	5	5	1	1	1	1
Rupert Myer	5	6	1	1	1	1

The Audit Committee comprises Mr Burgess (Chairman), Mr Hiscock and Mr Prentice.

All members of the board are members of the Nomination and Remuneration Committee, which was chaired by Mr Goode during the financial year and is now chaired by Mr Hiscock.

* In attendance – not a committee member.

Directors' Interests

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

	SHARES 1	2	3
Charles Goode	1,514,948	2,558,547	140,000
Anthony Burgess	-	200,000	-
Stephen Hiscock	-	20,000	-
Pierre Prentice	-	-	-

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), (2)]	2012 $	2011 $
Charles Goode	140,000	140,000
Anthony Burgess	70,000	70,000
Pierre Prentice	29,167	-
Stephen Hiscock	43,795	-
Martyn Myer	26,564	70,000
Rupert Myer	40,833	70,000
Graeme Moir	-	20,192
Total	350,359	370,192

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

(2) No additional fees are paid to members of the board committees.

The Nomination and Remuneration Committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the Company Secretary and directors of the Company including superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors. The Nomination and Remuneration Committee may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies and in light of Company activity and changing responsibilities. The remuneration structures are designed to attract suitably qualified candidates, and to effect the broader outcome of increasing the Company's net profit. Directors' fees are fixed and reviewed annually and the maximum total of directors' fees is set by the shareholders in general meeting.

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

	2012	2011	2010	2009	2008
Operating Profit ($ Millions)	21.7	21.0	17.4	18.1	20.0
Dividends paid (cents per share)	13.0	13.0	13.0	13.0	13.0
Share Price 30 June	$2.37	$2.71	$2.82	$2.54	$3.26
Management Expense Ratio	0.17%	0.17%	0.20%	0.19%	0.14%
Net Asset backing Per Share 30 June*	$2.72	$3.08	$2.94	$2.67	$3.54
S&P/ASX 300 Index 30 June	4,084	4,608	4,293	3,949	5,219

* before tax on unrealised gains

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 $30,000 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 $73,000 (2011: $70,000) for services provided to the Company.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

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 except that the value of the investment portfolio is expected to fluctuate broadly in line with market movements.

State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review other than the value of the investment portfolio which 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 $9,790 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 14 and forms part of the Directors' Report for the year ended 30 June 2012.

Rounding Of Amounts

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

Signed in accordance with a resolution of the directors:

Charles Goode
Director
Dated at Melbourne this 15th day of August 2012

Lead Auditor’s Independence Declaration

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

To: the directors of Diversified United Investment Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 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

Michelle Hinchcliffe

Partner

Melbourne

15 August 2012

Income Statement for the Year Ended 30 June 2012

	Note	2012 $'000	2011 $'000
Revenue from investment portfolio	2	27,076	26,613
Administration and other expenses		(924)	(927)
Finance expenses	2	(4,353)	(4,527)
Operating profit before income tax expense		21,799	21,159
Income tax expense	4(a)	(70)	(189)
Profit for the year		21,729	20,970
Basic and diluted earnings per share (cents)	18	13.1	12.8

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

Statement of Comprehensive Income for the Year Ended 30 June 2012

	2012 $'000	2011 $'000
Profit for the Year	21,729	20,970
Other Comprehensive Income		
Revaluation of investment portfolio for the year	(58,988)	30,762
Provision for tax benefit/ (expense) on revaluation of investment portfolio for the year	17,253	(9,378)
Other comprehensive income/ (loss) net of income tax	(41,735)	21,384
Total comprehensive income [1]	(20,006)	42,354

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

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 20 to 31

Balance Sheet as at 30 June 2012

	Note	2012 $'000	2011 $'000
Assets			
Cash assets	6	13,877	272
Receivables	7	9,582	4,311
Other	9	41	50
Current tax refundable	4(a)	12	-
Total current assets		23,512	4,633
Investment portfolio	8, 24	496,426	570,017
Other	9	10	12
Total non current assets		496,436	570,029
Total assets		519,948	574,662
Liabilities			
Current tax liability	4(a)	-	60
Payables	10	116	142
Total current liabilities		116	202
Borrowings – interest bearing	11	64,499	64,669
Deferred tax liability	4(b)	35,725	52,975
Total non-current liabilities		100,224	117,644
Total liabilities		100,340	117,846
Net assets		419,608	456,816
Equity			
Issued capital	13(a)	298,782	294,414
Reserves		120,826	162,402
Total equity		419,608	456,816

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

Statement of Changes in Equity for the Year Ended 30 June 2012

	Issued Capital $'000	Revaluation Reserve $'000	Realisation Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2010	282,392	101,917	(4,471)	43,765	423,603
Comprehensive income					
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 benefit on net realised gains and losses	-	(766)	766	-	-
Net operating profit for the year	-	-	-	20,970	20,970
	-	23,170	(1,786)	20,970	42,354
Transactions with shareholders					
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)
Balance at 30 June 2011	294,414	125,087	(6,257)	43,572	456,816
Balance at 1 July 2011	294,414	125,087	(6,257)	43,572	456,816
Comprehensive Income					
Revaluation of investment portfolio	-	(58,988)	-	-	(58,988)
Tax benefit on revaluation	-	17,253	-	-	17,253
Net realised gains and losses on investment portfolio	-	7,984	(7,984)	-	-
Tax benefit on net realised gains and losses	-	(1,673)	1,673	-	-
Net operating profit for the year	-	-	-	21,729	21,729
	-	(35,424)	(6,311)	21,729	(20,006)
Transactions with shareholders					
Dividend reinvestment plan	4,368	-	-	-	4,368
Dividends paid	-	-	-	(21,570)	(21,570)
	4,368	-	-	(21,570)	(17,202)
Balance at 30 June 2012	298,782	89,663	(12,568)	43,731	419,608

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on page 20 to 31.

Statement of Cash Flows for the Year Ended 30 June 2012

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Interest received		342	631
Dividends and trust distributions received		25,513	24,411
Other income		725	615
Administration and other expenses paid		(981)	(892)
Finance costs paid		(4,523)	(4,652)
Income taxes refunded/ (paid)		(97)	255
Net cash from operating activities	17(b)	20,979	20,368
Cash flows from investing activities			
Proceeds from sale of investments		38,915	35,925
Purchases of investments		(29,087)	(50,080)
Net cash used in investing activities		9,828	(14,155)
Cash flows from financing activities			
Proceeds from share purchase plan - net of costs		-	6,565
Dividends paid		(17,202)	(15,706)
Net cash from financing activities		(17,202)	(9,141)
Net (decrease)/ increase in cash held		13,605	(2,928)
Cash and cash equivalents at 1 July	17(a)	272	3,200
Cash and cash equivalents at 30 June	17(a)	13,877	272

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 20 to 31.

1. Statement of significant accounting policies

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

The financial report was authorised for issue by the directors on 15 August 2012.

(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 that have been issued as at balance date but are not yet operative for the year ended 30 June 2012 ("the inoperative standards").

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.

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.

1. Statement of significant accounting policies (cont.)

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

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

(f) Interest bearing borrowings

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

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

(g) Ordinary Shares

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

2. Revenue and Expenses

	2012 $'000	2011 $'000
(a) Revenue		
Dividends received or due and receivable	23,284	22,905
Trust distributions received or due and receivable	2,725	2,462
Interest received or due and receivable	342	631
Option Premium Income	639	575
Sub-Underwriting Commission	86	40
	27,076	26,613
(b) Expenses		
Finance expenses:		
- Interest	4,353	4,527

3. Auditor's Remuneration

	2012 $	2011 $
During the year KPMG, the Company's auditor, received the following remuneration (including GST):		
- Audit and review of financial reports	44,000	42,768
- Taxation related services	9,790	7,425

4. Taxation

	2012 $'000	2011 $'000
(a) Income Tax Expense		
(i) Recognised in the income statement		
Current tax expense/(benefit)		
Current year tax refundable/(payable)	12	(60)
Over/ (Under) provision for prior years	(24)	24
Current year tax payments	(54)	-
	(66)	(36)
Deferred Tax Expense		
Utilization of prior year excess imputation credits	-	(154)
Temporary differences	(4)	1
	-	(153)
Total income tax expense in income statement	(70)	(189)
(ii) Reconciliation between tax expense and pre-tax net profit		
Prima facie tax expense calculated at 30% on the profit for the year	(6,540)	(6,348)
Increase in tax expense due to:		
Franking credits gross up on dividends received	(2,636)	(2,407)
Decrease in tax expense due to:		
Tax deferred distributions received	228	246
Franking credits on dividends received	8,785	8,025
Sundry items	117	271
Tax expense on operating profit	(46)	(213)
Over/ (Under) provision prior year	(24)	24
Tax expense attributable to Profit for the year	(70)	(189)
(iii) Deferred tax liability recognised directly in equity		
(Increase)/ Decrease in provision for tax on unrealised gains on investment portfolio	17,253	(9,378)
(b) Deferred Tax Assets and Liabilities		
Recognised deferred tax assets and liabilities		
	Liabilities	
Revaluation reserve – Provision for tax on unrealised gains on investment portfolio	(44,945)	(60,525)
Other	(17)	(14)
Tax benefit of capital losses carried forward	9,237	7,564
Net tax assets/(liabilities)	(35,725)	(52,975)

5. Dividends

	2012 $'000	2011 $'000
Dividends recognised in the current year by the Company are:		
(i) 2011 final dividend of 7¢ per share (2011: 7.0¢) fully franked paid 20 September 2011	11,587	11,284
(ii) 2012 interim dividend of 6¢ per share (2011: 6.0¢) fully franked paid 15 March 2012	9,983	9,879
	21,570	21,163
Subsequent to reporting date:		
Since 30 June 2012, the directors have declared the following dividend		
payable on 21 September 2012:		
- Final dividend of 7.0 cents per share fully franked (2011: 7.0¢)	11,712	11,587

The final dividend will not contain a Listed Investment Company capital gain dividend (2011: 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 2012.

Dividend Franking Account:

The balance of the Franking Account at 30 June 2012 is $14,376,717 (2011: $14,719,672) 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

After allowing for the final 2012 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be $9,357,264 (2011: $9,754,866).

The ability to utilise the franking credits is dependent upon the ability of the Company to declare dividends.

LIC Capital Gain Account:

The balance of the Listed Investment Company (LIC) Capital Gain Account at 30 June 2012 was $125,092 (2011: $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.

	2012 $'000	2011 $'000
6. Cash Assets		
Units in Cash Management Trusts and Deposits at Call	13,877	272
7. Receivables		
Current		
Sundry debtors and outstanding settlements	9,582	4,318
8. Investments		
Non-Current		
Investments quoted on prescribed stock exchanges (at fair value)	496,426	570,017
9. Other Assets		
Current		
Prepayments	41	50
Non-Current		
Leasehold improvements	10	12
10. Payables		
Current		
Trade Creditors and outstanding settlements	116	142
11. Interest Bearing Liabilities*		
Non-Current		
Multi-option Facility – Secured	64,499	64,669

* The face value of the drawn facility is $65 million (2011: $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.

12. Financing Arrangements

The Company has access to the following lines of credit:

	2012 $'000	2011 $'000
Total facility available		
Multi-option Facility – Secured	65,000	65,000
Facilities utilised at balance date		
Multi-option Facility – Secured	65,000	65,000

	2012 $'000	2011 $'000

13. Capital and Reserves

(a) Issued Capital

	2012 $'000	2011 $'000
Issued and paid-up share capital		
167,315,099 ordinary fully paid shares (2011: 165,493,512)	298,782	294,414
Movements in issued capital		
Balance at beginning of the year	294,414	282,392
Shares issued		
- Dividend re-investment plan (i)	4,368	5,457
- Share Purchase Plan – net of costs (ii)	-	6,565
	298,782	294,414

(i) In respect of the 2011 final dividend, paid on 20 September 2011, 849,810 shares were issued at $2.3971 each under the dividend re-investment plan.

In respect of the 2012 interim dividend, paid on 15 March 2012, 971,777 shares were issued at $2.3993 each under the dividend re-investment plan.

(ii) 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.

(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 the 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 2012 was $350,359 (2011: $370,192).

15. Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 30 June 2012.

16. Related Parties

The names of persons holding the position of director of the Company during the year were Messrs C B Goode, A R Burgess, S Hiscock, P Prentice and M K Myer (retired) and R H Myer (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 2012 to 18 June 2013.

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 1/7/11	Purchases	Sales	Held at 30/6/12
Charles Goode	3,994,058	219,437	-	4,213,495
Anthony Burgess	200,000	-	-	200,000
Stephen Hiscock	-	20,000	-	20,000
Pierre Prentice	-	-	-	-

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 (who retired during the year) 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.

	2012 $'000	2011 $'000

17. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2012 $'000	2011 $'000
Units in Cash Management Trusts and Deposits at Call	13,877	272

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

	2012 $'000	2011 $'000
Profit for the year	21,729	20,970
Net cash provided by operating activities before changes in assets and liabilities	21,729	20,970
Adjustments for:		
(Increase)/ decrease in prepayments	9	7
(Increase)/ decrease in debtors	(496)	(562)
(Increase)/decrease in deferred tax asset	-	133
Increase/ (decrease) in current tax	(72)	315
(Increase)/ decrease in prepaid interest	(171)	(125)
Increase/ (decrease) in deferred tax liability	4	(1)
Increase/ (decrease) in creditors	(26)	29
(Increase)/decrease in other assets	2	-
Non-cash dividends received	-	(398)
Net cash provided by operating activities	20,979	20,368

(c) Financing facilities

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

18. Earnings per Share

	2012 Cents	2011 Cents
Basic earnings per share	13.1	12.8

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

The basic earnings per share for the year are calculated on a weighted average adjusted number of ordinary shares of 166,437,026 (2011: 164,025,670) taking into account the shares issued in the dividend re-investment program.

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 other than the Company announced an on market buy back facility of up to 8 million ordinary shares commencing on 1 June 2012. To date no shares have been bought back. 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.

Given the nature of the counterparties with which the Company deals management does not expect any counterparty to fail to meet its obligations. Additionally, none of these assets is overdue or considered to be impaired.

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

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

Bank Borrowings were $65 million at the end of the financial year (2011: $65 million) gearing the investment portfolio by around 12.5%. The Company has interest bearing commercial bill facilities in place with the Australia and New Zealand Banking Group Ltd which include both fixed and floating rate bill components. These facilities expire at various intervals through to 2 July 2016, unless renewed. Annual interest expense was covered 6 times by investment revenue (2011: 6 times).

The major cash inflows for the Company are dividends, distributions, sales proceeds received and the proceeds from the issue of further shares to shareholders. The major cash outflows are the purchase of securities, interest expense and dividends paid to shareholders, 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.

20. Financial Risk Management (cont.)

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 an change in the Company's equity of $17,374,924 (or 4%) and $34,749,848 (or 8%) respectively.

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

The Company also has exposure to interest rate risk on its borrowings as detailed in Note 21 which is minimised through conservative levels of gearing and ensuring that there is appropriate interest cover at all times.

21. Financial Instruments Disclosure

Interest rate risk

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities which bear interest is set out below:

	Note	Floating Interest Rate $'000
2012		
Financial Assets		
Cash	6	13,877
Weighted average interest rate		4.58%
2011		
Financial Assets		
Cash	6	272
Weighted average interest rate		5.04%

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

Amount	Maturity	Interest Rate(1)
$20,000,000	2 July 2013	Fixed 6.97%
$10,000,000	2 July 2014	Fixed 5.89%
$15,000,000	2 July 2015	Fixed 5.78%
$20,000,000	2 July 2016	Floating 5.35%

(1) Interest rate includes bank margins and fees.

Based on a tax rate of 30%, a change of 1% in the floating interest rates at the reporting date would lead to a change in the Company's profit of $140,000 (or 0.6%) and a change in the Company's equity of $140,000 (or 0.03%).

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

Equities	No. of Shares	Value at 30 June 2012 $'000
BHP Billiton Ltd	1,500,000	47,175
NAB Ltd	900,000	21,186
Woodside Petroleum Ltd	1,000,000	31,020
Rio Tinto Ltd	518,976	29,322
Total		128,703

The terms of the agreement require the market value of the securities to satisfy a minimum LVR of 70%. At 30 June this was 51%.

21. Financial Instruments Disclosure (cont.)

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

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.

24. Holdings of Securities as at 30 June 2012

The following is a list of The Company's top 25 Investments as at 30 June 2012, which represent 87% of the total investment portfolio (2011: 93%). All Investments are valued at fair value through Other Comprehensive Income.

2012			2011	
Company		Market Value $'000's	Company	Market Value $'000's
1	BHP Billiton Ltd	47,175	BHP Billiton Ltd	65,700
2	Commonwealth Bank Of Australia Ltd	42,480	Woodside Petroleum Ltd	53,300
3	ANZ Banking Group Ltd	41,857	Rio Tinto Ltd	43,576
4	Westpac Banking Corporation Ltd	33,808	Commonwealth Bank Of Australia Ltd	41,840
5	Woodside Petroleum Ltd	32,571	ANZ Banking Group Ltd	41,800
6	Rio Tinto Ltd	29,667	Westpac Banking Corporation Ltd	35,616
7	National Australia Bank Ltd	28,248	National Australia Bank Ltd	30,744
8	CSL Ltd	22,272	QBE Insurance Group Ltd	25,875
9	QBE Insurance Group Ltd	21,074	CSL Ltd	19,836
10	Woolworths Ltd	18,760	Woolworths Ltd	19,425
11	Transurban Group	17,070	Transurban Group	15,690
12	Wesfarmers Ltd	13,953	Wesfarmers Ltd	14,453
13	AGL Energy Ltd	13,785	Westfield Group	12,990
14	Washington H Soul Pattinson & Company Ltd	12,411	Alumina Ltd	12,660
15	Australian Infrastructure Fund	10,800	Perpetual Ltd	12,465
16	Westfield Group	9,464	Washington H Soul Pattinson & Company Ltd	11,790
17	Mystate Ltd	7,930	AGL Energy Ltd	11,720
18	AMP Ltd	7,700	Consolidated Media Holdings Ltd	10,440
19	Consolidated Media Holdings Ltd	6,552	Mystate Ltd	9,126
20	Asciano Ltd	6,525	Australian Infrastructure Fund	8,640
21	Worley Parsons Ltd	6,275	Worley Parsons Ltd	7,060
22	Orica Ltd	6,173	Orica Ltd	6,735
23	Brickworks Ltd	5,050	Origin Energy Ltd	6,316
24	Origin Energy Ltd	4,880	Westfield Retail Trust	6,233
25	Alumina Ltd	4,740	Sonic Healthcare Ltd	5,148
Total Top 25 Investments		451,220		529,178
Total Investments at Market Value, Short Term Receivables and Cash		519,885		570,017

Directors' Declaration

1. In the opinion of the directors of Diversified United Investment Limited ("the Company"):

   (a) The financial statements and notes set out on pages 15 to 31, and the remuneration disclosures that are contained in the Remuneration report on page 12 of the Directors' Report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company as at 30 June 2012 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 2012.

Signed in accordance with a resolution of the directors.

Charles Goode

Charles Goode
Director
Melbourne 15th August 2012.

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 2012, 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 a conclusion 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 of which is consistent with our understanding of the Company's financial position and 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 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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 page 12 of the directors' report for the year ended 30 June 2012 . 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 2012 , complies with the Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

M Hinchcliffe

Michelle Hinchcliffe
Partner

Melbourne
15 August 2012

Distribution of shareholders as at 31 July 2012

Category Holders	Ordinary Shares	No of Holders	%
1 – 1,000	125,219	617	0.08
1,001 – 5,000	3,203,098	1,071	1.91
5,001 – 10,000	8,344,041	1,114	4.99
10,001 – 100,000	53,214,407	2,170	31.80
100,001 and over	102,428,334	120	61.22
	167,315,099	5,092	100.00

There were 418 ordinary shareholders holding less than a marketable parcel (197 shares) at 31 July 2012.

Substantial Shareholders

The number of shares disclosed by the substantial shareholders and their associates in substantial shareholder notices received up to 31 July 2012 are set out below:

Shareholder	Ordinary Shares
The Myer Family Company Holdings Pty Ltd	12,868,971
The Ian Potter Foundation Ltd, Dundee Trading Pty Ltd and Australian United Investment Company Limited	33,706,648
Australian Foundation Investment Company Limited	12,030,202
Argo Investments Limited	14,769,575

Voting Rights

All ordinary shares carry equal voting rights.

Top Twenty Shareholders

The number of shares held by the top twenty shareholders listed in the Company's register as at 31 July 2012 were:

Shareholder	Ordinary Shares	% Held
1. The Ian Potter Foundation Ltd	15,308,299	9.15
2. Argo Investments Limited	14,769,575	8.83
3. M F Custodians Ltd	14,063,040	8.41
4. Australian Foundation Investment Company Ltd	12,030,202	7.19
5. Australian United Investment Company Ltd	12,000,000	7.17
6. Dundee Trading Pty Ltd	6,398,349	3.82
7. Beta Gamma Pty Ltd	1,839,588	1.10
8. Mr Charles Barrington Goode	1,514,948	0.91
9. Mr Daryl Albert Dixon & Mrs Katherine Dixon	1,162,750	0.69
10. Australian Foundation Investment Company Ltd	859,836	0.51
11. Primrose Properties Pty Ltd	683,097	0.41
12. Mr David J Brownell & Mrs Joanna M Brownell	630,000	0.38
13. Mr James Vincent Chester Guest	558,312	0.33
14. UBS Wealth Management Australia Nominees Pty Ltd	532,934	0.32
15. Chabar Pty Ltd	518,162	0.31
16. Mutual Trust Pty Ltd	427,986	0.26
17. Invia Custodian Pty Ltd	405,000	0.24
18. Somoke Pty Ltd	397,979	0.24
19. Yelgarn Pty Ltd	387,354	0.23
20. Mythia Pty Ltd	387,339	0.23
	84,874,750	50.73

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2012 totalled $132,967 (2011:$176,652). None of that brokerage was paid to any stock or sharebroker, or any employee or nominee of any stock or sharebroker, who is an officer of the Company.

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

	Market Value $	30/6/12 Units Held	% of Portfolio at Market Value	30/6/11 Units Held
Australian Equities				
Banks				
Australian & New Zealand Banking Group Ltd	41,857,000	1,900,000	8.1	1,900,000
Commonwealth Bank of Australia Ltd	42,480,000	800,000	8.2	800,000
Mystate Ltd	7,930,000	2,600,000	1.5	2,600,000
National Australia Bank Ltd	28,248,000	1,200,000	5.4	1,200,000
Westpac Banking Corporation Ltd	33,808,000	1,600,000	6.5	1,600,000
Capital Goods				
Leighton Holdings Ltd	-	-	-	200,000
Monadelphous Group Ltd	2,186,000	100,000	0.4	100,000
Commercial & Professional Services				
Brambles Ltd	3,234,000	525,000	0.6	500,000
Diversified Financials				
ASX Ltd	2,982,000	100,000	0.6	50,000
BT Investment Management Ltd	4,610,978	2,597,734	0.9	715,104
Gowings Bros Ltd	4,140,000	2,000,000	0.8	2,000,000
Perpetual Ltd	3,664,000	160,000	0.7	500,000
The Trust Company Ltd	2,694,000	600,000	0.5	300,000
Washington H Soul Pattinson & Company Ltd	12,411,000	900,000	2.4	900,000
Energy				
Origin Energy Ltd	4,880,000	400,000	0.9	400,000
Woodside Petroleum Ltd	32,571,000	1,050,000	6.3	1,300,000
Worley Parsons Ltd	6,275,000	250,000	1.2	250,000
Food & Staples Retailing				
Wesfarmers Ltd	4,485,000	150,000	0.9	150,000
Wesfarmers Ltd PPS	9,468,000	300,000	1.8	300,000
Woolworths Ltd	18,760,000	700,000	3.6	700,000
Health Care Equipment & Services				
Ramsay Health Care Ltd	1,695,750	75,000	0.3	-
Resmed Inc.	690,750	225,000	0.1	1,000,000
Sonic Healthcare Ltd	3,810,000	300000	0.7	400,000
Insurance				
AMP Ltd	7,700,000	2,000,000	1.5	800,000
QBE Insurance Group Ltd	21,073,500	1,575,000	4.0	1,500,000

List of Investments as at 30 June 2012

	Market Value $	30/6/12 Units Held	% of Portfolio at Market Value	30/6/11 Units Held
Australian Equities (Continued)				
Materials				
Alumina Ltd	4,740,000	6,000,000	0.9	6,000,000
BHP Billiton Ltd	47,175,000	1,500,000	9.1	1,500,000
Brickworks Ltd	5,050,000	500,000	1.0	350,000
Orica Ltd	6,172,500	250,000	1.2	250,000
Rio Tinto Ltd	29,667,020	525,080	5.7	525,080
Media				
Consolidated Media Holdings Ltd	6,552,092	1,944,241	1.3	4,000,000
Pharmaceuticals Biotechnology & Life Services				
CSL Ltd	22,272,300	565,000	4.3	600,000
Software & Services				
Computershare Ltd	2,223,000	300,000	0.4	200,000
Iress Market Technology Ltd	1,310,000	200,000	0.2	-
Telecommunications Services				
Telstra Corporation Ltd	3,151,260	854,000	0.6	854,000
Transportation				
Asciano Limited	6,525,000	1,500,000	1.3	-
Australian Infrastructure Fund	10,800,000	4,500,000	2.4	4,500,000
K & S Corporation Ltd	1,225,000	1,000,000	0.2	1,000,000
QR National Ltd	2,040,000	600,000	0.4	600,000
Transurban Group	17,070,000	3,000,000	3.3	3,000,000
Utilities				
AGL Energy Ltd	13,785,343	933,334	2.7	800,000
Total Australian Equities	481,412,493		92.6	
Real Estate				
Australand Property Group	2,470,000	1,000,000	0.5	700,000
Stockland	3,080,000	1,000,000	0.6	500,000
Westfield Group Ltd	9,463,900	996,200	1.8	1,500,000
Westfield Retail Trust	-	-	-	2,300,000
Total Listed Property Trusts	15,013,900		2.9	
Cash, Bills of Exchange & Short Term receivables	23,459,012		4.5	
Total	519,885,405		100.0	

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