

**2013**

ANNUAL FINANCIAL  
REPORT

**Diversified United Investment Limited**

ABN 33 006 713 177

# Directory

## Directors

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

## Company Secretary

Andrew J Hancock FCA

## Registered Office

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101 Collins Street  
Melbourne VIC 3000  
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Fax: (613) 9654 3499  
Email: [info@dui.com.au](mailto:info@dui.com.au)  
Website: [www.dui.com.au](http://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: (+61) 1300 554 474  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Securities Exchange

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

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# Chairman's Report

I present the twenty first Annual Report of Diversified United Investment Ltd which is for the year ended 30 June 2013.

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.

Profit after tax was \$23,639,000 which is an increase 8.8% on the previous year or an increase of 4.5% if special dividends received are excluded. The profit for the year excludes net realised gains and losses which are recorded in the Asset Realisation Reserve.

The weighted average number of ordinary shares for the year was 168,447,029 as against 166,437,026 in the previous year, an increase of 1.2%.

The earnings per share based on the weighted average number of shares on issue for the year were 14.0 cents per share compared to 13.1 cents for the year to 30 June 2012. Excluding special dividends, earnings per share rose 3% to 13.5 cents.

Income earned during the year was \$28,147,000 comprising \$27,158,000 from dividends and trust distributions and \$989,000 from interest, options and sub-underwriting commission. The Company incurred operating expenses of \$946,000 (before interest costs) which is equivalent to 0.17% of the average value of the portfolio.

This year special dividends of \$922,225 after tax were received from Westpac Bank, Woodside Petroleum and Woolworths. In 2012 no special dividends were received.

Leaving aside the special dividends, the year's result reflects a 1% increase in income from dividends and trust income, a 7% decrease in interest, options trading and sub-underwriting income and a 14% lower interest expense.

Bank borrowings were \$65 million at the end of the financial year (previous year \$65 million) amounting to around 11% of the investment portfolio at market values. Cash on hand, cash on deposit and short term receivables were \$17 million, or 3% of the investment portfolio at market values (previous year \$23 million, or 5%). Annual interest expense was covered 7 times by profit before interest and tax.

The net asset backing per share before estimated tax on unrealised gains and before provision for the final dividend was \$3.28 at 30 June 2013, compared to \$2.72 at 30 June 2012, an increase of 21%.

The year saw a positive performance in world equities markets with the Australian S&P/ASX 200 price rising 17.3%, the Dow Jones Index rising 15.8%, the Standard & Poors 500 rising 17.9%, the FTSE 100 rising 11.6% and the Nikkei-225 rising 51.9%.

The Directors have declared a fully franked final dividend of 7.5¢ per share for the year to 30 June 2013, which with the interim dividend of 6¢ per share fully franked makes a total fully franked dividend of 13.5¢ per share for the year, an increase of 3.8% from the previous year.

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

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

|         |                      |
|---------|----------------------|
| 2012/13 | 13.5 cents per share |
| 2011/12 | 13.0 cents per share |
| 2010/11 | 13.0 cents per share |
| 2009/10 | 13.0 cents per share |
| 2008/09 | 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 2013 | \$3.28  |
| 30 June 2012 | \$2.72  |
| 30 June 2011 | \$3.08 (after share purchase plan – 2,351,680 shares at \$2.81, October 2010) |
| 30 June 2010 | \$2.94 (after placement of 7,211,282 shares at \$3.18, April 2010)            |
| 30 June 2009 | \$2.67 (after share purchase plan – 9,442,625 shares at \$2.00, April 2009)   |

The Australian equities portfolio is mainly in leading companies and at 30 June 2013 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.

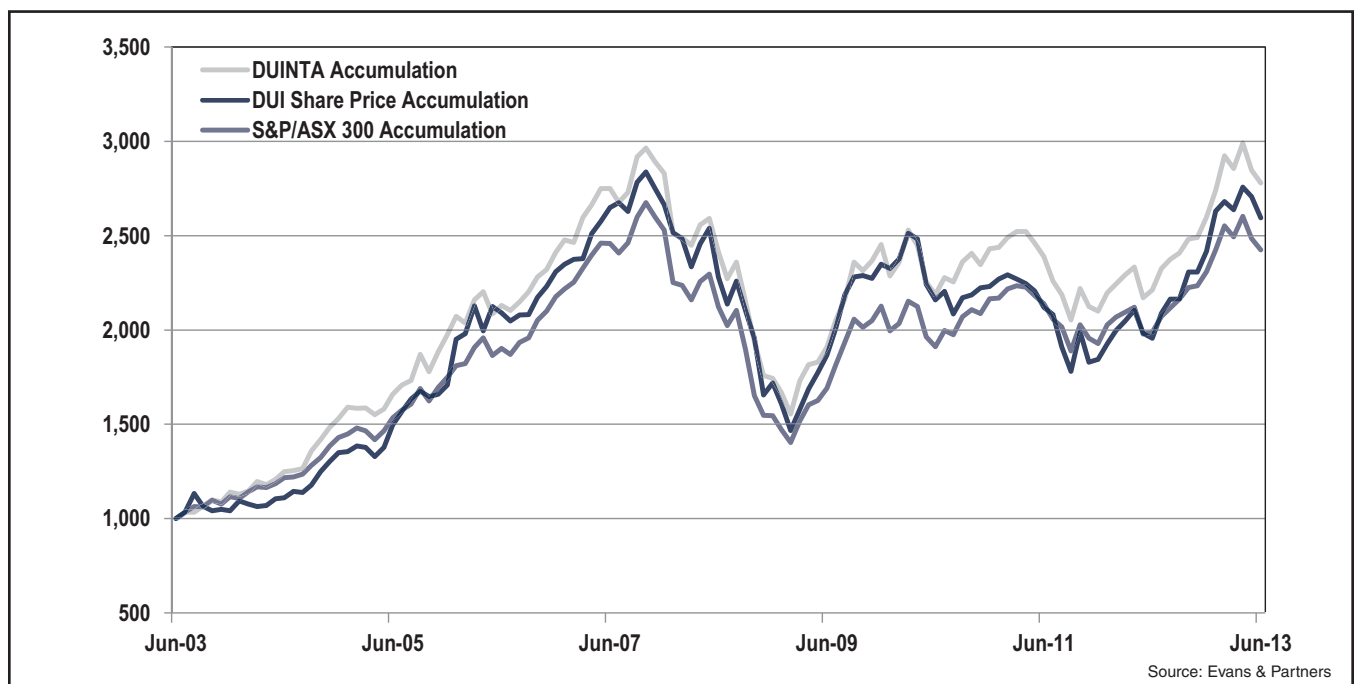
The Company's performance in recent years (assuming all dividends were re-invested) is as follows:

|          | DUI Net Asset Backing<br>Accumulation<br>% p.a. | DUI Share Price<br>Accumulation<br>% p.a. | S&P ASX 300<br>Accumulation Index<br>% p.a. |
|----------|---|---|---|
| 1 Year   | 25.7  | 32.6                                      | 21.9  |
| 3 Years  | 8.3   | 6.3                                       | 8.2   |
| 5 Years  | 2.9   | 2.6                                       | 2.7   |
| 10 Years | 10.8  | 10.0                                      | 9.3   |

The Company's net asset backing accumulation performance is after all expenses, tax, and the impact of the Company's gearing, and such items are not included in the S&P/ASX 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 ten years.

**DUI Accumulated Investment Return Vs S&P/ASX300 Accumulation Index  
10 Years to 30 June 2013**



# Chairman's Report

The Company's top twenty-five investments at 30 June 2013 were as follows:

| Company   | Market Value<br>\$'000 | % of Market Value of<br>Total Investments |
|---|------------------------|---|
| 1. Commonwealth Bank of Australia Ltd   | 55,344                 | 8.9%                                      |
| 2. ANZ Banking Group Ltd  | 54,302                 | 8.8%                                      |
| 3. Westpac Banking Corporation Ltd  | 51,984                 | 8.4%                                      |
| 4. BHP Billiton Ltd   | 50,192                 | 8.1%                                      |
| 5. Woodside Petroleum Ltd   | 36,761                 | 5.9%                                      |
| 6. National Australia Bank Ltd  | 35,616                 | 5.7%                                      |
| 7. CSL Ltd  | 34,793                 | 5.6%                                      |
| 8. Rio Tinto Ltd  | 28,804                 | 4.6%                                      |
| 9. Woolworths Ltd   | 22,967                 | 3.7%                                      |
| 10. Transurban Group  | 20,280                 | 3.3%                                      |
| 11. Wesfarmers Ltd  | 18,042                 | 2.9%                                      |
| 12. QBE Insurance Group Ltd   | 15,845                 | 2.6%                                      |
| 13. AGL Energy Ltd  | 13,515                 | 2.2%                                      |
| 14. Washington H Soul Pattinson & Co Ltd                                      | 13,150                 | 2.1%                                      |
| 15. Westfield Group   | 11,440                 | 1.8%                                      |
| 16. Mystate Ltd   | 11,024                 | 1.8%                                      |
| 17. Asciano Ltd   | 10,040                 | 1.6%                                      |
| 18. AMP Ltd   | 9,563                  | 1.5%                                      |
| 19. Origin Energy Ltd   | 9,428                  | 1.5%                                      |
| 20. Orica Ltd   | 8,260                  | 1.3%                                      |
| 21. Worley Parsons Ltd  | 7,796                  | 1.3%                                      |
| 22. Brambles Ltd  | 6,538                  | 1.1%                                      |
| 23. Brickworks Ltd  | 6,350                  | 1.0%                                      |
| 24. Computershare Ltd   | 6,162                  | 1.0%                                      |
| 25. BT Investment Management Ltd  | 6,120                  | 1.0%                                      |
|   | 544,316                | 87.7%                                     |
| <b>Total Investments at Market Value, Short Term<br/>Receivables and Cash</b> | 620,328                |   |



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. A director who is appointed during the year is required to be elected by shareholders at the next Annual General Meeting.

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

## 3. Operation

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

## 4. Delegation

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

## 5. Directors' Terms of Appointment, Remuneration and Performance

Directors' fees are reviewed annually by the Nomination and Remuneration Committee in the light of the Company's activity, changing responsibilities and in comparison to fee levels of a peer group of companies. Independent remuneration advice may be sought. The maximum total of directors' fees is set by the shareholders in general meeting. Details of directors' remuneration are set out in the Remuneration Report within the Directors 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 their independence, managing the audit relationship, and overseeing risk management. The external audit partner rotates every 5 years.

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

The Nomination and Remuneration Committee has an independent chairman, and half of the members are 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. 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 that the financial records have been properly maintained and the financial statements comply with the Accounting Standards.

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

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

## 10. Ethical Conduct

The Company has no executives or executive directors other than the Company Secretary. Each director and the Company Secretary are 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 2013 and the auditor's 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 years' experience in corporate finance in Melbourne, London and New York. He is currently Chief Executive Officer of Flagstaff Partners Pty Ltd (since 2010), 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 Governor of The Ian Potter Foundation Limited (since 2013), Chairman of the Foundation for Business and Economics at the University of Melbourne and a Director of the Melbourne Business School Limited.

**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 their 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. He is the Chairman of the Company's Nomination and Remuneration Committee.

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

In 1999 Mr Prentice co-founded JCP Investment Partners (JCP) of which he was a director until 2012. 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 he was a partner of KPMG Peat Marwick. He is Chairman of the Company's Audit Committee.

## Company Secretary

**Andrew Hancock** FCA, B.Ec (Mon), Grad. Dip. CDP (RMIT)  
Company Secretary  
Appointed 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.

## Operating and Financial Review

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. There has been no significant change in the nature of the Company's activities during the financial year.

For the year ended 30 June 2013 profit after tax before net gains and losses on the investment portfolio was \$23,639,000 (compared to \$21,729,000 in 2012) – a increase of 8.8%.

If special dividends received are disregarded, profit increased by 4.5%. In 2013, the profit after tax included \$922,225 of special dividends received. In 2012, there were no special dividends included in the profit. The weighted average number of ordinary shares for the year was 168,447,029 as against 166,437,026 in the previous year, an increase of 1.2%. The basic and diluted earnings per share were 14.0 cents (13.5 cents excluding special dividends) compared to 13.1 cents for the previous year.

The net tangible asset backing of each of the Company's shares at 30 June 2013 was \$3.28 (2012: \$2.72). This net tangible asset backing calculation is based on investments at market value and is after the tax effect of realised gains and losses, before estimated tax on net unrealised gains and losses and before the Company's 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 have been \$2.91 (2012: \$2.51).

Bank borrowings as at 30 June 2013 were \$65 million (2012: \$65 million) amounting to around 11% of the investment portfolio at market values (2012: 13%). Cash on hand, cash deposits and short term receivables were \$17 million, or 3% of the investment portfolio at market values (2012: \$23 million, or 5%). Annual interest expense was covered 7 times by profit before interest and tax (2012: 6 times).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was a rise of 25.7%, as compared to the S&P/ASX 300 Accumulation Index rise of 21.9%.

Dividends declared by the Company for the 2013 financial year total 13.5 cents per share (2012: 13 cents per share).

It is the Directors' intention to continue to invest in a portfolio of listed securities for long term capital gain and current income. The risks to which the Company is exposed are set out in notes 20 and 21 to the Financial Statements.

# Directors' Report

The composition of the profit after income tax was:

|   | 2013<br>\$'000 | 2012<br>\$'000 |
|---|----------------|----------------|
| <b>Revenue from investment portfolio</b>  |                |                |
| Dividends   | 24,825         | 23,284         |
| Trust Distributions   | 2,333          | 2,725          |
| Interest  | 637            | 342            |
| Option Premium Income   | 352            | 639            |
| Sub-Underwriting Commission   | –              | 86             |
|   | 28,147         | 27,076         |
| <b>Expenses</b>   |                |                |
| Administration and other expenses:  |                |                |
| Accounting and Custody Fees   | 171            | 167            |
| Audit   | 45             | 44             |
| Share Registry  | 73             | 73             |
| Directors' Fees   | 350            | 350            |
| ASX Fees  | 78             | 66             |
| Company Secretary Fees  | 75             | 73             |
| Insurance   | 39             | 39             |
| Office rent, printing and other   | 115            | 112            |
| Finance Costs:  |                |                |
| Interest  | 3,830          | 4,353          |
|   | 4,776          | 5,277          |
| Profit before income tax expense and net gains and losses on investment portfolio | 23,371         | 21,799         |
| Income tax benefit/ (expense)   | 268            | (70)           |
| Net profit before net gains and losses on investment portfolio                    | 23,639         | 21,729         |

Expenses (excluding finance costs) were 0.17% of the average market value of the investment portfolio (2012: 0.17%).

## Dividends

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

|  | \$'000 |
|--|--------|
| <b>Paid or declared during the year</b>  |        |
| A final dividend in respect of the year ended 30 June 2012 of 7.0¢ per share fully franked paid on 21 September 2012.    | 11,715 |
| An interim dividend in respect of the year ended 30 June 2013 of 6.0¢ per share fully franked paid on 15 March 2013.     | 10,111 |
| <b>Paid or declared after end of year</b>  |        |
| A final dividend in respect of the year ended 30 June 2013 of 7.5¢ per share fully franked payable on 25 September 2013. | 12,696 |

## Directors' Meetings

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

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

\* In attendance – not a committee member.

The Audit Committee comprises Mr P Prentice (Chairman, appointed 16 April 2013), Mr A R Burgess and Mr S Hiscock.

All members of the board are members of the Nomination and Remuneration Committee, which is chaired by Mr Hiscock.

## Directors' Interests

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

|                 | SHARES    |           |         |
|-----------------|-----------|-----------|---------|
|                 | 1         | 2         | 3       |
| Charles Goode   | 1,593,853 | 2,680,535 | 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)

|                 | Fee<br>\$      | 2013<br>Superannuation<br>\$ | Total<br>\$    | Fee<br>\$      | 2012<br>Superannuation<br>\$ | Total<br>\$    |
|-----------------|----------------|------------------------------|----------------|----------------|------------------------------|----------------|
| Charles Goode   | 128,440        | 11,560                       | 140,000        | 128,440        | 11,560                       | 140,000        |
| Anthony Burgess | 64,220         | 5,780                        | 70,000         | 64,220         | 5,780                        | 70,000         |
| Stephen Hiscock | 64,220         | 5,780                        | 70,000         | 40,179         | 3,616                        | 43,795         |
| Pierre Prentice | 55,668         | 14,332                       | 70,000         | 14,167         | 15,000                       | 29,167         |
| Martyn Myer     | -              | -                            | -              | 24,371         | 2,193                        | 26,564         |
| Rupert Myer     | -              | -                            | -              | 37,462         | 3,371                        | 40,833         |
| <b>Total</b>    | <b>312,548</b> | <b>37,452</b>                | <b>350,000</b> | <b>308,839</b> | <b>41,520</b>                | <b>350,359</b> |

(1) 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. Other than the Company Secretary the Company has no Executives or Executive Directors.

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

|  | 2013   | 2012   | 2011   | 2010   | 2009   |
|--|--------|--------|--------|--------|--------|
| Profit (\$ Millions)                             | 23.6   | 21.7   | 21.0   | 17.4   | 18.1   |
| Earnings Per Share (including special dividends) | 14.0   | 13.1   | 12.8   | 11.2   | 12.6   |
| Dividends (cents per share)                      | 13.5   | 13.0   | 13.0   | 13.0   | 13.0   |
| Management Expense Ratio                         | 0.17%  | 0.17%  | 0.17%  | 0.20%  | 0.19%  |
| Share Price 30 June                              | \$3.00 | \$2.37 | \$2.71 | \$2.82 | \$2.54 |
| Net Asset backing Per Share 30 June              | \$3.28 | \$2.72 | \$3.08 | \$2.94 | \$2.67 |
| S&P/ASX 300 Index 30 June                        | 4,759  | 4,084  | 4,608  | 4,293  | 3,949  |

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. Refer to Note 16 of the financial statements for information relating to the insurance contracts. 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.

The Company Secretary, Mr Andrew J Hancock, received \$75,000 (2012: \$73,000) 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 other than the value of the investment portfolio is expected to fluctuate broadly in line with market movements.

## State of Affairs

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

## 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 \$8,800 for these services including GST.

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 2013.

## 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 2013

# 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 2013 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*

Michelle Hinchcliffe  
*Partner*

Melbourne

15 August 2013

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards legislation.



# Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2013

|  | Note | 2013<br>\$'000 | 2012<br>\$'000 |
|--|------|----------------|----------------|
| Revenue from investment portfolio  | 2    | 28,147         | 27,076         |
| Administration and other expenses  |      | (946)          | (924)          |
| Finance expenses   | 2    | (3,830)        | (4,353)        |
| <b>Profit before income tax expense</b>                                      |      | 23,371         | 21,799         |
| Income tax benefit / (expense)   | 4(a) | 268            | (70)           |
| <b>Profit</b>  |      | 23,639         | 21,729         |
| <b>Other Comprehensive Income</b>  |      |                |                |
| <b>Items that will not be reclassified to profit or loss</b>                 |      |                |                |
| Revaluation of investment portfolio  |      | 93,237         | (58,988)       |
| Provision for tax (expense) / benefit on revaluation of investment portfolio |      | (28,090)       | 17,253         |
| Other comprehensive income/ (loss) net of income tax                         |      | 65,147         | (41,735)       |
| Total comprehensive income for the year                                      |      | 88,786         | (20,006)       |
| Basic and diluted earnings per share (cents)                                 | 18   | 14.0           | 13.1           |

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 30.

# Balance Sheet as at 30 June 2013

|                                      | Note  | 2013<br>\$'000 | 2012<br>\$'000 |
|--------------------------------------|-------|----------------|----------------|
| <b>Assets</b>                        |       |                |                |
| Cash assets                          | 6     | 10,732         | 13,877         |
| Receivables                          | 7     | 5,772          | 9,582          |
| Other                                | 9     | 43             | 41             |
| Current tax refundable               | 4(a)  | -              | 12             |
| <b>Total current assets</b>          |       | 16,547         | 23,512         |
| Investment portfolio                 | 8     | 603,824        | 496,426        |
| Other                                | 9     | -              | 10             |
| <b>Total non-current assets</b>      |       | 603,824        | 496,436        |
| <b>Total assets</b>                  |       | 620,371        | 519,948        |
| <b>Liabilities</b>                   |       |                |                |
| Payables                             | 10    | 72             | 116            |
| <b>Total current liabilities</b>     |       | 72             | 116            |
| Borrowings – interest bearing        | 11    | 64,710         | 64,499         |
| Deferred tax liability               | 4(b)  | 63,589         | 35,725         |
| <b>Total non-current liabilities</b> |       | 128,299        | 100,224        |
| <b>Total liabilities</b>             |       | 128,371        | 100,340        |
| <b>Net assets</b>                    |       | 492,000        | 419,608        |
| <b>Equity</b>                        |       |                |                |
| Issued capital                       | 13(a) | 304,214        | 298,782        |
| Reserves                             | 13(b) | 187,786        | 120,826        |
| <b>Total equity</b>                  |       | 492,000        | 419,608        |

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 30.

# Statement of Changes in Equity for the Year Ended 30 June 2013

|   | Issued<br>Capital<br>\$'000 | Revaluation<br>Reserve<br>\$'000 | Realisation<br>Reserve<br>\$'000 | Retained<br>Earnings<br>\$'000 | Total<br>Equity<br>\$'000 |
|---|-----------------------------|----------------------------------|----------------------------------|--------------------------------|---------------------------|
| <b>Balance at 1 July 2011</b>                         | 294,414                     | 125,087                          | (6,257)                          | 43,572                         | 456,816                   |
| <b>Comprehensive income</b>                           |                             |                                  |                                  |                                |                           |
| 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 profit for the year                               | -                           | -                                | -                                | 21,729                         | 21,729                    |
|   | -                           | (35,424)                         | (6,311)                          | 21,729                         | (20,006)                  |
| <b>Transactions with shareholders</b>                 |                             |                                  |                                  |                                |                           |
| Dividend reinvestment plan                            | 4,368                       | -                                | -                                | -                              | 4,368                     |
| Dividends paid  | -                           | -                                | -                                | (21,570)                       | (21,570)                  |
|   | 4,368                       | -                                | -                                | (21,570)                       | (17,202)                  |
| <b>Balance at 30 June 2012</b>                        | 298,782                     | 89,663                           | (12,568)                         | 43,731                         | 419,608                   |
| <b>Balance at 1 July 2012</b>                         | 298,782                     | 89,663                           | (12,568)                         | 43,731                         | 419,608                   |
| <b>Comprehensive Income</b>                           |                             |                                  |                                  |                                |                           |
| Revaluation of investment portfolio                   | -                           | 93,237                           | -                                | -                              | 93,237                    |
| Tax expense on revaluation                            | -                           | (28,090)                         | -                                | -                              | (28,090)                  |
| Net realised gains and losses on investment portfolio | -                           | 7,904                            | (7,904)                          | -                              | -                         |
| Tax benefit on net realised gains and losses          | -                           | (1,931)                          | 1,931                            | -                              | -                         |
| Net profit for the year                               | -                           | -                                | -                                | 23,639                         | 23,639                    |
|   | -                           | 71,120                           | (5,973)                          | 23,639                         | 88,786                    |
| <b>Transactions with shareholders</b>                 |                             |                                  |                                  |                                |                           |
| Dividend reinvestment plan                            | 5,432                       | -                                | -                                | -                              | 5,432                     |
| Dividends paid  | -                           | -                                | -                                | (21,826)                       | (21,826)                  |
|   | 5,432                       | -                                | -                                | (21,826)                       | (16,394)                  |
| <b>Balance at 30 June 2013</b>                        | 304,214                     | 160,783                          | (18,541)                         | 45,544                         | 492,000                   |

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 30.

# Statement of Cash Flows for the Year Ended 30 June 2013

|  | Note  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Cash flows from operating activities</b>          |       |                |                |
| Interest received                                    |       | 637            | 342            |
| Dividends and trust distributions received           |       | 26,527         | 25,513         |
| Other income   |       | 352            | 725            |
| Administration and other expenses paid               |       | (938)          | (981)          |
| Finance costs paid                                   |       | (3,620)        | (4,523)        |
| Income taxes refunded/ (paid)                        |       | 12             | (97)           |
| <b>Net cash from operating activities</b>            | 17(b) | 22,970         | 20,979         |
| <b>Cash flows from investing activities</b>          |       |                |                |
| Proceeds from sale of investments                    |       | 46,790         | 38,915         |
| Purchases of investments                             |       | (56,511)       | (29,087)       |
| <b>Net cash (used in)/ from investing activities</b> |       | (9,721)        | 9,828          |
| <b>Cash flows from financing activities</b>          |       |                |                |
| Dividends paid                                       |       | (16,394)       | (17,202)       |
| <b>Net cash used in financing activities</b>         |       | (16,394)       | (17,202)       |
| Net (decrease)/ increase in cash held                |       | (3,145)        | 13,605         |
| Cash and cash equivalents at 1 July                  | 17(a) | 13,877         | 272            |
| <b>Cash and cash equivalents at 30 June</b>          | 17(a) | 10,732         | 13,877         |

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 30.

## 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 2013.

### (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.

From 1 July 2012 the Company applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income. The change in accounting policy only relates to disclosures and has no impact on earnings per share or net income. The changes have been applied retrospectively and require the Company to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes are included in the Statement of Profit or Loss and Other Comprehensive Income.

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 2013 ("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 affect 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, equity investments are classified as fair value through other comprehensive income. After initial recognition at fair value (being cost), equity investments are measured at fair value.

Unrealised gains or losses on equity 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. Special Dividends are those dividends received which have been designated as special and non recurring by the declaring company.

## 1. Statement of significant accounting policies (cont.)

### (e) Taxation

The income tax expense or revenue for the period is the tax payable or receivable 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 equity securities in the investment portfolio is recognised directly in equity and as a deferred tax liability. When 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.

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. 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

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| <b>(a) Revenue</b>                                 |                |                |
| Ordinary dividends received or due and receivable  | 23,903         | 23,284         |
| Special dividends received or due and receivable   | 922            | -              |
|  | 24,825         | 23,284         |
| Trust distributions received or due and receivable | 2,333          | 2,725          |
| Interest received or due and receivable            | 637            | 342            |
| Option Premium Income                              | 352            | 639            |
| Sub-Underwriting Commission                        | -              | 86             |
|  | 28,147         | 27,076         |
| <b>(b) Expenses</b>                                |                |                |
| Finance expenses:                                  |                |                |
| - Interest   | 3,830          | 4,353          |

## 3. Auditor's Remuneration

|  | 2013<br>\$ | 2012<br>\$ |
|--|------------|------------|
|--|------------|------------|

During the year KPMG, the Company's auditor, received the following remuneration (including GST):

|   |        |        |
|---|--------|--------|
| - Audit and review of financial reports | 45,000 | 44,000 |
| - Taxation related services             | 8,800  | 9,790  |

## 4. Taxation

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
|--|----------------|----------------|

### (a) Income Tax Expense

#### (i) Recognised in the income statement

##### Current tax expense

|   |     |      |
|---|-----|------|
| Current year tax refund accrued         | -   | 12   |
| Over/ (Under) provision for prior years | 125 | (24) |
| Current year tax received/ (paid)       | -   | (54) |

---

##### Deferred tax expense

|  |      |     |
|--|------|-----|
| Tax benefit of excess imputation credits carried forward | 154  | -   |
| Temporary differences                                    | (11) | (4) |

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|  |     |     |
|--|-----|-----|
|  | 143 | (4) |
|--|-----|-----|

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|  |     |      |
|--|-----|------|
| Total income tax expense in income statement | 268 | (70) |
|--|-----|------|

#### (ii) Reconciliation between tax expense and pre-tax net profit

|  |         |         |
|--|---------|---------|
| Prima facie tax expense calculated at 30% on the profit for the year | (7,011) | (6,540) |
|--|---------|---------|

##### Increase in tax expense due to:

|   |         |         |
|---|---------|---------|
| Franking credits gross up on dividends received | (2,931) | (2,636) |
|---|---------|---------|

##### Decrease in tax expense due to:

|  |       |       |
|--|-------|-------|
| Tax deferred distributions received    | 118   | 228   |
| Franking credits on dividends received | 9,771 | 8,785 |
| Sundry items                           | 196   | 117   |

|                                  |     |      |
|----------------------------------|-----|------|
| Tax benefit/ (expense) on profit | 143 | (46) |
|----------------------------------|-----|------|

|                                    |     |      |
|------------------------------------|-----|------|
| Over/ (Under) provision prior year | 125 | (24) |
|------------------------------------|-----|------|

|   |            |             |
|---|------------|-------------|
| <b>Tax benefit/ (expense) attributable to Profit for the year</b> | <b>268</b> | <b>(70)</b> |
|---|------------|-------------|

#### (iii) Deferred tax liability recognised directly in equity

|  |          |        |
|--|----------|--------|
| (Increase)/ Decrease in provision for tax on net unrealised gains on the equity investment portfolio | (28,090) | 17,253 |
|--|----------|--------|

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| <b>4. Taxation (cont.)</b>   |                |                |
| <b>(b) Deferred Tax Assets and Liabilities</b>   |                |                |
| <b>Recognised deferred tax assets and liabilities</b>  |                |                |
| Revaluation reserve – Provision for tax on net unrealised gains on the equity investment portfolio | (74,965)       | (44,945)       |
| Other  | (29)           | (17)           |
| Tax benefit of capital losses carried forward  | 11,059         | 9,045          |
| Tax benefit of excess franking credits carried forward   | 346            | 192            |
| Net tax liabilities  | (63,589)       | (35,725)       |

## 5. Dividends

Dividends recognised in the current year by the Company are:

|   |        |        |
|---|--------|--------|
| (i) 2012 final dividend of 7¢ per share (2012: 7.0¢) fully franked paid 21 September 2012 | 11,715 | 11,587 |
| (ii) 2013 interim dividend of 6¢ per share (2012: 6.00¢) fully franked paid 15 March 2013 | 10,111 | 9,983  |
|   | 21,826 | 21,570 |

Subsequent to reporting date:

Since 30 June 2013, the directors have declared the following dividend payable on 25 September 2013:

|  |        |        |
|--|--------|--------|
| - Final dividend of 7.5 cents per share fully franked (2012: 7.0¢) | 12,696 | 11,715 |
|--|--------|--------|

The final dividend will not contain a Listed Investment Company capital gain dividend (2012: 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 2013.

### *Dividend Franking Account:*

The balance of the Franking Account at 30 June 2013 is \$15,193,993 (2012: \$14,376,717) after adjusting for:

- (a) franking credits that will arise from any 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 2013 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$9,752,755 (2012: \$9,357,264).

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 2013 was \$125,092 (2012: \$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.



# Notes to the Financial Statements for the Year Ended 30 June 2013

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| <b>6. Cash Assets</b>  |                |                |
| Units in Cash Management Trusts and Deposits at Call   | 10,732         | 13,877         |
| <b>7. Receivables</b>  |                |                |
| <i>Current</i>   |                |                |
| Sundry debtors and outstanding settlements   | 5,772          | 9,582          |
| <b>8. Investments</b>  |                |                |
| <i>Non-Current</i>   |                |                |
| Investments in equities quoted on prescribed stock exchanges (at fair value)   | 603,824        | 496,426        |
| <b>9. Other Assets</b>   |                |                |
| <i>Current</i>   |                |                |
| Prepayments  | 43             | 41             |
| <i>Non-Current</i>   |                |                |
| Leasehold improvements   | -              | 10             |
| <b>10. Payables</b>  |                |                |
| <i>Current</i>   |                |                |
| Trade Creditors and outstanding settlements  | 72             | 116            |
| <b>11. Interest Bearing Liabilities*</b>   |                |                |
| <i>Non-Current</i>   |                |                |
| Loan Facility – Secured  | 64,710         | 64,499         |
| * The face value of the drawn facility is \$65 million (2012: \$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. |                |                |
| <b>12. Financing Arrangements</b>  |                |                |
| The Company has access to the following lines of credit:   |                |                |
| <i>Total facility available</i>  |                |                |
| Loan Facility – Secured  | 65,000         | 65,000         |
| <i>Facilities utilised at balance date</i>   |                |                |
| Loan Facility – Secured  | 65,000         | 65,000         |

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| <b>13. Capital and Reserves</b>                            |                |                |
| <b>(a) Issued Capital</b>                                  |                |                |
| Issued and paid-up share capital                           |                |                |
| 169,282,980 ordinary fully paid shares (2012: 167,315,099) | 304,214        | 298,782        |
| Movements in issued capital                                |                |                |
| Balance at beginning of the year                           | 298,782        | 294,414        |
| Shares issued  |                |                |
| - Dividend re-investment plan (i)                          | 5,432          | 4,368          |
|  | 304,214        | 298,782        |

(i) In respect of the 2012 final dividend, paid on 21 September 2012, 1,146,419 shares were issued at \$2.5333 each under the dividend re-investment plan.

In respect of the 2013 interim dividend, paid on 15 March 2013, 821,462 shares were issued at \$3.0759 each under the dividend re-investment plan.

#### **(b) Reserves**

|                     |          |          |
|---------------------|----------|----------|
| Retained Earnings   | 45,544   | 43,731   |
| Revaluation Reserve | 160,783  | 89,663   |
| Realisation Reserve | (18,541) | (12,568) |
|                     | 187,786  | 120,826  |

#### **Revaluation Reserve**

Increments or decrements arising from the revaluation of long term equity 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 in equities 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 2013 was \$350,000 (2012: \$350,359).

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

There were no contingent liabilities or capital commitments as at 30 June 2013.

## 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 and P Prentice.

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 his 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 2013 to 18 June 2014.

### 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 1/7/12 | Purchases | Sales | Held at 30/6/13 |
|-----------------|----------------|-----------|-------|-----------------|
| Charles Goode   | 4,213,495      | 200,893   | -     | 4,414,388       |
| 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 which were made on the same terms and conditions offered to other shareholders, and/or purchases on the open market.

|  | 2013<br>\$'000 | 2012<br>\$'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:

|  |        |        |
|--|--------|--------|
| Units in Cash Management Trusts and Deposits at Call | 10,732 | 13,877 |
|--|--------|--------|

## 17. Notes to the Statement of Cash Flows (cont.)

|   | 2013<br>\$'000 | 2012<br>\$'000 |
|---|----------------|----------------|
| <b>(b) Reconciliation of profit after income tax to net cash provided by operating activities</b> |                |                |
| Profit for the year   | 23,639         | 21,729         |
| Net cash provided by operating activities before changes in assets and liabilities                | 23,639         | 21,729         |
| Adjustments for:  |                |                |
| (Increase)/ decrease in prepayments   | (2)            | 9              |
| (Increase)/ decrease in debtors   | (530)          | (496)          |
| (Increase)/decrease in deferred tax asset   | (237)          | -              |
| (Increase)/ decrease in current tax   | 12             | (72)           |
| (Increase)/ decrease in prepaid interest  | 210            | (171)          |
| Increase/ (decrease) in deferred tax liability  | 11             | 4              |
| Increase/ (decrease) in creditors   | (44)           | (26)           |
| (Increase)/decrease in other assets   | 10             | 2              |
| Non-cash dividends received   | (99)           | -              |
| Net cash provided by operating activities   | 22,970         | 20,979         |

### (c) Financing facilities

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

## 18. Earnings per Share

|  | 2013<br>Cents | 2012<br>Cents |
|--|---------------|---------------|
| Basic earnings per share   | 14.0          | 13.1          |
| Earnings per share excluding special dividends (refer Note 1(d)) | 13.5          | 13.1          |

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 168,447,029 (2012: 166,437,026) 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 within acceptable levels of risk.

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

## 19. Capital Management (cont.)

There were no changes in the Company's approach to capital management during the year other than the Company announced an extension to the on-market buy-back facility which has a potential of purchasing up to 8.1 million shares from 1st June 2013 to the 31st of May 2014. 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. Refer Notes 7 and 17.

#### 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 (2012: \$65 million) gearing the investment portfolio by around 10%. The Company has interest bearing loan facilities in place with the Australia and New Zealand Banking Group Ltd which includes both a fixed and floating rate components. This facility expires at various intervals through to 2 July 2018, unless these are renewed. Annual interest expense was covered 7 times by profit before interest and tax (2012: 6 times).

The major cash inflows for the Company include 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 \$21,133,836 (or 4%) and \$42,267,672 (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 relative market sector weightings 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 |
|--------------------------------|------|-------------------------------|
| <b>2013</b>                    |      |                               |
| <i>Financial Assets</i>        |      |                               |
| Cash                           | 6    | 10,732                        |
| Weighted average interest rate |      | 3.57%                         |
| <b>2012</b>                    |      |                               |
| <i>Financial Assets</i>        |      |                               |
| Cash                           | 6    | 13,877                        |
| Weighted average interest rate |      | 4.58%                         |

### Borrowings

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

| Amount       | Maturity    | Interest Rate(1) |
|--------------|-------------|------------------|
| \$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 4.62%   |
| \$10,000,000 | 2 July 2017 | Fixed 4.90%      |
| \$10,000,000 | 2 July 2018 | Fixed 5.19%      |

(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%).

## 21. Financial Instruments Disclosure (cont.)

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

| Equities               | No. of Shares | Value at 30 June 2013<br>\$'000 |
|------------------------|---------------|---------------------------------|
| BHP Billiton Ltd       | 1,500,000     | 47,055                          |
| NAB Ltd                | 900,000       | 26,712                          |
| Woodside Petroleum Ltd | 1,000,000     | 35,010                          |
| Rio Tinto Ltd          | 495,126       | 25,930                          |
| <b>Total</b>           |               | <b>134,707</b>                  |

The terms of the agreement require that the loan to value ratio should not exceed 70% of the market value of the securities. At 30 June this was 48% (2012: 51%).

### 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. 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 2013

The following is a list of The Company's top 25 Investments as at 30 June 2013, which represent 88% of the total investment portfolio (2012: 87%). All Investments are valued at fair value through Other Comprehensive Income.

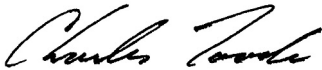
| 2013   |   | Market Value<br>\$'000's | 2012                                      |         | Market Value<br>\$'000's |
|--|---|--------------------------|---|---------|--------------------------|
| Company  |   |                          | Company                                   |         |                          |
| 1  | Commonwealth Bank Of Australia Ltd        | 55,344                   | BHP Billiton Ltd                          | 47,175  |                          |
| 2  | ANZ Banking Group Ltd                     | 54,302                   | Commonwealth Bank Of Australia Ltd        | 42,480  |                          |
| 3  | Westpac Banking Corporation Ltd           | 51,984                   | ANZ Banking Group Ltd                     | 41,857  |                          |
| 4  | BHP Billiton Ltd                          | 50,192                   | Westpac Banking Corporation Ltd           | 33,808  |                          |
| 5  | Woodside Petroleum Ltd                    | 36,761                   | Woodside Petroleum Ltd                    | 32,571  |                          |
| 6  | National Australia Bank Ltd               | 35,616                   | Rio Tinto Ltd                             | 29,667  |                          |
| 7  | CSL Ltd                                   | 34,793                   | National Australia Bank Ltd               | 28,248  |                          |
| 8  | Rio Tinto Ltd                             | 28,804                   | CSL Ltd                                   | 22,272  |                          |
| 9  | Woolworths Ltd                            | 22,967                   | QBE Insurance Group Ltd                   | 21,074  |                          |
| 10   | Transurban Group                          | 20,280                   | Woolworths Ltd                            | 18,760  |                          |
| 11   | Wesfarmers Ltd                            | 18,042                   | Transurban Group                          | 17,070  |                          |
| 12   | QBE Insurance Group Ltd                   | 15,845                   | Wesfarmers Ltd                            | 13,953  |                          |
| 13   | AGL Energy Ltd                            | 13,515                   | AGL Energy Ltd                            | 13,785  |                          |
| 14   | Washington H Soul Pattinson & Company Ltd | 13,150                   | Washington H Soul Pattinson & Company Ltd | 12,411  |                          |
| 15   | Westfield Group                           | 11,440                   | Australian Infrastructure Fund            | 10,800  |                          |
| 16   | Mystate Ltd                               | 11,024                   | Westfield Group                           | 9,464   |                          |
| 17   | Asciano Ltd                               | 10,040                   | Mystate Ltd                               | 7,930   |                          |
| 18   | AMP Ltd                                   | 9,563                    | AMP Ltd                                   | 7,700   |                          |
| 19   | Origin Energy Ltd                         | 9,428                    | Consolidated Media Holdings Ltd           | 6,552   |                          |
| 20   | Orica Ltd                                 | 8,260                    | Asciano Ltd                               | 6,525   |                          |
| 21   | Worley Parsons Ltd                        | 7,796                    | Worley Parsons Ltd                        | 6,275   |                          |
| 22   | Brambles Ltd                              | 6,538                    | Orica Ltd                                 | 6,173   |                          |
| 23   | Brickworks Ltd                            | 6,350                    | Brickworks Ltd                            | 5,050   |                          |
| 24   | Computershare Ltd                         | 6,162                    | Origin Energy Ltd                         | 4,880   |                          |
| 25   | BT Investment Management Ltd              | 6,120                    | Alumina Ltd                               | 4,740   |                          |
| Total Top 25 Investments   |   | 544,316                  |   | 451,220 |                          |
| Total Investments at Market Value, Short Term Receivables and Cash |   | 620,328                  |   | 519,885 |                          |



# 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 30, 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 2013 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 2013.

Signed in accordance with a resolution of the directors.



Charles Goode  
Director  
Melbourne 15th August 2013.

# Auditor's Report



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

### Report on the financial report

We have audited the accompanying financial report of Diversified United Investment Limited (the Company), which comprises the balance sheet as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 of the financial report that gives a true and fair view 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, a true and fair 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 2013 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 2013. 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 2013, complies with the Section 300A of the *Corporations Act 2001*.

KPMG

Michelle Hinchcliffe  
*Partner*

Melbourne  
15 August 2013

# Additional Information

## Distribution of shareholders as at 31 July 2013

| Category Holders | Ordinary Shares | No of Holders | %      |
|------------------|-----------------|---------------|--------|
| 1 – 1,000        | 128,906         | 641           | 0.07   |
| 1,001 – 5,000    | 3,419,447       | 1,128         | 2.02   |
| 5,001 – 10,000   | 8,966,383       | 1,194         | 5.30   |
| 10,001 – 100,000 | 53,643,950      | 2,208         | 31.69  |
| 100,001 and over | 103,124,294     | 119           | 60.92  |
|                  | 169,282,980     | 5,290         | 100.00 |

There were 410 ordinary shareholders holding less than a marketable parcel (149 shares) at 31 July 2013.

## Substantial Shareholders

The number of shares disclosed by the substantial shareholders and their associates in substantial shareholder notices received up to 31 July 2013 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<br>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 2013 were:

| Shareholder  | Ordinary Shares | % Held |
|--|-----------------|--------|
| 1. The Ian Potter Foundation Ltd                     | 16,038,161      | 9.47   |
| 2. Argo Investments Limited                          | 14,769,575      | 8.72   |
| 3. National Nominees Limited                         | 13,979,833      | 8.26   |
| 4. Australian Foundation Investment Company Ltd      | 12,030,202      | 7.11   |
| 5. Australian United Investment Company Ltd          | 12,000,000      | 7.09   |
| 6. Dundee Trading Pty Ltd                            | 6,398,349       | 3.78   |
| 7. Beta Gamma Pty Ltd                                | 1,927,296       | 1.14   |
| 8. Mr Charles Barrington Goode                       | 1,593,853       | 0.94   |
| 9. Mr Daryl Albert Dixon & Mrs Katherine Dixon       | 1,162,750       | 0.69   |
| 10. Brownell Superannuation Pty Ltd                  | 750,000         | 0.44   |
| 11. Primrose Properties Pty Ltd                      | 715,667         | 0.42   |
| 12. UBS Wealth Management Australia Nominees Pty Ltd | 580,263         | 0.34   |
| 13. Willpower Investments Pty Ltd                    | 575,846         | 0.34   |
| 14. Mr James Vincent Chester Guest                   | 558,312         | 0.33   |
| 15. Chabar Pty Ltd                                   | 542,867         | 0.32   |
| 16. Yelgarn Pty Ltd                                  | 405,823         | 0.24   |
| 17. Invia Custodian Pty Ltd                          | 405,000         | 0.24   |
| 18. Somoke Pty Ltd                                   | 397,979         | 0.24   |
| 19. HSBC Custody Nominees (Australia) Limited        | 395,816         | 0.23   |
| 20. Mutual Trust Pty Ltd                             | 394,150         | 0.23   |
|  | 85,621,742      | 50.57  |

**Brokerage Paid**

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2013 totalled \$186,751 (2012:\$132,967). None of that brokerage was paid to any stock or sharebroker, or any employee or nominee of any stock or sharebroker, who is an officer of the Company.

# List of Investments as at 30 June 2013

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

|   | Market Value<br>\$ | 30/6/13<br>Units Held | % of Portfolio<br>at Market Value | 30/6/12<br>Units Held |
|---|--------------------|-----------------------|-----------------------------------|-----------------------|
| <b>Australian Equities</b>                      |                    |                       |                                   |                       |
| <i>Energy</i>                                   |                    |                       |                                   |                       |
| Oil Search Ltd                                  | 3,865,000          | 500,000               | 0.6                               | -                     |
| Woodside Petroleum Ltd                          | 36,760,500         | 1,050,000             | 5.9                               | 1,050,000             |
| Worley Parsons Ltd                              | 7,796,000          | 400,000               | 1.3                               | 250,000               |
| <i>Materials</i>                                |                    |                       |                                   |                       |
| Adelaide Brighton Ltd                           | 3,300,000          | 1,000,000             | 0.5                               | -                     |
| Alumina Ltd                                     | 3,940,055          | 4,000,056             | 0.6                               | 6,000,000             |
| BHP Billiton Ltd                                | 50,192,000         | 1,600,000             | 8.1                               | 1,500,000             |
| Brickworks Ltd                                  | 6,350,000          | 500,000               | 1.0                               | 500,000               |
| Orica Ltd                                       | 8,260,000          | 400,000               | 1.3                               | 250,000               |
| Rio Tinto Ltd                                   | 28,803,500         | 550,000               | 4.6                               | 525,080               |
| <i>Industrials</i>                              |                    |                       |                                   |                       |
| Asciano Limited                                 | 10,040,000         | 2,000,000             | 1.6                               | 1,500,000             |
| Aurizon Holdings Ltd (formerly QR National Ltd) | 2,496,000          | 600,000               | 0.4                               | 600,000               |
| Australian Infrastructure Fund                  | 27,500             | 2,500,000             | 0.0                               | 4,500,000             |
| Bradken Ltd                                     | 4,310,000          | 1,000,000             | 0.7                               | -                     |
| Brambles Ltd                                    | 6,538,000          | 700,000               | 1.1                               | 525,000               |
| Computershare Ltd                               | 6,162,000          | 600,000               | 1.0                               | 300,000               |
| Iress Market Technology Ltd                     | -                  | -                     | -                                 | 200,000               |
| K & S Corporation Ltd                           | -                  | -                     | -                                 | 1,000,000             |
| Monadelphous Group Ltd                          | 4,842,000          | 300,000               | 0.8                               | 100,000               |
| Sydney Airport                                  | 1,690,000          | 500,000               | 0.3                               | -                     |
| Transurban Group                                | 20,280,000         | 3,000,000             | 3.3                               | 3,000,000             |
| <i>Consumer Staples</i>                         |                    |                       |                                   |                       |
| Wesfarmers Ltd                                  | 5,940,000          | 150,000               | 1.0                               | 150,000               |
| Wesfarmers Ltd PPS                              | 12,102,000         | 300,000               | 1.9                               | 300,000               |
| Woolworths Ltd                                  | 22,967,000         | 700,000               | 3.7                               | 700,000               |
| <i>Health Care</i>                              |                    |                       |                                   |                       |
| CSL Ltd   | 34,792,700         | 565,000               | 5.6                               | 565,000               |
| Ramsay Health Care Ltd                          | 2,685,750          | 75,000                | 0.4                               | 75,000                |
| Resmed Inc.                                     | -                  | -                     | -                                 | 225,000               |
| Sonic Healthcare Ltd                            | -                  | -                     | -                                 | 300,000               |

# List of Investments as at 30 June 2012

|   | Market Value<br>\$ | 30/6/13<br>Units Held | % of Portfolio<br>at Market Value | 30/6/12<br>Units Held |
|---|--------------------|-----------------------|-----------------------------------|-----------------------|
| <b>Australian Equities (Continued)</b>                      |                    |                       |                                   |                       |
| <i>Financials</i>   |                    |                       |                                   |                       |
| AMP Ltd   | 9,562,500          | 2,250,000             | 1.5                               | 2,000,000             |
| ASX Ltd   | 3,655,128          | 110,527               | 0.6                               | 100,000               |
| Australian & New Zealand Banking Group Ltd                  | 54,302,000         | 1,900,000             | 8.8                               | 1,900,000             |
| BT Investment Management Ltd                                | 6,120,000          | 2,000,000             | 1.0                               | 2,597,734             |
| Commonwealth Bank of Australia Ltd                          | 55,344,000         | 800,000               | 8.9                               | 800,000               |
| Gowings Bros Ltd  | 4,800,000          | 2,000,000             | 0.8                               | 2,000,000             |
| Henderson Group Ltd   | 2,460,000          | 1,000,000             | 0.4                               | -                     |
| Mystate Ltd   | 11,024,000         | 2,600,000             | 1.8                               | 2,600,000             |
| National Australia Bank Ltd                                 | 35,616,000         | 1,200,000             | 5.7                               | 1,200,000             |
| Perpetual Ltd   | 5,664,000          | 160,000               | 0.9                               | 160,000               |
| QBE Insurance Group Ltd                                     | 15,844,500         | 1,050,000             | 2.6                               | 1,575,000             |
| The Trust Company Ltd                                       | 3,294,000          | 600,000               | 0.5                               | 600,000               |
| Washington H Soul Pattinson & Company Ltd                   | 13,150,000         | 1,000,000             | 2.1                               | 900,000               |
| Westpac Banking Corporation Ltd                             | 51,984,000         | 1,800,000             | 8.4                               | 1,600,000             |
| <i>Media</i>  |                    |                       |                                   |                       |
| Consolidated Media Holdings Ltd                             | -                  | -                     | -                                 | 1,944,241             |
| <i>Telecommunications Services</i>                          |                    |                       |                                   |                       |
| Telstra Corporation Ltd                                     | 4,073,580          | 854,000               | 0.7                               | 854,000               |
| <i>Utilities</i>  |                    |                       |                                   |                       |
| AGL Energy Ltd  | 13,514,676         | 933,334               | 2.2                               | 933,334               |
| Origin Energy Ltd   | 9,427,500          | 750,000               | 1.5                               | 400,000               |
| <b>Total Australian Equities</b>                            | 583,975,889        |                       | 94.1                              |                       |
| <b>Real Estate</b>  |                    |                       |                                   |                       |
| Australand Property Group                                   | 3,480,000          | 1,000,000             | 0.6                               | 1,000,000             |
| Commonwealth Property Office Fund                           | 1,100,000          | 1,000,000             | 0.2                               | -                     |
| Stockland Group   | 3,828,000          | 1,100,000             | 0.6                               | 1,000,000             |
| Westfield Group Ltd   | 11,440,000         | 1,000,000             | 1.8                               | 996,200               |
| <b>Total Listed Property Trusts</b>                         | 19,848,000         |                       | 3.2                               |                       |
| <b>Cash, Bills of Exchange &amp; Short Term receivables</b> | 16,504,625         |                       | 2.7                               |                       |
| <b>Total</b>  | 620,328,514        |                       | 100.0                             |                       |

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