

# DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

LEVEL 4  
45 EXHIBITION STREET  
MELBOURNE VIC 3000  
AUSTRALIA

TEL (613) 9654 0499  
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## HALF YEARLY REPORT TO SHAREHOLDERS

25 March 2009

Dear Shareholder,

### **Dividend Payment Enclosed**

Enclosed with this letter is payment of the 6.0¢ per share fully franked interim dividend, by way of cheque, notification of direct banking, or notification of allotment of shares under the Dividend Reinvestment Plan, according to your instructions.

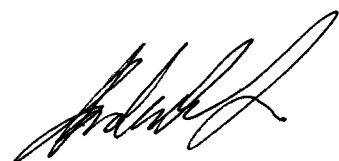
### **Net Asset Backing 28 February 2009**

At 28 February 2009 the net asset backing per share after the tax effect of net realised gains/losses, before estimated tax on unrealised gains and after provision for the interim dividend was \$2.23, or \$2.13 after providing for estimated tax on unrealised portfolio gains.

### **Results for Half Year Ended 31 December 2008**

On 26 February 2009 the Company released the attached report to the Australian Securities Exchange covering the Company's performance for the half year to 31 December 2008 and the interim dividend declaration.

Yours faithfully,



**A J Hancock**  
Company Secretary

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26 February 2009

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

Dear Sir,

## **Financial Report and Dividend Announcement for the Half Year Ended 31 December 2008**

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

### ***Operating Profit and Realised Capital Gains/Losses***

Operating profit after income tax and before net realised and unrealised losses on the investment portfolio for the half year ended 31 December 2008 was \$10,789,000 (previous corresponding period: \$9,885,000). Operating profit includes special dividends and distributions received of \$105,400 (previously \$1,047,000).

Operating expenses (excluding interest) were 0.10% of the average market value of the portfolio (previously 0.07%).

Net realised losses on the investment portfolio after tax were \$2,527,000 (previously gains of \$10,997,000).

### ***Unrealised Losses***

Unrealised losses of \$11,502,000 on the investment portfolio after tax were transferred from the revaluation reserve to the income statement. Directors do not regard these unrealised losses as part of the normal operating profit of the Company which is used to determine the amount proposed to be paid as dividends.

Accounting standard AASB139 requires the company to assess whether any of its investments are "impaired" and if so transfer the unrealised loss on those investments, previously recognised in the revaluation reserve, to the Income Statement. As the company revalues its investments to current market values continuously through the revaluation reserve, this does not affect the balance sheet valuation of net assets or the value of shareholder equity.

The accounting standard requires recognition of impairment in the Income Statement to be based primarily on shorter term movements in the listed market price of an investment.

The Company is aware that the share market will recognise fair value over the longer term but in the short term the share price may well undervalue or overvalue a company.

The Company is a long term investor and only makes a sale when there has been a fundamental change in the long term outlook for an investment, usually arising from significant changes in economic, regulatory or industry structural factors, or an alternative investment looks more attractive over the long term, or in response to a takeover offer. This long term investment approach is recognised in the Australian taxation legislation through the recognition of Listed Investment Company status for the Company.

Consistent with this long term investment horizon, where at balance date the market price of a listed investment is below cost, directors undertake an assessment as to whether the long term fair value of the investment is less than the cost of that investment, in particular having regard to the earnings and expected dividends from the underlying investment over the long term. This assessment of long term fair value differs from the accounting standard requirement to recognise impairment in the income statement based on shorter term movements in market prices.

Directors are of the view that the shorter term approach required by this international accounting standard is inappropriate for an Australian long term listed equity investment company. In particular, Directors are of the view that the unrealised losses on the investment portfolio recognised in the Income Statement in this half year do not represent a permanent impairment in the long term fair values of the investments in question. Nevertheless, the Corporations Law requires us to comply with AASB139 thereby requiring the Company to recognise these unrealised losses in the Income Statement.

#### ***Dividends***

The Directors have declared an interim dividend of 6.0 cents per share fully franked to shareholders registered on 10 March 2009, to be paid on 25 March 2009. The comparable 2008 interim dividend was 6.0 cents per share fully franked. The dividend contains no Listed Investment Company capital gains. This payment date is around two weeks earlier than in previous years and it is the intention of the Company to pay future interim dividends on or around this date.

#### ***Earnings Per Share***

The operating earnings per share based on the weighted average number of shares on issue for the half year were 7.7 cents per share (7.6 cents excluding the special dividends) compared to 7.9 cents for the half year to 31 December 2007 (7.0 cents excluding special dividends).

#### ***Dividend Reinvestment Plan***

The Company operates a Dividend Reinvestment Plan ("DRP") under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at a 5% discount to the volume weighted average selling price of shares traded on the Australian Securities Exchange on the Record Date of 10 March 2009 and the three business days immediately preceding that date. The last day for the receipt of an election notice for participation in the plan is 10 March 2009.

#### ***Asset Backing***

The net tangible asset backing per share based on the market valuation of investments was \$2.50 at 31 December 2008 and \$2.39 at 31 January 2009. These calculations are after the tax effect of net realised gains/losses, before tax on unrealised gains/losses and before provision for the interim dividend.

The Company is a long term investor and does not intend disposing of its total portfolio. If estimated tax on unrealised gains were to be deducted, the above figures would be \$2.34 at 31 December 2008 and \$2.26 at 31 January 2009.

#### ***Performance***

The Company's net asset backing accumulation performance for the six months to 31 December 2008 (assuming all dividends were reinvested) was a decline of 27.9%, compared to a decline of 27.2% in the S&P ASX 300 Accumulation index.

*Investment Portfolio*

As at 31 December 2008 the twenty-five largest shareholdings of the company, at market values were:

<i>Company</i>	<i>Market Value \$'000</i>	<i>% of Market Value of Total Investments</i>
1. BHP Billiton Ltd	45,660	11.4%
2. Woodside Petroleum Ltd	36,700	9.1%
3. QBE Insurance Group Ltd	30,972	7.7%
4. Westpac Banking Corporation Ltd	25,455	6.3%
5. Commonwealth Bank of Australia Ltd	20,706	5.2%
6. National Australia Bank Ltd	18,783	4.7%
7. ANZ Banking Group Ltd	18,348	4.6%
8. CSL Ltd	16,850	4.2%
9. Westfield Group	15,540	3.9%
10. Rio Tinto Ltd	13,300	3.3%
11. Woolworths Ltd	10,668	2.7%
12. AGL Energy Ltd	9,919	2.5%
13. Transurban Group Ltd	8,100	2.0%
14. Telstra Corporation Ltd	7,660	1.9%
15. Brambles Ltd	7,420	1.9%
16. Perpetual Ltd	7,418	1.9%
17. Tabcorp Holdings Ltd	6,990	1.7%
18. Suncorp Metway Ltd	5,880	1.5%
19. Alumina Ltd	5,838	1.5%
20. Washington H Soul Pattinson & Co Ltd	5,610	1.4%
21. Wesfarmers Ltd PPS	5,400	1.4%
22. AXA Asia Pacific Holdings Ltd	4,940	1.2%
23. Australian Infrastructure Fund	3,800	1.0%
24. News Corporation Inc Class A Common CDI	3,783	1.0%
25. ConnectEast Group	3,300	0.8%
	<hr/>	
	339,040	84.8%
	<hr/> <hr/>	
<b>Total Investments at Market Value and Cash</b>	<hr/> <hr/>	401,381

Yours faithfully



**A J Hancock**  
Company Secretary