

Ladies and Gentlemen,

Welcome to the twelfth Annual General Meeting of Diversified United Investment Limited.

I can report that in the latest year there was a satisfactory increase in the Company's profit (before net gains on long term investments) and in the dividend, while the net asset backing per share declined amidst falling equity markets.

The operating profit after income tax and before net gains on long term investments was \$7.4m. in the period to 30 June 2003, an increase of 6.2%. This profit is equivalent to earnings per share of 7.4 cents.

The year's result reflects a good increase in income from dividends of \$954,000 and trust income \$157,000, steady borrowing costs and a loss on trading and options of \$626,000. Our options trading activity was undertaken against holdings in some prominent companies held in the trading portfolio, necessitating a write-down when share prices declined. These holdings have now been sold or transferred to the investment portfolio and option positions closed out.

The result does not include the notional, non-cash, non-taxable dividends forming part of the WMC Ltd and CSR Ltd demerger Schemes of Arrangement which have been treated as capital receipts in accordance with the advice we received in respect of the accounting standards.

Operating expenses increased as a percentage of the average market value of the portfolio, principally due to the lower value of the portfolio, the appointment of an additional director, and increases in administration and insurance costs.

A final fully franked dividend of 4.5 cents per share has been declared which with the interim dividend of 2.5 cents brought the dividend for the year to 7.0 cents per share, an increase of 0.5 cents per share or 7.7% over last year. This is the eleventh

consecutive year in which the dividend has been increased.

The net tangible asset backing per share after provision for the final dividend and based on investments at market values and after provision for tax on net realised gains, but not unrealised gains, decreased from \$1.94 at 30 June 2002 to \$1.74 at 30 June, 2003, a fall of 9.8%.

This decline was in a year in which world equity markets continued to decline – in the USA the Dow Jones Index fell 2.8%; the Financial Times 100 fell 13.4%, the German market fell 26% and the Australian S&P/ASX 200 Index fell by 5.9%.

Over the last five years the performance of an investment in DUI based on the Net Asset Backing per share, assuming all dividends were reinvested, has grown 7.6% per annum compound compared with 6.9% per annum compound for the S&P/ASX 300 Accumulation Index.

The Annual Report provides details of the investments of the Company at 30 June 2003 and 30 June 2002 and the proportion of the market value of the investment portfolio held in each company.

The Annual Report shows that the investment portfolio comprises investments in the equities of 38 companies listed in Australia (88.3% of the portfolio); in the converting preference shares or convertible notes of four companies (3.3% of the portfolio); in seven listed property trusts (4.9% of the portfolio); and cash (3.5% of the portfolio).

During the financial year the remaining holdings of foreign equities were sold. Our target asset allocations set at this time last year were 90% Australian equities, 0% international equities, 3% fixed interest securities, 6% property companies and trusts, and 1% short term deposits. These have remain unchanged until today when we reduced the allocation to property companies and trusts from 6% to 3% and increased the allocation to short term deposits from 1% to 4%.

The largest 25 equity investments comprised 84.2% of the portfolio and the details are set out on page four of the Annual Report.

The largest industry sectors were banking 25%; resources 13.5%; and leisure 7%.

Corporate Governance:

The Company has adopted early, corporate governance principles in accordance with the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations", which come into force next year. The principles adopted and any material departures from the recommendations, are outlined in the Corporate Governance Statement in the Annual Report and on the Company's website.

Change in Major Shareholding

The Myer Family Investments Pty Ltd had a holding of 22% when this company was listed on the share market in 1991. Over the following 12 years the shareholding increased to 36%. On 15 September 2003 The Myer Family Investments Pty Ltd reduced its holding to 16% by way of a sale of 19,840,000 shares through sub-underwriting agreements with Goldman Sachs J B Were and Bell Potter Securities.

The Myer Family Investments Pty Ltd also advised that it was not its current intention to sell any further shares until the expiration of nine months from that date.

We have received a significant shareholding notice from Perpetual Trustees Australia Ltd indicating that it has acquired a 12.58% interest in our company. From the share registry we estimate that we have added approximately 380 shareholders during the last month and we now have approximately 2,800 shareholders.

Outlook for World Economy:

We see some recovery in world economic growth and that of Australia.

With the U.S. economy being stimulated by low interest rates, lower taxes and increased government expenditure we expect a reasonable performance from the U.S. market and this would provide an improved sentiment to other world share markets including the Australian market.

However, in the medium term we are concerned with structural imbalances in the U.S. economy reflected in the balance of payments on current account deficit and the budgetary deficit.

We therefore have a cautionary approach to the share market with our focus on strong leading companies providing a reasonable yield. With the strengthening of the Australian dollar we have not been tempted to purchase international investments and favour the higher yield available in the Australian market and the benefits of franked income. We have been reducing our investments in property companies and trusts and adding modestly to our short term deposits pending opportunities in the sharemarket.

We are not currently looking to re-establish a trading portfolio and engage in option writing.

We see less downside risk in the sharemarket than at this time last year and are envisaging a steady year. In respect of our own results we are expecting an increase in profit without the loss incurred in the latest year in the trading and options portfolio. We are not, however, expecting much change in our asset backing per share from today's level.

Over the last year our share price has, like other Listed Investment Companies, frequently traded at a premium to the net asset backing.

Our net asset backing per share based on investments at market values and after provision for

tax on net realised gains, but not unrealised gains, and after provision for the final dividend was \$1.74 at 30 June 2003 and \$1.86 at 30 September, 2003.

Charles Goode
Chairman



DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

CHAIRMAN'S ADDRESS



**ANNUAL GENERAL MEETING
TUESDAY 7 OCTOBER 2003**