

2003

Diversified United Investment Limited

ANNUAL FINANCIAL REPORT

ABN 33 006 713 177

Diversified United Investment Limited

Directors

C B Goode AC - Chairman
J W Hopkins
G E Moir
M K Myer
R H Myer
G W Sinclair - Alternate for M K Myer

Company Secretary

Andrew Justin Hancock FCA

Principal Office

Level 4
45 Exhibition Street
Melbourne VIC 3000
Tel: (613) 9654 0499
Fax: (613) 9654 3499
Email: info@dui.com.au
Website: www.dui.com.au

Registered Office

Diversified United Investment Limited
C/- KPMG
161 Collins Street
Melbourne VIC 3000

Bankers

Australia and New Zealand Banking Group Limited
National Australia Bank Limited

Auditors

KPMG
Chartered Accountants

Share Registry

Computershare Investor Services Pty Limited
Level 12
565 Bourke Street
Melbourne Vic 3000
Tel: 1300 850 505 or (613) 9615 5970
Fax: (613) 9611 5710

Stock Exchange

The Company is listed on the Australian Stock Exchange Ltd.

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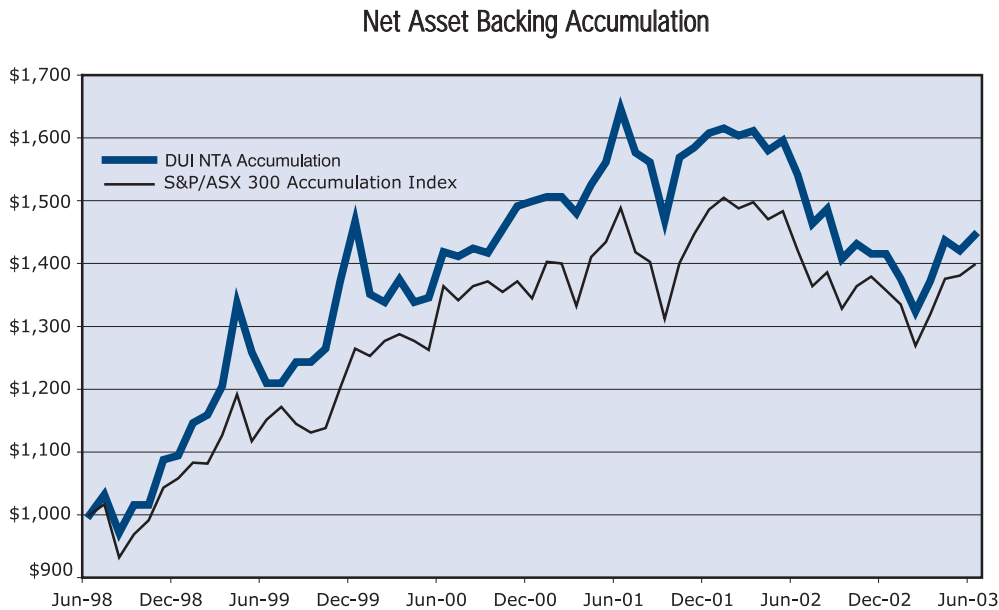
Diversified United Investment Limited
FOR THE YEAR ENDED 30 JUNE 2003

(ABN 33 006 713 177)

Chairman's Report (Continued)

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

The DUI index rose 7.64% per annum compound over the five years while the S&P/ASX 300 Accumulation Index rose 6.93% per annum compound.



Source: J B Were

The investment portfolio at market values was invested as follows:

	Target	As at 30.6.03	As at 30.6.02
	%	%	%
Australian Equities	90	88	89
International Equities	0	0	2
Fixed Interest Securities	3	3	3
Property Companies and Trusts	6	5	6
Short Term Deposits	1	4	0
	100	100	100

The Australian equities portfolio is mainly in leading companies and at 30 June 2003, in terms of market values, 77% of the Australian equities portfolio was in the leading 50 companies (40% in the top 20 companies and 37% in the next 30 companies), with a further 8% invested in the second 50 companies and 15% invested in companies other than the largest 100 companies.

Chairman's Report (Continued)

As at 30 June 2003 the twenty-five largest shareholdings of the Company, at market values were:

Company	Market Value \$'000	% of Market Value of Total Investments
1. ANZ Banking Group Ltd	15,484	7.7%
2. National Australia Bank Ltd	13,400	6.7%
3. Commonwealth Bank of Australia Ltd	11,820	5.9%
4. Woodside Petroleum Ltd	11,142	5.6%
5. Tabcorp Holdings Ltd	11,770	5.4%
6. Westpac Banking Corporation Ltd	9,750	4.9%
7. QBE Insurance Group Ltd	8,388	4.2%
8. Foster's Group Ltd	7,157	3.6%
9. Australand Holdings Ltd		
- Ordinary	3,200	1.6%
- Reset Preference Shares	3,841	1.9%
10. Australian Gas Light Company Ltd	6,570	3.3%
11. Mayne Group Ltd	6,423	3.2%
12. Perpetual Trustees Ltd	6,140	3.1%
13. Rio Tinto Ltd	5,842	2.9%
14. Telstra Corporation Ltd	5,566	2.8%
15. Alumina Ltd	5,393	2.7%
16. Foodland Associated Ltd	4,925	2.5%
17. Transurban Citylink Ltd	4,770	2.4%
18. WMC Resources Ltd	4,651	2.3%
19. Southern Cross Broadcasting (Aust) Ltd	4,350	2.2%
20. Westfield Trust	3,795	1.9%
21. Washington H. Soul Pattinson & Co Ltd	3,510	1.8%
22. TAB Limited	3,250	1.6%
23. Alesco Corporation Ltd	2,774	1.4%
24. Vision Systems Ltd	2,730	1.4%
25. The News Corporation Ltd - Preference Shares	2,376	1.2%
	169,017	84.2%

The total investment portfolio including cash and bills of exchange had a market value at 30 June 2003 of \$200,470,000 (2002: \$219,038,000).



Charles Goode
Chairman

Corporate Governance Statement

In July 2003, the Company adopted corporate governance principles in accordance with the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice 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.
- Setting ethical standards for the Company.

2. Composition

The Board currently comprises 5 directors. The Company's constitution requires 3 to 6 directors. The Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate after wide and, if necessary, professional consultation.

The Chairman, Martyn K Myer and Rupert H Myer are associated with substantial shareholders. These directors bring significant relevant experience to the Board. However 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 Stock Exchange Corporate Governance Council's "Best Practice 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.

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. The Chairman leads the investment management process at and between the meetings.

4. Delegation

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

5. Director's Terms of Appointment, Remuneration and Performance

Director's fees are reviewed annually by the Nomination and Remuneration Committee in the light of Company 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 director's fees is set by the shareholders in general meeting.

Each director appointed before 1 July 2003 is entitled to receive a retirement benefit set out in an agreement, the terms of which have been approved by shareholders in Annual General Meeting. Fees for directors appointed after this date take into account the absence of a retirement agreement.

Each director is entitled to enter a Deed of Access, Indemnity and Insurance with the Company and to be 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. Directors are expected to attend at least 11 Board meetings and approximately 2 committee meetings per year where applicable. They are expected to make a pro-active contribution to the management of the Company's investment portfolio by reading, research, and information collected outside of board meetings. Directors are expected to be available for board committee work, for no additional fee.

Corporate Governance Statement (Continued)

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 will review its performance annually by discussion and by individual communication with the Chairman and by reference to generally accepted Board performance standards. The Board will also conduct 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 and Martyn K Myer. The Audit Committee meets at least twice and the Nomination and Remuneration Committee at least once per annum. The terms of reference of each committee is reviewed by the Board annually. The Audit Committee terms include inter-alia, appointment of the auditor, assessing his 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. All are non-executive. It has sufficient relevant expertise. It complies with the Australian Stock Exchange Corporate Governance Council's "Best Practice Recommendations" and Australian Stock Exchange listing rule 12.7.

Prior to 1 July 2003 the Board acted as the Nomination and Remuneration Committee. From 1 July 2003 this Committee holds separate meetings. The Nomination and Remuneration Committee considers and makes recommendations to the Board regarding Board composition and remuneration of the directors and the Company Secretary.

7. Disclosure Procedures

The Company has established procedures to ensure compliance with the Australian Stock Exchange listing rule disclosure requirements including monthly disclosure of the Company's net tangible asset backing per share.

8. Shareholder Communication

The Company communicates adequately with shareholders through:

- The annual report
- The half year report
- The website, including email contact
- Telephone availability of the Company Secretary at the representative 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 Company's risk management procedures half yearly.

10. Ethical Conduct

The Company has no employees other than directors and the Company Secretary. Each director and the Company Secretary is expected to adopt high ethical standards in acting for the Company and in the interests of the shareholders. Directors are required to disclose any potential conflict of interest and to refrain from involvement in Board discussions, or leave the room, during the conflicted matter. The directors and the Company Secretary are aware of the Corporations Law regarding dealing in securities in which they possess market sensitive information. The Company's net tangible asset backing per share is announced monthly to the Australian Stock Exchange and the Company has procedures to ensure compliance with Australian Stock Exchange continuous disclosure requirements.

Directors' Report

The directors present their report together with the financial report of Diversified United Investment Limited for the year ended 30 June 2003 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Charles B. Goode AC, B.Com (Hons) (Melb), MBA (Columbia), Hon LLD (Melb), Hon LLD (Monash).
Non-Executive Chairman
Age 64
Appointed Chairman September 1991.

Mr Goode is the Chairman of the Boards of Australia and New Zealand Banking Group Limited, Woodside Petroleum Limited, Australian United Investment Company Limited and The Ian Potter Foundation Limited. He is a director of Singapore Airlines Limited.

John W. Hopkins A.S.I.A.
Non-Executive Director
Age 56
Appointed November 1996.

Mr Hopkins has had a long career in investment management including as Investment Manager of Elders Finance Ltd, Director Investments at Potter Warburg Ltd and Managing Director of Hopkins Partners Asset Management Ltd.

Graeme E. Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.
Non-Executive Director
Age 71
Appointed September 1991.

Mr Moir is the principal of the investment management firm Moir's Investment Service Pty. Ltd., and is a director of Graeme Moir and Associates Pty. Ltd., and Australian United Investment Company Limited.

Martyn K. Myer B.Eng, MEng (Mon), MSM (MIT), FIE (Aust).
Non-Executive Director
Age 45
Appointed September 1991.

Mr Myer is a director of Merlyn Asset Management Pty Ltd, and is a director of Coles Myer Ltd and The Myer Family Company Pty Ltd (Group).

Rupert H. Myer B.Com (Hons), MA Cantab.
Non-Executive Director
Age 45
Appointed 18 November 2002.

Mr Myer is a director of AMCIL Limited. He serves as Deputy Chairman of The Myer Family Company Pty Ltd (Group) and is a Vice President of The Myer Foundation.

Graeme W. Sinclair B.Com, ACA, ACIS.
Non-Executive Alternate Director for Martyn K. Myer
Age 56
Appointed 1 August 2002.

Mr Sinclair is Managing Director of The Myer Family Company Pty Ltd (Group) and a director of a number of private companies.

Directors' and Officer's Emoluments

Details of the nature and amount of each major element of the emoluments of each director of the Company are detailed below:

Directors	Base Emolument \$	Superannuation Contributions \$	Total \$
Charles Goode	1,000	79,000	80,000
John Hopkins	36,697	3,303	40,000
Graeme Moir	40,000	-	40,000
Martyn Myer	36,697	3,303	40,000
Rupert Myer	22,521	2,027	24,548

Mr A J Hancock received remuneration of \$42,500 for Company Secretarial and related services provided by him and his staff during the year.

Directors' Report (Continued)

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	
	No. of Meetings attended	No. of Meetings eligible	No. of Meetings attended	No. of Meetings eligible
Charles Goode	11	11	0	0
John Hopkins	11	11	2	2
Graeme Moir	11	11	2	2
Martyn Myer	1	11	0	2
Graeme Sinclair (alternate for M K Myer)	7	9	2	2
Rupert Myer	6	7	1	1

Martyn Myer was resident in the United Kingdom during the financial year.

Principal Activity

The principal activity of the Company is that of investment. The directors have sought to invest in a diversified portfolio of investments with the objective of obtaining current income and longer term capital gain within an acceptable level of risk.

Results and Review of Operations

The Company's target asset allocation and the portfolio's actual asset allocation will both vary from time to time and at 30 June 2003 were as follows:

	Target %	Investments at Market Value %
Australian Equities	90	88
International Equities	0	0
Fixed Interest Securities	3	3
Property Companies and Trusts	6	5
Short Term Deposits	1	4

The Company's profitability in its eleventh full year of operations has been positive. For the year ended 30 June 2003 the Company earned an operating profit after tax of \$7,372,000 (compared to \$6,943,000 in 2002).

During the year the unrealised gain in the value of listed non-current assets decreased from \$58,731,000 to \$38,482,000. The net tangible asset backing of each of the Company's shares at 30 June 2003 was \$1.79 (2002: \$1.98) before provision for the final dividend of 4.5 cents per share. This net tangible asset backing calculation is based on investments at market value and is after provision for tax on net realised gains and before tax on unrealised gains. The Company is a long-term investor and does not intend disposing of its total portfolio. If however estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing per share would be \$1.64 (2002: \$1.78).

The Board has maintained the Company's borrowings at \$25 million which means the investment portfolio at market value is geared to the extent of around 13%.

Directors' Report (Continued)

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

	2003 \$'000	2002 \$'000
INCOME		
Dividends	8,564	7,610
Trust Distributions	1,086	929
Interest	246	326
Sub Underwriting Commission	9	4
Trading and Options Related Net Profits/(Losses)	(626)	68
Foreign Exchange Gains/(Losses)	-	(18)
	9,279	8,919
OPERATING EXPENSES		
Administration expenses:		
Accounting & Custody Fees	118	112
Audit	35	31
Share Registry	44	41
Directors' Fees	225	175
Directors' Retirement Provision	80	58
ASX Fees	31	26
Company Secretary Fees	42	21
Insurance	27	1
Other	30	23
Borrowing Costs:		
Interest	1,317	1,424
Other	27	27
	1,976	1,939
Profit from ordinary activities before related income tax expense	7,303	6,980
Income tax expense/(benefit)	(69)	37
	7,372	6,943
Profit from ordinary activities after related income tax expense	7,372	6,943

Operating expenses (excluding borrowing costs) were 0.30% of the average market value of the investment portfolio (2002: 0.22%)

Dividends

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

	\$'000
Paid or declared during the year	
A final dividend in respect of the year ended 30 June 2002 of 4.00c per share fully franked paid on 9 October 2002	3,940
An interim dividend in respect of the year ended 30 June 2003 of 2.50c per share fully franked paid on 11 April 2003	2,476
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2003 of 4.50c per share fully franked payable on 9 October 2003	4,472

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.

Environmental Regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

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 subsequent 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.

Directors' Report (Continued)

Directors' Interests

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

	SHARES	
	1	2
Charles B Goode	984,527	1,156,402
John W Hopkins	6,250	-
Graeme E Moir	62,500	-
Martyn K Myer	5,008	-
Rupert H Myer	-	45,850
Graeme W Sinclair	-	3,000

Note:

1. Beneficial in own name
2. Held by an entity/related party in which the director has a relevant interest

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.

Indemnification

Details of directors' indemnification are set out in Note 22 to the financial statements.

Rounding Of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and amounts in this report and accompanying financial statements have been rounded to the nearest one thousand dollars in accordance with that Class Order.

Dated at Melbourne this 15th day of August 2003

Signed in accordance with a resolution of the directors:



Charles Goode
Director

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
Revenue from operating activities		13,229	11,381
Revenue from the sale of long term investments		26,140	35,247
Total ordinary revenue	3	39,369	46,628
Administration expenses		(632)	(488)
Borrowing costs		(1,344)	(1,451)
Carrying Value of investments sold - Trading Stock		(3,950)	(2,462)
Carrying Value of investments sold - Long Term Investments		(26,140)	(35,247)
Profit from ordinary activities before related income tax expense		7,303	6,980
Income tax (benefit)/expense relating to ordinary activities	5(a)	(69)	37
Profit from ordinary activities after related income tax expense		7,372	6,943
Net profit	1(b)(ii)	7,372	6,943
Non-owner transaction changes in equity			
Increase in retained earnings arising from the sale of non-current assets	17	103	10,289
Increase/(Decrease) in reserves			
Asset Revaluation Reserve	16	(20,249)	58,731
Total changes in equity from non-owner related transactions	18	(12,774)	75,963
Basic earnings per share before net gains on long term investments	25	7.4 cps	7.1 cps

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

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 14 to 23.

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS			
Cash assets	7	7,118	301
Receivables	8	1,491	1,335
Investments	9(a)	261	4,068
Other	10	1,268	1,094
Total Current Assets		<u>10,138</u>	<u>6,798</u>
NON-CURRENT ASSETS			
Investments	9(b)	193,091	214,669
Deferred tax assets	5(d)	166	139
Total Non-Current Assets		<u>193,257</u>	<u>214,808</u>
TOTAL ASSETS		<u>203,395</u>	<u>221,606</u>
CURRENT LIABILITIES			
Payables	11	722	112
Interest-bearing liabilities	12	25,000	25,407
Current tax liabilities	5(b)	-	196
		<u>25,072</u>	<u>25,715</u>
NON-CURRENT LIABILITIES			
Deferred tax liability	5(c)	367	385
Provisions	14	530	450
Total Non-Current Liabilities		<u>897</u>	<u>835</u>
TOTAL LIABILITIES		<u>25,969</u>	<u>26,550</u>
NET ASSETS		<u>177,426</u>	<u>195,056</u>
EQUITY			
Contributed equity	15	107,343	105,783
Asset Revaluation Reserve	16	38,482	58,731
Retained profits	17	31,601	30,542
TOTAL EQUITY	18	<u>177,426</u>	<u>195,056</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 14 to 23.

Statement of Cash Flows for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		177	331
Dividends & trust distributions received		9,489	8,275
Proceeds from the trading portfolio		3,181	3,018
Other items		9	(14)
Payments for trading portfolio		-	(2,419)
Cash payments in the course of operations		(551)	(485)
Interest paid		(1,506)	(1,360)
Income taxes paid		(290)	(724)
Net cash provided by operating activities	24(b)	10,509	6,622
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(11,077)	(34,962)
Proceeds from the sale of investments		12,648	18,220
Net cash provided by/(used in) investing activities		1,571	(16,742)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (excluding dividend re-investment plan)		(4,856)	(1,039)
Net cash used in financing activities		(4,856)	(1,039)
Net increase/(decrease) in cash held		7,224	(11,159)
Cash at beginning of the financial year	24(a)	(106)	11,053
Cash at the end of the financial year	24(a)	7,118	(106)

This statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 14 to 23.

Notes to the Financial Statements for the year ended 30 June 2003

1. *Statement of Significant Accounting Policies*

The significant accounting policies which have been adopted in the preparation of this financial report are:

a) BASIS OF PREPARATION

This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied and, except where otherwise noted, are consistent with those of the previous year.

b) INVESTMENTS

(i) Statement of Financial Position Classification

Investments classified as "Current Assets" describe holdings of short term trading securities or assets which are intended to be converted to cash within 12 months. Investments classified as "Non-Current Assets" describe holdings of securities which are intended to be retained on a long term basis.

(ii) Valuation of Non-Current Assets

The Company has elected to revalue its non-current investments to market value continuously. This means that realised gains and losses arising from the disposal of non-current investments are transferred from the Asset Revaluation Reserve to Retained Profits and are not recognised in the Statement of Financial Performance.

(iii) Revaluation of Non-Current Investments

An increase in the value of non-current assets is credited to the Asset Revaluation Reserve. A decrease is debited to the Asset Revaluation Reserve to the extent of the balance of the Reserve, with any amount in excess of the balance debited to the Statement of Financial Performance for the year.

No provision for any potential capital gains tax liability is made when investments are revalued. Capital gains tax is provided for in the period in which an asset is sold.

(iv) Valuation of Current Assets

Realised gains and losses on sales of trading securities are taken into account in determining the operating profit. Current assets are carried at the lower of cost or net realisable value on an individual basis, or in aggregate for the options trading portfolio which includes shares and open option positions.

c) TAXATION

(i) Income Tax

The Company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future tax benefit or a provision for deferred income tax. Future tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

(ii) Capital Gains Tax

Capital gains tax is included in the period in which an asset is sold as shown in Note 17.

d) FOREIGN CURRENCY

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Investments, receivables and payables in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to current amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses, in the statement of financial performance in the financial year in which the exchange rates change.

e) BORROWING COSTS

Borrowing costs include amortisation of premiums related to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of such borrowings and all interest costs. Borrowing costs are expensed as incurred.

Notes to the Financial Statements for the year ended 30 June 2003

f) DERIVATIVES AND HEDGES

The Company from time to time uses derivatives principally to hedge specific exposures. All hedge transactions are initially recorded at the market value on the date of the transaction. Hedges outstanding at balance date are translated at the market value ruling on that date and any differences are brought to account in the statement of financial performance.

g) OPTIONS

Premium income on options written is brought to account when the option is closed out, exercised or expires.

h) COMPARATIVES

Where necessary comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

i) BANK LOANS

Bank loans are carried on the statement of financial position at their principal amount. Interest expense is prepaid at a contracted rate and included in "other current assets".

j) REVENUE

Revenue from operating activities

The activity of the Company is that of an investment company, returns being in the form of dividends, interest income, trust income, trading income, options income and sub-underwriting income. Dividend income is recognised at the ex-dividend date and in accordance with Generally Accepted Accounting Principles.

Revenue from other than operating activities

The proceeds on sale of long term investments are considered to be other revenue of the Company.

2. Changes in Accounting Policy

a) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (issued in October 2001) for the first time effective from 1 July 2002.

Dividends are now provided for at the time they are declared, determined or publicly recommended. Previously, final dividends were provided for in the financial year to which they related, even though the dividends were announced after the end of that financial year.

The adjustments to the financial report as at 1 July 2002 as a result of this change are :

\$'000

- \$3,940 increase in the opening retained profits
- \$3,940 decrease in provision for dividends

There was no impact on profit or loss for the year to 30 June 2003.

Notes to the Financial Statements for the year ended 30 June 2003

2. Changes in Accounting Policy (Continued...)

b) RESTATEMENT OF RETAINED PROFITS AND PROVISION FOR DIVIDENDS

The restatement of retained profits and provision for dividends, below, show the information that would have been disclosed had the new accounting policies disclosed in this note always been applied.

	2003 \$'000	2002 \$'000 (restated)
Restatement of retained profits		
Reported retained profits at end of the previous period	26,602	15,755
Increase/(decrease) in retained profits due to change in accounting policy on adoption of:		
■ AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	3,940	-
Restated retained profits at beginning of the period	30,542	15,755
Net profit	7,372	6,943
Increase/(decrease) in retained earnings arising from the sale of non-current assets	128	10,532
Tax on disposal of long term investments	(25)	(243)
Dividends provided for or paid	(6,416)	(2,445)
Restated retained profits at end of the period	<u>31,601</u>	<u>30,542</u>
Restatement of provision for dividends		
Balance at end of period - as previously reported	-	3,940
Effect of change in accounting policy	-	(3,940)
Restated balance at end of period	<u>-</u>	<u>-</u>

3. Revenue from Ordinary Activities

	2003 \$'000	2002 \$'000
<i>From operating activities</i>		
Dividends received or due and receivable	8,564	7,610
Trust distributions received or due and receivable	1,086	929
Interest received or due and receivable	246	326
Revenue from trading portfolio and options dealing	3,324	2,530
Other	9	(14)
	<u>13,229</u>	<u>11,381</u>
<i>From other than operating activities</i>		
Gross proceeds from sale of long term investments	26,140	35,247
Total revenue from ordinary activities	<u>39,369</u>	<u>46,628</u>
Profit from ordinary activities before income tax expense		
Profit from ordinary activities before income tax expense has been arrived at after (charging)/crediting the following items:		
Borrowing costs:		
- Interest	(1,317)	(1,424)
- Other	(27)	(27)
Trading and options related net profits	(626)	68
Foreign exchange loss	-	(18)
Provision for directors' retirement benefits	(80)	(58)

4. Auditors' Remuneration

Audit services	35	31
Other services	4	4
	<u>39</u>	<u>35</u>

Notes to the Financial Statements for the year ended 30 June 2003

5. Taxation

Note	2003 \$'000	2002 \$'000
a) INCOME TAX EXPENSE		
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	2,191	2,094
<i>Increase in income tax expense due to:</i>		
Imputation gross up on dividends received	938	820
<i>Decrease in income tax expense due to:</i>		
Sundry items	(67)	(61)
Franking credits on dividends received	(3,128)	(2,733)
Income tax expense on operating profit	(66)	120
Under/(Over) provision prior year	(3)	(83)
<i>Income tax expense attributable to operating profit</i>	<u>(69)</u>	<u>37</u>
<i>Income tax expense attributable to operating profit is made up of:</i>		
Current income tax provision	(97)	134
Deferred income tax provision	58	3
Future income tax benefit	(27)	(17)
Under/(Over) provision prior year	(3)	(83)
	<u>(69)</u>	<u>37</u>

b) PROVISION FOR CURRENT INCOME TAX

Movements during the year were as follows:

Balance at the beginning of the year	196	626
Tax paid	(286)	(636)
Withholding Tax	(4)	(88)
Under/(Over) provision prior year	(3)	(83)
Current year's income tax on operating profit	(97)	134
Tax on disposal of long term investments	101	243
8	<u>(93)</u>	<u>196</u>

c) PROVISION FOR DEFERRED INCOME TAX

	2003 \$'000	2002 \$'000
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2002: 30%)		
Balance at the beginning of the year	385	382
Timing difference on tax on disposal of long term investments	(76)	-
Sundry items	58	3
	<u>367</u>	<u>385</u>

d) FUTURE INCOME TAX BENEFIT

Future income tax benefit comprises the estimated expense at the applicable rate of 30%		
Balance at the beginning of the year	139	122
Sundry items	27	17
	<u>166</u>	<u>139</u>

e) FUTURE INCOME TAX BENEFIT NOT TAKEN TO ACCOUNT

In 2003 the potential future income tax benefit to the Company arising from capital tax losses was not recognised as an asset because recovery of capital tax losses is not virtually certain (2002: nil)	175	-
	<u>175</u>	<u>-</u>

The potential future income tax benefit will only be obtained if:

- (i) the Company derives future assessable capital gains of a nature and an amount to enable the benefit to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit.

Notes to the Financial Statements for the year ended 30 June 2003

6. Dividends

	2003 \$'000	2002 \$'000
Dividends recognised in the current year by the Company are:		
(i) 2002 final dividend of 4.00¢ per share (2001: 3.75¢) fully franked paid 9 October 2002	3,940	-
(ii) 2003 interim dividend of 2.50¢ per share (2002: 2.50¢) fully franked paid 11 April 2003	2,476	2,445
	<u>6,416</u>	<u>2,445</u>
Subsequent to reporting date:		
Since 30 June 2003, the directors have declared the following dividend payable on 9 October 2003:		
- Final dividend of 4.50 cents per share	4,472	
	<u>4,472</u>	

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2003.

Dividend Franking Account:

The balance of the Franking Account at 30 June 2003 is \$3,949,019, and after the adjustments referred to below is \$2,617,886 (compared to \$3,285,368 at 30% at 30 June 2002).

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends
- franking credits that will arise from the receipt of dividends recognised as receivables at year-end
- franking credits that the entity may be prevented from distributing in subsequent years

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

LIC Capital Gain Account:

The balance of the LIC Capital Gain Account at 30 June 2003 was \$129,231 (2002: \$129,231).

7. Cash Assets

	2003 \$'000	2002 \$'000
Cash at bank	128	1
Deposits in foreign currency	-	3
Units in Cash Management Trusts and Deposits at Call	6,990	297
	<u>7,118</u>	<u>301</u>

8. Receivables

Current		
Sundry debtors	1,398	1,222
Other Investments not yet settled	-	113
Prepaid income tax	93	-
	<u>1,491</u>	<u>1,335</u>

9. Investments

	2003		2002	
	Book Value \$'000	Market Value \$'000	Book Value \$'000	Market Value \$'000
a) CURRENT				
Ordinary shares at cost	385	261	5,101	4,068
Less provision for write down	(124)	-	(1,033)	-
Total Current Investments	<u>261</u>	<u>261</u>	<u>4,068</u>	<u>4,068</u>

Ordinary shares are classified as current if they form part of the trading portfolio. These shares have been written down to the lower of cost or their estimated realisable value.

b) NON-CURRENT

	2003 \$'000	2002 \$'000
Investments quoted on prescribed stock exchanges (at current market value)	<u>193,091</u>	<u>214,669</u>

Notes to the Financial Statements for the year ended 30 June 2003

10. Other Assets

	2003 \$'000	2002 \$'000
Current		
Prepayments	1,268	1,094

11. Payables

Current		
Trade Creditors	66	51
Other	6	61
	72	112

12. Interest Bearing Liabilities

Current		
Bank Overdraft	-	407
Fully Drawn Advance - Secured	-	20,000
Fixed Rate Commercial Bill - Secured	25,000	5,000
	25,000	25,407

13. Financing Arrangements

The Company has access to the following lines of credit:

Total facility available		
Fully Drawn Advance- Secured	-	20,000
Fixed Rate Commercial Bill- Secured	25,000	5,000
Bank Overdraft - Unsecured	250	1,000
Facilities utilised at balance date		
Fully Drawn Advance- Secured	-	20,000
Fixed Rate Commercial Bill - Secured	25,000	5,000
Bank Overdraft - Unsecured	-	407

14. Provisions

	Note	2003 \$'000	2002 \$'000
Non-Current			
Provision for directors' retirement benefits	26	530	450

15. Contributed Equity

Issued and paid-up share capital 99,384,743 (2002: 98,493,494) ordinary fully paid shares		107,343	105,783
Movements in ordinary share capital			
Balance at beginning of the year		105,783	104,376
Shares issued			
- Dividend re-investment plan	(i), (ii)	1,560	1,407
		107,343	105,783

(i) In respect of the 2002 final dividend 532,386 shares were issued at \$1.80 each under the dividend re-investment plan.

(ii) In respect of the 2003 interim dividend 358,863 shares were issued at \$1.68 each under the dividend re-investment plan.

16. Reserves

Asset revaluation reserve		38,482	58,731
Movements in reserves during the year:			
Asset Revaluation Reserve			
Balance at the beginning of the financial year		58,731	-
Revaluation of long term investments		(20,121)	69,263
Add/Less transfer of (profit)/loss before tax realised on the disposal of long term investments		(128)	(10,532)
Balance at the end of the financial year		38,482	58,731

Notes to the Financial Statements for the year ended 30 June 2003

17. Retained Profits

	Note	2003 \$'000	2002 \$'000
Retained profits at the beginning of the year		30,542	15,755
Net profit		7,372	6,943
Increase in retained earnings arising from the sale of non-current assets		128	10,532
Tax benefit/(expense) on disposal of long term investments		(25)	(243)
Dividends paid or declared	6	(6,416)	(2,445)
Retained profits at the end of the year		<u>31,601</u>	<u>30,542</u>

18. Total Equity Reconciliation

Total equity at the beginning of year		195,056	120,131
Total changes in equity recognised in the statement of financial performance		(12,774)	75,963
Dividends paid		(6,416)	(2,445)
Dividends re-invested		1,560	1,407
Total equity at end of year		<u>177,426</u>	<u>195,056</u>

19. Directors' Remuneration

The number of directors of the Company whose income from the Company or any related party falls within the following bands:

\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	-	3
\$40,000 - \$49,999	3	-
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	1	-

Total income paid or payable, or otherwise made available, to all directors of the Company from the Company or any related party was \$225,000 (2002 - \$175,000).

The Company has paid insurance premiums in respect of directors & officers insurance as set out in Note 22.

20. Amounts Payable/Receivable in Foreign Currencies

The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates, are as follows:

	2003 \$'000	2002 \$'000
US Dollar amounts on deposit - Current	-	1
Singapore Dollar amounts on deposit - Current	-	2
Total foreign currency deposits	<u>-</u>	<u>3</u>

None of the above was hedged.

Notes to the Financial Statements for the year ended 30 June 2003

21. Segment Reporting*GEOGRAPHICAL SEGMENTS- Primary*

	Aust 2003 \$'000	Foreign 2003 \$'000	Total 2003 \$'000	Aust 2002 \$'000	Foreign 2002 \$'000	Total 2002 \$'000
Revenue	34,543	4,826	39,369	44,186	2,442	46,628
Operating profit before tax	7,295	8	7,303	6,653	327	6,980
Income tax benefit/(expense)			69			(37)
Operating profit after tax			7,372			6,943
Segment Assets	203,395	-	203,395	216,754	4,852	221,606

INDUSTRY SEGMENTS- Secondary

All the Company's operating revenue and operating profit is derived from investment.

22. Related Parties

The names of persons holding the position of director of the Company during the year were Messrs C B Goode, J W Hopkins, G E Moir, M K Myer, R H Myer and G W Sinclair.

The Company has indemnified each current director and the Company Secretary against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position with the Company except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

Since the end of the previous financial year, 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 2003 to 18 June 2004.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end, other than each director has entered into a Director's Retirement Agreement with the Company as set out in Note 26.

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:

SHARES	2003		2002	
	1	2	1	2
Charles B Goode	984,527	1,156,402	984,527	1,114,673
John W Hopkins	6,250	-	6,250	-
Graeme E Moir	62,500	-	62,500	-
Martyn K Myer	5,008	-	5,008	-
Rupert H Myer	-	45,850	-	-
Graeme W Sinclair	-	3,000	-	-

- Beneficial in own name
- Held by an entity/related party in which the director has a relevant interest

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.

OTHER

Mr M K Myer and Mr R H Myer have an interest in the The Myer Family Investments Pty Ltd Group of Companies that includes The Myer Family Office Ltd. This Company receives management fees in the ordinary course of business and on normal terms and conditions. These fees were \$115,000 plus GST for the year ended 30 June 2003 and \$110,000 for the year ended 30 June 2002. The Myer Family Office Ltd also earned a fee on short term deposits placed by the Company during the year with the M F Cash Management Fund.

During the year the Company maintained loan facilities with ANZ Banking Group Ltd, of which Mr C B Goode is a director. The terms and conditions of the transactions with the ANZ Banking Group Ltd are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Notes to the Financial Statements for the year ended 30 June 2003

23. Tax Liability on Unrealised Profits

The amount of additional income tax payable had the Company's investments been realised at market values at balance date, after allowing for realisation costs, would have been \$14,750,067 (2002: \$19,535,816).

24. 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:

	Note	2003 \$'000	2002 \$'000
Cash at bank	7	128	1
Deposits in foreign currency	7	-	3
Units in Cash Management Trusts and Bills of Exchange	7	6,990	297
Bank Overdraft	12	-	(407)
		<u>7,118</u>	<u>(106)</u>

b) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating profit after income tax:	7,372	6,943
Add/(less) non cash items:		
Increase/(decrease) in Tax Payable	(314)	(673)
Capitalised interest	(56)	-
Write (Up)/Down of Trading Portfolio	(909)	(885)
Net cash provided by operating activities before changes in assets and liabilities	<u>6,093</u>	<u>5,385</u>
Change in assets and liabilities:		
(Increase)/decrease in prepayments	(174)	66
(Increase)/decrease in debtors	(176)	(254)
(Increase)/decrease in future income tax benefit	(27)	(17)
(Increase)/decrease in current investments	4,716	1,486
Increase/(decrease) in provision for deferred income tax	(18)	3
Increase/(decrease) in non current provisions	80	58
Increase/(decrease) in creditors	15	(33)
Increase/(decrease) in other liabilities	-	(72)
Net cash provided by operating activities	<u>10,509</u>	<u>6,622</u>

24. Notes to the Statement of Cash Flows (Cont...)

c) FINANCING FACILITIES

The Company's financing facilities are set out in note 13 of these Financial Statements

25. Earnings Per Share

	2003 \$'000	2002 \$'000
Earnings used in the calculation of earnings per share before net gains on long term investments	7,372	6,943
Basic earnings per share (¢ per share)	7.4¢	7.1¢
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	98,957,217	97,954,026

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

26. Retirement Scheme

In accordance with a resolution of shareholders passed on 15 October 1991, the Company entered into a retirement agreement with the directors to provide certain benefits to directors who have served in that capacity.

The Company's liability for directors' retirement benefits, which is based on the number of years of service provided at the balance date, has been included in the provision for Directors' Retirement Benefits (Note 14).

27. Options Trading

The Company enters into option contracts, the purpose of which is to enhance returns, offset risk or to provide opportunity to acquire or sell stock at advantageous prices. All of the contracts are exchange traded share options and are entered into within the constraints and controls imposed by the Australian Options Market and the Australian Stock Exchange Ltd.

Collateral security to cover written option positions and actual and prospective margin calls is lodged with the Options Clearing House (operated by the Australian Stock Exchange Ltd).

Option related contracts are accounted for in accordance with accounting policy described in Note 1.

Notes to the Financial Statements for the year ended 30 June 2003

28. Additional Financial Instruments Disclosure*INTEREST RATE RISK*

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

2003	Note	Floating Interest Rate \$'000
<i>Financial Assets</i>		
Cash	7	7,118
Weighted average interest rate		4.02%
2002	Note	Floating Interest Rate \$'000
<i>Financial Assets</i>		
Cash	7	301
Weighted average interest rate		3.67%

Borrowings

On 28 June 2003 the Company entered a Fixed Rate Commercial Bill borrowing of \$25,000,000 with ANZ Banking Group Ltd at a fixed interest rate of 4.98% for a period of twelve months, fully secured by mortgage over certain share holdings of the Company.

CREDIT RISK EXPOSURE

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The Company minimises concentration of credit risk by undertaking transactions with a number of counterparties which are principally recognised banks or members of the Australian Stock Exchange.

*NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**Valuation Approach*

Listed shares, convertible notes and redeemable preference shares are readily traded on organised markets in a standard form. The unlisted shares and options held by the Company are also readily traded on an organised market.

On Statement of Financial Position Financial Instruments

The net fair value of listed shares, convertible notes and redeemable preference shares are determined by valuing them at current quoted market closing prices at balance date. No adjustment for transaction costs necessary to realise the asset or settle the liability has been included as these are deemed to be immaterial. The net fair value of investments is set out in Note 9.

Directors' Declaration

In the opinion of the directors of Diversified United Investment Limited:

- (a) the financial statements and notes, set out on pages 11 to 23, 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 2003 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 Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 15th day of August 2003.

Signed in accordance with a resolution of the directors for and on behalf of the Board.



C B Goode
Director

Independent Audit Report to the Members of Diversified United Investment Limited



Scope

We have audited the financial report of Diversified United Investment Limited for the financial year ended 30 June 2003, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes, and the directors' declaration set out on pages 11 to 24. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Diversified United Investment Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2003 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

A handwritten signature in cursive script, appearing to read 'D Pasquariello'.

D Pasquariello
Partner

Melbourne

15 August, 2003

Additional Information for the Australian Stock Exchange

Distribution of shareholders as at 31 July 2003.

Ordinary Shares

Category Holders	Units	Ordinary Shares No of Holders	%
1 - 1,000	98,541	406	0.10%
1,001 - 5,000	2,026,899	663	2.04%
5,001 - 10,000	4,256,598	577	4.28%
10,001 - 100,000	16,714,717	684	16.82%
100,001 and over	76,287,988	54	76.76%
	99,384,743	2,384	100.0%

There were 280 ordinary shareholders holding less than a marketable parcel (268 shares) at 31 July 2003.

Substantial Shareholders

The number of shares held by the substantial shareholders and their associates are set out below:

Shareholder	Ordinary Shares
The Myer Family Investments Pty Ltd and associates	35,896,671
The Ian Potter Foundation Ltd, Dundee Trading Pty Ltd and Australian United Investment Company Limited	18,621,838

Voting Rights

At 31 July 2003 there were 2,384 holders of ordinary shares of the Company. All ordinary shares carry equal voting rights.

Additional Information for the Australian Stock Exchange

Top Twenty Shareholders

The number of shares held by the top twenty shareholders listed in the Company's register as at 31 July 2003 were:

Shareholder	Ordinary Shares	% Held
1. M F Custodians Ltd	35,896,671	36.12
2. The Ian Potter Foundation Ltd	9,336,905	9.39
3. Dundee Trading Pty Ltd	4,979,683	5.01
4. Australian Foundation Investment Company Ltd	4,775,168	4.80
5. Australian United Investment Company Ltd	4,304,795	4.33
6. Djerriwarrh Investments Ltd	3,902,860	3.93
7. Mutual Trust Pty Ltd	1,284,071	1.29
8. Mr Charles Barrington Goode	984,527	0.99
9. Melbourne Business School Ltd	900,000	0.91
10. Beta Gamma Pty Ltd (Walsh Street Super Fund A/C)	864,703	0.87
11. Mr Richard Raymond Hinds	643,605	0.65
12. Mr Daryl Albert Dixon & Mrs Katherine Dixon	538,194	0.54
13. Mr James Vincent Chester Guest	472,343	0.48
14. Glenshera Pty Ltd (Farm A/C)	395,082	0.40
15. Questor Financial Services Ltd	376,276	0.38
16. Primrose Properties Pty Ltd	348,753	0.35
17. Pards Pty Ltd	322,440	0.32
18. R J Craig Nominees Pty Ltd	306,397	0.31
19. Mr James Vincent Chester Guest (Family A/C)	292,505	0.29
20. Chabar Pty Ltd	291,699	0.29
	71,216,677	71.65%

Brokerage Paid

The amount of brokerage paid or charged to the Company during the financial year ended 30 June 2003 totalled \$75,296 (2002:\$145,032). 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 2003

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

	Market Value \$	30/6/03 Units Held	% of Portfolio at Market Value	30/6/02 Units Held
Australian Equities				
<i>Oil & Gas</i>				
Woodside Petroleum Ltd	11,142,000	900,000	5.56	900,000
<i>Metals & Mining</i>				
Alumina Ltd	5,392,750	1,325,000	2.69	-
Rio Tinto Ltd	5,842,000	200,000	2.91	200,000
WMC Ltd	-	-	-	1,325,000
WMC Resources Ltd	4,650,750	1,325,000	2.32	-
<i>Paper & Forest Products</i>				
Paperlinx Ltd	2,290,000	500,000	1.14	300,000
<i>Machinery</i>				
Crane Group Ltd	1,515,000	150,000	0.76	150,000
<i>Trading Co & Distributors</i>				
Alesco Corporation Ltd	2,774,121	555,936	1.38	376,980
<i>Commercial Services Supplies</i>				
Brambles Industries Ltd	1,976,868	432,575	0.99	432,575
<i>Transportation Infrastructure</i>				
Adsteam Marine Ltd	1,300,000	1,000,000	0.65	1,200,000
Transurban Group	4,770,000	1,000,000	2.38	1,000,000
<i>Hotels Restaurants & Leisure</i>				
TAB Ltd	3,250,000	1,000,000	1.62	1,000,000
Tabcorp Holdings Ltd	10,770,000	1,000,000	5.37	1,000,000
<i>Media</i>				
Amalgamated Holdings Ltd	474,000	200,000	0.24	-
Fairfax (John) Holdings Ltd	720,000	250,000	0.36	250,000
News Corporation Ltd (The) - Prefs	2,366,517	257,510	1.18	253,507
Southern Cross Broadcasting (Aust) Ltd	4,350,000	500,000	2.17	300,000
<i>Food & Drug Retailing</i>				
AWB Ltd	776,000	200,000	0.39	-
Foodland Associated Ltd	4,925,000	250,000	2.46	200,000
Foodland Associated Ltd (new)	-	-	-	27,000
<i>Beverages</i>				
Foster's Group Ltd	7,157,000	1,700,000	3.57	1,700,000

List of Investments as at 30 June 2003

	Market Value \$	30/6/03 Units Held	% of Portfolio at Market Value	30/6/02 Units Held
<i>Health Care Equipment & Supplies</i>				
Compumedics Ltd	355,000	1,000,000	0.18	1,000,000
Resmed Inc	598,000	100,000	0.30	100,000
<i>Health Care Providers & Services</i>				
Mayne Group Ltd	6,422,560	2,344,000	3.20	2,344,000
<i>Biotechnology</i>				
CSL Ltd	1,852,250	155,000	0.92	155,000
<i>Banks</i>				
ANZ Banking Group Ltd	15,483,520	832,000	7.72	832,000
Commonwealth Bank of Australia Ltd	11,820,000	400,000	5.90	400,000
National Australia Bank Ltd	13,400,000	400,000	6.68	400,000
Westpac Banking Corporation Ltd	9,750,000	600,000	4.86	600,000
<i>Diversified Financials</i>				
Perpetual Trustees Australia Ltd	6,140,000	200,000	3.06	162,100
Suncorp-Metway Ltd	1,160,000	100,000	0.58	100,000
Washington H Soul Pattinson & Company Ltd	3,510,000	600,000	1.75	600,000
<i>Insurance</i>				
AMP Limited	-	-	-	323,000
QBE Insurance Group Ltd	8,388,000	900,000	4.18	900,000
<i>Real Estate</i>				
Australand Holdings Ltd	3,200,000	2,000,000	1.60	2,000,000
Lend Lease Corporation Ltd	2,246,150	269,000	1.12	270,000
<i>Electronic Equipment</i>				
ERG Ltd def set	1,080,000	1,350,000	0.54	-
Vision Systems Ltd	2,730,000	3,000,000	1.36	2,694,584
<i>Diversified Telecommunications Services</i>				
Singtel Ltd	-	-	-	729,750
Telstra Corporation Ltd	5,566,000	1,265,000	2.78	1,265,000
<i>Capital Goods</i>				
Lemvest Ltd	261,000	100,000	0.13	100,000
<i>Software</i>				
Solution 6 Holdings Ltd	-	-	-	342,792
<i>Gas Utilities</i>				
Australian Gas Light Company Ltd	6,570,000	600,000	3.28	600,000
Total Australian Listed Equities	176,974,486		88.28	
Total Australian Equities	176,974,486		88.28	

List of Investments as at 30 June 2003

	Market Value \$	30/6/03 Units Held	% of Portfolio at Market Value	30/6/02 Units Held
Listed Property Trusts				
AMP Industrial Trust	1,652,000	1,400,000	0.82	1,365,025
AMP Shopping Centre Trust	865,000	500,000	0.43	500,000
CFS Gandel Retail Trust	432,250	325,000	0.22	-
Colonial First State Property Trust Group	-	-	-	500,000
Commonwealth Property Office Fund	-	-	-	1,000,000
Deutsche Diversified Trust	575,000	500,000	0.29	500,000
Deutsche Industrial Trust	1,041,334	591,667	0.52	500,000
Deutsche Office Trust	-	-	-	1,000,000
ING Office Fund	-	-	-	700,000
Macquarie Office Trust	-	-	-	180,000
Stockland Trust Group	1,503,000	300,000	0.75	300,001
Westfield America Trust	-	-	-	25,000
Westfield Trust	3,795,000	1,100,000	1.89	1,100,000
Total Listed Property Trusts	9,863,584		4.92	
Foreign Equities				
Novartis Bearer Shares	-	-	-	12,800
Roche Holdings Genush FN	-	-	-	16,400
Singapore Airlines	-	-	-	64,000
Sony Corp ADR	-	-	-	8,550
Total Foreign Equities	-		-	
Australian Fixed Interest Converting Preference Shares				
<i>Paper & Forest Products</i>				
CPI Group Ltd 8% Non-Cum Cnv Pref	549,000	300,000	0.27	296,975
<i>Media</i>				
Village Roadshow Ltd 'A' Class Pref	1,500,000	2,000,000	0.75	2,000,000
<i>Insurance</i>				
AMP Res Pref Sec Trust 8.62% Res CPref	624,065	6,500	0.31	-
<i>Real Estate</i>				
Australand Holdings Ltd 8.5% Res CPref	3,841,250	35,000	1.92	35,000
Convertible Notes				
Electronic Equipment ERG Ltd 7.5% Notes	-	-	-	150,000
Total Australian Fixed Interest	6,514,315		3.25	
Cash & Bills of Exchange	7,117,473		3.55	
Total	200,469,858		100.00	

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