

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

APPENDIX 4E STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

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- Results for announcement to the market
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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2005 with the corresponding period being the year ended 30 June 2004.

Results for announcement to the market

- Revenue from ordinary operating activities was \$14 million, up 4% from the prior year.
- Revenue from the sale of long-term investments was \$20.1 million, 39% down from the prior year.
- Profit from ordinary activities after tax was \$10.8 million, 1% down from the prior year, or up 10% excluding special dividends received in both periods.
- Net profit attributable to shareholders was \$10.8 million, 1% down from the prior year, or up 10% excluding special dividends received in both periods.
- Dividends for the year are 8.5 cents per share. The interim dividend of 3.5 cents per share was paid to shareholders on 12 April 2005. A final dividend of 5.0 cents per share will be paid on 11 October 2005 to shareholders on the register on 20 September 2005.

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

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Melbourne Victoria 3000
Australia

Telephone (03) 9654 0499
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11 August 2005

The General Manager
Australian Stock Exchange Ltd
10th Floor
20 Bond Street
Sydney NSW 2000

Dear Sir,

Annual Financial Results and Dividend Announcement
for the Financial Year Ended 30 June 2005

The directors are pleased to make the following report concerning the Company's performance and final dividend:-

Operating Profit

Operating profit after tax for the year ended 30 June 2005 was \$10,798,000 (previous corresponding period: \$10,891,000), a decrease of 0.85%, or an increase of 10% excluding special dividends received in both periods.

Operating expenses (excluding interest) were 0.25% of the average market value of the portfolio (previously 0.30%).

The earnings per share based on the weighted average number of shares on issue for the year was 10.7 cents per share, a decrease of 1.8% over the previous year (or an increase of 8.5% excluding special dividends).

Dividends

The directors also announce a final dividend of 5.0 cents per share fully franked to shareholders registered on 20 September 2005, to be paid on 11 October 2005. The 2004 final dividend was 4.75 cents per share fully franked. The total dividends for the year are 8.5 cents per share, which is an increase of 13.3% over the previous year.

LIC Capital Gains

The final dividend will include a Listed Investment Company capital gain "attributable part" of 1¢. This will enable some shareholders to claim a tax deduction in their income tax return. Details will be provided in the dividend statement.

Dividend Reinvestment Plan

The last date for receipt of election notices under the Dividend Reinvestment Plan is 20 September 2005. The Plan offers shares in lieu of the cash dividend, at the weighted average market price from 15 to 20 September 2005.

Performance and Asset Backing

During the year, the Company's net asset backing accumulation performance (assuming all dividends were re-invested) rose 33% while the S&P/ASX 300 Accumulation index rose 26%.

The net tangible asset backing per share based on the market valuation of investments was \$2.76 at 30 June 2005 and \$2.84 as at 31 July 2005. This calculation is after provision for tax on net realised gains, before provision for the payment of the final dividend of 5.0 cents per share and before estimated tax on unrealised gains.

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 30 June 2005 and \$2.39 as at 31 July 2005.

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Annual General Meeting

The Annual General Meeting of the Company will be held on Friday, 7 October 2005 at 9.00 am at the offices of KPMG, 161 Collins Street, Melbourne.

Investment Portfolio

As at 30 June 2005 the twenty-five largest shareholdings of the company, at market values were:

Company	Market Value \$'000	% of Market Value of Total Investments
1. Woodside Petroleum Ltd	26,325	8.4%
2. ANZ Banking Group Ltd	21,750	6.9%
3. Commonwealth Bank of Australia Ltd	18,975	6.0%
4. Tabcorp Holdings Ltd	16,400	5.2%
5. Westpac Banking Corporation Ltd	15,960	5.1%
6. QBE Insurance Group Ltd	14,427	4.6%
7. Alumina Ltd	13,925	4.4%
8. Rio Tinto Ltd	13,446	4.3%
9. National Australia Bank Ltd	12,304	3.9%
10. BHP Billiton Ltd	12,251	3.9%
11. Perpetual Trustees Ltd	11,486	3.6%
12. Westfield Group	10,644	3.4%
13. Australian Gas Light Company Ltd	8,538	2.7%
14. Southern Cross Broadcasting (Aust) Ltd	8,470	2.7%
15. St George Bank Ltd	7,860	2.5%
16. WMC Resources Ltd	7,850	2.5%
17. Transurban Group Ltd	7,450	2.4%
18. Macquarie Communications Infrastructure Group	6,300	2.0%
19. Suncorp Metway Ltd	6,033	1.9%
20. Brambles Industries Ltd	5,719	1.8%
21. Washington H. Soul Pattinson & Co Ltd	5,430	1.7%
22. Macquarie Infrastructure Group	5,408	1.7%
23. News Corporation Inc Class A Common CDI	5,335	1.7%
24. CSL Ltd	5,227	1.7%
25. Telstra Corporation Ltd	5,060	1.6%
	272,573	86.6%
Total Investments at Market Value and Cash	314,725	

Yours faithfully,

A J Hancock
Company Secretary

DIVERSIFIED UNITED INVESTMENT LIMITED
(ABN 33 006 713 177)

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2005

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report

The directors present their report together with the financial report of Diversified United Investment Limited for the year ended 30 June 2005 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 (Mon).
Non-Executive Chairman
Age 66
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.

Graeme E. Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.
Non-Executive Director
Age 73
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 47
Appointed September 1991.

Mr Myer is Chairman of CogState Ltd, President of the Howard Florey Institute and is a director of Coles Myer Ltd and a number of private companies.

Rupert Myer AM, B.Com (Hons) (Melb), MA Cantab
Non-Executive Director
Age 47
Appointed 18 November 2002.

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

Company Secretary

Andrew J Hancock FCA, B.Ec (Mon), Grad. Dip. CDP (RMIT)
Company Secretary, Appointed 23 September 1991
Age 53

Mr Hancock is also Company Secretary of Australian United Investment Company Ltd, 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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

Remuneration report

Non-executive Directors	Directors Fees \$		Superannuation benefits \$		Retirement benefits ⁽¹⁾ \$		Total \$	
	2005	2004	2005	2004	2005	2004	2005	2004
Charles Goode	1,000	1,000	84,000	79,000	52,000	36,000	137,000	116,000
Graeme Moir	42,500	40,000	-	-	26,000	18,000	68,500	58,000
Martyn Myer	38,991	36,697	3,509	3,303	26,000	18,000	68,500	58,000
Rupert Myer	4,798	36,697	37,702	3,303	26,000	18,000	68,500	58,000
John Hopkins	-	18,348	-	1,652	-	93,333	-	113,333
Total	87,289	132,742	125,211	87,258	130,000	183,333	342,500	403,333

(1) Retirement benefits provided for each director during the year, except for John Hopkins in which case the benefit paid on retirement in 2004 is shown.

The nomination and remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the company secretary and directors of the Company including superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

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

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. Amounts disclosed for Directors' remuneration exclude insurance premiums of \$31,460 paid by the Company in respect of Directors' and Officers' liability insurance as the contracts do not specify premiums paid in respect of individual directors and officers. Refer to Note 20 of the financial statements for information relating to the insurance contracts.

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 general meeting. Under the retirement scheme, for each three years of service a director will receive one year of directors fees up to a maximum number of completed years of service of fifteen. Fees for directors appointed after 1 July 2003 will take into account the absence of a retirement agreement.

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.

The Company Secretary, Mr Andrew J Hancock, received \$55,000 (2004: \$55,000) for services provided to the Company.

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.

DIVERSIFIED UNITED INVESTMENT LIMITED

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:

<i>Director</i>	<i>Directors' Meetings</i>		<i>Audit Committee Meetings</i>		<i>Nomination & Remuneration Committee Meetings</i>	
	<i>No. of Meetings attended</i>	<i>No. of Meetings eligible</i>	<i>No. of Meetings attended</i>	<i>No. of Meetings eligible</i>	<i>No. of Meetings attended</i>	<i>No. of Meetings eligible</i>
Charles Goode	10	10	2*	2*	1	1
Graeme Moir	10	10	2	2	1	1
Martyn Myer	9	10	2	2	1	1
Rupert Myer	9	10	2	2	0	1

* In attendance – not a Committee Member

Dividends

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

	\$'000
<i>Paid or declared during the year</i>	
A final dividend in respect of the year ended 30 June 2004 of 4.75¢ per share fully franked paid on 8 October 2004	4,767
An interim dividend in respect of the year ended 30 June 2005 of 3.50¢ per share fully franked paid on 12 April 2005.	3,533
<i>Paid or declared after end of year</i>	
A final dividend in respect of the year ended 30 June 2005 of 5.00¢ per share fully franked payable on 11 October 2005	5,066

Results and Review of Operations

For the year ended 30 June 2005 the Company earned an operating profit after tax of \$10,798,000 (compared to \$10,891,000 in 2004).

If special dividends received are disregarded, operating profit increased 10%. In the current year special dividends and distributions of \$1,781,000 after tax were received including \$546,000 from Macquarie Infrastructure Group Ltd and \$600,000 from Telstra Corporation Ltd. In the previous year, special dividends of \$2,687,000 were received through the Company's participation in the Foster Group Ltd and Telstra Corporation Ltd share buy back schemes.

During the year the unrealised gain in the value of listed non-current assets increased from \$81,975,000 to \$139,367,000. The net tangible asset backing of each of the Company's shares at 30 June 2005 was \$2.76 (2004: \$2.15). This net tangible asset backing calculation is based on investments at market value and is after provision for tax on net realised gains, before tax on unrealised gains and before provision for the final dividend. The Company is a long-term investor and does not intend disposing of its total portfolio. If however estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing per share would be \$2.34 (2004: \$1.90).

The Board has increased the Company's borrowings to \$36.0 million which means the investment portfolio at market value is geared to the extent of around 11%.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

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

	2005 \$'000	2004 \$'000
<i>INCOME</i>		
Dividends	11,077	11,553
Trust Distributions	2,777	958
Interest	121	402
Sub Underwriting Commission	1	-
Trading and Options Related Net Profits	-	19
	13,976	12,932
<i>EXPENSES</i>		
Operating expenses:		
Accounting & Custody Fees	117	117
Audit	40	37
Share Registry	42	43
Directors' Fees	213	220
Directors' Retirement Provision	130	90
ASX Fees	37	39
Company Secretary Fees	55	55
Insurance	35	32
Other	50	37
Borrowing Costs:		
Interest	2,147	1,485
Other	8	7
	2,874	2,162
Profit from ordinary activities before related income tax expense	11,102	10,770
Income tax expense/(benefit)	304	(121)
	10,798	10,891

Operating expenses (excluding borrowing costs) were 0.25% of the average market value of the investment portfolio (2004: 0.30%)

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.

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 \$5,775 for these services.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

- 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 Professional Statement F1 Professional independence, 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.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included in the directors' report.

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' 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	1,503,523
Graeme E Moir	100,000	-
Martyn K Myer	5,008	-
Rupert H Myer	-	49,553

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 -

- has any relevant interest in shares of the Company or a related body corporate;
- has any relevant interests in debentures of, or interests in a registered scheme made available by, the Company or a related body corporate;
- 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;
- 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.

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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

Indemnification

Details of directors' indemnification are set out in Note 20 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 7 and forms part of the Directors' report for the year ended 30 June 2005.

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 11th day of August 2005

Signed in accordance with a resolution of the directors:

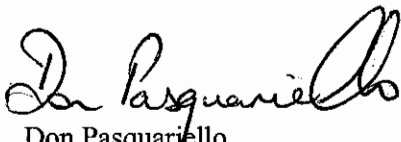
Charles Goode
Director



**Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001
to the directors of Diversified United Investment Limited**

I declare that, to the best of my knowledge and belief, during the financial year ended 30 June 2005 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.


Don Pasquariello
Partner

Melbourne


August 2005



DIVERSIFIED UNITED INVESTMENT LIMITED

Statement of Financial Performance for the year ended 30 June 2005

	<i>Note</i>	<i>2005</i> \$'000	<i>2004</i> \$'000
Revenue from operating activities		13,976	13,456
Revenue from the sale of long term investments		20,101	33,218
Total ordinary revenue	3	34,077	46,674
Operating expenses		(719)	(670)
Borrowing costs		(2,155)	(1,492)
Carrying value of investments sold- trading stock		-	(524)
Carrying value of investments sold- long term investments		(20,101)	(33,218)
Profit from ordinary activities before related income tax expense		11,102	10,770
Income tax expense/(benefit) relating to ordinary activities	5(a)	304	(121)
Profit from ordinary activities after related income tax expense		10,798	10,891
Net profit	1(b)(ii)	10,798	10,891
Non-owner transaction changes in equity			
Increase/(decrease) in retained earnings arising from the sale of non-current assets net of tax	17	1,849	(10,496)
Increase/(decrease) in reserves			
Asset revaluation reserve	16	57,392	43,493
Total changes in equity from non-owner related transactions	18	70,039	43,888
Basic earnings per share before net gains on long term investments (cents per share)	23	10.7	10.9

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 11 to 27.

DIVERSIFIED UNITED INVESTMENT LIMITED

Statement of Financial Position as at 30 June 2005

	<i>Note</i>	<i>2005</i> \$'000	<i>2004</i> \$'000
CURRENT ASSETS			
Cash assets	7	3,919	1,166
Receivables	8	2,291	1,705
Other	10	24	80
TOTAL CURRENT ASSETS		6,234	2,951
NON-CURRENT ASSETS			
Investments	9	310,806	248,023
Future income tax benefit	5(d)	329	322
TOTAL NON-CURRENT ASSETS		311,135	248,345
TOTAL ASSETS		317,369	251,296
CURRENT LIABILITIES			
Payables	11	58	38
TOTAL CURRENT LIABILITIES		58	38
NON-CURRENT LIABILITIES			
Provision for deferred income tax	5(c)	980	405
Interest-bearing liabilities	12	36,000	34,500
Provisions	14	657	527
TOTAL NON-CURRENT LIABILITIES		37,637	35,432
TOTAL LIABILITIES		37,695	35,470
NET ASSETS		279,674	215,826
EQUITY			
Contributed equity	15	111,188	109,079
Asset revaluation reserve	16	139,367	81,975
Retained profits	17	29,119	24,772
TOTAL EQUITY	18	279,674	215,826

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 11 to 27.

DIVERSIFIED UNITED INVESTMENT LIMITED

Statement of Cash Flows for the year ended 30 June 2005

	<i>Note</i>	<i>2005</i> \$'000	<i>2004</i> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		120	420
Dividends & trust distributions received		13,273	12,237
Proceeds from the trading portfolio		-	279
Other items		2	-
Cash payments in the course of operations		(511)	(756)
Interest paid		(2,147)	(255)
Income taxes refunded		45	51
Net cash provided by operating activities	22(b)	10,782	11,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(20,491)	(55,158)
Proceeds from the sale of investments		17,152	33,218
Net cash provided by/(used in) investing activities		(3,339)	(21,940)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (excluding dividend re-investment plan)		(6,190)	(5,488)
Proceeds from drawdown of bank bills		1,500	9,500
Net cash provided by/(used in) financing activities		(4,690)	4,012
Net increase/(decrease) in cash held		2,753	(5,952)
Cash at beginning of the financial year	22(a)	1,166	7,118
Cash at the end of the financial year	22(a)	3,919	1,166

This statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 11 to 27.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

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 "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.

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 virtually certain.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

1. Statement of Significant Accounting Policies (continued)

c) TAXATION (continued)

(ii) Capital Gains Tax

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

d) 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.

e) COMPARATIVES

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

f) 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".

g) 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 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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

2. Changes in Accounting Policy

There have been no material changes in the accounting policies of the Company from those adopted at 30 June 2004.

3. Revenue from Ordinary Activities

From operating activities

	<i>2005</i> \$'000	<i>2004</i> \$'000
Dividends received or due and receivable	11,077	11,553
Trust distributions received or due and receivable	2,777	958
Interest received or due and receivable	121	402
Revenue from trading portfolio and options dealing	-	543
Other	1	-
	<u>13,976</u>	<u>13,456</u>

From other than operating activities

Gross proceeds from sale of long term investments	<u>20,101</u>	<u>33,218</u>
Total revenue from ordinary activities	<u><u>34,077</u></u>	<u><u>46,674</u></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	(2,147)	(1,485)
- Other	(8)	(7)
Trading and options related net profits	-	19
Provision for directors' retirement benefits	(130)	(90)

4. Auditors' Remuneration

During the year KPMG, the Company's auditor, received \$39,670 for audit services (2004: \$36,900) and \$5,775 for other services (2004: \$4,125).

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
5. Taxation		
a) INCOME TAX EXPENSE		
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	3,330	3,231
Increase in income tax expense due to:		
Imputation gross up on dividends received	1,283	1,360
Decrease in income tax expense due to:		
Sundry items	(31)	(174)
Franking credits on dividends received	(4,277)	(4,535)
	305	(118)
Income tax expense/(benefit) on operating profit	(1)	(3)
	304	(121)
Income tax expense/(benefit) attributable to operating profit	304	(121)
Income tax expense/(benefit) attributable to operating profit is made up of:		
Provision for deferred income tax	575	38
Future income tax benefit - current year	(7)	(156)
Future income tax benefit - losses utilised to offset capital gains tax	(263)	-
Under/(Over) provision prior year	(1)	(3)
	304	(121)
	304	(121)
b) PROVISION FOR CURRENT INCOME TAX		
Movements during the year were as follows:		
Balance at the beginning of the year	(45)	(93)
Tax (paid)/refunded	45	51
Under/(Over) provision prior year	-	(3)
	-	(45)
	-	(45)

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000
5. Taxation (Continued)		
c) PROVISION FOR DEFERRED INCOME TAX		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30%		
Balance at the beginning of the year	405	367
Other timing differences	575	38
	980	405
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	322	166
Other timing differences	7	156
	329	322
e) FUTURE INCOME TAX BENEFIT NOT TAKEN TO ACCOUNT		
In 2004 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 was not virtually certain.		
	-	159

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

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

	<i>Note</i>	<i>2005 \$'000</i>	<i>2004 \$'000</i>
7. Cash Assets			
Cash at bank		1	522
Units in Cash Management Trusts and Deposits at Call		3,918	644
		3,919	1,166
8. Receivables			
<i>Current</i>			
Sundry debtors and other receivables		2,291	1,660
Prepaid income tax		-	45
		2,291	1,705
9. Investments			
<i>Non-Current</i>			
Investments quoted on prescribed stock exchanges (at current market value)		310,806	248,023
10. Other Assets			
<i>Current</i>			
Prepayments		24	80
11. Payables			
<i>Current</i>			
Trade Creditors		58	38
12. Interest Bearing Liabilities			
<i>Non-Current</i>			
Multi-option Facility - Secured		36,000	34,500

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

	<i>Note</i>	<i>2005</i> \$'000	<i>2004</i> \$'000
13. <i>Financing Arrangements</i>			
The Company has access to the following lines of credit:			
<i>Total facility available</i>			
Multi-option Facility - Secured		36,000	35,000
<i>Facilities utilised at balance date</i>			
Multi-option Facility - Secured		36,000	34,500
14. <i>Provisions</i>			
<i>Non-Current</i>			
Provision for directors' retirement benefits	19	657	527
15. <i>Contributed Equity</i>			
Issued and paid-up share capital			
101,320,974 (2004: 100,328,914) ordinary fully paid shares		111,188	109,079
Movements in ordinary share capital			
Balance at beginning of the year		109,079	107,343
Shares issued			
- Dividend re-investment plan	(i), (ii)	2,109	1,736
		111,188	109,079
(i) In respect of the 2004 final dividend 576,409 shares were issued at \$1.98 each under the dividend re-investment plan.			
(ii) In respect of the 2005 interim dividend 415,651 shares were issued at \$2.33 each under the dividend re-investment plan.			

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

	<i>Note</i>	<i>2005</i> \$'000	<i>2004</i> \$'000
16. Reserves			
Asset revaluation reserve		<u>139,367</u>	<u>81,975</u>
Movements in reserves during the year:			
Asset Revaluation Reserve			
Balance at the beginning of the financial year		81,975	38,482
Revaluation of long term investments		59,504	32,997
Add/Less transfer of (profit)/loss before tax realised on the disposal of long term investments		<u>(2,112)</u>	<u>10,496</u>
Balance at the end of the financial year		<u>139,367</u>	<u>81,975</u>
17. Retained Profits			
Retained profits at the beginning of the year		24,772	31,601
Net profit		10,798	10,891
Increase in retained earnings arising from the sale of non-current assets		2,112	(10,496)
Tax (expense) on disposal of long term investments		(263)	-
Dividends paid or declared	6	<u>(8,300)</u>	<u>(7,224)</u>
Retained profits at the end of the year		<u>29,119</u>	<u>24,772</u>
18. Total Equity Reconciliation			
Total equity at the beginning of year		215,826	177,426
Total changes in equity recognised in the statement of financial performance		70,039	43,888
Dividends paid		(8,300)	(7,224)
Dividends re-invested		<u>2,109</u>	<u>1,736</u>
Total equity at end of year		<u>279,674</u>	<u>215,826</u>

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

19. Directors' Remuneration

Details of the directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report.

20. Related Parties

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

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

The Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance, for current and former directors and officers, insuring them against liabilities, costs and expenses arising out of conduct which does not involve a wilful breach of duty. This insurance premium covers the period from 18 June 2005 to 18 June 2006.

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 19.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

20. Related Parties (continued)

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	2005		2004	
	1	2	1	2
Charles B Goode	984,527	1,503,523	984,527	1,202,423
Graeme E Moir	100,000	-	62,500	-
Martyn K Myer	5,008	-	5,008	-
Rupert H Myer	-	49,553	-	47,675

1. Beneficial in own name
2. 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 Myer Family Company Pty Ltd Group of Companies that includes The Myer Family Office Ltd which receives management fees from the Company. These fees were \$117,000 for the year ended 30 June 2005 and \$114,000 for the year ended 30 June 2004. 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 and The Myer Family Office 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.

21. 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 \$42,962,626 (2004: \$25,378,530).

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

	<i>Note</i>	<i>2005</i>	<i>2004</i>
		<i>\$'000</i>	<i>\$'000</i>
22. 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:			
Cash at bank	7	1	522
Units in Cash Management Trusts	7	3,918	644
		3,919	1,166
b) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating profit after income tax:		10,798	10,891
Add/(less) non cash items:			
Increase/(decrease) in Tax Payable		-	48
Write (Up)/Down of Trading Portfolio		-	(124)
Net cash provided by operating activities before changes in assets and liabilities		10,798	10,815
Change in assets and liabilities:			
(Increase)/decrease in prepayments		55	1,188
(Increase)/decrease in debtors		(526)	(262)
(Increase)/decrease in future income tax benefit - current period		(7)	(156)
(Increase)/decrease in future income tax benefit - losses utilised to offset capital gains tax		(263)	-
(Increase)/decrease in current investments		-	385
Increase/(decrease) in provision for deferred income tax		575	38
Increase/(decrease) in non current provisions		130	(3)
Increase/(decrease) in creditors		20	(29)
Net cash provided by operating activities		10,782	11,976
c) FINANCING FACILITIES			

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

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

	<i>Note</i>	<i>2005 \$'000</i>	<i>2004 \$'000</i>
23. Earnings Per Share			
Earnings used in the calculation of earnings per share before net gains on long term investments		10,798	10,891
Basic earnings per share (¢ per share)		10.7¢	10.9¢
Weighted average number of ordinary shares used in the calculation of the basic earnings per share		100,837,366	99,891,283

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

24. 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:

2005	<i>Note</i>	<i>Floating Interest Rate \$'000</i>
<i>Financial Assets</i>		
Cash	7	3,919
Weighted average interest rate		4.81%
2004	<i>Note</i>	<i>Floating Interest Rate \$'000</i>
<i>Financial Assets</i>		
Cash	7	1,166
Weighted average interest rate		4.15%

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

24. Additional Financial Instruments Disclosure (Continued)

INTEREST RATE RISK (Continued)

Borrowings

On 15 June 2005, the Company entered a Multi-option Facility of \$36,000,000 with ANZ Banking Group Ltd which expires on 2 July 2008, and of which \$25,000,000 is fixed within a range rate between 5.59 – 7.00% for a period of two years and then \$30,000,000 is fixed at 5.90% for one year. Remaining borrowings are at floating rates.

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.

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.

25. Segment Reporting

The Company operates as an investment company in Australia.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

26. *Impact Of Adopting Australian Equivalents To International Financial Reporting Standards.*

For reporting periods beginning on or after 1 July 2005, the Company must comply with Australian equivalents to International Financial Reporting Standards (“AIFRS”) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending 30 June 2005.

Transition management

The board has established a formal implementation project, monitored by a steering committee, to assess the impact of transition to AIFRS reporting for the financial year commencing 1 July 2005.

The project is achieving its scheduled milestones and the Company is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

Impacts of transition to AIFRS

The impact of transition to AIFRS, including the transitional adjustments disclosed in this note are based on AIFRS standards that the Company expects to be in place when preparing the first complete AIFRS financial report (being the half-year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company’s financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary of the significant changes in accounting policies and elections, therefore further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of changes in financial reporting requirements that are relevant to the Company’s first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report.

The rules for first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The Standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS. This note includes details of the AASB 1 elections adopted.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

26. *Impact Of Adopting Australian Equivalents To International Financial Reporting Standards. (Continued)*

The significant changes in accounting policies expected to be adopted, the elections expected to be made under AASB 1 and the impact on the financial report are set out below:

(a) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates, enacted or substantively enacted at reporting date.

A deferred tax asset will be 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 will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

In accordance with AIFRS, the Company must recognise an additional deferred tax liability amount for the capital gains tax potentially payable on unrealised gains in the investment portfolio. This liability will be offset against the unrealised gains on the investment portfolio recognised in the Asset Revaluation Reserve.

The amount of the deferred tax liability to be recognised as at 1 July 2004 is \$25,378,530. The amount of deferred tax liability to be recognised for the year ended 30 June 2005 is \$17,584,096.

With the exception of the above mentioned adjustments, we do not expect the impact on the Company as at 1 July 2004 or for the year ended 30 June 2005 of the change in basis and the transition adjustments on the deferred tax balances and the previously reported tax expense to be material in nature.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2005

26. *Impact Of Adopting Australian Equivalents To International Financial Reporting Standards. (Continued)*

(b) Financial instruments

The Company expects to take advantage of the election in AASB 1 to not restate comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

The Company will measure investments as 'available for sale' under AASB 139. As the Company currently revalues its investments to market value continuously, the Company does not expect the transition to AIFRS to materially effect the carrying value of financial instruments.

This is a change in accounting policy as revaluation increments or decrements realised on disposal of investments (net of tax) will be included in the Net Profit of the Company. Previously, these amounts were transferred directly from the Asset Revaluation Reserve to Retained Earnings.

In the year ended 30 June 2005 the impact of reclassifying gains and losses on disposal of assets, and associated tax expense, from Retained Earnings would result in an increase to Net Profit of \$1,848,737.

As at 1 July 2005, debt establishment costs capitalised and amortised over the term of the borrowing under current Australian AGAAP will be recalculated based on the effective interest rate method and recognised as part of the liability rather than as a separate asset.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Declaration

1. In the opinion of the directors of Diversified United Investment Limited:
 - (a) the financial statements and notes, set out on pages 8 to 27, 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 2005 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.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2005.

Dated at Melbourne this 11th day of August 2005.

Signed in accordance with a resolution of the directors.

Charles Goode
Director



**Independent Audit Report to the Members of
Diversified United Investment Limited**

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes (1 to 26) to the financial statements, the disclosures made by the Company in accordance with the Corporations Regulations 2001, including the disclosures as required by *AASB 1046 Director and Executive Disclosures by Disclosing Entities*, in the "Remuneration report" in page 2 of the Directors' report ("remuneration disclosures") and the directors' declaration (set out on page 28) for Diversified United Investment Limited (the "Company") for the year ended 30 June 2005.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of their performance as represented by the results by their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia including *AASB 1046 Director and Executive Disclosures by Disclosing Entities* and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

Don Pasquariello
Partner

Melbourne
11 August 2005