

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

APPENDIX 4E STATEMENT FOR THE YEAR ENDING 30 JUNE 2008

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2008 with the corresponding period being the year ended 30 June 2007.

Results for announcement to the market

- Revenue from operating activities was \$24.5 million, 20% up from the prior year.
- Operating profit after tax and before net realised gains on investments was \$20.0 million, up 20% from the prior year.
- Earnings per share based on net operating profit after tax excluding special dividends received were 14.4 cents, an increase of 13.4% from the prior year.
- Net realised capital gains on long term investments after tax were \$9.7 million, up 57% from the prior year.
- Total net profits (including net capital gains) were \$29.7 million, 30% up from the prior year.
- In the current period special dividends and distributions of \$1,302,000 after tax were received. In the previous corresponding period special dividends of \$891,000 after tax were received.
- The final dividend for the year is 7.0 cents per share (6.5 cents previous corresponding period) fully franked payable on 17 October 2008. Of the 7.0 cent final dividend, 6.4 cents will be a Listed Investment Company capital gain dividend. The record date for determining entitlement to the interim dividend is 19 September 2008.
- The net tangible asset backing per share based on the market valuation of investments was \$3.54 at 30 June 2008 (2007: \$4.16). These calculations are after provision for tax on net realised gains, before tax on unrealised gains and before provision for the final dividend.
- The Company operates a Dividend Reinvestment Plan ("DRP") under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at a 2% discount to the average selling price of shares traded on the Australian Securities Exchange on the Record Date of 19 September 2008 and the three business days immediately preceding that date. The last date for receipt of an election notice for participation in the plan is 19 September 2008.

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

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Telephone (03) 9654 0499
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21 August 2008

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 2008

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

Operating Profit and Realised Capital Gains

Operating profit after income tax and before net realised gains on long term investments for the year ended 30 June 2008 was \$20,028,000 (previous corresponding period: \$16,685,000). Operating profit includes special dividends and distributions of \$1,302,000 (previously \$891,000).

Net realised gains on long term investments after tax were \$9,724,000 (previously \$6,178,000). In accordance with accounting standards, these gains include non-cash, scrip based deemed sales arising from the scheme of arrangements affecting the Company's holdings in Coles Group Ltd and Publishing & Broadcasting Ltd. They also include the sale by takeover of the holdings in Alinta Ltd and Southern Cross Broadcasting Ltd.

Operating expenses (excluding interest) were 0.14% of the average market value of the portfolio (previously 0.17%).

Earnings Per Share

The operating earnings per share based on the weighted average number of shares on issue for the year was 15.4 cents per share (14.4 cents excluding the special dividends) compared to 13.5 cents for the year to 30 June 2007 (12.7 cents excluding special dividends). Excluding the special dividends, earnings per share rose 13.4%.

Including realised investment gains and special dividends, earnings per share were 22.9 cents (previously 18.5 cents).

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Dividends

The Directors also announce a final dividend of 7.0 cents per share fully franked to shareholders registered on 19 September 2008, to be paid on 17 October 2008. The comparable 2007 final dividend was 6.5 cents per share fully franked. Together with the interim dividend of 6.0 cents per share, total dividends for the year are 13 cents per share (12 cents last year).

LIC Capital Gains

The final dividend will include a Listed Investment Company capital gain dividend of 6.4 cents per share which will give rise to an “attributable part” of 9.14 cents per share. This will enable some shareholders to claim a tax deduction in their income tax return. Details will be provided on the dividend statement.

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan (“DRP”) under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be at a 2% discount to the average selling price of shares traded on the Australian Securities Exchange on the Record Date of 19 September 2008 and the three business days immediately preceding that date. The last day for the receipt of an election notice for participation in the plan is 19 September 2008.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$3.54 at 30 June 2008 and \$3.33 at 31 July 2008. These calculations are 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 estimated tax on unrealised gains were to be deducted, the above figures would be \$3.07 at 30 June 2008 and \$2.92 at 31 July 2008.

The Company’s net asset backing accumulation performance (assuming all dividends were reinvested, and after all expenses and tax paid) for the year to 30 June 2008 was a decline of 12.2% while the S&P/ASX 300 accumulation index fell 13.7% over the same period.

Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday, 15 October 2008 at 9.00 am at the offices of KPMG, 147 Collins Street, Melbourne.

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Investment Portfolio

As at 30 June 2008 the twenty-five largest shareholdings of the company, at market values were:

<i>Company</i>	<i>Market Value \$'000</i>	<i>% of Market Value of Total Investments</i>
1. Woodside Petroleum Ltd	67,500	12.5%
2. BHP Billiton Ltd	65,550	12.1%
3. Rio Tinto Ltd	47,425	8.8%
4. QBE Insurance Group Ltd	26,880	5.0%
5. ANZ Banking Group Ltd	22,464	4.1%
6. Commonwealth Bank of Australia Ltd	20,085	3.7%
7. National Australia Bank Ltd	19,875	3.7%
8. Westfield Group	19,536	3.6%
9. CSL Ltd	17,850	3.3%
10. Westpac Banking Corporation Ltd	16,000	3.0%
11. Alumina Ltd	15,405	2.8%
12. Tabcorp Holdings Ltd	9,810	1.8%
13. Woolworths Ltd	9,780	1.8%
14. AGL Energy Ltd	9,295	1.7%
15. St George Bank Ltd	9,217	1.7%
16. Suncorp Metway Ltd	9,128	1.7%
17. Brambles Ltd	8,730	1.6%
18. Perpetual Ltd	8,554	1.6%
19. Telstra Corporation Ltd	8,480	1.6%
20. Wesfarmers Ltd	7,460	1.4%
21. Washington H Soul Pattinson & Co Ltd	6,774	1.2%
22. Transurban Group	6,345	1.2%
23. ConnectEast Group	5,160	0.9%
24. News Corporation Inc Class A Common CDI	4,842	0.9%
25. AXA Asia Pacific Holdings Ltd	4,680	0.9%
	446,825	82.6%
Total Investments at Market Value and Cash	540,860	

Yours faithfully,

A J Hancock
Company Secretary

DIVERSIFIED UNITED INVESTMENT LIMITED
(ABN 33 006 713 177)

ANNUAL FINANCIAL REPORT
30 JUNE 2008

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report

The directors present their report together with the financial report of Diversified United Investment Limited for the financial year ended 30 June 2008 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 Goode AC, B.Com (Hons) (Melb), MBA (Columbia), Hon LLD (Melb),
Hon LLD (Mon).
Non-Executive Chairman
Age 69
Appointed Chairman September 1991.

Mr Goode is the Chairman of the Boards of Australia and New Zealand Banking Group Limited (director since 1991), Australian United Investment Company Limited (since 1990), The Ian Potter Foundation Limited (governor since 1987) and Grosvenor Australia Properties Pty Limited (since 2008).

Formerly Mr Goode was a director of Woodside Petroleum Limited (1988 – 2007, Chairman 1999 – 2007) and Singapore Airlines Limited (1999 – 2006).

Graeme Moir B.Com (Univ. of NZ), ACA (NZ), ACIS.
Non-Executive Director
Age 76
Appointed September 1991.

Mr Moir is the principal of the investment management firm Moir's Investment Service Pty. Ltd. (since 1965), and is a director of Graeme Moir and Associates Pty. Ltd. (since 1965), and Australian United Investment Company Limited (since 1976). He is Chairman of the Company's Audit Committee.

Martyn Myer AO, B.Eng, MEng (Mon), MSM (MIT), FIE (Aust).
Non-Executive Director
Age 50
Appointed September 1991.

Mr Myer is Chairman of CogState Ltd (since 1999), Vice President of The Myer Foundation (since 2004), and is a director of SP AusNet Group (since 2005), the Florey Neuroscience Institutes (since 2007), and The Myer Family Company Pty Ltd.

Formerly Mr Myer was a director of Coles Group Ltd (1996 - 2006).

Rupert Myer AM, B.Com (Hons) (Melb), MA Cantab
Non-Executive Director
Age 50
Appointed 18 November 2002.

Mr Myer is a director of AMCIL Limited (since 2000). He serves as Chairman of The Myer Family Company Pty Ltd (Group) (since 2004 and a director since 1991) and the National Gallery of Australia (since 2005), and is a director of The Myer Foundation (since 1992) and of Myer Pty Ltd (since 2006).

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

Company Secretary

Andrew Hancock FCA, B.Ec (Mon), Grad. Dip. CDP (RMIT)

Company Secretary,

Age 56

Appointed 23 September 1991.

Mr Hancock is also Company Secretary of Australian United Investment Company Ltd (since 1995), has served as Chairman and is currently Secretary of the Australian Listed Investment Companies Association and is Chairman or a director of a number of private investment companies.

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

For the year ended 30 June 2008 the Company earned an operating profit after tax before net realised gains on the investment portfolio of \$20,028,000 (compared to \$16,685,000 in 2007) – an increase of 20%.

If special dividends received are disregarded, operating profit before net realised gains on investment portfolio increased 18.6%. The operating profit includes \$1,302,000 of special dividends and distributions received. In 2007, the operating profit after tax included \$891,000 of special dividends and distributions received. The basic and diluted earnings per share before net realised gains on investment portfolio and special dividends was 14.4 cents compared to 12.7 cents for the previous year (adjusted for the bonus element in the March 2008 placement).

Net realised gains on the investment portfolio for the year include the takeover of the holding in Alinta Ltd and Southern Cross Broadcasting Ltd and the non-cash scrip based deemed sales arising from the schemes of arrangement affecting the holdings in Coles Group Ltd and Publishing & Broadcasting Ltd.

The net tangible asset backing of each of the Company's shares at 30 June 2008 was \$3.54 (2007: \$4.16). 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 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 \$3.07 (2007: \$3.41).

On 5 March 2008, the Company issued 15,350,000 fully paid shares in accordance with a placement announced on 25 February 2008. The issue raised \$53,111,000 at the placement price of \$3.46 per share which represented a 5% discount to the Net Tangible Asset Backing per share of the Company as at 31 January 2008 adjusted for the interim dividend and market movements to 22 February 2008. The placement increased shareholder numbers by over 700, adding to the liquidity of shares in the Company, enabling expansion of the investment portfolio without having to sell long term investments, and assisting in continuing to lower the Management Expense Ratio.

The Company also announced on 25 February 2008 an offer to existing shareholders under the Company's Share Purchase Plan which resulted in the issue of 339,680 fully paid ordinary shares on 4 April 2008 at a price of \$3.46 per share.

Borrowings as at 30 June 2008 were \$40 million (2007: \$73 million) amounting to around 8% of the investment portfolio at market values (2007: 12.5%).

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

The composition of the operating profit after income tax and before net realised gains on the investment portfolio was as follows:

	2008 \$'000	2007 \$'000
<i>REVENUE FROM INVESTMENT PORTFOLIO</i>		
Dividends	18,633	16,262
Trust Distributions	4,254	3,922
Interest	1,570	163
Sub-underwriting Fees	7	-
	24,464	20,347
<i>EXPENSES</i>		
Administration and other expenses:		
Accounting and Custody Fees	139	127
Audit	41	39
Share Registry	53	53
Directors' Fees	325	277
Directors' Retirement Provision	-	125
ASX Fees	56	52
Company Secretary Fees	65	60
Insurance	29	33
Other	57	70
Finance Costs:		
Interest	3,380	3,188
	4,145	4,024
Operating profit before income tax expense and net realised gains on investment portfolio	20,319	16,323
Income tax (expense)/benefit	(291)	362
	20,028	16,685

Expenses (excluding finance costs) were 0.14% of the average market value of the investment portfolio (2007: 0.17%)

Dividends

Dividends paid or declared by the Company to members 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 2007 of 6.5¢ per share fully franked payable on 15 October 2007.	8,025
An interim dividend in respect of the year ended 30 June 2008 of 6.0¢ per share fully franked paid on 11 April 2008.	7,439
<i>Paid or declared after end of year</i>	
A final dividend in respect of the year ended 30 June 2008 of 7.0¢ per share fully franked payable on 17 October 2008	9,810

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	11	2 *	2 *	1	1
Graeme Moir	11	11	2	2	1	1
Martyn Myer	10	11	2	2	1	1
Rupert Myer	11	11	2	2	1	1

* In attendance – not a Committee Member

Directors' Interests

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

	SHARES		
	1	2	3
Charles Goode	1,207,017	1,980,475	140,000
Graeme Moir	130,000	-	70,000
Martyn Myer	1,445	106,010	70,000
Rupert Myer	704	114,382	14,000

Note:

1. Beneficial in own name
2. Held by an entity/related party in which the director has a relevant interest
3. Held for the Director in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan

Except as stated above, no director -

- (a) has any relevant interest in shares of the Company or a related body corporate;
- (b) has any relevant interests in debentures of, or interests in a registered scheme made available by, the Company or a related body corporate;
- (c) has any rights or options over shares in, debentures of or interests in a registered scheme made available by, the Company or a related body corporate;
- (d) is a party to a contract, or is entitled to a benefit under a contract, that confers a right to call for or deliver shares in, or debenture of or interests in a registered scheme made available by the Company or a related body corporate.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

Remuneration Report (audited)

Non-executive Directors	Directors' Fees (1)		Retirement benefits(2)		Total	
	\$		\$		\$	
	2008	2007	2008	2007	2008	2007
Charles Goode	130,000	110,800	-	60,939	130,000	171,739
Graeme Moir	65,000	55,400	-	30,469	65,000	85,869
Martyn Myer	65,000	55,400	-	30,469	65,000	85,869
Rupert Myer	65,000	55,400	-	3,161	65,000	58,561
Total	325,000	277,000	-	125,038	325,000	402,038

(1) Directors fees include superannuation contributions elected by Directors to be paid to their nominated superannuation fund.

(2) The Directors entitlement to retirement benefits ceased on 31 October 2006. All Directors elected to receive shares in the Company on retirement as compensation for their entitlement.

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 for 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 \$28,817 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 16 of the financial statements for information relating to the insurance contracts.

The Company Secretary, Mr Andrew J Hancock, received \$65,000 (2007: \$59,770) for services provided to the Company.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years, except that the market value of the investment portfolio moves broadly in line with the overall Australian share market and the Australian All Ordinaries index fell 7.6% from 30 June 2008 to 19 August 2008.

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 \$4,675 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 is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Likely Developments

The directors do not anticipate any particular developments in the operations of the Company which will affect the results of future financial years other than the value of the investment portfolio is expected to fluctuate broadly in line with market movements.

State of Affairs

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

Environmental Regulation

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

Indemnification

Details of directors' indemnification are set out in Note 16 to the financial statements.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' report for the year ended 30 June 2008.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

Rounding Of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Melbourne this 20th day of August 2008

Signed in accordance with a resolution of the directors:

Charles Goode
Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Diversified United Investment Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

msomerville

Michelle Somerville

Partner

Melbourne

20 August 2008

DIVERSIFIED UNITED INVESTMENT LIMITED

Income Statement for the Year Ended 30 June 2008

	<i>Note</i>	<i>2008</i> <i>\$'000's</i>	<i>2007</i> <i>\$'000's</i>
Revenue from investment portfolio	2	24,464	20,347
Administration and other expenses		(765)	(836)
Finance expenses	2	(3,380)	(3,188)
Operating profit before income tax expense and net realised gains on investment portfolio		20,319	16,323
Income tax benefit / (expense) *	4(a)	(291)	362
Net operating profit before net realised gains on investment portfolio		20,028	16,685
Net realised gains on investment portfolio transferred from revaluation reserve		13,941	9,103
Income tax expense thereon*	4(a)	(4,217)	(2,925)
		9,724	6,178
Profit for the year		29,752	22,863
Basic and diluted earnings per share (cents)	18	22.9	18.5
Basic and diluted operating earnings per share (cents) before net realised gains on investment portfolio are shown in Note 18.			
		<i>2008</i> <i>\$'000's</i>	<i>2007</i> <i>\$'000's</i>
* Total income tax (expense)/benefit	4(a)	(4,508)	(2,563)

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 13 to 28.

DIVERSIFIED UNITED INVESTMENT LIMITED

Balance Sheet as at 30 June 2008

	<i>Note</i>	<i>2008</i> \$'000's	<i>2007</i> \$'000's
ASSETS			
Cash assets	6	7,954	1,026
Receivables	7	3,583	2,883
Investments	8	34,623	-
Other	9	26	30
TOTAL CURRENT ASSETS		46,186	3,939
Investment portfolio	8	494,674	582,425
Deferred tax assets	4(b)	-	269
TOTAL NON-CURRENT ASSETS		494,674	582,694
TOTAL ASSETS		540,860	586,633
LIABILITIES			
Current tax liability	4(a)	4,443	-
Payables	10	95	98
TOTAL CURRENT LIABILITIES		4,538	98
Borrowings – interest bearing	11	39,880	72,766
Deferred tax liability	4(b)	66,609	92,927
TOTAL NON-CURRENT LIABILITIES		106,489	165,693
TOTAL LIABILITIES		111,027	165,791
NET ASSETS		429,833	420,842
EQUITY			
Issued capital	13(a)	229,491	171,647
Revaluation reserve	13(b)	139,019	202,160
Realisation reserve	13(b)	23,961	15,101
Retained earnings	13(b)	37,362	31,934
TOTAL EQUITY		429,833	420,842

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 13 to 28.

DIVERSIFIED UNITED INVESTMENT LIMITED

Statement of Changes in Equity for the Year Ended 30 June 2008

	<i>Note</i>	<i>2008</i> \$'000's	<i>2007</i> \$'000's
Total equity at the beginning of the year		420,842	344,531
Revaluation of investment portfolio	13(b)	(75,313)	99,682
Provision for tax on revaluation of investments	13(b)	21,896	(30,399)
Net realised gains on investment portfolio after tax transferred to income statement		(9,724)	(6,178)
Total direct equity adjustments		(63,141)	63,105
Profit for the year		29,752	22,863
Total direct equity adjustments and profit for the year		(33,389)	85,968
Transactions with shareholders			
Dividend reinvestment plan	13(b)	3,644	2,740
Dividends paid from retained earnings	13(b)	(14,600)	(8,303)
Dividends paid from realisation reserve	13(b)	(864)	(4,089)
Rights issue net of costs	13(a)	-	(5)
Share placement net of costs	13(a)	53,045	-
Share purchase plan net of costs	13(a)	1,155	-
		42,380	(9,657)
Total equity at the end of the year		429,833	420,842

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on page 13 to 28.

DIVERSIFIED UNITED INVESTMENT LIMITED

Statement of Cash Flows for the Year Ended 30 June 2008

	<i>Note</i>	<i>2008 \$'000's</i>	<i>2007 \$'000's</i>
Cash flows from operating activities			
Interest received		1,473	163
Dividends and trust distributions received		21,726	19,938
Sub-underwriting fees		7	-
Administration and other expenses paid		(767)	(1,658)
Finance costs paid		(3,266)	(3,345)
Income taxes paid		-	(1,416)
		-	(1,416)
Net cash from operating activities	17(b)	19,173	13,682
Cash flows from investing activities			
Proceeds from sale of investments		50,485	10,624
Purchases of investments		(72,110)	(70,146)
		-	-
Net cash from investing activities		(21,625)	(59,522)
Cash flows from financing activities			
Proceeds from rights issue net of costs		-	(5)
Proceeds from share placement net of costs		53,045	-
Proceeds from share purchase plan net of costs		1,155	-
Dividends paid		(11,820)	(9,652)
Proceeds from borrowings		-	48,000
Repayments of borrowings		(33,000)	-
		-	-
Net cash from financing activities		9,380	38,343
Net increase/(decrease) in cash held		6,982	(7,497)
Cash and cash equivalents at 1 July	17(a)	1,026	8,523
Cash and cash equivalents at 30 June	17(a)	7,954	1,026

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 13 to 28.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

1. Statement of significant accounting policies

Diversified United Investment Limited (the 'Company') is a company domiciled in Australia.

The financial report was authorised for issue by the directors on 20 August 2008.

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standard Board ('AASB') and the Corporations Act 2001. The financial report of the Company also complies with the International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company has not applied any Australian Accounting Standards or UIG Interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2008 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

The financial report is prepared on a historical cost basis except that financial instruments classified as available-for-sale are stated at their fair value.

(c) Investments

The Company is a long term investor. Under IFRS, investments are classified as available-for-sale. After initial recognition at fair value (being cost), investments are measured at fair value.

Unrealised gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement as a realised gain or loss.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualifies for derecognition in accordance with AASB 139. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the revaluation reserve to the income statement.

The Company reviews its investment portfolio at each balance sheet date to determine whether there is any objective evidence of impairment in the fair value of each investment. When a decline in the fair value of an investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss (after tax) that had been recognised directly in equity is immediately recognised in profit or loss. Any subsequent reversal of an impairment loss is not reversed through profit or loss.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

Interest bearing investments are recognised at fair value and then measured at amortised cost. Amortised cost is calculated with any difference between cost and redemption value being recognised in the income statement over the period of the investment on an effective interest basis.

(d) Revenue from investment portfolio

The activity of the Company is that of an investment company, returns being in the form of dividends, interest income, trust income and sub-underwriting income. Dividend income is recognised in the income statement at ex-dividend date and all other income is recognised on an accruals basis.

(e) Taxation

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the company tax rate adjusted by changes in deferred tax assets and liabilities which arise from items being brought to account in different periods for income tax and accounting purposes.

The expected tax on disposal of securities in the investment portfolio is recognised directly in equity and as a deferred tax liability. Where the Company disposes of such securities, tax is calculated on gains made according to the particular parcels allocated to the sale for tax purposes and offset against any capital losses carried forward. At this time, the tax recognised directly in equity is transferred to Net Profit and adjusted to income tax expense. The associated deferred tax liability is similarly adjusted and transferred to current tax payable.

When Capital Gains Tax rollover relief is elected on the disposal of securities, tax is still calculated on gains made (even though the income tax liability has been deferred until subsequent disposal of the replacement securities) and recognised in income tax expense for accounting purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

(g) Provision for directors' retirement

All Directors have elected to receive shares in the Company on retirement in accordance with the terms of the Non-Executive Directors 2006 Accrued Entitlements Share Plan.

(h) Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

	2008 \$'000	2007 \$'000
2. Revenue and Expenses		
(a) Revenue		
Dividends received or due and receivable	18,633	16,262
Trust distributions received or due and receivable	4,254	3,922
Interest received or due and receivable	1,570	163
Sub-underwriting fees	7	-
	24,464	20,347
(b) Expenses		
Finance expenses:		
- Interest	3,380	3,188
Provision for directors' retirement benefits	-	125
3. Auditor's Remuneration		
During the year KPMG, the Company's auditor, received the following remuneration:		
- Audit and review of financial reports	40,700	39,380
- Taxation related services	4,675	6,325
4. Taxation		
(a) Income Tax Expense		
<i>(i) Recognised in the income statement</i>		
Current tax expense		
Current year	4,443	-
Adjustments for prior years	(39)	27
	4,404	27
Deferred Tax Expense		
Tax deferred through CGT rollover relief	1,092	2,554
Temporary differences	203	(18)
Recognition of previously deferred tax	(1,191)	-
	104	2,536
Total income tax expense/(benefit) in income statement	4,508	2,563

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

	2008 \$'000	2007 \$'000
4. Taxation (continued)		
<i>(ii) Reconciliation between tax expense and pre-tax net profit</i>		
Prima facie tax expense calculated at 30% on the profit for the year	10,278	7,628
Increase in tax expense due to:		
Franking/ foreign tax credits gross up on dividends received	2,089	1,970
Sundry items	-	113
Decrease in tax expense due to:		
Tax deferred distributions received	(698)	(609)
Sundry items	(160)	-
Franking/ foreign tax credits on dividends received	(6,962)	(6,566)
	4,547	2,536
Tax expense on operating profit	(39)	27
Under/(over) provision prior year	4,508	2,563
Tax expense attributable to Profit for the year	4,508	2,563
<i>(iii) Deferred tax liability recognised directly in equity</i>		
Increase/(decrease) in provision for tax on unrealised gains on investment portfolio	(21,896)	30,399

(b) Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revaluation reserve – Provision for tax on unrealised gains on investment portfolio	-	-	(66,590)	(92,915)
Other	-	-	(19)	(12)
Value of tax loss carried forward	-	269	-	-
	-	269	(66,609)	(92,927)
Tax assets/(liabilities)	-	269	(66,609)	(92,927)
Net tax assets/(liabilities)	-	269	(66,609)	(92,927)

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

2008	2006
\$'000	\$'000

5. Dividends

Dividends recognised in the current year by the Company are:

(i) 2007 final dividend of 6.50¢ per share (2006: 5.50¢) fully franked paid 15 October 2007	8,025	5,622
(ii) 2008 interim dividend of 6.0¢ per share (2007: 5.50¢) fully franked paid 11 April 2008	7,439	6,770
	15,464	12,392

Subsequent to reporting date:

Since 30 June 2008, the directors have declared the following dividend payable on 17 October 2008:

- Final dividend of 7.0 cents per share fully franked (2007: 6.50¢)	9,810	8,025
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The final dividend will contain a Listed Investment Company capital gain dividend of 6.4 cents per share (2007: 0.7 cents per share).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2008.

Dividend Franking Account:

The balance of the Franking Account at 30 June 2008 is \$17,605,575 (2007: \$12,505,624) after adjusting for:

- (a) franking credits that will arise from the current income tax liability
- (b) franking credits that will arise from the receipt of dividends recognised as receivables at year-end
- (c) franking credits that the entity may be prevented from distributing in subsequent years

After allowing for the final 2008 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$13,401,080 (2007: \$9,066,462).

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 Listed Investment Company (LIC) Capital Gain Account at 30 June 2008 was \$9,094,682 (2007: \$906,435). When distributed, LIC capital gains may entitle certain shareholders to a special deduction in their taxation return, as set out in the relevant dividend statement.

After allowing for the final dividend the balance of the LIC Capital Gain Account at 30 June 2008 would be \$125,092.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

	2008 \$'000	2007 \$'000
6. Cash Assets		
Cash at bank	29	221
Units in Cash Management Trusts and Deposits at Call	7,925	805
	7,954	1,026
7. Receivables		
<i>Current</i>		
Sundry debtors and other receivables	3,583	2,883
	3,583	2,883
8. Investments		
<i>Current</i>		
Bank Bills endorsed by trading banks – at amortised cost	34,623	-
	34,623	-
<i>Non-Current</i>		
Investments quoted on prescribed stock exchanges (at fair value)	494,674	582,425
	494,674	582,425
9. Other Assets		
<i>Current</i>		
Prepayments	26	30
	26	30
10. Payables		
<i>Current</i>		
Trade Creditors	95	98
	95	98
11. Interest Bearing Liabilities		
<i>Non-Current</i>		
Multi-option Facility – Secured	39,880	72,766
	39,880	72,766

The face value of the drawn facility is \$40 million (2007: \$73 million). The amount disclosed above is net of prepaid interest. For more information about the Company's exposure to interest risk and liquidity risk, see notes 20 and 21.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

	<i>Note</i>	<i>2008</i>	<i>2007</i>
		<i>\$'000</i>	<i>\$'000</i>
12. Financing Arrangements			
The Company has access to the following lines of credit:			
<i>Total facility available</i>			
Multi-option Facility – Secured		65,000	73,000
Interest Rate Swap Facility – Secured		-	2,000
		65,000	75,000
 <i>Facilities utilised at balance date</i>			
Multi-option Facility – Secured		40,000	73,000

13. Capital and Reserves

(a) Issued Capital

Issued and paid-up share capital			
140,149,844 ordinary fully paid shares			
(2007: 123,457,107)		229,491	171,647
		229,491	171,647
Movements in issued capital			
Balance at beginning of the year		171,647	168,912
Shares issued			
- Dividend re-investment plan (i) (ii)		3,644	2,740
- Rights issue capitalised costs		-	(5)
- Share Placement (iii)		53,045	-
- Share Purchase Plan (iv)		1,155	-
		229,491	171,647

- (i) In respect of the 2007 final dividend, 450,272 shares were issued at \$3.93 each under the dividend re-investment plan.
- (ii) In respect of the 2008 interim dividend, 552,785 shares were issued at \$3.39 each under the dividend re-investment plan.
- (iii) On 5 March 2008, the Company issued 15,350,000 fully paid ordinary shares in accordance with a placement announced on 25 February 2008. The issue raised \$53,111,000 at the placement price of \$3.46 per share.
- (iv) On 4 April 2008, the Company issued 339,680 fully paid ordinary shares in accordance with the terms of the Company's Share Purchase Plan. The issue raised \$1,175,292 at the purchase price of \$3.46 per share.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

13. Capital and Reserves (continued)

(b) Reconciliation of movements in capital and reserves

	<i>Issued Capital</i>	<i>Revaluation Reserve</i>	<i>Realisation Reserve</i>	<i>Retained Earnings</i>	<i>Total Equity</i>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Balance at 1 July 2006	168,912	137,900	14,167	23,552	344,531
Revaluation of investment portfolio	-	99,682	-	-	99,682
Provision for tax on net unrealised gains	-	(30,399)	-	-	(30,399)
Net realised gains on investment portfolio	-	(9,103)	-	9,103	-
Income tax on net realised gains	-	2,925	-	(2,925)	-
Transfer of tax relating to previously recognised gains	-	1,155	(1,155)	-	-
Net operating profit for the period	-	-	-	16,685	16,685
Rights issue capitalised costs	(5)	-	-	-	(5)
Dividend reinvestment plan	2,740	-	-	-	2,740
Dividends paid	-	-	(4,089)	(8,303)	(12,392)
Realised gains transferred after tax	-	-	6,178	(6,178)	-
Balance at 30 June 2007	171,647	202,160	15,101	31,934	420,842
Balance at 1 July 2007	171,647	202,160	15,101	31,934	420,842
Revaluation of investment portfolio	-	(75,313)	-	-	(75,313)
Provision for tax on net unrealised losses	-	21,896	-	-	21,896
Net realised gains on investment portfolio	-	(13,941)	-	13,941	-
Income tax on net realised gains	-	4,217	-	(4,217)	-
Net operating profit for the period	-	-	-	20,028	20,028
Share placement	53,045	-	-	-	53,045
Share purchase plan	1,155	-	-	-	1,155
Dividend reinvestment plan	3,644	-	-	-	3,644
Dividends paid	-	-	(864)	(14,600)	(15,464)
Realised gains transferred after tax	-	-	9,724	(9,724)	-
Balance at 30 June 2008	229,491	139,019	23,961	37,362	429,833

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

14. *Directors' Remuneration*

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

15. *Contingent Liabilities and Capital Commitments*

There were no contingent liabilities or capital commitments as at 30 June 2008.

16. *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 2008 to 18 June 2009.

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 the Remuneration Report.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

16. *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:

Directors	Held at 30/6/07	Purchases	Sales	Held at 30/6/08
Charles Goode	3,237,958	89,534	-	3,327,492
Graeme Moir	200,000	-	-	200,000
Martyn Myer	176,010	1,445	-	177,455
Rupert Myer	97,235	31,851	-	129,086

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 and share purchase plan which were made on the same terms and conditions offered to other shareholders, and/or purchases on the open market.

OTHER

During the year the Company paid management fees to The Myer Family Office Ltd of which Rupert Myer is a director. 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 Charles 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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
17. Notes to the Statement of Cash Flows		
a) RECONCILIATION OF CASH		
For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	29	221
Units in Cash Management Trusts and Deposits at Call	7,925	805
	7,954	1,026
b) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Profit for the year	29,752	22,863
Add/(less) net realised capital gains	(9,724)	(6,178)
Net cash provided by operating activities before changes in assets and liabilities	20,028	16,685
Adjustments for:		
(Increase)/decrease in prepayments	4	1
(Increase)/decrease in debtors	(700)	(205)
(Increase)/decrease in interest receivable	(97)	-
(Increase)/decrease in deferred tax asset	269	(380)
Increase / (decrease) in current tax	15	(1,389)
(Increase)/decrease in prepaid interest	114	(195)
Increase / (decrease) in deferred tax liability	8	(8)
Non cash dividend received	(465)	-
Increase/(decrease) in non current provisions	-	(866)
Increase/(decrease) in creditors	(3)	39
Net cash provided by operating activities	19,173	13,682
c) FINANCING FACILITIES		

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

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

18. Earnings per Share *	<i>2008</i> <i>Cents</i>	<i>2007</i> <i>Cents</i>
Basic earnings per share	22.9	18.5
Basic earnings per share before net realised gains on investment portfolio	15.4	13.5
Basic earnings per share before special dividends and net realised gains on investment portfolio	14.4	12.7

Net realised gains on the investment portfolio for the current year include the non-cash, scrip based deemed sales arising from the schemes of arrangement affecting the holdings in Coles Group Ltd and Publishing & Broadcasting Ltd and the takeover of the holdings in Alinta Ltd and Southern Cross Broadcasting Ltd.

* Adjusted for bonus element resulting from the Share Placement on 5 March 2008 and the Share Purchase Plan on 4 April 2008.

Profit reconciliation used in the calculation of earnings per share	<i>2008</i> <i>\$'000</i>	<i>2007</i> <i>\$'000</i>
Profit for the year	29,752	22,863
Net realised gains on investment portfolio	(9,724)	(6,178)
Net profit before net realised gains on investment portfolio	20,028	16,685
Special dividends received	(1,302)	(891)
Net profit before net realised gains on investment portfolio and special dividends received	18,726	15,794

Earnings per share for the 2008 year are calculated on a weighted average adjusted number of shares, taking into account the new issues in March 2008. The 2007 comparative figures have been adjusted for the bonus element in the 2008 placement and share purchase plan.

Weighted average number of ordinary shares*	<i>2008</i>	<i>2007</i>
Issued ordinary shares at 1 July	124,436,779	123,634,240
Effect of dividend reinvestment plan - final dividend	321,164	265,182
Effect of dividend reinvestment plan - interim dividend	120,827	93,349
Effect of share placement in March 2008	4,907,801	-
Effect of share purchase plan in April 2008	80,744	-
Weighted average number of ordinary shares for the year	129,867,315	123,992,771

* Adjusted for bonus element resulting from the share placement on 5 March 2008 and the share purchase plan on 4 April 2008.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

19. Capital Management

The Company's objective in managing capital is to continue to provide shareholders with dividends and capital appreciation over the longer term.

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

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

20. Financial Risk Management

AASB 7 – Financial Instruments: Disclosures identifies three types of risk associated with financial instruments (i.e. investments, receivables, payable and borrowings).

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk exposure of the Company lies principally in its cash and receivables to the extent of their carrying values and any accrued unpaid interest.

Cash

The company invests in short-term bank backed securities, cash management units with the MF Cash Management Fund and cash deposits with Australian banks, with a direct or underlying AA or A.1 credit rating assigned by Standard & Poor's, being a Recognised Rating Agency.

Receivables

Receivables are non-interest bearing and represent dividends, proceeds of sales and distributions yet to be received. The credit risk exposure of the Company in relation to receivables is the carrying amount.

Management does not expect any counterparty to fail to meet its obligations. Additionally, none of these assets are over due or considered to be impaired.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

20. Financial Risk Management (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as they fall due. The Company monitors its cash flow requirements and ensures that it has cash or access to sufficient borrowing facilities to meet all its financial obligations as they fall due.

Bank borrowings were \$40 million at the end of the financial year (2007: \$73 million) gearing the investment portfolio by approximately 7%. The Company has an interest bearing commercial bill facility in place with the ANZ Banking Group Ltd which includes both a fixed and floating rate bill component. This facility expires on various intervals through to 2 July 2012, unless it is renewed. Annual interest expense was covered 7 times by investment revenue (2007: 6 times).

The major cash inflows for the Company include dividends, distributions, sales proceeds received and the issuing of further shares to shareholders. The major cash outflows are the purchase of securities and dividends paid to shareholders, both of which are manageable

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Inherently, the Company is not free of market risk as it invests its capital in securities whose market prices can fluctuate.

Based on a tax rate of 30%, a general fall in market prices of 5% and 10% would lead to a reduction in the Company's equity of \$17,313,573 (or 4%) and \$34,627,147 (or 8%) respectively.

Market risk is minimised by ensuring that the Company's investment portfolio is not over exposed to one company or one particular sector. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Board frequently.

The Company also has exposure to interest rate risk on its borrowings as detailed in Note 21 which is minimised through conservative levels of gearing and ensuring that there is appropriate interest cover at all times.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

The Company's investment by sector is set out below:

	2008	2007
	%	%
Energy	13	8
Materials/Resources	25	21
Industrials	6	9
Consumer Discretionary	3	9
Consumer Staples	4	6
Health Care	4	3
Financials	28	33
Telecommunication Services	2	1
Utilities	2	4
Real Estate	5	6
Cash	<u>8</u>	<u>0</u>
	<u>100</u>	<u>100</u>

All of the company's investments are quoted in Australian dollars therefore avoiding any direct exposure to currency risk. Nevertheless, a number of the underlying investee companies may be affected by movements in currencies.

21. Financial Instruments Disclosure

INTEREST RATE RISK

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

2008	<i>Note</i>	<i>Floating Interest Rate</i>
		<i>\$'000</i>
<i>Financial Assets</i>		
Cash	6	7,954
Weighted average interest rate		6.96%
2007	<i>Note</i>	<i>Floating Interest Rate</i>
		<i>\$'000</i>
<i>Financial Assets</i>		
Cash	6	1,026
Weighted average interest rate		4.89%

Borrowings

On 11 June 2008, the Company renewed a facility of \$65,000,000 with ANZ Banking Group Ltd which expire as to \$10,000,000 in July 2009, \$20,000,000 in July 2010, \$15,000,000 in July 2011 and \$20,000,000 in July 2012.

At 30 June 2008 drawn borrowings comprised \$10,000,000 fixed at a rate of 6.88% and \$30,000,000 fixed at 5.90%.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2008

21. Financial Instruments Disclosure (continued)

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

<i>Equities</i>	<i>No. of Shares</i>	<i>Value at 30/6/08 \$'000</i>
BHP Billiton Ltd	1,300,000	56,810
National Australia Bank Ltd	400,000	10,600
Woodside Petroleum Ltd	900,000	60,750
Rio Tinto Ltd	250,000	33,875

NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Valuation Approach

The Company's investments are readily traded on organised markets in a standard form.

The net fair value of investments is determined by valuing them at last quoted sale price as 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 8.

For all other financial assets and liabilities, the carrying amount closely approximates its fair value.

22. Segment Reporting

The Company operates as an investment company in Australia.

23. Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial periods, except that the market value of the investment portfolio moves broadly in line with the overall Australian share market and the Australian All Ordinaries index fell 7.6% from 30 June 2008 to 19 August 2008.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Declaration

1. In the opinion of the directors of Diversified United Investment Limited (“the Company”):
 - (a) The financial statements and notes set out on pages 9 to 28, and the remuneration disclosures that are contained in the Remuneration report on page 5 of the Directors’ Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2008 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) The financial report also complies with International Financial Reporting Standards.
 - (c) The remuneration report on page 5 of the Directors’ Report complies with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001.
 - (d) 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 2008.

Dated at Melbourne this 20th day of August 2008.

Signed in accordance with a resolution of the directors.

Charles Goode
Director



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

Report on the financial report

We have audited the accompanying financial report of Diversified United Investment Limited (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a statement of significant accounting policies and other explanatory notes 1 to 23 and the directors' declaration set out on page 29.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Statement of continued independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Diversified United Investment Limited on 20 August 2008, would be unchanged if provided to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion:

(a) the financial report of Diversified United Investment Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in page 5 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Diversified United Investment Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

msomerville

Michelle Somerville
Partner

Melbourne

20 August 2008