

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

LEVEL 4
45 EXHIBITION STREET
MELBOURNE VIC 3000
AUSTRALIA

TEL (613) 9654 0499
FAX (613) 9654 3499

HALF YEARLY REPORT TO SHAREHOLDERS

HALF YEAR ENDED 31 DECEMBER 2003

Dear Shareholder,

On 24 February 2004 the Directors made the following report to the Australian Stock Exchange concerning the Company's performance and interim dividend:-

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Operating Profit

Operating profit after income tax for the half year ended 31 December 2003 was \$6,620,000 (previous corresponding period: \$3,615,000), an increase of 83%, or 8.7% if special dividends received of \$2,690,000 as part of the Telstra Corporation Ltd and Foster's Group Ltd share buy-back arrangements are disregarded.

Operating expenses (excluding interest and write downs) were 0.16% of the average market value of the portfolio (previously 0.15%).

The earnings per share based on the weighted average number of shares on issue for the half year was 6.7 cents per share (4 cents excluding the Telstra and Foster's special buy-back dividends) compared to 3.7 cents for the half year to 31 December 2002.

Dividends

The Directors also announce an interim dividend of 2.75 cents per share fully franked to shareholders registered on 24 March 2004, to be paid on 13 April 2004. The comparable 2003 interim dividend was 2.5 cents per share fully franked.

Dividend Reinvestment Plan

The last date for receipt of election notices under the Dividend Reinvestment Plan is 24 March 2004. The Plan offers shares lieu of the cash dividend, at current market prices without discount.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$1.99 at 31 December 2003 and \$1.97 at 31 January 2004. These calculations are after provision for tax on net realised gains, before tax on unrealised gains and before provision for the interim dividend.

The Company is a long term investor and does not intend disposing of its total portfolio. If estimated tax on unrealised gains were to be deducted, the above figures would be \$1.79 at 31 December 2003 and \$1.77 at 31 January 2004.

Investment Portfolio

At 31 December 2003 the investment portfolio at market values was invested in the following areas:

| | |
|----------------------------|-----|
| Australian Equities | 92% |
| Fixed Interest Securities | 1% |
| Listed Property Securities | 3% |
| Short Term Deposits | 4% |

The current asset allocation targets, which are subject to change in the light of the investment climate from time to time, are Australian equities 90%, fixed interest securities 3%, listed property securities 3% and short term deposits 4%.

As at 31 December 2003 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. ANZ Banking Group Ltd | 17,384 | 7.8% |
| 2. Commonwealth Bank of Australia Ltd | 14,725 | 6.6% |
| 3. Woodside Petroleum Ltd | 13,320 | 6.0% |
| 4. Westpac Banking Corporation Ltd | 12,792 | 5.8% |
| 5. National Australia Bank Ltd | 11,980 | 5.4% |
| 6. QBE Insurance Group Ltd | 9,540 | 4.3% |
| 7. Rio Tinto Ltd | 9,300 | 4.2% |
| 8. Tabcorp Holdings Ltd | 8,984 | 4.0% |
| 9. Alumina Ltd | 8,705 | 3.9% |
| 10. Perpetual Trustees Ltd | 8,520 | 3.8% |
| 11. Southern Cross Broadcasting (Aust) Ltd | 7,469 | 3.4% |
| 12. Australian Gas Light Company Ltd | 6,738 | 3.0% |
| 13. Foodland Associated Ltd | 5,838 | 2.6% |
| 14. WMC Resources Ltd | 5,630 | 2.5% |
| 15. Australand Holdings Ltd | 4,969 | 2.2% |
| 16. TAB Limited | 4,620 | 2.1% |
| 17. Transurban Group Ltd | 4,460 | 2.0% |
| 18. Telstra Corporation Ltd | 4,438 | 2.0% |
| 19. Foster's Group Ltd | 4,039 | 1.8% |
| 20. Westfield Trust | 3,916 | 1.8% |
| 21. Washington H. Soul Pattinson & Co Ltd | 3,870 | 1.7% |
| 22. Suncorp Metway Ltd | 3,717 | 1.7% |
| 23. Brambles Industries Ltd | 3,696 | 1.7% |
| 24. Macquarie Infrastructure Group | 3,400 | 1.5% |
| 25. Alesco Corporation Ltd | 3,286 | 1.5% |
| | 185,336 | 83.3% |
| Total Investments at Market Value and Cash | 222,265 | ” |

Further information is available from the Company's website: www.dui.com.au, including the monthly net asset backing per share.

Retirement of Director

Mr John Hopkins retired on 31 December 2003 after seven years as a director. The Board would like to thank Mr Hopkins for his valuable contribution to the Company over this period.

Yours faithfully



Charles Goode
Chairman