DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE FIFTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT 147 COLLINS STREET, MELBOURNE ON THURSDAY 12 OCTOBER 2006 AT 9.00 AM

Ladies and Gentlemen,

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

I can again report that in the latest year there was a satisfactory increase in the Company's profit (before special dividends received and net gains on long term investments) and in our dividends paid, while the accumulation of the net asset backing per share plus dividends paid again rose faster than the S&P/ASX300 Accumulation Index.

The operating profit after income tax and before net gains on long term investments was $13.1m. in the period to 30 June 2006, an increase of 15%, or, if special dividends received in both periods are excluded, $11.8m and an increase of 27%. This profit is equivalent to earnings per share of 12.1 cents or 10.9 cents excluding the special dividends.

This year, special dividends totalling $1.3M, after tax, were received from Australand, CSL, IOOF, Perpetual Trustees, Washington H Soul Pattinson & Co, Suncorp Metway, Telstra, Village Roadshow and Rio Tinto. In 2005, special dividends of $1.8M were received.

In May the Company made a renounceable rights issue of 20,444,001 fully paid shares offered to existing shareholders on a one for five basis at a price of $2.70 per new share. The issue raised over $55M.

Bank borrowings were $25 million at the end of the financial year (previous year $36 million) amounting to around 6% of the investment portfolio at market value. At this level of borrowings our annual interest expense is covered seven times by investment revenue.

Operating expenses represented 0.22% of the average market value of the portfolio.

A final fully franked dividend of 5.5 cents per share has been declared which with the interim dividend of 4.0 cents brought the dividend for the year to 9.5 cents per share, an increase of 1 cent per share or 11.8% over last year. The dividend has been increased every year since the Company was floated fifteen years ago.

The final dividend will include a Listed Investment Company capital gain dividend of 4 cents per share. This will enable some shareholders to claim a tax deduction in their income tax return. Details will be provided in the dividend statement. The ability of the Company to pay LIC dividends is dependent on a number of factors including gains realised from time to time on the long term investment portfolio. This year realised capital gains arose from the takeover of our holding in WMC Resources Ltd.

The net tangible asset backing per share after provision for the final dividend and based on investments at market values and after provision for tax on net realised gains, but not unrealised gains, increased from $2.71 at 30 June 2005 to $3.27 at 30 June, 2006, a rise of 20.1%, after the one for five rights issue at $2.70 in May.

This rise was in a year in which the Australian S&P/ASX 300 Price Index rose by 24% and world equity markets mostly provided modest results – in the USA the Dow Jones Index rose 8.5% and the Standard and Poors 500 rose 6.6%, in the UK the Financial Times 100 rose 14.1%, and the Japanese Nikkei – 225 index rose almost 34%.

The performance of an investment in DUI based on the Net Asset Backing per share, assuming all dividends were reinvested, has outperformed the S&P/ASX 300 Accumulation Index over the one, three, five and seven year periods as follows:

To 30 June 2006	DUI Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	28.4	24.0
3 Years	28.6	23.9
5 Years	13.3	12.3
7 Years	14.3	12.7

Continued Over

The Annual Report provides details of the investments of the Company at 30 June 2006 and 30 June 2005, and the proportion of the market value of the investment portfolio held in each company.

At 30 June 2006 we were 98% invested in 47 Australian listed companies and 2% in cash and bills of exchange.

The largest 25 equity investments comprised 85.8% of the portfolio and the details are set out on page four of the Annual Report.

The largest industry sectors were resources 26.9%; banking 20.9%; insurance 7.4%; diversified financials 6.7%; and transportation infrastructure 5.7%.

Since the end of the financial year we have added to our holdings in BHP Billiton, Rio Tinto, ConnectEast Group, Publishing & Broadcasting, Coca-Cola Amatil, Macarthur Coal and Bluescope Steel. We have sold our small holdings in Sydney Roads Group and Boral.

At 30 September 2006 bank borrowings were $36M and the portfolio was invested in the banking sector as to 20.2%, resources 25.7%, diversified financials 6.7%, insurance 8.0% and infrastructure 5.9%.

Our net asset backing per share based on investments at market values and after provision for tax on net realised gains, but not unrealised gains, and after provision for the final dividend was $3.27 at 30 June 2006 and $3.38 at 30 September, 2006.

The Company is required by the new Australian equivalents to International Financial Reporting Standards to provide for estimated tax that would arise on a theoretical disposal of the entire portfolio. DUI is a long term investor and does not intend disposing of its total portfolio. After deducting this provision the figure was $2.75 at 30 June 2006 and at 30 September 2006 was $2.85.

<u>Outlook</u>:

We have enjoyed a very strong equity market for three years. To us the market seems fairly valued and we expect it to move sideways.

We may experience a slight reduction in the rate of growth in the USA and Australia and slightly higher interest rates. We expect China to continue to power ahead and this will support continued expansion of our mining industry.

We see a healthy, buoyant economy which is strong but not quite as strong as we have been used to in recent years.

Charles Goode
Chairman