DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

CHAIRMAN'S ADDRESS

DELIVERED BY MR CHARLES GOODE AT THE EIGHTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT 147 COLLINS STREET, MELBOURNE ON THURSDAY 15 OCTOBER 2009 AT 9.00 AM

Ladies and Gentlemen,

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

The latest financial year saw turbulent times in investment markets. The Company's operating profit (before special dividends received and realised and unrealised losses) fell slightly. The accumulation of the net asset backing per share plus dividends paid declined 21.1%, which was a little more than the comparable index decline of 20.3%.

The operating profit after income tax and before net losses on long term investments was $18.1 million in the period to 30 June 2009, a decrease of 9%, or, if special dividends received in both periods are excluded, a decrease of 3.7%. Leaving aside special dividends, the year's result reflects an 11% decrease in income from dividends and trust distributions partially offset by an increase in net interest income.

In April 2009, $18.8 million of new equity was raised through the Share Purchase Plan.

The weighted average number of ordinary shares on issue for the year was 144 million as against 131 million in the previous year, an increase of almost 10%.

The operating earnings per share excluding realised losses on sale of long term investments were 12.6 cents, compared to 15.3 cents for the previous year. This year one special dividend of $105,000 was received from St George Bank. Last year, special dividends totalling $1,302,000, were received from several companies. Excluding special dividends, earnings per share were 12.5 cents, compared to 14.3 cents for the previous year.

The total result for the year was a loss of $3.6 million after including realised losses after tax of $6.0 million, and unrealised impairment losses after tax of $15.8 million required under current accounting standards to be transferred to the income statement from the revaluation reserve. The unrealised impairment charge does not affect the Company's net asset backing per share as the portfolio is revalued to market prices continuously. Unrealised impairment losses are not part of operating profit which is used by directors as the basis for determining the amount to be paid as dividends.

We are of the view that the shorter term approach contained in international accounting standard AASB 139 is inappropriate for an Australian listed equity investment company with a long term investment horizon. We understand the accounting standard is likely to change again this year.

Bank borrowings were $65 million at the end of the financial year (previous year $40 million) amounting to around 14% of the investment portfolio at market values. At this level of borrowings our annual interest expense was covered 6.6 times by investment revenue. Cash on hand at the end of the financial year was $56M.

Operating expenses represented 0.19% of the average market value of the portfolio compared to 0.14% last year, the increase principally reflecting increased directors fees as we added one director and the lower portfolio value.

A final fully franked dividend of 7 cents per share has been paid which with the interim dividend of 6 cents brought the dividend for the year to 13 cents per share, steady on last year. This is the first year the dividend has not been increased since the Company was floated eighteen years ago. However in view of the results we were very pleased to maintain our dividend rate.

In contrast to last year this year the final dividend did not include a Listed Investment Company capital gain dividend. This year's dividend payment dates are several weeks earlier than in previous years and directors intend to continue this timetable in future.

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, declined from $3.47 at 30 June 2008 to $2.60 at 30 June, 2009, a fall of 25%.

This decline was in a year in which the Australian S&P/ASX 200 Price Index fell by 24%, while in the USA the Dow Jones Index fell 26% and the Standard and Poors 500 fell 28%, the UK Financial Times 100 Index fell 25%, and the Japan Nikkei – 225 Index fell 26%.

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

Continued Over

To 30 June 2009	DUI Accumulation % p.a.	S&P ASX 300 Accumulation Index % p.a.
1 Year	(21.1)	(20.3)
3 Years	(3.6)	(3.9)
5 Years	8.8	6.8

The Annual Report provides details of the investments of the Company at 30 June 2009 and 30 June 2008, and the proportion of the market value of the investment portfolio held in each company.

At 30 June 2009 we were 86.8% invested in 34 Australian listed companies or trusts, 1.1% in fixed interest and 12.1% in cash and bills of exchange.

The largest 25 equity investments comprised 83.8% of the portfolio and the details are set out on page four of the Annual Report.

The largest industry sectors were Resources 29%; Banking 25%; Insurance 6%; and Retailing 5%.

Since the end of the financial year, we have taken up our entitlements in the issues by Australand, National Australia Bank, Telstra and ConnectEast. We have added to our holdings in Consolidated Media, Telstra, CSL, Transurban and AXA, purchased holdings in Mystate, Ramsay Healthcare and Healthscope and reduced our holding in Alumina and sold our holdings in News Corporation and Macquarie Communications. The Santos FUELS fixed interest investment has matured.

At 30 September 2009 our borrowings were $65M while cash and short term investments were $46M. The portfolio was invested in the Resources sector as to 28%, Banking 29%, Insurance 7%, Retailing 5%, Infrastructure 4% and Diversified Financials 4%,

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 $2.60 at 30 June 2009 and $3.23 at 30 September, 2009.

DUI is a long term investor and does not intend disposing of its total portfolio. However, under current accounting standards, the Company is required to provide for estimated tax that would arise on a theoretical disposal of the entire portfolio. After deducting this provision the net asset backing per share was $2.43 at 30 June 2009 and at 30 September 2009 was $2.81.

Outlook:

Around half the companies in which we have investments have foreshadowed lower dividends for the current year. The year to 30 June 2009 felt the impact of this in lower interim dividends which were received mainly in March/April 2009.

This year we will also have the impact of lower final dividends which we receive mainly in September/December 2009.

We therefore expect the Company's operating profits to be materially lower in the current financial year and if we maintain our dividend it will only be from using our retained profits of earlier years. The decision on this matter will be made at the end of the financial year and will be significantly influenced by the outlook for dividend income in 2011.

This year however is expected to show a good increase in our net asset backing per share. Our share market hit a low in March 2009 and since then confidence has returned to our financial markets.

We have passed a possible financial Armageddon and are experiencing a more conventional recession in which markets can look across the valley to an expected recovery.

We expect the world economic recovery to be slow, especially in the USA and Europe. In Australia we have been fortunate in our strong position going into the Global Financial Crisis. We had a Commonwealth Budget surplus, no net Government borrowings, high interest rates, a strong banking system, and no overbuilding in our housing market.

The Reserve Bank and Government response has been prompt and significant with official interest rates reduced from 7.25% to 3% and a fiscal stimulus of around 5% of GDP. Our trade with Asia and in particular China has also remained strong.

So while this will be a year of lower operating profits, we are cautiously optimistic on the medium term outlook.

Charles Goode
Chairman