

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

APPENDIX 4E STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

CONTENTS

- Results for announcement to the market
- Letter to Australian Securities Exchange
- Financial Statements
- Independent Audit Report

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2015 with the prior corresponding period being the year ended 30 June 2014.

This report is based on audited financial statements. A copy of the audit report can be found on page 30.

Results for announcement to the market

- Revenue from ordinary activities was \$39.6 million, up 26.5% from the prior year.
- Profit after tax and before net realised and unrealised losses/gains on the investment portfolio was \$33.7 million, up 27.7% from the prior year. Net realised gains and losses are recorded in the Asset Realisation Reserve.
- This year special dividends of \$3,831,000 after tax were received. Last year special dividends of \$841,000 were received.
- After adjusting for the bonus element in the November 2014 one for five renounceable rights issue, earnings per share excluding the special dividends received rose 3.4% to 15.1 cents per share, or 12.6% to 17.0 cents including the special dividends received. The weighted average number of ordinary shares for the year having adjusted for the bonus element in the rights issue was 198,422,380 as against 175,216,517 in the prior year, an increase of 13.2%.
- The final dividend is 7.5 cents per share (7.5 cents for the prior year) fully franked, making total dividends for the year 14.0 cents fully franked, unchanged on the prior year. The final dividend is payable on 25 September 2015. The record date for determining entitlement to the final dividend is 4 September 2015.
- The final dividend will not include any Listed Investment Company capital gain 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 the volume weighted average selling price of shares traded on the Australian Securities Exchange on the Dividend ex date of 2 September 2015 and the following four business days, without any discount. The last day for receipt of an election notice for participation in the plan is 7 September 2015.
- The net tangible asset backing per share based on the market valuation of investments was \$3.68 at 30 June 2015, compared to \$3.69 at the end of the prior year (adjusted for the bonus element in the rights issue), a fall of 0.3%. These calculations are after tax on realised gains, before any future tax benefit of realised losses, before estimated tax on net unrealised gains/losses, and before provision for the final dividend.

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

LEVEL20
101 COLLINS STREET
MELBOURNE VIC 3000
Australia

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

17 August 2015

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

Dear Sir,

Financial Results and Dividend Announcement
for the Financial Year Ended 30 June 2015

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

Profit and Realised Capital Gains

Profit after income tax for the year ended 30 June 2015 was \$33,740,000 (prior year: \$26,423,000) a rise of 27.7%, or 16.9% if special dividends received of \$3,831,000 after tax (prior year: \$841,000) are excluded. This year special dividends received include a non-cash demerger dividend of \$3,600,000 received as result of the demerger of South32 from BHP Billiton. Profit also includes realised foreign exchange gains of \$1,119,000 after tax (prior year: nil).

The profit for the year excludes net realised gains and losses which are transferred directly to the Asset Revaluation Reserve. The net realised gains on the investment portfolio after tax for the year were \$7,735,000 (prior year: \$4,031,000).

Operating expenses (excluding interest) were 0.13% of the average market value of the portfolio (prior year: 0.15%).

Earnings Per Share

After adjusting for the bonus element in the November 2014 one for five renounceable rights issue, earnings per share excluding the special dividends received rose 3.4% to 15.1 cents per share, or 12.6% to 17.0 cents including the special dividends received.

The weighted average number of ordinary shares for the year was 198,422,380 against 175,216,517 taking into account the shares issued on the dividend re-investment plan and having adjusted for the bonus element in the rights issue, an increase of 13.2%.

- 2 -

Rights Issue and International Investments

During the year the Company raised \$102.6M in a 1:5 renounceable rights issue at \$3.00 per share. The purpose of the issue was to diversify the investment portfolio including an allocation towards 10% in international investments. At 30 June international investments accounted for 9.8% of the market value of the portfolio. Any foreign exchange currency exposure is currently unhedged.

Dividends

The Directors have declared a final dividend of 7.5 cents per share fully franked to shareholders registered on 4 September 2015, to be paid on 25 September 2015. The comparable 2014 final dividend was 7.5 cents per share fully franked. Together with the interim dividend of 6.5 cents per share, total dividends for the year are 14.0 cents per share fully franked, unchanged from the prior year. Shares issued in the rights issue in November 2014 did not rank for the interim dividend.

LIC Capital Gains

The final dividend will not include any Listed Investment Company capital gain dividend.

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 the volume weighted average selling price of shares traded on the Australian Securities Exchange on the Dividend ex date of 2 September 2015 and the four business days immediately following that date, without any discount. The last day for the receipt of an election notice for participation in the plan is 7 September 2015.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$3.68 at 30 June 2015 and \$3.87 at 31 July 2015. These calculations are after tax on realised gains, before any future tax benefit of realised losses, before estimated tax on net unrealised gains and losses, 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 net unrealised gains were to be deducted, the above figures would be \$3.24 at 30 June 2015 and \$3.38 at 31 July 2015.

Performance

The Company's net asset backing accumulation performance (assuming all dividends paid by the Company were reinvested in its shares, and after all expenses and tax, and after adjusting for the bonus element in the rights issue) for the year to 30 June 2015 was a rise of 3.6% while the S&P/ASX 300 accumulation index rose 5.6% over the same period. The Company's accumulation performance is after all expenses, tax, and the impact of the Company's gearing. Such items are not included in the S&P/ASX index.

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday 15 October 2015 at 9.00 am at the offices of KPMG, 147 Collins Street, Melbourne.

- 3 -

Investment Portfolio

As at 30 June 2015 the twenty-five largest shareholdings of the company, at market values were:

Company	Market Value \$'000	% of Market Value of Total Investments
1. Commonwealth Bank of Australia Ltd	68,104	8.1%
2. ANZ Banking Group Ltd	61,180	7.3%
3. Westpac Banking Corporation Ltd	57,870	6.9%
4. CSL Ltd	51,882	6.1%
5. National Australia Bank Ltd	43,303	5.1%
6. BHP Billiton Ltd	43,280	5.1%
7. Transurban Group	34,410	4.1%
8. Woodside Petroleum Ltd	34,230	4.1%
9. Rio Tinto Ltd	32,250	3.8%
10. Vanguard All-World Ex-US Shares Index ETF	30,697	3.6%
11. Medibank Private Ltd	26,130	3.1%
12. Vanguard US Total Market Shares Index ETF	20,868	2.5%
13. Woolworths Ltd	18,872	2.2%
14. Wesfarmers Ltd	17,173	2.0%
15. AMP Ltd	15,050	1.8%
16. Washington H Soul Pattinson & Co Ltd	14,784	1.8%
17. Asciano Ltd	14,630	1.7%
18. Origin Energy Ltd	14,364	1.7%
19. Oil Search Ltd	14,260	1.7%
20. Computershare Ltd	12,881	1.5%
21. Mystate Ltd	12,558	1.5%
22. Sonic Healthcare Ltd	10,685	1.3%
23. iShares Global Healthcare	10,508	1.2%
24. iShares TR MSCI USA Min Vol ETF	10,369	1.2%
25. Vanguard Information Technology ETF	10,208	1.2%
	<hr/>	
	680,546	80.6%
	<hr/>	
Total Investments at Market Value, Short Term Receivables and Cash	844,515	
	<hr/> <hr/>	

Note: At 30 June bank borrowings were \$85M, and cash and net short term receivables (included in the above figure) were \$27M.

Yours faithfully,

A J Hancock
Company Secretary

DIVERSIFIED UNITED INVESTMENT LIMITED
(ABN 33 006 713 177)

ANNUAL FINANCIAL REPORT
30 JUNE 2015

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report

The directors of Diversified United Investment Limited present their Directors' Report together with the financial report for the financial year ended 30 June 2015 and the auditor's 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
Appointed Chairman September 1991

Mr Goode is the Chairman of the Boards of Australian United Investment Company Limited (since 1990), The Ian Potter Foundation Limited (governor since 1987) and Flagstaff Partners Pty Ltd (since 2010). Formerly Mr Goode was a director of Australia and New Zealand Banking Group Limited (1991 – 2010, Chairman 1996 – 2010), Woodside Petroleum Limited (1988 – 2007, Chairman 1999 – 2007) and Grosvenor Australia Properties Pty Limited (Chairman 2008 - 2012).

Anthony Burgess B.Com (Hons) (Melb), MBA (Dist'n) (Harvard), CPA, F.Fin
Non-Executive Director
Appointed September 2008

Mr Burgess has over 30 years' experience in corporate finance in Melbourne, London and New York. He is Chief Executive Officer of Flagstaff Partners Pty Ltd (since 2010), an independent corporate finance advisory firm. He was formerly Global Co-Head of Mergers and Acquisitions at Deutsche Bank AG, based in London. He is a Governor of The Ian Potter Foundation Limited (since 2013), Chairman of the Foundation for Business and Economics at the University of Melbourne, a Director of the Melbourne Business School Limited and a member of the Board of Management of the Melbourne Theatre Company.

Stephen Hiscock B.Com (Melb), M.App.Fin (Macq), F.Fin
Non-Executive Director
Appointed 16 November 2011

Mr Hiscock is Chairman and a founding shareholder of SG Hiscock & Company Ltd (SGH), a fund manager specialising in Australian Equities and REITs. Prior to setting up SGH, Mr Hiscock was Chief Investment Officer, National Asset Management Ltd (NAM), a subsidiary of National Australia Bank Ltd and he was also the Chairman of their Asset Allocation Committee. Prior to that he was the Head of NAM's Australian Equities team (for 5 years) and the Head of NAM's Property Team. He is the Chairman of the Company's Nomination and Remuneration Committee.

Andrew Larke LLB (Melb), B.Com (Melb), Grad Dip (Corporations & Securities Law) (Melb)
Non-Executive Director
Appointed 17 March 2015

Mr Larke is the Managing Director and Chief Executive Officer of IXOM (formerly the chemicals division of Orica) until 1 October 2015, and thereafter Chairman. He is a Non-Executive Director of DuluxGroup Ltd. Formerly he has held senior corporate strategy roles in Orica Ltd and North Ltd and been involved in mergers, acquisitions and divestments as well as corporate advisory. He is Chairman of the Company's Audit and Risk Management Committee.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

Pierre Prentice CA, B. Com (Wellington N.Z.)

Non-Executive Director

Appointed 1 February 2012

Retired 16 February 2015

In 1999 Mr Prentice co-founded JCP Investment Partners (JCP) of which he was a director until 2012. Until 2010, he was JCP's Head of Research. Prior to joining JCP, he worked in institutional broker research and became Executive Vice President of BT Australia where he was head of industrial research for BT Stockbroking and a member of their Executive Committee. His earlier career was as a Chartered Accountant and he was a partner of KPMG Peat Marwick.

Company Secretary

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

Company Secretary

Appointed September 1991

Mr Hancock is also Company Secretary of Australian United Investment Company Limited (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.

Operating and Financial Review

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. There has been no significant change in the nature of the Company's activities during the financial year, other than during the year the Company raised \$102.6M in a 1:5 renounceable rights issue at \$3.00 per share. The purpose of the issue was to diversify the investment portfolio including an allocation towards 10% in international investments. At 30 June international investments accounted for 9.8% of the market value of the portfolio. Any foreign exchange currency exposure is currently unhedged.

For the year ended 30 June 2015 profit after tax before net gains and losses on the investment portfolio was \$33,740,000 (compared to \$26,423,000 in 2014) – an increase of 27.7%.

If special dividends received are disregarded, profit increased by 16.9%. In 2015, the profit after tax included \$3,831,000 of special dividends received (2014: \$841,000). The weighted average number of ordinary shares for the year having adjusted for the bonus element in the November 2014 one for five renounceable rights issue was 198,422,380 as against 175,216,517 in the previous year, an increase of 13.2%.

Having adjusted for the bonus element in the November 2014 one for five renounceable rights issue, the earnings per share was 15.1 cents excluding special dividends (2014: 14.6 cents), or was 17.0 cents including special dividends (2014: 15.1 cents).

The net tangible asset backing of each of the Company's shares at 30 June 2015 was \$3.68 (2014: \$3.69, after adjusting for the bonus element in the rights issue). This net tangible asset backing calculation is based on investments at market value and is after tax on realised gains, before any future tax benefit of realised losses, and before estimated tax on net unrealised gains and losses, and before the Company's 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 have been \$3.24 (2014: \$3.27).

Bank borrowings as at 30 June 2015 were \$85 million (2014: \$65 million) amounting to around 10% of the investment portfolio at market values (2014: 9%). Cash on hand, cash deposits and net short term receivables were \$27 million, or 3% of the investment portfolio at market values (2014: \$13 million or 2%). Annual interest expense was covered 9.7 times by profit before interest and tax (2014: 9.0 times).

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was a rise of 3.6% (after adjusting for the bonus element in the rights issue), as compared to the S&P/ASX 300 Accumulation Index rise of 5.6%.

Dividends declared by the Company for the 2015 financial year total 14.0 cents per share (2014: 14.0 cents per share).

It is the Directors' intention to continue to invest in a portfolio of listed securities for long term capital gain and current income. The risks to which the Company is exposed are set out in Notes 20 and 21 to the Financial Statements.

The composition of the profit after income tax was:

	2015 \$'000	2014 \$'000
<i>REVENUE FROM INVESTMENT PORTFOLIO</i>		
Dividends	33,466	27,338
Trust Distributions	2,294	3,036
Foreign Income	860	-
Interest	855	404
Option Premium Income	501	501
Net Foreign Exchange Gain	1,599	-
	<u>39,575</u>	<u>31,279</u>
<i>EXPENSES</i>		
Administration and other expenses:		
Accounting and Custody Fees	182	177
Audit	47	45
Share Registry	70	74
Directors' Fees	384	375
ASX Fees	95	88
Company Secretary - Remuneration	80	78
- Rights Issue	42	-
Insurance	40	40
Office rent, printing and other	93	107
Finance Costs:		
Interest	3,960	3,363
	<u>4,993</u>	<u>4,347</u>
Profit before income tax expense and net gains and losses on investment portfolio	34,582	26,932
Income tax (expense)/ benefit	<u>(842)</u>	<u>(509)</u>
Net profit before net gains and losses on investment portfolio	<u><u>33,740</u></u>	<u><u>26,423</u></u>

Expenses (excluding finance costs) were 0.13% of the average market value of the investment portfolio (2014: 0.15%).

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

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 2014 of 7.5¢ per share fully franked paid on 25 September 2014.	12,837
An interim dividend in respect of the year ended 30 June 2015 of 6.5¢ per share fully franked paid on 17 March 2015.	11,152
<i>Paid or declared after end of year</i>	
A final dividend in respect of the year ended 30 June 2015 of 7.5¢ per share fully franked payable on 25 September 2015.	15,471

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 & Risk Management 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	13	13	2*	2	2	2
Anthony Burgess	13	13	2	2	2	2
Stephen Hiscock	12	13	2	2	2	2
Pierre Prentice	9	9	2	2	1	1
Andrew Larke	4	4	N/A	N/A	1*	1

* In attendance – not a committee member.

The Audit and Risk Management Committee comprises Mr Larke (Chairman, appointed 17 March 2015) Mr Burgess, Mr Hiscock. Mr Prentice was Chairman, until his retirement on 16 February 2015.

All members of the board are members of the Nomination and Remuneration Committee, which is chaired by Mr Hiscock.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

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 Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001 is as follows:-

	SHARES		
	1	2	3
Charles Goode	2,060,223	3,401,543	140,000
Anthony Burgess	-	415,000	-
Stephen Hiscock	-	40,000	-
Pierre Prentice	-	-	-
Andrew Larke	-	-	-

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' Fees (1)

	2015			2014		
	Fee \$	Superannuation \$	Total \$	Fee \$	Superannuation \$	Total \$
Charles Goode	142,440	13,532	155,972	137,300	12,700	150,000
Anthony Burgess	71,220	6,766	77,986	68,650	6,350	75,000
Stephen Hiscock	71,220	6,766	77,986	68,650	6,350	75,000
Pierre Prentice	27,032	22,028	49,060	61,032	13,968	75,000
Andrew Larke	20,822	1,978	22,800	-	-	-
Total	332,734	51,070	383,804	335,632	39,368	375,000

(1) No additional fees are paid to members of the board committees.

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. Other than the Company Secretary the Company has no Executives or Executive Directors.

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.

Directors' fees are fixed annually taking into account the company's performance and market conditions. The Company's performance in respect of the current financial year and the previous four financial year was:

	2015	2014	2013	2012	2011
Profit (\$ Millions)	33.7	26.4	23.6	21.7	21.0
Earnings Per Share (excluding special dividends)*	15.1	14.6	13.1	12.7	12.2
Dividends (cents per share)*	14.0	13.6	13.1	12.6	12.6
Net Asset backing Per Share 30 June*	\$3.68	\$3.69	\$3.19	\$2.64	\$2.99
Share Price 30 June*	\$3.51	\$3.50	\$2.92	\$2.30	\$2.63
Management Expense Ratio	0.13%	0.15%	0.17%	0.17%	0.17%
S&P/ASX 300 Index 30 June	5,401	5,340	4,759	4,084	4,608

* Figures for the current and comparative years have been adjusted for the bonus element in the one for five renounceable rights issue, completed November 2014. Refer to Note 18 of the Financial Statements for details of the adjustment.

Each director has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance. Refer to Note 16 of the financial statements for information relating to the insurance contracts. 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.

The Company Secretary, Mr Andrew J Hancock, received \$80,000 (2014: \$77,500) for services provided to the Company. In addition, Mr Hancock received a payment of \$42,500 for services provided in respect of the one for five renounceable rights issue.

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.

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 one for five renounceable rights issue which raised \$102,581,000 in November 2014. The value of the investment portfolio fluctuated broadly in line with market movements.

Non-audit services

During the year KPMG, the Company's auditor, has provided taxation services in addition to its statutory duties. KPMG received fees of \$9,350 for these services including GST.

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.

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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

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

The lead auditor's independence declaration is set out on page 9 and forms part of the Directors' Report for the year ended 30 June 2015.

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.

Signed in accordance with a resolution of the directors:

Charles Goode
Director

Dated at Melbourne this 17th day of August 2015



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 2015 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

Maria Trinci

Maria Trinci
Partner

Melbourne

17 August 2015

DIVERSIFIED UNITED INVESTMENT LIMITED

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2015

	<i>Note</i>	<i>2015</i> \$'000	<i>2014</i> \$'000
Revenue from investment portfolio	2	39,575	31,279
Administration and other expenses		(1,033)	(984)
Finance expenses	2	(3,960)	(3,363)
Profit before income tax		34,582	26,932
Income tax expense	4(a)	(842)	(509)
Profit		33,740	26,423
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Revaluation of investment portfolio for the year		(5,706)	83,656
Provision for tax benefit / (expense) on revaluation for the year of investment portfolio		234	(25,229)
Other Comprehensive Income / (Loss) net of income tax		(5,472)	58,427
Total Comprehensive Income for the year		28,268	84,850
Basic and diluted earnings per share (cents)	18	17.0	15.1

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 28.

DIVERSIFIED UNITED INVESTMENT LIMITED

Balance Sheet as at 30 June 2015

	Note	2015 \$'000	2014 \$'000
ASSETS			
Cash assets	6	20,987	6,868
Receivables	7	6,460	6,480
Other	9	49	47
TOTAL CURRENT ASSETS		27,496	13,395
Investment portfolio	8	817,767	700,101
TOTAL NON-CURRENT ASSETS		817,767	700,101
TOTAL ASSETS		845,263	713,496
LIABILITIES			
Payables	10	798	159
Current tax liability	4(c)	893	101
TOTAL CURRENT LIABILITIES		1,691	260
Provision for long service leave		18	-
Borrowings – interest bearing	11	85,199	64,780
Deferred tax liability	4(b)	89,039	89,226
TOTAL NON-CURRENT LIABILITIES		174,256	154,006
TOTAL LIABILITIES		175,947	154,266
NET ASSETS		669,316	559,230
EQUITY			
Issued capital	13(a)	416,171	310,364
Reserves	13(b)	253,145	248,866
TOTAL EQUITY		669,316	559,230

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 28.

DIVERSIFIED UNITED INVESTMENT LIMITED

Statement of Changes in Equity for the Year Ended 30 June 2015

	<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 2013	304,214	160,783	(18,541)	45,544	492,000
Comprehensive Income					
Revaluation of investment portfolio	-	83,656	-	-	83,656
Tax expense on revaluation	-	(25,229)	-	-	(25,229)
Net realised gains and losses on investment portfolio	-	(5,654)	5,654	-	-
Tax benefit on net realised gains and losses	-	1,623	(1,623)	-	-
Net profit for the year	-	-	-	26,423	26,423
	-	54,396	4,031	26,423	84,850
Transactions with shareholders					
Dividend reinvestment plan	6,150	-	-	-	6,150
Dividends	-	-	-	(23,770)	(23,770)
	6,150	-	-	(23,770)	(17,620)
Balance at 30 June 2014	310,364	215,179	(14,510)	48,197	559,230
Balance at 1 July 2014	310,364	215,179	(14,510)	48,197	559,230
Comprehensive Income					
Revaluation of investment portfolio	-	(5,706)	-	-	(5,706)
Tax benefit on revaluation	-	234	-	-	234
Net realised gains and losses on investment portfolio	-	(11,290)	11,290	-	-
Tax expense on net realised gains and losses	-	3,555	(3,555)	-	-
Net profit for the year	-	-	-	33,740	33,740
	-	(13,207)	7,735	33,740	28,268
Transactions with shareholders					
Renounceable rights issue	102,581	-	-	-	102,581
Dividend reinvestment plan	3,226	-	-	-	3,226
Dividends	-	-	-	(23,989)	(23,989)
	105,807	-	-	(23,989)	81,818
Balance at 30 June 2015	416,171	201,972	(6,775)	57,948	669,316

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 28.

DIVERSIFIED UNITED INVESTMENT LIMITED

Statement of Cash Flows for the Year Ended 30 June 2015

	<i>Note</i>	<i>2015</i>	<i>2014</i>
		<i>\$'000</i>	<i>\$'000</i>
Cash flows from operating activities			
Interest received		858	402
Dividends and trust distributions received		32,838	29,249
Realised foreign exchange gains		1,599	-
Option premium income received		501	501
Administration and other expenses paid		(983)	(997)
Finance costs paid		(3,541)	(3,293)
Income taxes paid		(3)	-
		<hr/>	<hr/>
Net cash from operating activities	17(b)	31,269	25,862
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from sale of investments		71,217	42,987
Purchases of investments		(190,185)	(55,093)
		<hr/>	<hr/>
Net cash used in investing activities		(118,968)	(12,106)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from renounceable rights issue (net of costs)		102,581	-
Proceeds from additional borrowings		20,000	-
Dividends paid net of dividend reinvestment plan		(20,763)	(17,620)
		<hr/>	<hr/>
Net cash from / (used) in financing activities		101,818	(17,620)
		<hr/>	<hr/>
Net increase / (decrease) in cash held		14,119	(3,864)
Cash and cash equivalents at 1 July	17(a)	6,868	10,732
		<hr/>	<hr/>
Cash and cash equivalents at 30 June	17(a)	20,987	6,868
		<hr/> <hr/>	<hr/> <hr/>

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 28.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2015

1. Statement of significant accounting policies

Diversified United Investment Limited ("the Company") is a for-profit company domiciled in Australia.

The financial report was authorised for issue by the directors on 17 August 2015.

(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 Standards Board ('AASB') and the Corporations Act 2001. The financial report of the Company also complies with 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 that have been issued as at balance date but are not yet operative for the year ended 30 June 2015 ("the inoperative standards").

The impact of 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 are stated at their fair value.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

(c) Investments

The Company is a long term investor. Under IFRS, equity investments are classified as fair value through other comprehensive income. After initial recognition at fair value (being cost), equity investments are measured at fair value.

Unrealised gains or losses on equity investments are recognised in the Asset Revaluation Reserve until the investment is sold, collected or otherwise disposed of, at which time the cumulative gain or loss is transferred to the Asset Realisation Reserve.

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 realisation reserve.

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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2015

1. Statement of significant accounting policies (continued)

(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, option premiums 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. Special Dividends are those dividends received which have been designated as special and non-recurring by the declaring company.

(e) Taxation

The income tax expense or revenue for the period is the tax payable or receivable 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 equity securities in the investment portfolio is recognised directly in equity and as a deferred tax liability. When 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 the Revaluation Reserve is transferred to the Realisation Reserve. The associated deferred tax liability is similarly adjusted and transferred to current tax payable.

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) Ordinary Shares

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

(h) Foreign currency

Transactions in foreign currencies are translated into Australian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Australian dollars at the exchange rate at the reporting date. Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available for-sale equity investments are recognised in Other Comprehensive Income.

DIVERSIFIED UNITED INVESTMENT LIMITED

*Notes to the Financial Statements
for the Year Ended 30 June 2015*

	2015 \$'000	2014 \$'000
2. Revenue and Expenses		
(a) Revenue		
Ordinary dividends received or due and receivable	29,604	26,373
Special dividends received or due and receivable	3,862	965
	33,466	27,338
Trust distributions received or due and receivable	2,294	3,036
Foreign income received or due and receivable	860	-
Interest received or due and receivable	855	404
Option Premium Income	501	501
Net foreign exchange gain	1,599	-
	39,575	31,279
(b) Expenses		
Finance expenses:		
- Interest	3,960	3,363
3. Auditor's Remuneration	2015	2014
	\$	\$
During the year KPMG, the Company's auditor, received the following remuneration (including GST):		
- Audit and review of financial reports	47,179	45,364
- Taxation related services	9,350	9,350
4. Taxation	2015	2014
	\$'000	\$'000
(a) Income Tax Expense		
<i>(i) Recognised in the income statement</i>		
Current tax expense		
Current year tax payment accrued	(896)	(101)
Over provision for prior years	266	15
	(630)	(86)
Deferred tax expense		
Recognition of tax losses and deferred tax balances	(211)	(406)
Temporary differences	(1)	(17)
	(212)	(423)
Total income tax expense in income statement	(842)	(509)

DIVERSIFIED UNITED INVESTMENT LIMITED

*Notes to the Financial Statements
for the Year Ended 30 June 2015*

	2015 \$'000	2014 \$'000
4. Taxation (continued)		
<i>(ii) Reconciliation between tax expense and pre-tax profit</i>		
Prima facie tax expense calculated at 30% on the profit for the year	(10,375)	(8,080)
Increase in tax expense due to:		
Franking credits gross up on dividends received	(3,355)	(3,163)
Foreign tax gross up on foreign income	(46)	-
Sundry items	(30)	-
Decrease in tax expense due to:		
Tax deferred distributions received	281	81
Franking credits on dividends received	11,184	10,544
Foreign tax offsets on foreign income received	153	-
Non-taxable dividends received	1,080	-
Sundry items	-	94
	(1,108)	(524)
Tax expense on profit	266	15
Over provision prior year	(842)	(509)
Tax expense attributable to profit for the year	(842)	(509)
<i>(iii) Deferred tax liability recognised directly in equity</i>		
(Increase) / decrease in provision for tax on net unrealised gains on the equity investment portfolio	234	(25,229)
(b) Deferred Tax Assets and Liabilities		
<i>Recognised deferred tax assets and liabilities</i>		
Revaluation reserve – Provision for tax on net unrealised gains on the equity investment portfolio	(93,626)	(97,483)
Other	(46)	(46)
Tax benefit of capital losses carried forward	4,633	8,303
	(89,039)	(89,226)
Net deferred tax liabilities	(89,039)	(89,226)
(c) Current Tax Liability		
Current year tax liability	(896)	(101)
Less: Tax instalment paid	3	-
	(893)	(101)
Net current tax liability	(893)	(101)

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2015

	2015 \$'000	2014 \$'000
5. Dividends		
Dividends recognised in the current year by the Company are:		
(i) 2014 final dividend of 7.5¢ per share (2013: 7.5¢) fully franked paid 25 September 2014	12,837	12,699
(ii) 2015 interim dividend of 6.5¢ per share (2014: 6.5¢) fully franked paid 17 March 2015	11,152	11,071
	23,989	23,770

Subsequent to reporting date:

Since 30 June 2015, the directors have declared the following dividend payable on 25 September 2015:

- Final dividend of 7.5 cents per share fully franked (2014: 7.5¢)	15,471	12,833
--	--------	--------

The final dividend will not contain a Listed Investment Company capital gain dividend (2014: no LIC capital gain dividend).

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2015.

Dividend Franking Account:

The balance of the Franking Account at 30 June 2015 is \$14,673,416 (2014: \$15,617,194) after adjusting for:

- (a) franking credits that will arise from any current income tax liability
- (b) franking credits that will arise from the receipt of dividends recognised as receivables at year-end

After allowing for the final 2015 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$8,043,129 (2014: \$10,117,250).

The ability to utilise the franking credits is dependent upon the ability of the Company to declare dividends.

LIC Capital Gain Account:

The balance of the Listed Investment Company (LIC) Capital Gain Account at 30 June 2015 was \$125,092 (2014: \$125,092). 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.

DIVERSIFIED UNITED INVESTMENT LIMITED

*Notes to the Financial Statements
for the Year Ended 30 June 2015*

	<i>2015</i> \$'000	<i>2014</i> \$'000
6. Cash Assets		
Units in Cash Management Trusts and Deposits at Call	20,987	6,868
7. Receivables		
<i>Current</i>		
Sundry debtors	6,374	6,194
Outstanding settlements	86	286
	6,460	6,480
8. Investments		
<i>Non-Current</i>		
Investments in equities quoted on prescribed stock exchanges (at fair value)	817,767	700,101
9. Other Assets		
<i>Current</i>		
Prepayments	49	47
10. Payables		
<i>Current</i>		
Trade Creditors	99	64
Outstanding settlements	699	95
	798	159
11. Interest Bearing Liabilities *		
<i>Non-Current</i>		
Loan Facility – Secured	85,199	64,780

* The face value of the drawn facility is \$85 million (2014: \$65 million). The amount disclosed above is held at amortised cost plus accrued interest. For more information about the company's exposure to interest risk and liquidity risk, see notes 20 and 21.

	<i>Note</i>	<i>2015</i> \$'000	<i>2014</i> \$'000
12. Financing Arrangements			
The Company has access to the following lines of credit:			
<i>Total facility available</i>			
Loan Facility – Secured		85,000	65,000
<i>Facilities utilised at balance date</i>			
Loan Facility – Secured		85,000	65,000

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2015

	<i>Note</i>	<i>2015 \$'000</i>	<i>2014 \$'000</i>
13. Capital and Reserves			
(a) Issued Capital			
Issued and paid-up share capital 206,275,605 ordinary fully paid shares (2014: 171,109,375)		416,171	310,364
Movements in issued capital			
Balance at beginning of the year		310,364	304,214
Shares issued			
- Dividend re-investment plan ⁽¹⁾		3,226	6,150
- Renounceable rights issue (net of costs) ⁽²⁾		102,581	-
		416,171	310,364

(1) In respect of the 2014 final dividend, paid on 25 September 2014, 407,046 shares were issued at \$3.8326 each under the dividend re-investment plan. In respect of the 2015 interim dividend, paid on 17 March 2015, 454,695 shares were issued at \$3.6647 each under the dividend re-investment plan.

(2) In respect of the one for five renounceable rights issue on 10 November 2014, 34,304,489 shares were issued at \$3.00 each.

(b) Reserves

Retained Earnings		57,948	48,197
Revaluation Reserve		201,972	215,179
Realisation Reserve		(6,775)	(14,510)
		253,145	248,866

Revaluation Reserve

Increments or decrements arising from the revaluation of long term equity investments after provision for deferred tax are recorded in this reserve. When an investment has been sold or de-recognised, realised gains or losses (after tax) are transferred from the revaluation reserve to the realisation reserve.

Realisation Reserve

The realisation reserve records realised gains and losses (after tax) from the sale of investments in equities which are transferred from the revaluation reserve.

14. Directors' Remuneration

Details of the directors' remuneration are set out in the Remuneration Report that forms part of the Directors' Report. Total remuneration received by the directors for 2015 was \$383,804 (2014: \$375,000).

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2015

15. *Contingent Liabilities and Capital Commitments*

There were no contingent liabilities or capital commitments as at 30 June 2015.

16. *Related Parties*

The names of persons holding the position of director of the Company during the year were Messrs C B Goode, A R Burgess, S J Hiscock, A J P Larke and P R Prentice.

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 his 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 2015 to 18 June 2016.

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 1/7/2014	Purchases	Sales	Held at 30/6/2015
Charles Goode	4,600,142	1,001,624	-	5,601,766
Anthony Burgess	200,000	215,000	-	415,000
Stephen Hiscock	20,000	20,000	-	40,000
Andrew Larke	-	-	-	-

Directors' Transactions in Shares

The movement in directors' holdings of ordinary shares resulted from the issue of shares in the one for five renounceable rights issue and/or purchased 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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
17. Notes to the Statement of Cash Flows		
a) RECONCILIATION OF CASH		
<p>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 is shown in the statement of cash flows and in the balance sheet as follows:</p>		
Units in Cash Management Trusts and Deposits at Call	<u>20,987</u>	<u>6,868</u>
b) RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Profit for the year	33,740	26,423
Adjustments for:		
(Increase) / decrease in prepayments	(2)	(4)
(Increase) / decrease in debtors	(180)	(856)
(Increase) / decrease in deferred tax asset	(55)	391
Increase / (decrease) in current tax payable	893	101
Increase / (decrease) in deferred tax liability	1	17
(Increase) / decrease in prepaid interest	419	70
Increase / (decrease) in creditors	35	(8)
Increase / (decrease) in other liabilities	18	-
Non-cash dividends received	<u>(3,600)</u>	<u>(272)</u>
Net cash provided by operating activities	<u>31,269</u>	<u>25,862</u>
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 2015

18. Earnings Per Share	<i>2015 Cents</i>	<i>2014 Cents</i>
Basic and diluted earnings per share	17.0	15.1
Basic and diluted earnings per share excluding special dividends (refer Note 1(d))	15.1	14.6

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

The earnings per share for the year is calculated on a weighted average adjusted number of ordinary shares of 198,422,380 (2014: 175,216,517). The weighted average adjusted number of ordinary shares takes into account the shares issued in the dividend re-investment plan and the 1:5 renounceable rights issue and is also adjusted for the bonus element from the rights issue.

The bonus element arises as the subscription price of the shares issued in the rights issue was at a discount to the market price of the shares immediately prior to the rights issue. Accordingly, under the accounting standards, the weighted average number of shares is adjusted because the increase in ordinary shares from the rights issue did not result in a corresponding increase in resources for the Company. The prior year comparatives have also been adjusted for the bonus element arising from the rights issue.

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 within acceptable levels of risk.

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

In November 2014, a one for five renounceable rights issue raised \$102,581,000 of new issued capital. The Company announced an extension to the on-market buy-back facility which has a potential of purchasing up to 10 million shares from 1st June 2015 to 31st May 2016. 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, and receives advice from the Audit and Risk Management Committee.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2015

20. *Financial Risk Management (Continued)*

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. Refer Notes 7 and 17.

Cash

The company invests in cash management units with the MF Cash Management Fund and cash deposits with Australian banks, with a direct or underlying AA- 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.

Given the nature of the counterparties with which the Company deals management does not expect any counterparty to fail to meet its obligations. Additionally, none of these assets is overdue or considered to be impaired.

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 \$85 million at the end of the financial year (2014: \$65 million) gearing the investment portfolio by around 10% (2014: 9%). The Company has interest bearing loan facilities in place with the Australia and New Zealand Banking Group Ltd which includes both fixed and floating rate components. This facility expires at various intervals through to 1 July 2020, unless these are renewed. Annual interest expense was covered 9.7 times by profit before interest and tax (2014: 9.0 times).

The major cash inflows for the Company include dividends, distributions, sales proceeds received and the proceeds from the issue of further shares to shareholders. The major cash outflows are the purchase of securities, interest expense and dividends paid to shareholders, which can be managed by the Company.

The Company's investments are quoted on a prescribed stock exchange and are able to be realised if required.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2015

20. *Financial Risk Management (Continued)*

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 movement in market prices of 5% and 10% would lead to a change in the Company's equity of \$28,622,000 (or 4%) and \$57,244,000 (or 9%) respectively.

Market risk is managed by ensuring that the Company's Australian investment portfolio is not overly exposed to one company or one particular sector relative to the S&P/ASX 200 index and the international portfolio is held through Exchange Traded Index funds invested across geographic regions and sectors. The Company's asset allocation, the relative weightings of the individual securities and the relative market sector weightings are reviewed by the Board at each Directors' meeting.

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.

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:

2015	<i>Note</i>	<i>Floating Interest Rate</i> \$'000
<i>Financial Assets</i>		
Cash	6	20,987
Weighted average interest rate		2.85%
2014	<i>Note</i>	<i>Floating Interest Rate</i> \$'000
<i>Financial Assets</i>		
Cash	6	6,868
Weighted average interest rate		3.04%

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2015

21. Financial Instruments Disclosure (continued)

Borrowings

At 30 June 2015 the Company had facilities totalling \$85,000,000 (fully drawn) with Australia and New Zealand Banking Group Ltd as follows:

Amount	Maturity	Interest Rate ⁽¹⁾
\$10,000,000	2 July 2017	Fixed 4.90%
\$10,000,000	2 July 2017	Floating 3.56%
\$10,000,000	2 July 2018	Fixed 5.19%
\$5,000,000	2 July 2018	Fixed 4.67%
\$7,500,000	2 July 2018	Fixed 4.81%
\$10,000,000	2 July 2019	Fixed 5.14%
\$5,000,000	2 July 2019	Fixed 4.91%
\$7,500,000	2 July 2019	Fixed 5.01%
\$20,000,000	1 July 2020	Fixed 4.09%

(1) Interest rate includes bank margins and fees.

Based on a tax rate of 30%, a change of 1% in the floating interest rates at the reporting date would lead to a change in the Company's profit of \$70,000 (or 0.21%) and a change in the Company's equity of \$70,000 (or 0.01%).

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

Equities	No. of Shares	Value at 30 June 2015
		\$'000
BHP Billiton Ltd	1,500,000	40,575
Woodside Petroleum Ltd	1,000,000	34,230
NAB Ltd	900,000	29,979
Rio Tinto Ltd	495,126	26,613
CSL Ltd	300,000	25,941
Total		157,338

The terms of the agreement require that the loan to value ratio should not exceed 70% of the market value of the pledged securities. At 30 June this was 54% (2014: 42%).

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 current quoted market prices at balance date.

In accordance with Australian Accounting Standards, this is considered "level 1" under the fair value measurement hierarchy, which is defined as quoted prices (unadjusted) in active markets for identical assets or liabilities. The net fair value of investments is set out in Notes 8 and 24.

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

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2015

22. *Segment Reporting*

The Company operates as an investment company in Australia. Approximately 10% of the investment portfolio is in international equities.

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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2015

24. *Holdings of Securities as at 30 June 2015*

The following is a list of The Company's top 25 Investments as at 30 June 2015, which represent 81% of the total investment portfolio (2014: 87%). All Investments are valued at fair value through Other Comprehensive Income.

	2015	Market Value \$'000		2014	Market Value \$'000
Company			Company		
1	Commonwealth Bank Of Australia Ltd	68,104	Commonwealth Bank Of Australia Ltd		64,704
2	ANZ Banking Group Ltd	61,180	ANZ Banking Group Ltd		63,346
3	Westpac Banking Corporation	57,870	Westpac Banking Corporation Ltd		60,984
4	CSL Ltd	51,882	BHP Billiton Ltd		57,440
5	National Australia Bank Ltd	43,303	Woodside Petroleum Ltd		41,070
6	BHP Billiton Ltd	43,280	National Australia Bank Ltd		39,336
7	Transurban Group	34,410	CSL Ltd		37,601
8	Woodside Petroleum Ltd	34,230	Rio Tinto Ltd		35,586
9	Rio Tinto Ltd	32,250	Transurban Group		27,343
10	Vanguard All World Ex- US Index ETF	30,697	Woolworths Ltd		24,654
11	Medibank Private Ltd	26,130	Wesfarmers Ltd		18,828
12	Vanguard US Total Market Index ETF	20,868	Origin Energy Ltd		16,521
13	Woolworths Ltd	18,872	Washington H Soul Pattinson & Company Ltd		14,750
14	Wesfarmers Ltd	17,173	Oil Search Ltd		14,505
15	AMP Ltd	15,050	AMP Ltd		13,250
16	Washington H Soul Pattinson & Company Ltd	14,784	Mystate Ltd		12,064
17	Asciano Ltd	14,630	QBE Insurance Group Ltd		11,414
18	Origin Energy Ltd	14,364	Computershare Ltd		9,984
19	Oil Search Ltd	14,260	Asciano Ltd		9,852
20	Computershare Ltd	12,881	Westfield Corporation		8,580
21	Mystate Ltd	12,558	Scentre Group		7,722
22	Sonic Healthcare Ltd	10,685	Perpetual Ltd		7,581
23	iShares Global Healthcare Index ETF	10,508	Worley Parsons Ltd		6,964
24	iShares USA Minimum Volatility Index ETF	10,369	Brickworks Ltd		6,835
25	Vanguard Information Technology Index ETF	10,208	BT Investment Management Ltd		6,450
Total Top 25 Investments		680,546			617,364
Total Investments at Market Value, Net Short Term Receivables and Cash		844,515			713,354

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 10 to 28, and the remuneration disclosures that are contained in the Remuneration Report on page 6 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 2015 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;
 - (b) The financial report also complies with International Financial Reporting Standards;
 - (c) 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 2015.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

Dated at Melbourne this 17th day of August 2015



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 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 of the financial report that gives a true and fair view 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, a true and fair 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.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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 on page 6 of the directors' report for the year ended 30 June 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Maria Trinci

Maria Trinci
Partner

Melbourne
17 August 2015