

DIVERSIFIED UNITED INVESTMENT LIMITED

ABN 33 006 713 177

APPENDIX 4E STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2016 with the prior corresponding period being the year ended 30 June 2015.

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 \$36.4 million, down 8.4% from the prior year.
- Profit after tax and before net realised and unrealised losses/gains on the investment portfolio was \$30.5 million, down 9.6% from the prior year. Net realised investment gains and losses are recorded in the Asset Realisation Reserve.
- This year special dividends of \$246,000 after tax were received. Last year special dividends of \$3,831,000 were received.
- Earnings per share excluding the special dividends received fell 3.3% to 14.6 cents per share, or 13.5% to 14.7 cents including the special dividends received. The weighted average number of ordinary shares for the year was 206,950,582 as against 198,422,380 in the prior year, an increase of 4.3%.
- 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 23 September 2016. The record date for determining entitlement to the final dividend is 2 September 2016.
- 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 1 September 2016 and the following four business days, without any discount. The last day for receipt of an election notice for participation in the plan is 5 September 2016.
- The net tangible asset backing per share based on the market valuation of investments was \$3.53 at 30 June 2016, compared to \$3.68 at the end of the prior year, a fall of 4.1%. These calculations are after tax on net realised gains, before any future tax benefit of net 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

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TEL (613) 9654 0499
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16 August 2016

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 2016

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 2016 was \$30,506,000 (last year: \$33,740,000) a fall of 9.6%, or a rise of 1.2% if special dividends received of \$246,000 after tax (last year: \$3,831,000) are excluded. Last year profit included realised foreign currency exchange gains of \$1,119,000 after tax (this year: nil).

The profit for the year excludes net realised gains and losses on the investment portfolio which are transferred directly to the Asset Realisation Reserve. The net realised losses on the investment portfolio after tax for the year were \$3,970,000 (last year: gains of \$7,735,000).

Operating expenses (excluding interest) were 0.12% of the average market value of the portfolio (last year: 0.13%).

Earnings Per Share

Earnings per share excluding the special dividends received fell 3.3% to 14.6 cents per share, or 13.5% to 14.7 cents including the special dividends received.

The weighted average number of ordinary shares for the year was 206,950,582 against 198,422,380 last year, taking into account the shares issued on the dividend re-investment plan and having adjusted for the bonus element in the November 2014 rights issue, an increase of 4.3%.

Dividends

The Directors have declared a final dividend of 7.5 cents per share fully franked to shareholders registered on 2 September 2016, to be paid on 23 September 2016. The comparable 2015 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 last year.

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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 1 September 2016 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 5 September 2016.

Asset Backing

The net tangible asset backing per share based on the market valuation of investments was \$3.53 at 30 June 2016 and \$3.74 at 31 July 2016. These calculations are after tax on net realised gains, before any future tax benefit of net 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 \$3.14 at 30 June 2016 and \$3.29 at 31 July 2016.

Asset Allocation

At 30 June 90% of the portfolio was invested in Australian equities, and 10% in international equities through Exchange Traded Index Funds.

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) for the year to 30 June 2016 was steady while the S&P/ASX 200 accumulation index rose 0.6% 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.

In the Australian market, on an accumulation basis, the ASX top 20 index fell 7% for the year. The Energy sector fell 22%, Financials fell 9%, Healthcare rose 22%, and the Property Trust and Utilities sectors both rose 25%. The Company's relative performance for the year was assisted by its positions in Healthcare and Industrials, but held back by its significant holdings in the top 20 sector, the underweight positions in Utilities and Property Trusts, and overweight position in Energy. In Australian dollar terms the international portfolio performed broadly in line with the Australian index for the year.

Annual General Meeting

The Annual General Meeting of the Company will be held on Tuesday 18 October 2016 at 9.00 am at the offices of KPMG, 147 Collins Street, Melbourne.

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Investment Portfolio

As at 30 June 2016 the twenty-five largest shareholdings of the company, at market values were:

	Market Value \$'000	%Market Value of Total Investments
<i>Australian Equities</i>		
CSL Ltd	67,308	8.1%
Commonwealth Bank of Australia Ltd	66,933	8.1%
Westpac Banking Corporation Ltd	55,860	6.8%
ANZ Banking Group Ltd	48,240	5.8%
Transurban Group	47,960	5.8%
National Australia Bank Ltd	33,059	4.0%
BHP Billiton Ltd	29,840	3.6%
Rio Tinto Ltd	27,300	3.3%
Woodside Petroleum Ltd	26,840	3.2%
Wesfarmers Ltd	24,060	2.9%
Medibank Private Ltd	20,650	2.5%
Washington H Soul Pattinson & Co Ltd	18,700	2.3%
Asciano Ltd	17,740	2.1%
AMP Ltd	14,964	1.8%
Woolworths Ltd	14,623	1.8%
Oil Search Ltd	13,340	1.6%
Perpetual Ltd	12,336	1.5%
Suncorp Group Ltd	12,180	1.5%
Telstra Corporation Ltd	11,120	1.3%
Sonic Healthcare Ltd	10,775	1.3%
Westfield Corporation	10,650	1.3%
<i>Total Australian Equities in Top 25:</i>	584,478	70.6%
<i>International Equities</i>		
Vanguard All-World Ex-US Shares Index ETF	27,427	3.3%
Vanguard US Total Market Shares Index ETF	21,297	2.6%
iShares TR MSCI USA Min Vol Index ETF	12,290	1.5%
Vanguard Information Technology Index ETF	10,643	1.3%
<i>Total International Equities in Top 25:</i>	71,657	8.7%
Total Top 25 Australian & International Equities	656,135	79.3%
Total Investments at Market Value, Net Short Term Receivables and Cash	827,122	

Notes: 1. At 30 June bank borrowings were \$95M, and cash and net short term receivables (included in the above figure) were \$12M.
2. At 30 June 10% of the portfolio was invested in international equities through Exchange Traded Index Funds.

Yours faithfully,

A J Hancock
Company Secretary

DIVERSIFIED UNITED INVESTMENT LIMITED
(ABN 33 006 713 177)

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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 2016 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, Chairman since 1994) 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 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 March 2015

Mr Larke is Charman (formerly Chief Executive Officer) of IXOM (a leading Australasian chemicals business). He is a Non-Executive Director of DuluxGroup Ltd. Formerly he held senior corporate strategy roles in Orica Ltd and North Ltd and has 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)

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 to take a medium to long term view and to invest in Australian equities, listed property trusts, and short term investments, and international equities through exchange traded index funds. Investments may also be made from time to time in fixed interest securities or convertible notes. 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.

At 30 June 2016 Australian equities accounted for 90% and international equities 10% of the market value of the portfolio. Any foreign exchange currency exposure is currently unhedged.

For the year ended 30 June 2016 profit after tax before net gains and losses on the investment portfolio was \$30,506,000 (compared to \$33,740,000 in 2015) – a decrease of 9.6%.

If special dividends received are disregarded, profit increased by 1.2%. In 2016, the profit after tax included \$246,000 of special dividends received (2015: \$3,831,000). The weighted average number of ordinary shares for the year was 206,950,582 as against 198,422,380 in the previous year, an increase of 4.3%.

The earnings per share was 14.6 cents excluding special dividends (2015: 15.1 cents), or 14.7 cents including special dividends (2015: 17.0 cents).

The net tangible asset backing of each of the Company's shares at 30 June 2016 was \$3.53 (2015: \$3.68). This net tangible asset backing calculation is based on investments at market value and is after tax on net realised gains, before any future tax benefit of net realised losses, and before estimated tax on net unrealised gains and losses, and before provision for 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 net unrealised portfolio gains were to be deducted, the net tangible asset backing per share would have been \$3.14 (2015: \$3.24).

Bank borrowings as at 30 June 2016 were \$95 million (2015: \$85 million) amounting to around 11% of the investment portfolio at market values (2015: 10%). Cash on hand, cash deposits and net short term receivables were \$12 million, or 1% of the investment portfolio at market values (2015: \$27 million or 3%). Annual interest expense was covered 8.6 times by profit before interest and tax (2015: 9.8 times).

During the year the accumulation performance of the Company's net asset backing (before provision for tax on unrealised gains) was steady, as compared to the S&P/ASX 200 Accumulation Index rise of 0.6%.

Dividends declared by the Company for the 2016 financial year total 14.0 cents per share fully franked (2015: 14.0 cents per share fully franked).

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

Operating and Financial Review (continued)

It is the Directors' intention to continue to invest in a portfolio of listed Australian equities and international equities through exchange traded index funds 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:

	2016	2015
	\$'000	Note 1(i) \$'000
REVENUE FROM INVESTMENT PORTFOLIO		
Dividends	30,036	33,466
Trust Distributions	3,747	2,294
Foreign Income	2,028	1,014
Interest	242	855
Option Premium Income	340	501
Net Foreign Exchange Gain	-	1,599
	36,393	39,729
EXPENSES		
Administration and other expenses:		
Accounting and Custody Fees	187	182
Audit	48	47
Share Registry	61	70
Directors' Fees	400	384
ASX Fees	99	95
Company Secretary - Remuneration	102	80
- Rights Issue	-	42
Insurance	44	40
Office rent, printing and other	129	93
Finance Costs:		
Interest	4,109	3,960
	5,179	4,993
Profit before income tax expense and net gains and losses on investment portfolio	31,214	34,736
Income tax expense	(708)	(996)
Profit before net gains and losses on investment portfolio	30,506	33,740

Expenses (excluding finance costs) were 0.13% of the average market value of the investment portfolio (2015: 0.13%).

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
Paid or declared during the year	
A final dividend in respect of the year ended 30 June 2015 of 7.5¢ per share fully franked paid on 25 September 2015.	15,474
An interim dividend in respect of the year ended 30 June 2016 of 6.5¢ per share fully franked paid on 15 March 2016.	13,454
Paid or declared after end of year	
A final dividend in respect of the year ended 30 June 2016 of 7.5¢ per share fully franked payable on 23 September 2016.	15,564

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:

	Director's Meetings		Audit and Risk Management Committee Meetings		Nomination & Remuneration Committee Meetings	
	<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	11	12	2*	2	1	2
Anthony Burgess	12	12	2	2	2	2
Stephen Hiscock	11	12	2	2	2	2
Andrew Larke	12	12	2	2	2	2

* In attendance – not a committee member.

The Audit and Risk Management Committee comprises Mr Larke (Chairman), Mr Burgess, and Mr Hiscock.

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:-

Note	Shares		
	1	2	3
Charles Goode	2,156,366	3,550,181	140,000
Anthony Burgess	-	415,000	-
Stephen Hiscock	-	40,000	-
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.

Remuneration Report (audited)

	Non-executive Directors' Fees ⁽¹⁾					
	Fee	2016		Fee	2015	
	\$	Superannuation	Total	\$	Superannuation	Total
		\$	\$		\$	\$
Charles Goode	146,119	13,881	160,000	142,440	13,532	155,972
Anthony Burgess	73,059	6,941	80,000	71,220	6,766	77,986
Stephen Hiscock	73,059	6,941	80,000	71,220	6,766	77,986
Pierre Prentice	-	-	-	27,032	22,028	49,060
Andrew Larke	73,059	6,941	80,000	20,822	1,978	22,800
Total	365,296	34,704	400,000	332,734	51,070	383,804

(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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

Remuneration Report (audited) (continued)

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:

	2016	2015	2014	2013	2012
Profit (\$ Millions)	30.5	33.7	26.4	23.6	21.7
Earnings Per Share (excluding special dividends)*	14.6	15.1	14.6	13.1	12.7
Dividends (cents per share)*	14.0	14.0	13.6	13.1	12.6
Net Asset backing Per Share 30 June*	\$3.53	\$3.68	\$3.69	\$3.19	\$2.64
Share Price 30 June*	\$3.27	\$3.51	\$3.50	\$2.92	\$2.30
Management Expense Ratio	0.13%	0.13%	0.15%	0.17%	0.17%
S&P/ASX 200 Index 30 June	5,233	5,459	5,396	4,803	4,095

* Figures for the 2012 – 2015 years have been adjusted for the bonus element in the one for five renounceable rights issue, completed November 2014.

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 \$101,500 (2015: \$80,000 plus \$42,500 in relation to the rights issue) for services provided to the Company.

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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Directors' Report (Continued)

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 \$9,625 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 and Risk Management 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.

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 2016.

Rounding Of Amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that instrument, 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 16th day of August 2016



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 2016 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

16 August 2016

DIVERSIFIED UNITED INVESTMENT LIMITED
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Note	2016 \$'000	2015 Note 1(f) \$'000
Revenue from investment portfolio	2	36,393	39,729
Administration and other expenses		(1,070)	(1,033)
Finance expenses	2	(4,109)	(3,960)
Profit before income tax		31,214	34,736
Income tax expense	4(a)	(708)	(996)
Profit		30,506	33,740
Other Comprehensive Income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of investment portfolio for the year		(32,421)	(5,706)
Provision for tax benefit on revaluation for the year of investment portfolio		9,231	234
Other Comprehensive Loss net of income tax		(23,190)	(5,472)
Total Comprehensive Income		7,316	28,268
Basic and diluted earnings per share (cents)	18	14.7	17.0

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 2016

	Note	2016 \$'000	2015 \$'000
Assets			
Cash assets	6	4,950	20,987
Receivables	7	6,933	6,460
Other	9	53	49
Total Current Assets		11,936	27,496
Investment portfolio	8	815,239	817,767
Total Non-Current Assets		815,239	817,767
Total Assets		827,175	845,263
Liabilities			
Payables	10	103	798
Current tax payable	4(c)	319	893
Total Current Liabilities		422	1,691
Provision for long service leave		41	18
Borrowings – interest bearing	11	95,184	85,199
Deferred tax liability	4(b)	79,805	89,039
Total Non-Current Liabilities		175,030	174,256
Total Liabilities		175,452	175,947
Net Assets		651,723	669,316
Equity			
Issued capital	13(a)	420,190	416,171
Reserves	13(b)	231,533	253,145
Total Equity		651,723	669,316

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 2016**

	Issued Capital \$'000	Revaluation Reserve \$'000	Realisation Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
As 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)	-	-
Profit	-	-	-	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
As at 30 June 2015	416,171	201,972	(6,775)	57,948	669,316
As at 1 July 2015					
	416,171	201,972	(6,775)	57,948	669,316
Comprehensive Income					
Revaluation of investment portfolio	-	(32,421)	-	-	(32,421)
Tax benefit on revaluation	-	9,231	-	-	9,231
Net realised gains and losses on investment portfolio	-	5,482	(5,482)	-	-
Tax benefit on net realised gains and losses	-	(1,512)	1,512	-	-
Profit	-	-	-	30,506	30,506
	-	(19,220)	(3,970)	30,506	7,316
Transactions with shareholders					
Dividend reinvestment plan	4,019	-	-	-	4,019
Dividends	-	-	-	(28,928)	(28,928)
	4,019	-	-	(28,928)	(24,909)
As at 30 June 2016	420,190	182,752	(10,745)	59,526	651,723

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 2016**

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Interest received		242	858
Dividends and trust distributions received		33,250	32,838
Foreign income		1,641	375
Realised foreign exchange gains		-	1,599
Option premium income received		340	501
Administration and other expenses paid		(1,046)	(983)
Finance costs paid		(4,124)	(3,541)
Income taxes paid		(924)	(3)
Net cash from operating activities	17(b)	29,379	31,269
Cash flows from investing activities			
Proceeds from sale of investments		53,327	71,217
Purchases of investments		(83,834)	(190,185)
Net cash used in investing activities		(30,507)	(118,968)
Cash flows from financing activities			
Proceeds from renounceable rights issue (net of costs)		-	102,581
Proceeds from additional borrowings		10,000	20,000
Dividends paid net of dividend reinvestment plan		(24,909)	(20,763)
Net cash from / (used) in financing activities		(14,909)	101,818
Net increase / (decrease) in cash held		(16,037)	14,119
Cash and cash equivalents at 1 July	17(a)	20,987	6,868
Cash and cash equivalents at 30 June	17(a)	4,950	20,987

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 2016

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 16 August 2016.

(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 2016 ("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 Australian Accounting Standards, 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 2016

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 and option premiums. 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 2016

1. *Statement of significant accounting policies (continued)*

(i) *Restatement of Comparatives*

During the year ended 30 June 2016 the Company elected to change the presentation regarding the recognition of foreign income so as to recognise foreign income on a gross basis before any foreign withholding taxes paid. Therefore the comparative figures for the year ended 30 June 2015 have been restated. The impact of the restatement is that foreign income has increased by \$153,482, profit before income tax increased by \$153,482 and income tax expense has increased by \$153,482 in the comparative period. There was no change to the profit after tax.

2. *Revenue and Expenses*

	2016	2015
	\$'000	Note 1(i) \$'000
(a) Revenue		
Ordinary dividends received or due and receivable	29,790	29,604
Special dividends received or due and receivable	246	3,862
	30,036	33,466
Trust distributions received or due and receivable	3,747	2,294
Foreign income received or due and receivable	2,028	1,014
Interest received or due and receivable	242	855
Option premium income	340	501
Net foreign exchange gain	-	1,599
	36,393	39,729
(b) Expenses		
Finance expenses:		
- Interest and borrowing expenses	4,109	3,960

3. *Auditor's Remuneration*

	2016	2015
	\$	\$
During the year, KPMG, the Company's auditor, received the following remuneration, inclusive of GST:		
- Audit and review of financial reports	48,125	47,179
- Tax related services	9,625	9,350

DIVERSIFIED UNITED INVESTMENT LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2016**

4. Taxation

	2016	2015
	\$'000	Note 1(i) \$'000
(a) Income Tax Expense		
(i) Recognised in the income statement		
Current tax expense		
Current year tax payment accrued	(480)	(896)
Withholding tax on foreign dividends	(337)	(154)
	(817)	(1,050)
Deferred tax expense		
Recognition of tax losses and deferred tax balances	-	(211)
Temporary differences	2	(1)
	2	(212)
Tax expense on operating profit	(815)	(1,262)
Over provision for prior years	107	266
Income tax expense in income statement	(708)	(996)
(ii) Reconciliation between tax expense and pre-tax net profit		
Prima facie tax expense calculated at 30% on the profit for the year	(9,364)	(10,421)
Increase in tax expense due to:		
Franking credits gross up on dividends received	(3,399)	(3,355)
Sundry items	-	(31)
Decrease in tax expense due to:		
Tax deferred distributions received	400	281
Franking credits on dividends received	11,331	11,184
Non-taxable dividends received	-	1,080
Sundry items	217	-
Tax expense on operating profit	(815)	(1,262)
Over provision prior year	107	266
Tax expense attributable to profit	(708)	(996)
(iii) Deferred tax recognised directly in equity		
Decrease in provision for tax on net unrealised gains on the equity investment portfolio	9,231	234
(b) Deferred Tax Assets and Liabilities		
Recognised deferred tax assets and liabilities		
Revaluation reserve – Provision for tax on net unrealised gains on the equity investment portfolio	(86,297)	(93,626)
Tax effect of unfranked dividend receivable	(43)	(46)
Tax benefit of capital losses carried forward	6,535	4,633
Net deferred tax liabilities	(79,805)	(89,039)

DIVERSIFIED UNITED INVESTMENT LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2016**

4. Taxation (continued)

	2016 \$'000	2015 \$'000
(c) Current tax payable		
Current year tax liability	(817)	(896)
Less: Tax instalments paid	498	3
Net current tax payable	(319)	(893)

5. Dividends

	2016 \$'000	2015 \$'000
Dividends recognised in the current year by the Company are:		
(i) 2015 final dividend of 7.5¢ per share (2014: 7.5¢) fully franked paid 25 September 2015	15,474	12,837
(ii) 2016 interim dividend of 6.5¢ per share (2015: 6.5¢) fully franked paid 15 March 2016	13,454	11,152
	28,928	23,989

Subsequent to reporting date:

Since 30 June 2016, the directors have declared the following dividend payable on 23 September 2016:

Final dividend of 7.5 cents per share fully franked (2015: 7.5¢)	15,564	15,471
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The final dividend will not contain a Listed Investment Company capital gain dividend (2015: 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 2016.

Dividend Franking Account

The balance of the Franking Account at 30 June 2016 is \$14,534,787 (2015: \$14,673,416) 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 2016 dividend, which is not provided for in the 30 June financial statements, the balance of the franking account would be \$7,864,612 (2015: \$8,043,129). The ability to utilise the franking credits is dependent upon the ability of the Company to declare dividends.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2016

5. Dividends (continued)

Listed Investment Company (LIC) Capital Gain Account

The balance of the Listed Investment Company (LIC) Capital Gain Account at 30 June 2016 was \$125,092 (2015: \$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.

6. Cash Assets

	2016 \$'000	2015 \$'000
Units in Cash Management Trusts and Deposits at Call	4,950	20,987

7. Receivables

	2016 \$'000	2015 \$'000
<i>Current</i>		
Sundry debtors	6,933	6,374
Outstanding settlements	-	86
	6,933	6,460

8. Investments

	2016 \$'000	2015 \$'000
<i>Non-Current</i>		
Investments in equities quoted on prescribed stock exchanges (at fair value)	815,239	817,767

9. Other Assets

	2016 \$'000	2015 \$'000
<i>Current</i>		
Prepayments	53	49

10. Payables

	2016 \$'000	2015 \$'000
<i>Current</i>		
Trade Creditors	103	99
Outstanding settlements	-	699
	103	798

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2016

11. Borrowings

	2016 \$'000	2015 \$'000
<i>Non-Current</i>		
Loan Facility – Secured	95,184	85,199

The face value of the drawn facility is \$95 million (2015: \$85 million). The amount disclosed above is held at amortised cost plus accrued interest. During the year ended 30 June 2016, an additional \$10 million facility maturing 2 July 2021 was established. It was fully drawn at 30 June 2016.

For more information about the company's exposure to interest risk and liquidity risk, see notes 20 and 21.

12. Financing Arrangements

	2016 \$'000	2015 \$'000
The Company has access to the following lines of credit:		
<i>Total facility available</i>		
Loan Facility – Secured	95,000	85,000
<i>Facilities utilised at balance date</i>		
Loan Facility – Secured	95,000	85,000

13. Capital and Reserves

(a) Issued Capital

	2016 \$'000	2015 \$'000
Issued and paid-up share capital 207,516,538 ordinary fully paid shares (2015: 206,275,605)	420,190	416,171
Movements in issued capital		
Balance at beginning of the year	416,171	310,364
Shares issued:		
- Dividend re-investment plan ⁽¹⁾	4,019	3,226
- Renounceable rights issue (net of costs) ⁽²⁾	-	102,581
	420,190	416,171

(1) In respect of the 2015 final dividend, paid on 25 September 2015, 653,174 shares were issued at \$3.2981 each under the dividend re-investment plan. In respect of the 2016 interim dividend, paid on 15 March 2016, 587,759 shares were issued at \$3.1723 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.

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2016

13. *Capital and Reserves (continued)*

(b) Reserves

	2016	2015
	\$'000	\$'000
Retained Earnings	59,526	57,948
Revaluation Reserve	182,752	201,972
Realisation Reserve	(10,745)	(6,775)
	231,533	253,145

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 2016 was \$400,000 (2015: \$383,804).

15. *Contingent Liabilities and Capital Commitments*

There were no contingent liabilities or capital commitments as at 30 June 2016.

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 and A J P Larke.

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 2016 to 18 June 2017.

DIVERSIFIED UNITED INVESTMENT LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2016**

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 01/07/2015	Purchases	Sales	Held at 30/06/2016
Charles Goode	5,601,766	244,781	-	5,846,547
Anthony Burgess	415,000	-	-	415,000
Stephen Hiscock	40,000	-	-	40,000
Andrew Larke	-	-	-	-

Directors' Transactions in Shares

The movement in directors' holdings of ordinary shares resulted from purchases 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.

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 is shown in the statement of cash flows and in the balance sheet as follows:

	2016 \$'000	2015 \$'000
Units in Cash Management Trusts and Deposits at Call	4,950	20,987

(b) Reconciliation of operating profit after income tax to net cash provided by operating activities

	2016 \$'000	2015 \$'000
Profit for the year	30,506	33,740
Adjustments for:		
(Increase) / decrease in prepayments	(6)	(2)
(Increase) / decrease in debtors	(558)	(180)
(Increase) / decrease in deferred tax asset	(106)	(55)
(Increase) / decrease in prior year tax payable	787	-
(Increase) / decrease in prepaid interest	(15)	419
(Increase) / decrease in other assets	2	-
Increase / (decrease) in current tax payable	(343)	893
Increase / (decrease) in deferred tax liability	(3)	1
Increase / (decrease) in creditors	(20)	35
Increase / (decrease) in other liabilities	23	18
Non-cash dividends received	-	(3,600)
Net cash provided by operating activities	29,379	31,269

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2016

17. Notes to the Statement of Cash Flows (continued)

(c) Financing Facilities

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

18. Earnings Per Share

	2016 Cents	2015 Cents
Basic and diluted earnings per share	14.7	17.0
Basic and diluted earnings per share excluding special dividends (refer Note 1(d))	14.6	15.1

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 206,950,582 (2015: 198,422,380, taking into account the bonus element in the 1:5 renounceable rights issue in November 2014). The weighted average adjusted number of ordinary shares takes into account the shares issued in the dividend re-investment plan.

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.

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 2016

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 \$95 million at the end of the financial year (2015: \$85 million) gearing the investment portfolio by around 11% (2015: 10%). 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. The facilities expire at various intervals through to 2 July 2021, unless renewed. Annual interest expense was covered 8.6 times by profit before interest and tax (2015: 9.8 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 2016

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 an change in the Company's equity of \$28,533,000 (or 4%) and \$57,067,000 (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:

	Note	Floating Interest Rate \$'000
2016		
<i>Financial Assets</i>		
Cash	6	4,950
Weighted Average Interest Rate		2.34%
2015		
<i>Financial Assets</i>		
Cash	6	20,987
Weighted Average Interest Rate		2.85%

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2016

21. *Financial Instruments Disclosure (continued)*

Borrowings

At 30 June 2016 the Company had facilities totalling \$95,000,000 (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 3.62%
\$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%
\$10,000,000	2 July 2021	Floating 3.38%

(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 \$140,000 (or 0.46%) and a change in the Company's equity of \$140,000 (or 0.02%).

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

Equities	No. of Shares	Value at 30 June 2016 \$'000
BHP Billiton Ltd	1,500,000	27,975
CSL Ltd	600,000	67,308
NAB Ltd	1,300,000	33,059
Rio Tinto Ltd	495,126	22,528
South32 Ltd	1,500,000	2,310
Transurban Group	3,000,000	35,970
Woodside Petroleum Ltd	1,000,000	26,840
Total		215,990

The terms of the agreement require that the loan to value ratio should not exceed 50% (2015: 70%) of the market value of the pledged securities. At 30 June this was 44% (2015: 54%).

Net Fair Values of Financial Assets and Liabilities

Valuation Approach

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

DIVERSIFIED UNITED INVESTMENT LIMITED

Notes to the Financial Statements for the year ended 30 June 2016

21. Financial Instruments Disclosure (continued)

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.

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 2016

24. Holdings of Securities as at 30 June 2016

The following is a list of The Company's top 25 Investments as at 30 June 2016, which represent 79% of the total investment portfolio (2015: 81%). All Investments are valued at fair value through Other Comprehensive Income.

<i>Australian Equities</i>	2016	Market Value \$'000	<i>Australian Equities</i>	2015	Market Value \$'000
CSL Ltd		67,308	Commonwealth Bank of Australia Ltd		68,104
Commonwealth Bank of Australia Ltd		66,933	ANZ Banking Group Ltd		61,180
Westpac Banking Corporation Ltd		55,860	Westpac Banking Corporation Ltd		57,870
ANZ Banking Group Ltd		48,240	CSL Ltd		51,882
Transurban Group		47,960	National Australia Bank Ltd		43,303
National Australia Bank Ltd		33,059	BHP Billiton Ltd		43,280
BHP Billiton Ltd		29,840	Transurban Group		34,410
Rio Tinto Ltd		27,300	Woodside Petroleum Ltd		34,230
Woodside Petroleum Ltd		26,840	Rio Tinto Ltd		32,250
Wesfarmers Ltd		24,060	Medibank Private Ltd		26,130
Medibank Private Ltd		20,650	Woolworths Ltd		18,872
Washington H Soul Pattinson Ltd		18,700	Wesfarmers Ltd		17,173
Asciano Ltd		17,740	AMP Ltd		15,050
AMP Ltd		14,964	Washington H Soul Pattinson Ltd		14,784
Woolworths Ltd		14,623	Asciano Ltd		14,630
Oil Search Ltd		13,340	Origin Energy Ltd		14,364
Perpetual Ltd		12,336	Oil Search Ltd		14,260
Suncorp Group Ltd		12,180	Computershare Ltd		12,881
Telstra Ltd		11,120	Mystate Ltd		12,558
Sonic Healthcare Ltd		10,775	Sonic Healthcare Ltd		10,685
Westfield Corporation Ltd		10,650			
<i>Total Australian Equities in Top 25</i>		584,478			597,896
<i>International Equities</i>			<i>International Equities</i>		
Vanguard All-World Ex- US Index ETF		27,427	Vanguard All World Ex- US Index ETF		30,697
Vanguard US Total Market Index ETF		21,297	Vanguard US Total Market Index ETF		20,868
iShares USA Minimum Volatility Index ETF		12,290	iShares Global Healthcare Index ETF		10,508
Vanguard Information Technology Index ETF		10,643	iShares USA Minimum Volatility Index ETF		10,369
			Vanguard Information Technology Index ETF		10,208
<i>Total International Equities in Top 25</i>		71,657			82,650
Total Top 25 Investments		656,135			680,546
Total Investments at Market Value, Net Short Term Receivables and Cash		827,122			844,515

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 pages 6 and 7 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 2016 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 2016.

Signed in accordance with a resolution of the directors.

Charles Goode

Director

Dated at Melbourne this 16th day of August 2016



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 2016, 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 judgment, 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 2016 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 to 7 of the directors' report for the year ended 30 June 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Maria Trinci

Partner

Melbourne

16 August 2016