

# DIVERSIFIED UNITED INVESTMENT LIMITED

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## **HALF YEARLY REPORT TO SHAREHOLDERS**

16 March 2010

Dear Shareholder,

### **Dividend Payment Enclosed**

Enclosed with this letter is payment of the 6¢ per share fully franked interim dividend, by way of cheque, notification of direct banking, or notification of allotment of shares under the Dividend Reinvestment Plan, according to your instructions.

### **Net Asset Backing 28 February 2010**

At 28 February 2010 the net asset backing per share after the tax effect of net realised gains/losses, before tax on unrealised gains, and after provision for the interim dividend was \$3.17, or \$2.76 after providing for estimated tax on unrealised portfolio gains.

### **Results for Half Year Ended 31 December 2009**

On 18 February 2010 the Directors made the following report to the Australian Securities Exchange concerning the company's performance and the interim dividend:-

#### **"Operating Profit and Realised Capital Gains/Losses**

Operating profit after income tax and before net realised and unrealised losses on the investment portfolio for the half year ended 31 December 2009 was \$8,175,000 (previous corresponding period: \$10,789,000). Operating profit includes special dividends and distributions received of \$150,000 (previously \$105,400).

Operating expenses (excluding interest) were 0.10% of the average market value of the portfolio (previously 0.10%).

Net realised losses on the investment portfolio after income tax recognised in the income statement up to the date of adoption of AASB 9 on 7 December 2009 were \$1,128,000. Total net realised losses on the investment portfolio after income tax for the period were \$657,000 (previous corresponding period: net realised losses of \$2,527,000). After 7 December 2009 realised gains on the sale of investments are accounted for through the Statement of Comprehensive Income and the Asset Revaluation Reserve, as are all unrealised gains and losses.

### **Earnings Per Share**

The operating earnings per share based on the weighted average number of shares on issue for the half year were 5.4 cents per share (5.3 cents excluding the special dividends) compared to 7.7 cents for the half year to 31 December 2008 (7.6 cents excluding special dividends). 9,442,625 new shares were issued in April 2009 through the share purchase plan.

### **Dividends**

The Directors have declared an interim dividend of 6.0 cents per share fully franked to shareholders registered on 2 March 2010, to be paid on 16 March 2010. The comparable 2009 interim dividend was 6.0 cents per share fully franked. The dividend contains no Listed Investment Company capital gains.

### **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 a 5% discount to the volume weighted average selling price of shares traded on the Australian Securities Exchange on the Record Date of 2 March 2010 and the three business days immediately preceding that date. The last day for the receipt of an election notice for participation in the plan is 2 March 2010.

### **Asset Backing**

The net tangible asset backing per share based on the market valuation of investments was \$3.36 at 31 December 2009 and \$3.13 at 31 January 2010. These calculations are after the tax effect of net realised gains/losses, before tax on unrealised gains/losses and before provision for the interim dividend.

The Company is a long term investor and does not intend disposing of its total portfolio. If estimated tax on unrealised gains were to be deducted, the above figures would be \$2.91 at 31 December 2009 and \$2.74 at 31 January 2010.

### **Performance**

The Company's net asset backing accumulation performance for the six months to 31 December 2009 (assuming all dividends were reinvested) was 28.6%, compared to an increase of 25.7% in the S&P ASX 300 Accumulation index.

**Investment Portfolio**

As at 31 December 2009 the twenty-five largest shareholdings of the company, at market values were:

<b>Company</b>	<b>Market Value \$'000</b>	<b>% of Market Value of Total Investments</b>
1. BHP Billiton Ltd	64,680	11.3%
2. Woodside Petroleum Ltd	58,253	10.2%
3. Commonwealth Bank of Australia Ltd	43,880	7.7%
4. ANZ Banking Group Ltd	43,472	7.6%
5. Westpac Banking Corporation Ltd	40,480	7.1%
6. Rio Tinto Ltd	39,323	6.9%
7. QBE Insurance Group Ltd	35,840	6.2%
8. National Australia Bank Ltd	30,140	5.3%
9. Woolworths Ltd	19,600	3.4%
10. CSL Ltd	19,494	3.4%
11. Westfield Group	18,810	3.3%
12. Transurban Group Ltd	13,850	2.4%
13. Telstra Corporation Ltd	13,720	2.4%
14. Wesfarmers Ltd	13,380	2.3%
15. AGL Energy Ltd	11,248	2.0%
16. Alumina Ltd	11,040	1.9%
17. AXA Asia Pacific Holdings Ltd	9,840	1.7%
18. Consolidated Media Holdings Ltd	9,180	1.6%
19. Washington H Soul Pattinson & Co Ltd	8,148	1.4%
20. Perpetual Ltd	7,420	1.3%
21. Santos Ltd	7,045	1.2%
22. Mystate Ltd	6,890	1.2%
23. Brambles Ltd	6,780	1.2%
24. Leighton Holdings Ltd	6,479	1.1%
25. Australian Infrastructure Fund	5,340	0.9%
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	544,332	95.0%
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<b>Total Investments at Market Value and Cash</b>	<b>573,100''</b>	

Yours faithfully



**A J Hancock**  
Company Secretary