

Choiseul Investments Limited

ABN 36 000 005 041

Annual Report 2009

PROFILE

Choiseul Investments Limited is an Australian listed investment company whose assets are comprised of a diversified portfolio of Australian listed securities such as shares, stapled securities, units in trusts, interest bearing securities and cash. The market value of these assets at 30 June 2009 was \$422 million.

Objective

Choiseul's objective is to hold a diversified portfolio of assets that:

- generates a growing income stream from which Choiseul can pay increasing fully franked dividends to its shareholders and
- provides capital growth in the value of the shareholders' investment over the longer term.

Investment strategy

Choiseul's investment strategy is to invest, for the long-term, in well managed companies and trusts that have a profitable history and the likelihood of paying increasing dividends.

Investment portfolio

Choiseul's investment portfolio does not align with any stock exchange index. The portfolio composition is detailed in the Chairman's Review on page 2 and a complete list of investments commences on page 5.

Dividend policy

Choiseul pays fully franked ordinary dividends each half year out of its underlying operating profit, which consists of ordinary dividend income, trust distributions, interest and other income but excludes any special dividends and realised gains or losses on disposal of investments.

Management

The day to day management functions have been provided by Milton Corporation Limited since 1992. In accordance with the management agreement, Milton conducts the management and administration of Choiseul under the direction of the board of directors of Choiseul.

CONTENTS

Choiseul's Profile	Inside front cover	Auditor's Independence Declaration	12
Performance Indicators	1	Corporate Governance Statement	13
Chairman's Review	2	Financial Report	15
Five Year Financial Summary	4	Directors' Declaration	29
List of Investments at 30 June 2009	5	Independent Audit Report	30
Director's Report	7	ASX Information	32
Remuneration Report	10	Directory	Inside back cover

CALENDAR

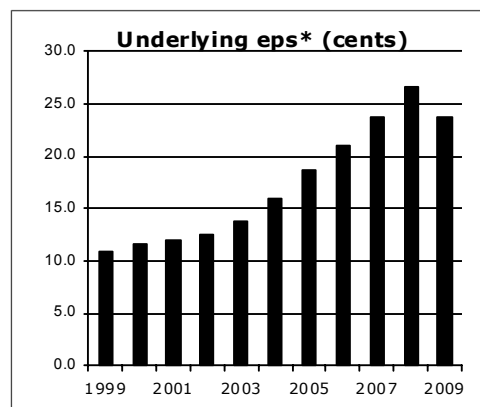
Final dividend:-

- | | |
|------------------------------------|---|
| - Ex dividend date | 20 August 2009 |
| - Record date | 26 August 2009 |
| - Payment date | 18 September 2009 |
| - Share Purchase Plan offer opens | 18 September 2009 |
| - Share Purchase Plan offer closes | 5 October 2009 |
| - Annual General Meeting | 15 October 2009 at 11.00 am |
| to be held at: | Macquarie Graduate School of Management
Level 6, 51 - 57 Pitt Street, Sydney |

PERFORMANCE INDICATORS

Profitability

- Underlying operating profit after tax which excludes special investment revenue, net realised gains and impairment losses, was \$21.7 million
- Weighted average earnings per share, based on underlying operating profit and the increased capital, was 23.8 cents
- Profit after tax was \$19.8 million



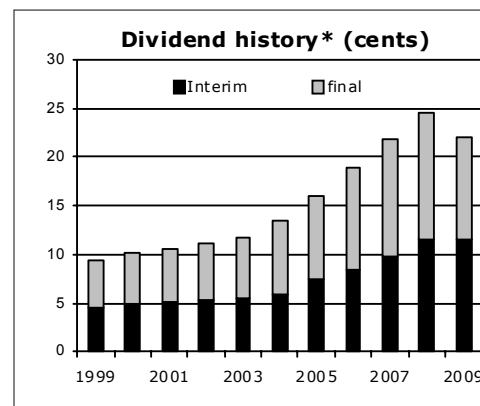
Fully franked dividends*

Ordinary

- Interim ordinary dividend - 11.5 cents per share
- Final ordinary dividend - 10.5 cents per share

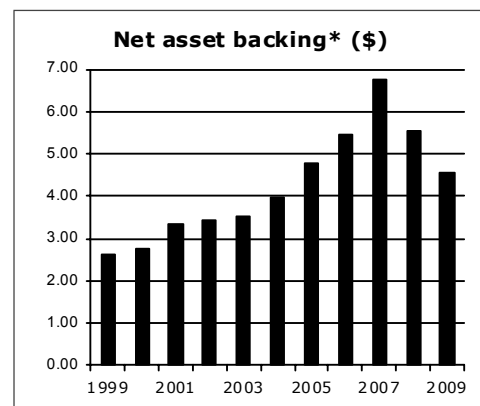
Special*

- Over the ten years since 1999 Choiseul has paid four special fully franked dividends totalling six cents per share



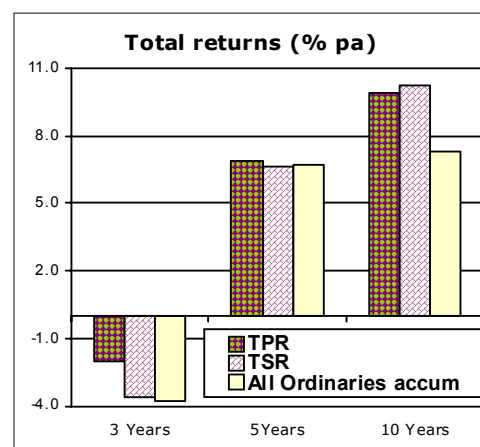
Financial position at 30 June 2009

- Net assets before provision for tax on unrealised capital gains was \$421 million
- Net asset backing per share before provision for tax on unrealised capital gains was \$4.53
- Investments in listed equities was \$369 million
- Cash and cash equivalents was \$45 million



Total Returns

- Total Portfolio Return (TPR) measures the change in the value of an investment in Choiseul by reference to the movement in net asset backing and assuming dividends are reinvested – over 10 years was 9.9% pa
- Total Shareholder Return (TSR) measures the change in the value of an investment in Choiseul by reference to the movement in the market price and assuming dividends are reinvested – over 10 years was 10.2% pa



*All comparatives have been adjusted for the 5 for 1 share split in November 2004.

CHAIRMAN'S REVIEW

As global credit conditions tightened, during the 2009 financial year, many companies found it difficult to secure finance and those with existing facilities found it increasingly difficult to extend those facilities. With the effective withdrawal of credit from the system and as economic conditions deteriorated, dividends came under pressure with companies focused on improving the balance sheet through the retention of profits by undertaking share issues, often at substantial discounts.

The effect on Choiseul's income was more pronounced in its second half as an increasing number of companies reduced their interim dividends paid to Choiseul.

Profits

Choiseul's underlying operating profit after tax, which excludes special investment revenue, net realised capital gains and unrealised impairment losses, was \$21.7 million.

Earnings on the additional funds raised through the share placement in August 2008 were offset by a fall in ordinary dividend and distribution income.

Through participation in a number of the discounted share issues, Choiseul earned approximately \$0.5 million in trading profits and fees.

Total administration expenses represented 0.14% of average total assets for the year ended 30 June 2009.

Net profit after tax, which includes special investment revenue, net realised capital gains and unrealised impairment losses was \$19.8 million.

Choiseul received non-recurring special investment revenue of \$0.4 million.

Net realised capital gains of \$2.5 million after tax were lower than the prior year mainly due to a reduction in mergers and takeovers during the 2009 year. The only merger affecting Choiseul was that of Westpac with St George Bank, which was completed in November 2008.

Unrealised impairment losses after tax amounted to \$4.8 million. Importantly, the impairment losses do not affect Choiseul's net asset backing as investments are revalued continuously with the changes in market value recorded in the asset revaluation reserve.

The accounting standards require the investments to be reviewed for impairment at each reporting date and where there is evidence of impairment, the loss is recognised in the income statement and the asset revaluation reserve is adjusted accordingly.

The amount of the impairment loss is determined by reference to the impaired investment's market price at the close of business on the last day of the reporting period, which in many instances, can differ substantially from the investment's long term fair value.

As these losses are unrealised and based on short term valuations, they are excluded from the calculation of underlying operating profit.

Earnings per share and Dividends

The weighted average earnings per share based on underlying profit were 23.8 cents, which was 10.7% lower than the prior year's 26.6 cents per share.

The full year, fully franked dividend, which totalled 22 cents per share, was 10.2% lower than the prior year. Choiseul has consistently paid out a high proportion of its underlying profits as ordinary dividends to its shareholders. The total dividend for the 2009 year amounted to \$20.5 million and absorbed 94.3% of the underlying operating profit.

Choiseul maintained its interim dividend paid in March 2009, however, with dividend receipts falling in the second half of the 2009 year and with the consensus expectation that dividend income is likely to fall in the following year, the final dividend was reduced to 10.5 cents per share.

Balance Sheet

Choiseul increased its capital by \$57 million through the placement of 11.4 million shares in August 2008. The placement provided additional funds for investment and attracted many new shareholders.

Choiseul is in a strong position with total assets of \$422 million and no debt. It has liquid assets of \$45 million, other current assets of \$5 million and listed investments with a market value of \$369 million.

The net asset backing, before providing for tax on unrealised capital gains, was \$4.53 per share at 30 June 2009.

Investments

The portfolio was comprised of long term investments in 68 companies and trusts at 30 June 2009.

Choiseul invested \$25 million into the long term investments during the year. New additions to the portfolio included Coca Cola Amatil Limited, Incitec Pivot Limited, Invocare Limited and Worley Parsons Limited.

Classification of investments

Choiseul does not attempt to replicate any particular stock exchange index. The construction of the portfolio is biased towards the higher yielding financial and industrial sectors to provide Choiseul with a growing stream of investment income.

The table below shows the classification of the assets in the portfolio at 30 June 2009.

Classification	\$'000	Assets %
Banks	103,381	24.5
Diversified Financials	89,556	21.2
Materials	50,476	12.0
Insurance	41,822	9.9
Consumer Staples	28,444	6.7
Industrials	18,603	4.4
Other Shares	11,733	2.8
Energy	10,531	2.5
Consumer discretionary	8,393	2.0
Real Estate	<u>6,546</u>	<u>1.6</u>
Total investments	<u>369,485</u>	<u>87.6</u>

Total Returns

Choiseul's long term investment philosophy has delivered strong returns to its long term shareholders, with Choiseul's Total Portfolio Return (TPR) for the ten years to 30 June 2009 being 9.9% per annum compounded and its Total Shareholder Return (TSR) being 10.2% per annum.

An alternative investment in a portfolio of stocks that constitute the All Ordinaries Index over the same period would have returned 7.3% per annum on an accumulation basis.

It should be noted that Choiseul's returns are determined after taking into account corporate taxation and administration costs whereas the return of the All Ordinaries Accumulation Index does not account for either.

The TPR and TSR are commonly used to assess the performance of a listed investment company. The TPR is a measure of the movement in shareholders' wealth that takes into account both the movement in the company's net asset backing and the dividends paid to shareholders. Calculation of the TPR assumes that the dividends paid by Choiseul are reinvested into Choiseul shares. It provides an indication of the performance of the investments of Choiseul.

The TSR is a similar calculation but uses the movement in the share price together with dividends paid.

Future

Signs are beginning to emerge that economic conditions may be improving. However, this is unlikely to have an effect on dividends paid to Choiseul in the short term.

The consensus view, at present, is that full year 2009 earnings per share and dividends per share for many companies are likely to be lower than the previous year.

The August profit reporting season will provide a clearer indication of the direction of the economy and the impact on Choiseul's investment revenue.



R.D.MILLNER
Chairman

Sydney, 21 August 2009

FIVE YEAR FINANCIAL SUMMARY

	30 JUNE				
	2009	2008	2007	2006	2005
Underlying operating profit after tax (excludes special investment revenue and realised gains and losses and impairment losses) (\$million)	21.7	21.7	19.3	16.9	14.8
Profit after tax including special investment revenue and realised gains and losses and impairment losses (\$million)	19.8	30.2	24.4	18.5	18.1
Earnings per share before special investment revenue and realised gains and losses and impairment losses (cents) ¹	23.8	26.6	23.7	21.0	18.6
Interim dividend (cents per share) ¹	11.5	11.5	9.75	8.5	7.5
Final dividend (cents per share) ¹	10.5	13.0	12.00	10.5	8.5
Full year dividend (cents per share) ¹	22.0	24.5	21.75	19.0	16.0
LIC Capital Gain distribution (cents per share)	-	3.0	1.5	-	-
Special dividend (cents per share) ¹	-	-	-	-	2.0
Net Asset Backing per share ^{1,2} (\$)	4.53	5.52	6.76	5.46	4.78
Net Asset Backing per share ^{1,3} (\$)	3.98	4.60	5.44	4.51	4.01
All Ordinaries Index 30 June	3948	5333	6310	5034	4229
Closing share price (\$) 30 June ¹	4.32	5.16	6.20	5.47	4.75

^{1.} All company comparatives have been adjusted for the 5 for 1 share split

^{2.} Before providing for tax on unrealised capital gains and before providing for final and special dividends.

^{3.} After providing for tax on unrealised capital gains and before providing for final and special dividends.

TOP 10 INVESTMENTS AS AT 30 JUNE 2009

	\$'000	% of Assets
Washington H. Soul Pattinson & Company Limited	45,706	10.8
QBE Insurance Limited	33,051	7.8
National Australia Bank Limited	30,474	7.2
Westpac Banking Corporation	28,732	6.8
Commonwealth Bank of Australia	26,377	6.2
Milton Corporation Limited	24,650	5.8
BHP Billiton Limited	24,251	5.7
Brickworks Limited	13,947	3.3
Wesfarmers Limited	9,957	2.2
Woolworths Limited	8,465	2.0
Total	<u>245,610</u>	<u>57.8</u>

LIST OF INVESTMENTS AT 30 JUNE 2009

Name of investment	Holding	Fair value \$'000
AGL Energy Limited	343,020	4,614
Alumina Limited	130,000	188
Ammtec Limited	359,000	754
AMP Limited	484,204	2,363
APA Group	158,543	436
AP Eagers Limited	136,000	1,104
Australand Property Group	1,307,869	628
Australia & New Zealand Banking Group Limited	145,500	2,399
ASX Limited	109,854	4,064
AWB Limited	102,000	120
Bendigo and Adelaide Bank Limited	1,039,750	7,226
Bank of Queensland Limited		
- ordinary shares	844,958	7,672
- reset preference shares	5,000	500
BHP Billiton Limited	698,481	24,251
Bluescope Steel Limited	214,036	542
Boral Limited	167,000	680
Brambles Limited	339,011	2,021
Brickworks Limited	1,014,360	13,947
Campbell Brothers Limited	306,161	6,338
Coca-Cola Amatil Limited	206,000	1,774
Commonwealth Bank of Australia	676,346	26,378
Commonwealth Property Office Fund	500,000	415
Consolidated Media Holdings Limited	126,500	287
Crane Group Limited	133,210	1,352
Crown Limited	126,500	920
Fairfax Media Limited	1,041,643	1,271
FKP Property Group	796,971	414
Graincorp Limited	92,286	667
GWA International Limited	564,001	1,297
Hills Industries Limited	801,039	1,258
Incitec Pivot Limited	281,770	671
Infigen Energy	206,611	238
Insurance Australia Group Limited	685,450	2,406
InvoCare Limited	349,047	2,024
Leighton Holdings Limited	156,043	3,667
Lion Nathan Limited	230,000	2,661
Macquarie Group Limited	168,334	6,582
Macquarie CountryWide Trust	288,889	157
Macquarie Infrastructure Group	500,000	715
Macquarie Office Trust	450,000	95
Metcash Limited	1,113,500	4,800
Milton Corporation Limited	1,700,000	24,650
National Australia Bank Limited	1,358,000	30,473
New Hope Corporation Limited	584,607	2,672
OneSteel Limited	721,118	1,860
Perpetual Limited	171,538	4,897
Qantas Airways Limited	143,521	288

Name of investment	Holding	Fair value \$'000
QBE Insurance Group Limited	1,660,869	33,051
Rio Tinto Limited	18,300	955
Santos Limited		
- ordinary shares	234,168	3,428
- reset convertible preference shares	4,000	401
Sims Group Limited	250,000	6,627
Sonic Healthcare Limited	62,500	770
SP Telemedia Limited	1,680,517	605
Stockland Trust Group	1,432,311	4,598
Suncorp-Metway Limited		
- ordinary shares	493,374	3,306
- non-cumulative converting prefs	8,000	696
Tabcorp Holdings Limited	191,500	1,371
Telstra Corporation Limited	1,495,700	5,070
Ten Network Holdings Limited	200,000	234
Transfield Services Limited	71,000	163
Transurban Group	359,990	1,505
Trust Company Limited	696,643	3,657
Washington H. Soul Pattinson & Company Limited	4,251,690	45,706
West Australian Newspapers Holdings Limited	271,041	1,182
Westfield Group	21,000	239
Wesfarmers Limited	407,740	9,235
- partially protected shares	30,702	721
Westpac Banking Corporation	1,418,867	28,732
Woodside Petroleum Limited	66,000	2,852
Woolworths Limited	321,142	8,465
Worley Parsons Limited	49,500	1,179
Total quoted investments at fair value		<u>369,484</u>

DIRECTORS' REPORT

The directors present their report together with the financial statements of Choiseul Investments Limited ("Choiseul") for the year ended 30 June 2009 and the independent audit report thereon.

Directors

The directors of Choiseul at any time during or since the end of the financial year are:

Robert D. Millner Independent non-executive chairman

Director of Choiseul Investments Limited since 1995 and appointed Chairman in 2000. Member of the Audit Committee. Extensive experience in the investment industry.

Other current directorships:

Director of Brickworks Limited since 1997 and appointed chairman in 1999, Director of Milton Corporation Limited since 1998 and appointed chairman in 2002, Director of New Hope Corporation Limited since 1995 and appointed chairman in 1998, Director of Washington H. Soul Pattinson & Company Limited since 1984 and appointed chairman in 1999. Chairman of Brickworks Investment Company Limited since 2003 and Souls Private Equity Limited since 2004. Director of Australian Pharmaceutical Industries Limited since 2000 and SP Telemedia Limited since 2000.

John A. Bryson Independent non-executive director

Director of Choiseul Investments Limited since 2008. Member of the Audit Committee. Over 25 years experience in the investment and stockbroking industry.

Other current directorships:

Director of Praemium Limited since 2007.

Richard A.F. England, FCA Independent non-executive director

Director of Choiseul Investments Limited since 2004. Chairman of the Audit Committee. A Chartered Accountant and former partner of a major firm of Chartered Accountants with over 30 years experience in providing corporate and management advice. Represents Choiseul at the Manager's investment committee meetings.

Other current directorships:

Chairman of Ruralco Holdings Limited since 2002 and Chandler MacLeod Limited since 2008, Director of Healthscope Limited since 1996.

Former directorships in the last 3 years:

Gropep Limited from 1998 to 2006, ITL Limited from 2003 to 2007, St George Bank from 2004 to 2008 and K H Foods Limited from 2006 to 2009.

Michael J. Millner Independent non-executive director

Director of Choiseul Investments Limited since 2001. Member of the Audit Committee. Extensive experience in the investment industry. Resigned as a director on 25 July 2008.

Other current directorships:

Deputy Chairman of Washington H. Soul Pattinson & Company Limited since 1999 and Brickworks Limited since 1999. Director Ruralco Holdings Limited since 2007 and previously from 2003 to 2006.

Former directorships in the last 3 years:

K H Foods Limited from 1997 to 2006 and SP Telemedia Limited from 2000 to 2008.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of Choiseul during the financial year are:

Director	Directors' Meetings		Audit Committee Meetings		Manager's Investment Committee Meetings
	A	B	A	B	A
R.D. Millner	5	5	3	3	25
J.A. Bryson	5	5	3	3	*
R.A.F. England	5	5	3	3	20
M.J. Millner ¹	-	-	-	-	*

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

* Not a member of the relevant committee

¹ Mr M.J. Millner resigned on 25 July 2008

Mr R.D. Millner, as chairman of Milton Corporation Limited (the Manager of Choiseul), is chairman of the manager's investment committee.

Mr R.A.F. England represented Choiseul at the manager's investment committee meetings.

Principal activity

The principal activity of Choiseul is long term investment in marketable securities. There has been no significant change in the nature of this activity during the financial year.

Operating and financial review

The profit after income tax of Choiseul for the year attributable to shareholders of Choiseul was \$19.8 million (2008: \$30.2 million).

Choiseul is in a strong position with total assets of \$422 million and no debt.

The operating and financial review is contained in the Chairman's Review on pages 2 and 3.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of Choiseul during the past financial year other than as disclosed in the financial statements.

Dividends

Dividends paid or declared by Choiseul to members since the end of the previous financial year were:

	Cents per share	Total amount \$'000	Date of payment
<i>Declared and paid during the year:</i>			
- Final 2008 ordinary fully franked	13.0	12,091	11 September 2008
- Interim 2009 ordinary fully franked	11.5	10,696	6 March 2009
<i>Declared after end of year and not provided for:</i>			
- Final 2009 ordinary fully franked	10.5	9,766	18 September 2009

All the dividends paid by Choiseul since franking was introduced in 1987 have been fully franked.

Events subsequent to reporting date

Apart from the information contained in note 24 to the financial statements, no matter or circumstance has arisen since the end of the financial year that has or may significantly affect the operations, results or state of affairs of Choiseul in subsequent financial years.

Likely developments

Choiseul will continue its investment activities consistent with its objective of generating increasing revenue for distribution to its shareholders from the diversified portfolio of assets.

The performance of Choiseul's investments is subject to and influenced by many external factors and therefore it is not appropriate to accurately predict the future results of the investments and Choiseul's performance.

The Chairman's Review commencing on page 2 of the Annual Report contains information relating to Choiseul's past performance, operations and outlook.

Directors' relevant interests

No director has or has had any interest in a contract entered into since the last Directors' Report or any contract or proposed contract with Choiseul other than as disclosed in note 23 to the financial statements.

The relevant interest of each director in the capital of Choiseul at the date of this report is as follows:

Director	No. of Shares
R.D. Millner	17,277,459
J.A. Bryson	11,000
R.A.F. England	21,930

Where two or more parties have a relevant interest in the same shares, those shares have been included for each party. A relevant interest does not necessarily imply beneficial ownership.

Indemnification and insurance of directors, officers and auditors

Neither Choiseul nor any related entity has indemnified or agreed to indemnify, paid or agreed to pay any insurance premium which would be prohibited under Section 199A or Section 199B of the Corporations Act 2001 during or since the financial year ended 30 June 2009.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Non-audit services

During the year, Moore Stephens Sydney, Choiseul's auditor, performed liquidation services in addition to their statutory duties. Details of the amounts paid to the auditors are disclosed in note 5 to the financial statements.

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 12.

Secretaries

Mr A.R. Davison, B.Bus, CA, FCIS was appointed secretary in August 1999. He was previously group financial controller and secretary with a private group of companies and prior to that worked in chartered accounting and corporate finance roles. He is a fellow of the Chartered Institute of Secretaries in Australia.

Mr J.L. Coombs, B.Com, CA, FCIS was appointed secretary in December 2003. He was previously secretary of Choiseul Investments Limited from June 1996 to August 1999. He previously held accounting roles in companies involved in financial services. He is a fellow of the Chartered Institute of Secretaries in Australia.

Rounding off

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission and in accordance with that Class Order, amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT

This report which is audited details the policy for determining the remuneration of directors and executives and provides specific detail of their remuneration.

Remuneration of non-executive directors

The board from time to time determines remuneration of non-executive directors within the maximum amount approved by the shareholders. Non-executive directors are also entitled to retirement benefits in accordance with a shareholder approved scheme. The board has resolved to cap retirement benefits for all directors to the amounts provided as at 30 June 2004.

Fees and payments to non-executive directors reflect the demands that are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. Non-executive directors' remuneration is not linked to Choiseul's performance.

Total remuneration for all non-executive directors, as approved by shareholders at the 2004 Annual General Meeting, is a maximum of \$200,000 per annum. Directors' base fees, including superannuation, were increased on 1 May 2008 to \$38,150 per annum and the Chairman's fees, including superannuation, were \$49,050.

Mr England received an additional fee of \$8,000 per annum to attend the Manager's investment committee meetings.

The aggregate of the directors' fees at 30 June 2009 was \$136,685.

Non-executive directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all board activities and membership of committees.

Amounts of remuneration

Details of the remuneration of each non-executive director of Choiseul Investments Limited for the year ended 30 June 2008 and 2009 are set out in the following table.

Non-executive directors of Choiseul Investments Limited

Name	Position	Year	Primary	Post Employment	Total paid	Retirement Provision ¹
			Fees	Super-annuation		
			\$	\$	\$	\$
R.D. Millner	Chairman	2009	45,000	4,050	49,050	73,750
		2008	36,667	3,300	39,967	73,750
J.A. Bryson	Director	2009	-	38,150	38,150	-
		2008	-	6,358	6,358	-
R.A. England	Director	2009	43,000	3,870	46,870	-
		2008	28,000	2,520	30,520	-
M.J. Millner ² (resigned 25.7.08)	Director	2009	2,352	263	2,615	-
		2008	26,667	2,400	29,067	51,000
Total Remuneration		2009	90,352	46,333	136,685	73,750
		2008	118,887	14,578	133,465	124,750

¹ The directors' retirement benefits have been capped at the balance provided at 30 June 2004.

² In addition to the directors fees paid in 2009, Mr M.J. Millner received a payment in respect of a retirement provision of \$51,000 previously provided.

The following table compares Choiseul's performance and directors' remuneration over five years.

	2009	2008	2007	2006	2005
Underlying operating profit (\$ million)	21.7	21.7	19.3	16.9	14.8
Dividends paid (cents per share)	22.0	24.5	21.75	19.0	16.0
Total Directors' Remuneration (\$)	136,685	133,465	128,075	128,075	128,075

Remuneration of executives

There are no executives that are paid by Choiseul. The secretaries are employed and paid by Milton Corporation Limited.

Milton Corporation Limited provided day to day management of Choiseul Investments Limited for a fixed fee excluding GST of \$261,180.

Signed on behalf of the board in accordance with a resolution of the directors.



R.D.MILLNER
Chairman

Sydney, 21 August 2009

**Auditor's Independence Declaration
to the Directors of Choiseul Investments Limited**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Choiseul Investments Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Moore Stephens Sydney
Chartered Accountants



S. M. Whiddett
Partner

Dated in Sydney this 21st day of August 2009

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CORPORATE GOVERNANCE STATEMENT

The “Principles of Good Corporate Governance and Best Practice Recommendations” (“Guidelines”) were released by the ASX Corporate Governance Council in March 2003 and these were revised in August 2007.

The Council recognises that these Guidelines may not be appropriate in all circumstances. The ASX Listing Rules require disclosure of those Guidelines that have not been followed and the reasons for not following them.

The Choiseul board has reviewed its corporate governance systems and, where the Board considered it appropriate, the Guidelines have been adopted.

An internet website has been established (www.choiseul.com.au) to enhance communication with shareholders and other interested parties. Choiseul’s Board and the Audit Committee Charters together with a Code of Conduct and various policies are available on its website.

Management of Choiseul

Milton Corporation Limited (“the Manager”) provides day to day management services and investment management services and is subject at all times to the directions of the board of Choiseul. A management agreement between the two companies details the responsibilities of each company. The board reviews the terms of the management agreement from time to time.

The secretaries of Choiseul are also executives of the Manager and that company pays their remuneration. There are no other executives of Choiseul.

The managing director and the chief financial officer of the Manager provide a written declaration to the board that:

- The financial statements comply with the Accounting Standards and give a true and fair view of the financial position of Choiseul, and
- The integrity of the financial statements are founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting.

Board of directors

The board charter details the composition and the role and responsibilities of the board.

The board is primarily responsible for the long-term performance and success of Choiseul. It oversees the activities and performance of the Manager.

The board comprises three independent non-executive directors who together consider the composition of the board. The board reviews its performance and composition to ensure the board is operating effectively and is comprised of directors with an appropriate mix of accounting skills and investment experience. The board considers that a nomination committee is not necessary due to the size of the board and the nature and size of Choiseul’s operations.

The board having reviewed its performance recommended Mr R.A.F. England for election at the 2009 annual general meeting.

The details of the directors, their experience, qualifications, term of office and independent status are set out in the Directors’ Report.

The Guidelines provide a list of objective criteria to assist in the determination of the assessment of a director’s independence. However, the ASX Corporate Governance Council acknowledges that a board may determine a director to be independent, notwithstanding the existence of a specific relationship if it is considered that this relationship does not impact on the director’s ability to operate independently.

Mr R. D. Millner is a director of Washington H. Soul Pattinson & Company Limited and Milton Corporation Limited which are substantial shareholders of Choiseul.

The board, having considered all relevant facts and circumstances is of the opinion that Mr R.D. Millner is independent. It is the board’s opinion that the thinking and actions of Mr R.D. Millner and his commitment to represent the interest of all shareholders is not impaired.

Messrs R.A.F. England and J.A.Bryson have no relationship with Choiseul that could affect their independence.

In accordance with the Corporations Act 2001, any director who has an interest of any kind in relation to any matter dealt with at a board or committee meeting is required to advise the meeting and abstain from participation in the decision making process.

All directors are subject to re-election at least every three years.

Independent professional advice may be sought by a director at Choiseul's expense with the prior approval of the chairman. A copy of advice received by the director is made available to the chairman to be dealt with at his discretion.

The board meets regularly to review reports from the Manager on the investment portfolio and on the operational and financial performance of Choiseul.

As there are no executives remunerated by Choiseul, a remuneration committee has not been established. The board as a whole considers the matter of directors' fees.

The directors have agreed to phase out retirement benefits, with the amount to be paid to each director upon retirement limited to the provision in the financial statements as at 30 June 2004.

Board committees

The board has established an audit committee to assist it in carrying out its responsibilities. The charter identifies the roles and responsibilities of the audit committee and has been approved by the board and is available on Choiseul's website (www.choiseul.com.au).

The Audit Committee, which consists of all directors, reviews the effectiveness of the risk management and other internal controls, the reliability of financial information and the appointment and effectiveness of the external auditor. To assist in this function, the committee may invite the external auditor and senior executives of the Manager to report to meetings. Any significant non-audit services to be provided by the external auditors must be approved in advance by the Audit Committee.

Share trading guidelines

Directors are encouraged to have a personal financial interest in Choiseul by acquiring and holding shares on a long-term basis.

The buying or selling of shares in Choiseul is not permitted by any director, officer or the Manager of Choiseul or their associates when that person is in possession of price sensitive information not available to the market in relation to those shares. Apart from that, any director, officer or the Manager of Choiseul or their associates may buy or sell shares in Choiseul at any time during the year, other than for the seven days prior to the date of lodgement of announcements regarding the results of Choiseul until the day after the date of such lodgement.

Directors, officers and the Manager of Choiseul and their associates are required to inform the chairman of any intention to sell shares.

Continuous disclosure and shareholder communication

The secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules.

The board reviews and approves all announcements to the ASX, except for the monthly net asset backing announcements which are reviewed by the secretary and the Manager.

All information disclosed to the ASX is posted on Choiseul's website and shareholders who have advised Choiseul of their email addresses are notified by email of the disclosure. The communication policy is posted on Choiseul's website.

Risk management

The Manager reports annually to the Audit Committee on Choiseul's risk management system.

The board considers an internal audit function is not necessary due to the nature and size of Choiseul's operations. The external auditors report to the Audit Committee on risk management issues identified during the course of the audit. The risk management policy is posted on Choiseul's website.

Choiseul Investments Limited
Income statement
for the year ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
Operating revenue	2a	24,153	24,655
Operating expenses	3	(632)	(572)
Finance costs		(74)	(1,254)
Operating profit before income tax expense, special investment revenue, realised gains and losses and impairment losses		23,447	22,829
Income tax expense thereon*	4a	(1,752)	(1,108)
Operating profit before special investment revenue, realised gains and losses and impairment losses		21,695	21,721
Special investment revenue before tax	2b	423	1,501
Income tax expense thereon*	4b	(6)	(63)
		417	1,438
Operating profit before realised gains and losses and impairment losses		22,112	23,159
Realised gains on investments before tax		3,893	10,015
Income tax expense thereon*	4c	(1,357)	(2,953)
Net realised gains on investments		2,536	7,062
Impairment losses before tax		(6,786)	-
Income tax benefit thereon*		1,941	-
Impairment losses		(4,845)	-
Profit attributable to shareholders of the entity		19,803	30,221
* Total income tax expense		(1,174)	(4,124)
Basic and diluted earnings per share including after tax special investment revenue, realised gains and losses and impairment losses (cents)	8	21.7	37.1
Basic and diluted earnings per share based on operating profit before special investment revenue, realised gains and losses and impairment losses (cents)	8	23.8	26.6

The income statement is to be read in conjunction with the notes to the financial statements.

Choiseul Investments Limited
Balance sheet
as at 30 June 2009

	Note	2009 \$'000	2008 \$'000
Current assets			
Cash and cash equivalents	9	45,472	14,417
Receivables	10	3,764	4,464
Other financial assets	11	1,719	20
Total current assets		50,955	18,901
Non-current assets			
Investments	12	369,484	433,531
Deferred tax assets	13	1,691	54
Total non-current assets		371,175	433,585
Total assets		422,130	452,486
Current liabilities			
Payables	14	280	113
Current tax liabilities		796	1,718
Total current liabilities		1,076	1,831
Non-current liabilities			
Deferred tax liabilities	15	50,500	75,229
Provisions	16	74	125
Total non-current liabilities		50,574	75,354
Total liabilities		51,650	77,185
Net assets		370,480	375,301
Equity			
Issued capital	17	110,752	53,795
Reserves	18	221,731	280,779
Retained profits	19	37,997	40,727
Total equity		370,480	375,301
Net tangible assets per share before providing for tax on unrealised capital gains		\$4.53	\$5.52
Net tangible assets per share after providing for tax on unrealised capital gains		\$3.98	\$4.60

The balance sheet is to be read in conjunction with the notes to the financial statements.

Choiseul Investments Limited
Statement of changes in equity
for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Total equity attributable to shareholders at the beginning of the year	<u>375,301</u>	<u>443,555</u>
Profit attributable to shareholders for the year	19,803	30,221
Impairment losses transferred from the asset revaluation reserve to the income statement	4,845	-
Net devaluation of investments	(90,991)	(113,821)
Provision for tax on unrealised capital gains	<u>27,352</u>	<u>33,949</u>
	<u>(38,991)</u>	<u>(49,651)</u>
Contributions of equity, net of issue costs	56,957	548
Dividends paid from retained profits	(19,997)	(17,929)
Dividends paid from capital profits reserve	<u>(2,790)</u>	<u>(1,222)</u>
	<u>34,170</u>	<u>(18,603)</u>
Total equity attributable to shareholders at the end of the year	<u>370,480</u>	<u>375,301</u>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Choiseul Investments Limited
Cash flow statement
for the year ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
Cash flows from operating activities			
Dividends received		23,050	22,333
Interest received		2,499	2,537
Other receipts in the course of operations		123	63
Proceeds from sale of trading securities		1,479	-
Payments for trading securities		(2,236)	-
Finance costs paid		(148)	(1,254)
Operating payments in the course of operations		(690)	(639)
Income taxes paid		(2,517)	(1,392)
Net cash provided by operating activities	21	<u>21,560</u>	<u>21,648</u>
Cash flows from investing activities			
Proceeds from disposal of investments		1,497	9,119
Payments for investments		(25,638)	(17,514)
Net cash used in operating activities		<u>(24,141)</u>	<u>(8,395)</u>
Cash flows from financing activities			
Proceeds from issue of shares		58,201	561
Payments for issue of shares		(1,778)	(17)
Repayment of borrowings		-	(2,759)
Ordinary dividends paid		(22,787)	(19,152)
Net cash provided by (used in) financing activities		<u>33,636</u>	<u>(21,367)</u>
Net increase (decrease) in cash assets held		31,055	(8,114)
Cash assets at the beginning of the year		<u>14,417</u>	<u>22,531</u>
Cash assets at the end of the year	9	<u>45,472</u>	<u>14,417</u>

The cash flow statement is to be read in conjunction with the notes to the financial statements.

Choiseul Investments Limited

Notes to the financial statements

for the year ended 30 June 2009

1. Statement of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report consists of the financial statements of Choiseul Investments Limited ("Choiseul") with no consolidated entity shown, as its former non-operating subsidiary was placed into voluntary liquidation in April 2008.

a. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

These financial statements have been prepared on an accruals basis and are based on the historical cost basis except as modified by the revaluation of available-for-sale financial assets and certain financial assets and liabilities measured at fair value.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available in ASIC Class Order 98/100.

b. Income tax

The income tax expense is the tax payable in the current year's taxable income based on the income tax rate enacted adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax is recognised using the balance sheet method.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax balances attributable to revaluation amounts are recognised directly in equity through the asset revaluation reserve.

c. Cash and cash equivalents

Cash assets include cash at bank, short term deposits at call, term deposits and bills receivable and are shown at fair value.

Interest from short-term deposits and bank accounts is brought to account on an accruals basis as it is earned.

Revenue from the bills receivable is recognised on an effective yield basis.

d. Trading securities

Trading securities are carried at their fair value which is the net realisable value.

Any reduction in the carrying amount of the asset is expensed.

Dividends are brought to account on the date that the shares are traded "ex-dividend".

e. Other liquid securities

Other liquid securities include listed securities such as reset preference shares which are classified as available-for-sale and may be realised within 12 months.

1. Statement of significant accounting policies (continued)

e. Other liquid securities (continued)

Other liquid securities are valued continuously. Revaluation increments arising from revaluations are credited directly to the asset revaluation reserve after deducting a provision for potential deferred capital gains tax. The asset revaluation reserve is reduced when investments are realised.

On disposal, realised gains or losses and associated tax are recognised in the income statement.

Distribution income from these securities are brought to account on the day that these securities trade "ex-dividend".

f. Investments

All investments are classified as "available-for-sale" investments and are recognised at fair value, which is the price quoted in an active market.

Investments are valued continuously with changes in value being recognised directly in the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax.

When an investment is disposed or impaired, the cumulative gain or loss is removed from the asset revaluation reserve and recognised in the income statement. Realised capital gains, net of tax, are transferred from retained profits to the capital profits reserve.

All investments trading below cost are assessed for impairment regularly. If objective evidence of impairment exists at the reporting date, the investment is classified as impaired at that time. The unrealised impairment loss, being the difference between cost and market price at the reporting date, is then recognised in the income statement. Any subsequent reversal of an unrealised impairment loss is not reversed through the income statement as required by the Accounting Standards.

Dividends and distributions are brought to account on the date that the investment trades "ex-dividend".

Ordinary dividends and ordinary trust distributions are included in operating revenue.

Special dividends and special trust distributions are included in special investment revenue as this revenue is of an irregular nature.

De-merger dividends arising from company de-consolidations are treated as return of capital and not as a dividend.

g. Operating segment information

The entity operates in Australia only and its principal activity is investing.

h. Critical accounting estimates and judgments

Judgements, estimates and assumptions are required to prepare financial statements.

Choiseul has recognised deferred tax assets, relating to carried forward capital losses, based on current tax rates. Utilisation of the tax losses requires the realisation of capital gains in subsequent years and the ability to satisfy certain tests at the time the losses are recouped.

Apart from this, there are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment does not affect the carrying value of the investments as Choiseul revalues its investments to market value continuously. Impairment losses, which are unrealised, are effectively transferred from the asset revaluation reserve to retained earnings.

Assessment of impairment at the reporting date, in accordance with AASB 139 Financial Instruments: Recognition and Measurement, requires significant judgement. The duration and extent to which the fair value of an investment is less than its cost as well as the expected future cashflows from the investment are factors in determining whether an investment is impaired.

i. New standards and interpretations not yet adopted

No new accounting standards and interpretations, that are available for early adoption at 30 June 2009, will result in any material change in relation to the financial statements. Changes to the accounting standard, AASB 101 Presentation of Financial Statements (issued September 2007) will apply for annual reporting periods beginning on or after 1 January 2009, but the changes are to presentation and will not affect any of the amounts recognised in the financial statements.

	2009	2008
	\$'000	\$'000
2. Revenue		
a. Operating		
Dividends – franked	17,708	18,798
Dividends – unfranked	2,305	1,955
Interest	2,717	2,516
Trust distributions	847	1,322
Net realised gains on trading portfolio	312	-
Other revenue	264	64
	24,153	24,655
b. Special investment		
Dividends – franked	403	1,292
Dividends – unfranked	20	209
	423	1,501
3. Expenses (excluding finance costs)		
Administration	632	572
4. Income tax expense		
a. Operating profit		
Prima facie income tax expense calculated at 30% on the profit before special investment revenue, realised gains and losses and impairment losses	7,034	6,849
Increase (decrease) in income tax expense due to:		
Rebates on dividend income	(5,312)	(5,639)
Underprovision for prior year	57	44
Other differences	(27)	(146)
Income tax expense attributable to operating profit before special investment revenue, realised gains and losses and impairment losses	1,752	1,108
b. Special investment revenue		
Prima facie income tax expense calculated at 30% on special investment revenue	126	451
Rebates on dividend income	(120)	(388)
Income tax expense attributable to special investment revenue	6	63

	2009	2008
	\$'000	\$'000
4. Income tax expense (Continued)		
c. Realised gains and losses on investments		
Prima facie income expense calculated at 30% on realised gains and losses on investments	1,168	3,004
Rollover relief applied	-	(45)
Adjustment of cost base for tax	189	(6)
	<hr/> 1,357	<hr/> 2,953
d. Impairment losses		
Prima facie income tax expense calculated at 30% on impairment losses	(2,036)	-
Adjustment of cost base for tax	95	-
	<hr/> (1,941)	<hr/> -
5. Auditor's remuneration	\$	\$
Audit services	35,473	30,022
Liquidation of non-operating subsidiary	2,218	1,100
	<hr/> 37,691	<hr/> 31,122
6. Ordinary fully franked dividends	\$'000	\$'000
a. Recognised in the current year		
A final dividend in respect of the 2008 year of 13 cents per share paid on 11 September 2008 (2008: a final dividend in respect of the 2007 year of 12 cents per share paid on 12 September 2007)	12,091	9,780
An interim dividend of 11.5 cents per share paid on 6 March 2009 (2008: 11.5 cents per share paid on 4 March 2008)	10,696	9,372
	<hr/> 22,787	<hr/> 19,152
b. Not recognised in the current year		
Since the end of the financial year, the directors declared a fully franked ordinary final dividend of 10.5 cents per share payable on 18 September 2009 (2008: ordinary 13 cents per share paid on 11 September 2008))	9,766	10,608
c. Dividend franking accounts		
The amount of franking credits available to shareholders for subsequent financial year, adjusted for franking credits that will arise from the payment of the current tax liability	16,987	17,409
Subsequent to year end, the franking account will be reduced by the proposed final dividend to be paid on 18 September 2009	(4,185)	(4,546)
	<hr/> 12,802	<hr/> 12,863

The franking account balance would allow Choiseul to frank additional dividend payments up to an amount of \$29,871,000 (2008: \$30,013,000) which is 33 cents per share (2008: 37 cents per share).

	2009	2008
	\$'000	\$'000
7. Listed Investment Company capital gain account		
Balance of the Listed Investment Company (LIC) capital gain account	<u>878</u>	<u>3,377</u>
A LIC capital gain dividend of 3 cents per share was included in the final dividend paid on 11 September 2008.		
Distributed LIC capital gains may entitle certain shareholders to a special deduction in their income tax return.		
LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains and the receipt of LIC capital gain distributions.		
	cents	cents
8. Earnings per share		
Basic earnings per share	<u>21.7</u>	<u>37.1</u>
Basic earnings per share before special investment revenue, realised gains and losses and impairment losses	<u>23.8</u>	<u>26.6</u>
	\$'000	\$'000
Profit attributable to shareholders of the entity	19,803	30,221
Special investment revenue, realised gains and losses and impairment losses	<u>1,892</u>	<u>(8,500)</u>
Earnings used in the calculation of basic earnings per share excluding special investment revenue, realised gains and losses and impairment losses	<u>21,695</u>	<u>21,721</u>
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>91,226,214</u>	<u>81,517,878</u>
Diluted earnings per share figures are the same because there are no dilutive potential ordinary shares.		
	2009	2008
	\$'000	\$'000
9. Cash and cash equivalents		
Cash at bank	384	324
Deposits at call	6,588	5,593
Term deposits	38,500	-
Bills receivable	<u>-</u>	<u>8,500</u>
	<u>45,472</u>	<u>14,417</u>
The weighted average interest rate for cash as at 30 June 2009 was 3.0% p.a. (2008: 7.6% p.a.). Term deposits had an average maturity date of August 2009 (2008: nil) and an average interest rate of 4.0% p.a. (2008: nil).		
10. Receivables		
Income and other receivables	<u>3,764</u>	<u>4,464</u>
This receivable relates to accrued income which is non-interest bearing.		

	2009	2008
	\$'000	\$'000
11. Other financial assets		
Other liquid securities – at fair value	1,090	-
Trading securities – at fair value	610	-
Prepayments	19	20
	1,719	20
12. Investments – non current		
Quoted investments – at fair value	369,484	433,531
a. Included in quoted investments are		
Shares in other corporations	360,045	414,596
Units in trusts	9,439	18,935
	369,484	433,531
b. Investments listing		
The fair values of individual investments as at 30 June 2009 are disclosed on pages 5 to 6 of the annual report.		
13. Deferred tax assets		
The balance comprises temporary differences attributable to:		
Realised capital gains tax losses carried forward	1,237	-
Provisions	22	44
Share issue expenses	424	10
Other	8	-
Total deferred tax assets	1,691	54
Movements:		
Balance at beginning of year	54	73
Credited to the income statement	1,104	(19)
Credited to equity	533	(1)
Balance at the end of year	1,691	53
To be recovered within 12 months	366	6
To be recovered after more than 12 months	1,325	48
	1,691	54
14. Payables		
Other creditors and accruals	280	113
Other creditors are settled within the terms of payment offered, which is normally within one month. No interest is applicable.		
15. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	50,471	75,229
Amounts recognised in profit for the year:		
Unrealised gains on trading securities	29	-
	50,500	75,229

	2009	2008
	\$'000	\$'000
15. Deferred tax liabilities (continued)		
Movements:		
Balance at the beginning of the year	75,229	107,590
Charged to equity	(24,758)	(32,361)
Charged to the income statement	29	-
Balance at the end of the year	50,500	75,229
16. Provisions		
Directors' retirement benefits	74	125
17. Issued capital		
a. Movement in share capital		
Balance at the beginning of the year 81,596,362 shares (2008: 81,496,967 shares)	53,795	53,247
Share Purchase Plan and other issues of 11,412,000 shares for cash (2008: 99,395 shares)	58,201	561
Share issue costs net of tax	(1,244)	(13)
Balance at the end of the year 93,008,362 (2008: 81,596,362 shares)	110,752	53,795
b. Ordinary shares		
All capital issued is fully paid ordinary shares. Choiseul does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Choiseul.		
18. Reserves		
Capital profits reserve	50,181	50,435
Asset revaluation reserve	155,550	214,344
General reserve	16,000	16,000
	221,731	280,779
a. Movements in capital profits reserve		
Balance at the beginning of the year	50,435	44,595
LIC dividends paid	(2,790)	(1,222)
Transfer from retained profits	2,536	7,062
Balance at the end of the year	50,181	50,435
b. Movements in asset revaluation reserve		
Balance at the beginning of the year	214,344	294,216
Impairment losses transferred to the income statement	4,845	-
Net devaluation of investments	(90,991)	(113,821)
Provision for tax benefit on unrealised capital losses	27,352	33,949
Balance at the end of the year	155,550	214,344

	2009	2008
	\$'000	\$'000
19. Retained profits		
Retained profits at the beginning of the year	40,727	35,497
Operating profit attributable to shareholders for the year	19,803	30,221
Transfer of net realised gains net of tax to the capital profits reserve	(2,536)	(7,062)
Dividends paid	(19,997)	(17,929)
Retained profits at the end of the year	37,997	40,727

20. Management of financial risk

The risks associated with the financial instruments, such as investments, cash, bank bills and borrowings, include market risk, credit risk and liquidity risk.

The Audit Committee has approved policies and procedures established to manage these risks. The effectiveness of these policies and procedures is continually reviewed by the Manager and annually by the Audit Committee.

a. Financial instruments' terms, conditions and accounting policies

Choiseul's accounting policies are included in Note 1, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are included under the appropriate note for that instrument.

b. Net fair values

The carrying amounts of financial instruments in the balance sheet approximate their net fair value.

c. Credit risk exposure

Choiseul's principal credit risk exposures arise from the investment in liquid assets, such as cash and bank bills, and income receivable.

The risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk. The credit risk on Choiseul's financial assets, excluding investments, is the carrying amount of those assets.

Individual bank limits have been approved by the board for the investment of the cash and bank bills.

Income receivable is comprised of accrued interest and dividends and distributions which were brought to account on the date the shares or units traded ex-dividend.

There are no financial instruments overdue or considered to be impaired, except those charged in the income statement.

All financial assets and their recoverability are reviewed by the board on a quarterly basis.

Credit risk on securities lent to international banks is the market value of those securities. The counterparties have been approved by the board and the loans are secured by collateral in the form of cash or shares with a value greater than the market value of the securities on loan. There were no securities on loan at 30 June 2008 and 30 June 2009.

d. Market risk

Market risk is the risk that changes in market prices will affect the fair value of the financial instrument.

Choiseul is exposed to market risk through the movement of the share prices of the companies and trusts in which it is invested. Choiseul's long-term investment experience is that the fair value of the portfolio increases over the long term.

The market value of individual companies fluctuates throughout the day and the fair value changes continuously with this change in the fair value recognised through the asset revaluation reserve.

20. Management of financial risk (continued)

d. Market risk (continued)

Investments represent 88% (2008: 96%) of total assets. A 5% movement in the market value of each of the companies and trusts within the portfolio would result in a 4.4% (2008: 4.8%) movement in the net assets before provision for tax on unrealised capital gains as at 30 June 2009. The net asset backing before provision for tax on unrealised capital gains would move by 20 cents per share at 30 June 2009 (2008: 27 cents per share at 30 June 2008).

Choiseul's manager regularly monitors the performance of the companies within Choiseul's portfolio and makes portfolio recommendations which are considered by the manager's Investment Committee. The Choiseul board reviews the portfolio on a quarterly basis.

Choiseul is not exposed to foreign currency risks as all its investments are quoted in Australian dollars.

The fair value of Choiseul's other financial instruments is unlikely to be materially affected by a movement in interest rates as they generally have short dated maturities and variable interest rates.

e. Liquidity risk

Liquidity risk is the risk that Choiseul is unable to meet its financial obligations as they fall due.

Choiseul manages liquidity risk by monitoring forecast cashflows.

f. Capital risk management

Choiseul invests its equity in a diversified portfolio of assets that generates a growing income stream for distribution to shareholders in the form of fully franked dividends.

The capital base is managed to ensure there are funds available for investment as opportunities arise.

Capital may be increased through the issue of shares under the Share Purchase Plan.

Other means of increasing capital include rights issues, placements and acquisitions of unlisted investment companies.

2009	2008
\$'000	\$'000

21. Note to the cash flow statement

Reconciliation of net profit to net cash provided by operating activities

Profit attributable to shareholders	19,803	30,221
Net realised gains on investments	(2,536)	(7,062)
Impairment losses	4,845	-
Decrease (increase) in receivables	340	(1,216)
Decrease in other creditors and accruals	(133)	(73)
Decrease in income taxes payable	(759)	(222)
Net cash provided by operating activities	21,560	21,648

22. Key Management Personnel

a. Non-executive directors

Information regarding individual director's compensation disclosures as permitted by Corporations regulations 2M.3.03 is provided in the Remuneration Report of the Directors' Report on pages 10 and 11.

b. Shareholdings of non-executive directors and their related parties – number of shares held

		Opening Balance	Acquisition	Closing Balance
R.D. Millner	2009	17,277,459	-	17,277,459
	2008	16,840,650	436,809	17,277,459
J.A. Bryson	2009	-	11,000	11,000
	2008	-	-	-
R.A.F. England	2009	21,930	-	21,930
	2008	21,930	-	21,930
M.J. Millner*	2009	16,152,609	-	-
	2008	15,715,800	436,809	16,152,609

* Resigned 25 July 2008

23. Related parties

Directors

The names of each person holding the position of director of Choiseul Investments Limited during the financial year are Robert Dobson Millner, John Alexander Bryson, Richard Anthony Fountayne England and Michael John Millner

All directors have entered into the Deed of Indemnity, Insurance and Access that was approved at the annual general meeting of shareholders held on 17 November 2000.

Apart from the details disclosed in this note, no director has entered into a material contract with Choiseul since the end of the previous financial year and there were no material contracts involving directors existing at the end of the year.

Dividends paid by Choiseul to directors and their related parties on the same basis as were paid to all other shareholders were \$1,691,438 (2008: \$1,576,499).

24. Events subsequent to reporting date

Since the end of the financial year, the directors declared a final fully franked ordinary dividend of 10.5 cents per share payable on 18 September 2009.

This financial report was authorised for issue in accordance with a resolution of directors on 21 August 2009.

DIRECTORS' DECLARATION

- (1) In the opinion of the directors of Choiseul Investments Limited ("Choiseul"):
 - (a) the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 10 and 11, are in accordance with the Corporations Act 2001, including;
 - (i) giving a true and fair view of Choiseul's financial position as at 30 June 2009 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that Choiseul 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 from the chief executive officer and chief financial officer of the manager for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors:



R.D.MILLNER
Chairman

Sydney, 21 August 2009

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHOISEUL INVESTMENTS LIMITED**

We have audited the accompanying financial report of Choiseul Investments Limited (Choiseul), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Choiseul are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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The Sydney Moore Stephens firm is not a partner or agent of any other Moore Stephens firm*

Independence

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

Auditor's Opinion

In our opinion the financial report of Choiseul Investments Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of Choiseul's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 and 11 of the directors' report for the year ended 30 June 2009. The directors of Choiseul 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 Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Choiseul Investments Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



Moore Stephens Sydney
Chartered Accountants



S. M. Whiddett
Partner

Dated in Sydney this 21st day of August 2009

ASX INFORMATION

Top 20 shareholders at 31 July 2009

Name	No.	%
Milton Corporation Limited	11,485,134	12.35
Washington H. Soul Pattinson & Company Limited	9,317,270	10.02
Perpetual Limited	3,217,370	3.46
Hexham Holdings Pty Limited	2,306,065	2.48
Millane Pty Limited	2,061,989	2.22
James David Oswald Burns	1,948,707	2.10
Argo Investments Limited	1,791,854	1.93
T.N. Phillips Investments Pty Limited	1,737,577	1.87
Trust Company of Australia Ltd <F P Archer Holdings Pty Limited >	1,520,440	1.63
Margaret Anne White	1,469,594	1.58
J.S. Millner Holdings Pty Limited	1,282,730	1.38
Brickworks Investment Company Limited	1,082,985	1.16
Myora Pty Limited	759,874	0.82
Elizabeth Jean Ferris	687,893	0.74
Miall Pty Limited	562,171	0.60
Patricia Hessel Love	452,800	0.49
Jum Pty Limited	433,540	0.47
Frank Lewy Mills	432,595	0.47
Carlton Hotel Limited	426,925	0.46
UBS Wealth Management Australia Nominees Pty Ltd	378,934	0.41

On 31 July 2009, there were 3,886 holders of ordinary shares in the capital of Choiseul. Holders of ordinary shares are entitled to one vote per share.

No. of shares held	No. of shareholders
1 – 500	180
501 – 1,000	302
1,001 – 5,000	1,309
5,001 – 10,000	898
10,001 – 50,000	1,022
50,001 – 100,000	94
100,001 and over	81
The number of holders of less than a marketable parcel of 109 shares	55

Substantial shareholdings As at 31 July 2009, the names and holdings of substantial shareholders as disclosed in notices received by Choiseul are as follows:-

Substantial shareholders	Date received	No. of shares
Milton Corporation Limited	27 August 2008	11,485,134
Washington H. Soul Pattinson & Company Limited	27 August 2008	9,317,270

Other information:

Choiseul is taxed as a public company.

There is no current on-market buy-back.

The total number of transactions in securities undertaken by Choiseul was 129 and the total brokerage paid or accrued was \$23,503.

Milton provides day to day management under a contractual agreement, for a fixed fee. The management fee paid in 2009 was \$261,180 excluding GST.

CAPITAL GAINS TAX INFORMATION

The following information may assist in the calculation of taxable capital gains:-

CPI for Capital Gains Tax

	March	June	September	December
1985	-	-	71.3	72.7
1986	74.4	75.6	77.6	79.8
1987	81.4	82.6	84.0	85.5
1988	87.0	88.5	90.2	92.0
1989	92.9	95.2	97.4	99.2
1990	100.9	102.5	103.3	106.0
1991	105.8	106.0	106.6	107.6
1992	107.6	107.3	107.4	107.9
1993	108.9	109.3	109.8	110.0
1994	110.4	111.2	111.9	112.8
1995	114.7	116.2	117.6	118.5
1996	119.0	119.8	120.1	120.3
1997	120.5	120.2	119.7	120.0
1998	120.3	121.0	121.3	121.9
1999	121.8	122.3	123.4	

Issues to shareholders since 19 September 1985 (commencement of capital gains tax)

16.12.1985	1 for 5 Bonus Issue from Capital Reserve Account
22.05.1987	2 for 1 Bonus Issue from Capital Reserve Account
25.03.1991	1 for 8 Cash Issue at \$3.75 per share
09.11.1994	1 for 10 Bonus Issue from Share Premium Reserve
10.11.1995	1 for 10 Bonus Issue from Share Premium Reserve
22.02.1999	1 for 10 Cash Issue at \$10.00 per share
03.11.2000	1 for 10 Cash Issue at \$11.00 per share
22.04.2004	Share Purchase Plan at \$19.98 per share
20.04.2005	Share Purchase Plan at \$4.96 per share
11.04.2006	Share Purchase Plan at \$5.42 per share
12.04.2007	Share Purchase Plan at \$6.17 per share
15.04.2008	Share Purchase Plan at \$5.65 per share
26.08.2008	Capital raising - issued 11,412,000 Choiseul shares at \$5.10 per share

DIRECTORY

Registered Office:

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Email: general@choiseul.com.au
Internet: www.choiseul.com.au

Share Registry:

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Sydney South NSW 1235
Phone: (02) 8280 7111
Toll Free: 1800 641 024
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