

## INVESTMENT PHILOSOPHY

Choiseul is a long-term investor in companies, trusts and interest bearing securities.

Choiseul seeks to invest in well-managed companies and trusts with a profitable history and with the expectation of sound dividend growth.

Choiseul is not a speculative investor and does not sell its assets to increase profit for distribution to shareholders. Capital profits are reinvested by the company for the benefit of shareholders.

## INVESTMENT PORTFOLIO

During the year, Choiseul invested a total of \$24 million into the long term equity portfolio. Fosters Group and United Group were the new additions to the portfolio. Other larger investments over \$1 million were: AGL Energy, ANZ Banking Group, BHP Billiton, Campbell Brothers, Telstra and Woodside Petroleum.

The 20 largest investments, as at 30 June 2010, are set out below:-

COMPANY	MARKET VALUE \$'000
Washington H Soul Pattinson	55,059
Commonwealth Bank of Australia	32,897
National Australia Bank Limited	31,614
QBE Insurance Group Limited	30,228
Westpac Banking Corporation	30,123
B H P Billiton Limited	28,109
Milton Corporation Limited	27,166
Brickworks Limited	12,644
Wesfarmers Limited	12,566
Campbell Brothers	10,769
Bank of Queensland Limited	9,600
Woolworths Limited	9,455
Bendigo & Adelaide Bank Limited	8,860
Telstra Corporation	7,848
AGL Energy Limited	6,351
Macquarie Group Limited	6,249
Metcash Limited	5,357
Stockland Trust Group	5,328
Perpetual Limited	4,848
Leighton Holdings Limited	4,604
Total market value of Top 20	<u>339,675</u>
Total Assets	<u>473,080</u>

## CORPORATE OBJECTIVE

To hold long-term investments in a diversified portfolio, which will generate an increasing income stream for distribution to shareholders in the form of fully franked dividends and provide growth in the value of the shareholders' investment.

## CLASSIFICATION OF INVESTMENTS

The following table shows assets, as at 30 June 2010, classified by index according to the Stock Exchange classifications.

CLASSIFICATION	TOTAL ASSETS %
Banks	25.1
Diversified financials	21.4
Materials	11.0
Insurance	8.5
Consumer staples	7.2
Industrials	5.4
Consumer discretionary	2.5
Energy	2.3
Real estate	1.6
Other shares	<u>4.0</u>
	89.1
Cash & liquids	9.7
Other assets	<u>1.2</u>
Total	<u>100.0</u>

## CONTACT DETAILS

Shareholders can direct all enquiries to Mr Frank Gooch or to our Shareholder Liaison Officer, Mrs Betty Merrington.  
Tel: (02) 8006 5357 Fax: (02) 9251 7033 or  
Email: [general@choiseul.com.au](mailto:general@choiseul.com.au)

Share registry enquiries should be directed to:  
Link Market Services Limited  
Phone: (02) 8280 7111  
Toll Free: 1800 641 024  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Internet: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## CHOISEUL INVESTMENTS LIMITED

ABN 36 000 005 041

## ANNUAL REVIEW - 30 JUNE 2010

- **Fully franked dividends**  
*Final dividend of 10.5 cents per share*
  - *includes LIC capital gain dividend of 1.5 cents per share with an "attributable part" of 2.14 cents per share**Full year dividend of 21 cents per share*
- **Earnings per share:**  
*20.5 cents (excluding special dividends and realised gains) - down 13.9%*  
*22.8 cents (including special dividends and realised gains) - down 15.6%*
- **Profit after tax:**  
*\$19.6 million (excluding special dividends and realised gains and losses) - down 9.4%*  
*\$21.8 million (including special dividends and realised gains and losses) - down 11.4%*
- **Total returns to 30 June 2010:**  
*Portfolio return over 10 years – 10.0% pa compounded*  
*Shareholder return over 10 years – 10.58% pa compounded*

*This document is not a prospectus and does not seek to invite applications for shares in the Company.*

## RESULTS FOR THE YEAR TO 30 JUNE 2010

	2010 \$'000	Movement
Operating Revenue	21,489	↓ 10 %
Other Revenue	326	
Administration expenses	<u>(653)</u>	↑ 3 %
Operating profit before tax	21,162	
Tax expense	<u>(1,517)</u>	
<b>Underlying operating profit after tax</b>	<b>19,645</b>	<b>↓ 9%</b>
Special dividends after tax	1,638	↓ 293%
Realised gains after tax	<u>560</u>	
<b>Net profit after tax</b>	<b><u>21,843</u></b>	<b>↓ 11%</b>
Weighted average eps based on		
- Net profit after tax	<b>22.8 cents</b>	<b>↓ 15.6%</b>
- Underlying operating profit after tax	<b>20.5 cents</b>	<b>↓ 13.9%</b>

## BALANCE SHEET

	2010 \$million	2009 \$million
Cash & liquids	46.4	47.1
Investments	421.1	369.5
Other assets	<u>4.6</u>	<u>5.5</u>
Total Assets	472.1	422.1
Liabilities	<u>(0.6)</u>	<u>(1.0)</u>
<b>Net Assets before provision for tax on unrealised capital gains</b>	<b>471.5</b>	421.1
Provision for tax on unrealised capital gains	<u>(59.1)</u>	<u>(50.6)</u>
<b>Net Assets</b>	<b><u>412.4</u></b>	<u>370.5</u>
Net tangible asset backing per share		
- before provision for tax on unrealised capital gains and net of tax on realised capital losses	<b>\$4.87</b>	\$4.51
- after provision for tax on unrealised capital gains and net of tax on unrealised capital losses	<b>\$4.26</b>	\$3.98

## DIVIDENDS

A fully franked final dividend of 10.5 cents per share will be paid on 8 September 2010 to shareholders on the register at the close of business on 25 August 2010.

The final dividend includes a LIC capital gain component of 1.5 cents per share which gives rise to an “attributable part” of 2.14 cents per share. Eligible shareholders will be able to claim a tax deduction in their tax return for the 2011 financial year.

Choiseul’s dividend history is tabled below.

	2010 cps	2009 cps	2008 cps	2007 cps	2006 cps
Interim	10.5	11.5	11.5	9.75	8.5
Final	*10.5	10.5	*13.0	*12.00	10.5
Total	21.0	22.0	24.5	21.75	19.0
Special	-	-	-	-	-
* LIC Capital Gain included in final dividend:					
LIC	1.5	-	3.0	1.50	-

## COMMENTARY

Choiseul Investments Limited, announced its Underlying Operating Profit, which excludes special dividend income and realised gains on investments, for the year to 30 June 2010 was \$19.6 million (2009: \$21.7 million).

As a traditional listed investment company, Choiseul’s operating profit is heavily reliant on the ordinary distributions of profits from the companies and trusts in which it invests. Many of these companies and trusts reduced distributions in the six months to 31 December 2009, as their profits and liquidity were impacted by the GFC. Then as conditions improved in the following six months most companies in the portfolio were able to increase their interim dividends.

The chairman of Choiseul, Mr Robert Millner said, “The increase in the interim dividends, received in the second half of the 2010 year, lifted operating profits and earnings per share for that half above the previous corresponding half to 30 June 2009.”

The weighted average earnings per share, based on underlying operating profit, of 20.5 cents were 13.9% lower than the prior year earnings of 23.8 cents per share.

Special dividends received from Washington H Soul Pattinson, New Hope Corporation and Lion Nathan added a further \$1.6 million to net profit for the year.

The net profit for the year of \$21.8 million (2009: \$24.6million) also included realised gains of \$0.5 million (2009: \$2.5 million) from the disposal of investments.

At 30 June 2010, Choiseul had total assets valued at \$472 million, which included listed equities of \$421 million, cash of \$46 million and other assets of \$5 million.

At 30 June 2010, Choiseul’s net asset backing, before provision for tax on unrealised capital gains, was \$4.87 per share, which was 8% higher than \$4.51 a year earlier and at 31 July 2010 the net asset backing was \$5.00.

The Total Portfolio Return over the ten year period to 30 June 2010 was 10% per annum. This is a compound return based on dividends paid and the movement in the net asset backing over the period and it therefore takes into account all payments of tax and expenses. It compares favourably with the All Ordinaries Accumulation Return of 7% for the same period.

The directors have determined to defer the offer of the Share Purchase Plans (SPP). Choiseul has a strong balance sheet with no debt and sufficient cash to enable it to continue to invest in opportunities as they present themselves. The directors will continue to review the company’s capital requirements and will seek to make the SPP available to shareholders at the appropriate time.

## OUTLOOK

Chairman of Choiseul, Mr Millner said, “Choiseul’s second half performance provides your directors with some optimism that dividend income will continue to improve. However there are many uncertainties that could affect the results for the 2011 year. We will continue to invest cautiously and we expect to be able to provide shareholders with an update on the company’s profit progress at the annual general meeting to be held on 14 October 2010, by which time many of the company’s in the portfolio will have reported their full year results and announced the dividends to be paid.”