

INVESTMENTS

The 20 largest investments, as at 31 December 2009, are set out below:-

COMPANY	MARKET VALUE \$'000
Washington H Soul Pattinson	57,738
QBE Insurance Group Limited	42,518
National Australia Bank Limited	37,209
Commonwealth Bank of Australia	37,098
Westpac Banking Corporation	35,897
Milton Corporation Limited	30,685
B H P Billiton Limited	30,679
Wesfarmers Limited	13,708
Brickworks Limited	12,924
Campbell Brothers Limited	10,737
Bendigo & Adelaide Bank Limited	10,657
Bank of Queensland Limited	10,554
Woolworths Limited	8,992
Macquarie Group Limited	8,147
Telstra Corporation	7,034
Perpetual Limited	6,364
Leighton Holdings	5,947
Stockland Trust Group	5,658
Sims Group Limited	5,550
Metcash Limited	5,447
Total market value of Top 20	<u>383,543</u>
Total Assets	<u>529,462</u>

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.

CLASSIFICATION OF GROUP INVESTMENTS

The following table shows assets, as at 31 December 2009, classified by index according to the Stock Exchange classifications.

CLASSIFICATION	TOTAL ASSETS %
Banks	25.8
Diversified Financials	21.1
Materials	10.7
Insurance	10.1
Consumer Staples	6.3
Industrials	5.2
Consumer Discretionary	2.1
Energy	2.0
Real Estate	1.6
Other shares	<u>3.3</u>
	88.2
Cash & liquids	11.4
Other Assets	<u>0.4</u>
Total	<u>100.0</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.

CONTACT DETAILS

Shareholders can direct all enquiries to Mr Frank Gooch or to our Shareholder Liaison Officer, Mrs Betty Merrington.
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Email: general@choiseul.com.au

Share registry enquiries should be directed to:
Link Market Services Limited
Phone: (02) 8280 7111
Toll Free: 1800 641 024
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CHOISEUL INVESTMENTS LIMITED

ABN 36 000 005 041

31 DECEMBER 2009 HALF-YEAR REVIEW

➤ *Fully franked interim ordinary dividend of 10.5 cents per share*

➤ *Profit after tax*

Down 19.3% to \$9.7 million (excluding special investment income and realised capital gains and losses)

Down 25.8% to \$11.8 million (including special investment income and realised capital gains and losses)

➤ *Earnings per share*

Down 23.9% to 10.2 cents (excluding special investment income and realised capital gains and losses)

Down 29.8% to 12.5 cents (including special investment income and realised capital gains and losses)

➤ *Special dividend income of 1.6 million*

➤ *Share Purchase Plan raised \$17.9 million*

WEB SITE

www.choiseul.com.au

This website contains copies of all ASX announcements including the Annual Report and Half-Year Report. If you would like to be advised when these items are available on the website please provide your email address to Link Market Services Limited at: registrars@linkmarketservices.com.au

RESULTS FOR THE HALF-YEAR TO 31 DECEMBER 2009

	31/12/09	Movement
	\$'000	on pcp
Investment revenue	10,519	↓ 20.4%
Other revenue	320	↑247.8%
Administration expenses	<u>(341)</u>	↑ 2.7%
Operating profit before tax	10,498	
Tax expense	<u>(806)</u>	
Operating profit after tax ⁽¹⁾	9,692	↓ 19.3%
Special investment revenue	1,603	↑284.4%
Realised gains after tax	<u>559</u>	↓ 84.2%
Net profit after tax	<u>11,854</u>	↓ 25.8%
Weighted average eps based on		
- Net profit after tax	12.5 cents	↓ 29.8%
- Operating profit after tax	10.2 cents	↓ 23.9%

⁽¹⁾ Operating profit after tax is before special investment revenue and realised capital gains.

PERFORMANCE COMMENTARY

The result was affected by lower dividend receipts as well as a reduction in the interest rates applicable for the six month period.

The chairman of Choiseul, Mr Robert Millner said, “The impact of the GFC on many of the companies in the Choiseul portfolio was apparent as reduced corporate profits, earnings dilution as a consequence of the substantial capital issued over the past 18 months and increasingly conservative dividend payout policies affected Choiseul’s dividend receipts.”

“Interest income was also affected by lower interest rates. Even with the three recent interest rate increases, rates are still lower than they were in the six months to December 2008,” Mr Millner added.

The net profit after tax for the half year to 31 December 2009 was \$11.9 million (2008: \$16.0 million). It was boosted by the receipt of special dividends from Washington H Soul Pattinson, New Hope Corporation and Lion Nathan.

The takeover of Lion Nathan by Kirin produced realised gains of \$0.6 million. These realised gains are excluded from the underlying operating profit as they are largely influenced by the level of corporate activity.

BALANCE SHEET

	31/12/09	30/6/09
	\$million	\$million
Cash & liquids	61	47
Investments	468	370
Other assets	1	3
Total Assets	530	420
Liabilities	<u>(1)</u>	<u>(1)</u>
Net Assets before provision for tax on unrealised capital gains	529	419
Provision for tax on unrealised capital gain net of realised capital losses	<u>(76)</u>	<u>(49)</u>
Net Assets	453	370

During the six months to 31 December 2009 Choiseul invested a total of \$11.5 million into the long term equity portfolio. Discounted share offers, during the period, provided the opportunity to add to existing holdings in companies such as Campbell Brothers, Bank of Queensland, Bendigo and Adelaide Bank and Woodside Petroleum. New additions to the portfolio included: Foster’s Group and UGL.

At 31 December 2009 Choiseul’s total assets, which were valued at \$529 million, included listed equities of \$468 million and cash of \$59 million.

The cash was increased by \$17.9 million in October 2009 when a total of 3.9 million shares were issued to nearly 38% of Choiseul’s shareholders through a Share Purchase Plan. After providing for the interim dividend Choiseul’s cash will represent approximately 9.5% of total assets.

“The company is in a sound position to take advantage of buying opportunities as they emerge. In the meantime interest rates are increasing so we can afford to be patient,” Mr Millner said.

COSTS OF ADMINISTRATION

Administration expenses represent approximately 0.14% per annum of average total assets as at 31 December 2009.

NET ASSET BACKING PER SHARE

	31/12/09	30/6/09
-Before providing for tax on unrealised capital gains	\$5.46	\$4.53
-After providing for tax on unrealised capital gains	\$4.67	\$3.98

DIVIDENDS

The ordinary fully franked interim dividend has been declared at 10.5 cents per share and will be paid on 9 March 2010 to shareholders on the register at the close of business on 23 February 2010.

The company’s objective is to pay increasing fully franked full year ordinary dividends to shareholders. The following table shows Choiseul’s recent dividend history.

	2010	2009	2008	2007	2006
	cps	cps	cps	cps	cps
Interim	10.5	11.5	11.5	9.75	8.5
Final*		10.5	13.0	12.00	10.5
Total		22.0	24.5	21.75	19.0
<i>*LIC Capital gain included in final dividend:</i>					
LIC		-	3.0	1.50	-

TOTAL SHAREHOLDER RETURNS (TSR)

The Total Portfolio Return over the ten year period to 31 December 2009, which takes into account dividends paid and the movement in the net asset backing, was 11.7%. This return, which is net of tax on realised gains and the payment of all management and administrative expenses, exceeds the All Ordinaries Accumulation Return of 8.8% for the same period.

OUTLOOK

“After the majority of companies have reported their half full year results in February we will be in a better position to determine whether we have seen the worst of the GFC. However based on our forecasts we would expect to be able to maintain the fully franked final dividend at 10.5 cps,” said Mr Millner.