# CHOISEUL INVESTMENTS LIMITED

**ABN 36 000 005 041**

# APPENDIX 4E PRELIMINARY FINAL REPORT
# RESULTS FOR ANNOUNCEMENT TO THE MARKET
# YEAR ENDED 30 JUNE 2010

**(Comparative figures being for the year ended 30 June 2009)**

| | | | $'000 |
|---|---|---|---|
| **Revenue:** | | | |
| Operating revenue | down 9.7% | to | 21,815 |
| Special investment revenue | up 290.8% | to | 1,653 |
| Revenue from realised gains on investments | down 79.4% | to | 800 |
| **Profits:** | | | |
| Operating profit after tax but before special investment revenue and realised gains and losses | down 9.4% | to | 19,645 |
| Special investment revenue after tax | up 292.8% | to | 1,638 |
| Net realised gains on investments after tax | down 77.9% | to | 560 |
| Net profit for the year attributable to shareholders | down 11.4% | to | 21,843 |
| **Earnings per share:** | | | |
| Basic and diluted earnings per share including after tax special investment revenue and realised gains and losses | down 15.6% | to | 22.8 |
| Basic and diluted earnings per share based on operating profit before special investment revenue and realised gains and losses | down 13.9% | to | 20.5 |
| **Dividends per ordinary share:** | | | |
| Interim fully franked dividend | down 8.7% | to | 10.5 |
| Final fully franked dividend * | unchanged | | 10.5 |
| Total ordinary fully franked dividend | down 4.5% | to | 21.0 |

* Final dividend includes LIC capital gain dividend of 1.5 cents per share (2009: nil)

Record date of the final dividend is 25 August 2010

Payment date is 8 September 2010

Refer to the attached media release for commentary and explanation of the results.

This report is based on accounts which are in the process of being audited.
All the documents comprise the information required by listing rule 4.3A

# *CHOISEUL INVESTMENTS LIMITED*

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**5 August 2010**

**ASX MEDIA RELEASE**

**RESULTS FOR YEAR ENDED 30 JUNE 2010**

Listed investment company, 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.

Choiseul directors have declared a fully franked final dividend of 10.5 cents per share to 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.

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.

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.

"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," said Mr Millner.

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## PROFILE

Choiseul is a long established Australian Listed Investment Company.

Choiseul's objective is to provide shareholders with a growing fully franked dividend stream and growth in the value of the shareholders' investment.

## DIVIDEND HISTORY

| | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 | 30 June 2006 |
|---|---|---|---|---|---|
| Interim cps | 10.5 | 11.5 | 11.5 | 9.75 | 8.5 |
| Final cps* | 10.5 | 10.5 | 13.0 | 12.00 | 10.5 |
| Full year cps | 21.0 | 22.0 | 24.5 | 21.75 | 19.0 |
| *LIC Capital gain included in final dividend | | | | | |
| | 1.5 | - | 3.0 | 1.5 | - |

## CHOISEUL'S TOTAL RETURNS

| For the year ended 30 June 2010 | TSR[1] % p.a. | TPR[2] % p.a. | All Ordinaries Accumulation Index % p.a. |
|---|---|---|---|
| 10 years | 10.5 | 10.0 | 7.05 |
| 5 years | 2.8 | 4.6 | 4.7 |
| 3 years | (6.2) | (6.3) | (8.0) |
| 1 year | 7.6 | 12.0 | 13.8 |

(1) Total Shareholder Return - Share price movement with dividends reinvested

(2) Total Portfolio Return - Net asset backing movement with dividends reinvested

These Returns are not adjusted to reflect the benefit of franked dividends. Since the introduction of franking, all dividends paid by Choiseul have been fully franked.

Choiseul's Total Returns are after provision for tax on realised gains and administrative expenses. The All Ordinaries Accumulation Index ignores tax paid on unfranked dividends, trust distributions and realised capital gains.

## INVESTMENTS

Choiseul's investment philosophy is that of a long-term investor that seeks to invest in companies and trusts with a history of profitability and dividends.

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

The directors consider this investment philosophy is likely to produce consistent returns over the long-term.

## TOP TEN INVESTMENTS

**Choiseul's Top Ten investments at 30 June 2010**

| | 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 |
| BHP Billiton Limited | 28,109 |
| Milton Corporation Limited | 27,166 |
| Brickworks Limited | 12,644 |
| Wesfarmers Limited | 12,566 |
| Campbell Brothers | 10,769 |

## CLASSIFICATION

**Classification of investments at 30 June 2010**

| Sector | % |
|---|---|
| Banks | 25.1 |
| Diversified Financials | 21.4 |
| Materials | 11.0 |
| Insurance | 8.5 |
| Consumer Staples | 7.2 |
| Industrials | 5.4 |
| Other securities | 4.1 |
| Consumer Discretionary | 2.5 |
| Energy | 2.3 |
| Real Estate | 1.6 |
| | 89.1 |
| Cash & liquids | 9.7 |
| Other Assets | 1.2 |
| Total | 100.0 |

## Choiseul Investments Limited
## Income statement
## for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|---|---|---|---|
| | | $'000 | $'000 restated |
| Operating revenue | 2a | **21,815** | 24,153 |
| Administration expenses | 3 | **(653)** | (632) |
| Finance costs | | **-** | (74) |
| **Operating profit before income tax expense, special investment revenue and realised gains and losses** | | **21,162** | 23,447 |
| Income tax expense thereon* | 4a | **(1,517)** | (1,752) |
| **Operating profit before special investment revenue and realised gains and losses** | | **19,645** | 21,695 |
| Special investment revenue before tax | 2b | **1,653** | 423 |
| Income tax expense thereon* | 4b | **(15)** | (6) |
| | | **1,638** | 417 |
| **Operating profit before realised gains and losses** | | **21,283** | 22,112 |
| Realised gains on investments before tax [1] | | **800** | 3,893 |
| Income tax expense thereon* | 4c | **(240)** | (1,357) |
| **Net realised gains on investments** | | **560** | 2,536 |
| **Profit attributable to shareholders of Choiseul** | | **21,843** | 24,648 |
| * Total income tax expense | | **(1,772)** | (3,115) |

[1] Investments sold before 31 December 2009 refer note 1a.

| | Note | 2010 | 2009 |
|---|---|---|---|
| Basic and diluted earnings per share based on profit attributable to shareholders of Choiseul (cents) | 8 | **22.8** | 27.0 |
| Basic and diluted earnings per share based on operating profit before special investment revenue and realised gains and losses (cents) | 8 | **20.5** | 23.8 |

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

# Choiseul Investments Limited
# Statement of comprehensive income
# for the year ended 30 June 2010

| | 2010<br>$'000 | 2009<br>$'000<br>restated |
|---|---|---|
| **Profit attributable to shareholders of Choiseul** | **21,843** | 24,648 |
| Other comprehensive income | | |
| Revaluation (devaluation) of investments | **32,479** | (87,098) |
| Provision for tax (expense) benefit on revaluation (devaluation) of investments | **(9,758)** | 25,995 |
| Net realised gains on investments transferred to the income statement from the asset revaluation reserve | **(560)** | (2,536) |
| Other comprehensive income (loss) net of income tax | **22,161** | (63,639) |
| **Total comprehensive income (loss) attributable to shareholders of Choiseul** | **44,004** | (38,991) |

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

# Choiseul Investments Limited
# Statement of financial position
# as at 30 June 2010

| | Note | 2010<br>$'000 | 2009<br>$'000<br>restated |
|---|---|---|---|
| **Current assets** | | | |
| Cash | 9 | **46,048** | 45,472 |
| Receivables | 10 | **3,276** | 3,764 |
| Other financial assets | 11 | **1,303** | 1,719 |
| **Total current assets** | | **50,627** | 50,955 |
| **Non-current assets** | | | |
| Investments | 12 | **421,180** | 369,484 |
| Deferred tax assets | 13 | **351** | 454 |
| **Total non-current assets** | | **421,531** | 369,938 |
| **Total assets** | | **472,158** | 420,893 |
| **Current liabilities** | | | |
| Payables | | **30** | 280 |
| Current tax liabilities | | **617** | 796 |
| **Total current liabilities** | | **647** | 1,076 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 14 | **58,996** | 49,263 |
| Provisions | | **74** | 74 |
| **Total non-current liabilities** | | **59,070** | 49,337 |
| **Total liabilities** | | **59,717** | 50,413 |
| **Net assets** | | **412,441** | 370,480 |
| **Shareholder's equity** | | | |
| Issued capital | 15 | **128,646** | 110,752 |
| Capital profits reserve | | **50,032** | 50,181 |
| Assets revaluation reserve | | **173,575** | 150,705 |
| General reserve | | **16,000** | 16,000 |
| Retained profits | | **44,188** | 42,842 |
| **Total equity attributable to shareholders of Choiseul** | | **412,441** | 370,480 |
| Net tangible assets per share before provision for tax on unrealised capital gains and net of tax on realised capital losses | | **$4.87** | $4.51 |
| Net tangible assets per share after provision for tax on unrealised capital gains and net of tax on realised capital losses | | **$4.26** | $3.98 |

*The statement of financial position 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 2010

| | Issued capital $'000 | Capital profits reserve $'000 | General reserve $'000 | Asset revaluation reserve $'000 | Retained profits $'000 | Total share-holders equity $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2009 (restated)** | **110,752** | **50,181** | **16,000** | **150,705** | **42,842** | **370,480** |
| **Net profit** | **-** | **-** | **-** | **-** | **21,843** | **21,843** |
| **Other Comprehensive income:** | | | | | | |
| **Net realised gains** | **-** | **-** | **-** | **(560)** | **-** | **(560)** |
| **Net revaluation of investments** | **-** | **-** | **-** | **22,721** | **-** | **22,721** |
| **Total comprehensive income** | **-** | **-** | **-** | **22,161** | **21,843** | **44,004** |
| **Net realised gains/losses transferred to capital profits reserve** | **-** | **560** | **-** | **-** | **(560)** | **-** |
| **Transfer to asset revaluation reserve** | **-** | **(709)** | **-** | **709** | **-** | **-** |
| **Transactions with shareholders in their capacity as shareholders:** | | | | | | |
| **Share issues** | **17,894** | **-** | **-** | **-** | **-** | **17,894** |
| **Dividends paid** | **-** | **-** | **-** | **-** | **(19,937)** | **(19,937)** |
| **Balance at 30 June 2010** | **128,646** | **50,032** | **16,000** | **173,575** | **44,188** | **412,441** |
| Balance at 1 July 2008 | 53,795 | 50,435 | 16,000 | 214,344 | 40,727 | 375,301 |
| Net profit (restated) | - | - | - | - | 24,648 | 24,648 |
| Other Comprehensive income: | | | | | | |
| Net realised gains | - | - | - | (2,536) | - | (2,536) |
| Net devaluation of investments | - | - | - | (61,103) | - | (61,103) |
| Total comprehensive income | - | - | - | (63,639) | 24,648 | (38,991) |
| Net realised gains/losses transferred to capital profits reserve | - | 2,536 | - | - | (2,536) | - |
| Transactions with shareholders in their capacity as shareholders: | | | | | | |
| Share issues | 56,957 | - | - | - | - | 56,957 |
| LIC dividend paid | - | (2,790) | - | - | - | (2,790) |
| Dividends paid | - | - | - | - | (19,997) | (19,997) |
| Balance at 30 June 2009 (restated) | 110,752 | 50,181 | 16,000 | 150,705 | 42,842 | 370,480 |

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

## Choiseul Investments Limited
## Statement of cash flows
## for the year ended 30 June 2010

| | Note | 2010 | 2009 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from operating activities** | | | |
| Dividends and distributions received | | **20,434** | 23,050 |
| Interest received | | **2,193** | 2,499 |
| Other receipts in the course of operations | | **147** | 123 |
| Proceeds from sale of trading securities | | **3,144** | 1,479 |
| Payments for trading securities | | **(1,813)** | (2,236) |
| Finance costs paid | | **-** | (148) |
| Operating payments in the course of operations | | **(653)** | (690) |
| Income taxes paid | | **(1,619)** | (2,517) |
| **Net cash provided by operating activities** | 18 | **21,833** | 21,560 |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of investments | | **3,991** | 1,497 |
| Payments for investments | | **(23,192)** | (25,638) |
| **Net cash used in operating activities** | | **(19,201)** | (24,141) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | **17,927** | 58,201 |
| Payments for issue of shares | | **(46)** | (1,778) |
| Ordinary dividends paid | | **(19,937)** | (22,787) |
| **Net cash (used in) provided by financing activities** | | **(2,056)** | 33,636 |
| **Net increase in cash assets held** | | **576** | 31,055 |
| **Cash assets at the beginning of the year** | | **45,472** | 14,417 |
| **Cash assets at the end of the year** | 9 | **46,048** | 45,472 |

*The statement of cash flows is to be read in conjunction with the notes to the financial statements.*

## 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements 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").

### a. Basis of preparation

These general purpose financial statements have 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 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.

AASB 101 – Presentation of Financial Statements has been adopted from 1 July 2009. This standard requires the presentation of a new Statement of Comprehensive Income which includes changes in fair value of investments as noted below. The adoption of this standard does not change the net assets and net profit of Choiseul.

During the year accounting standard, AASB 9 – Financial Instruments was early adopted as noted below.

**AASB 9 - Financial instruments**

Choiseul has elected to early adopt "AASB 9 - Financial Instruments", which was issued on 7 December 2009. AASB 9 includes requirements for the classification and measurement of financial assets. These requirements improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of AASB 139.

Investments in equity instruments, which were previously classified as available for sale financial assets, are now classified as equity instruments revalued through other comprehensive income. They continue to be valued at fair value with changes in value being recognised in the asset revaluation reserve. Consequently adoption of AASB 9 has no effect on the valuation of Choiseul's net assets or total comprehensive income.

Under AASB 9 there is no recycling of the realised gains and losses to the income statement as was previously required by AASB 139. There is also no requirement to test Choiseul's investments for impairment and so there is no transfer of unrealised impairment losses from the asset revaluation reserve to the income statement.

The transition provisions within AASB 9 require the standard to be applied retrospectively but it shall not be applied to investments that were disposed of prior to the initial application date. Choiseul has adopted AASB 9 with effect from 31 December 2009 so that all disposals in the half-year to 31 December 2009 could be accounted for consistently. Comparatives at 30 June 2009 have been restated as disclosed below to remove the effect of the impairment provisions of AASB 139, but only for those assets that had not been disposed of prior to 31 December 2009.

Accounting standards require restated items to be presented at the beginning of the earliest comparative period, however, as the impairment charge was first applied during the year ended 30 June 2009 there was no change to the statement of financial position as at 30 June 2008.

## 1. Summary of significant accounting policies (continued)

### a. Basis of preparation (continued)

Statement of financial position, income statement and statement of comprehensive income items, other than those mentioned below, were not affected by the retrospective adoption of AASB 9.

| | Balance previously reported 30 June 2009 $'000 | Impairment losses reversed Increase(decrease) $'000 | Balance restated 30 June 2009 $'000 |
|---|---|---|---|
| Asset revaluation reserve | 155,550 | (4,845) | 150,705 |
| Retained profits | 37,997 | 4,845 | 42,842 |

The effect of adoption of AASB 9 on profit reported in 2009 is as follows;

| | Profit previously reported 30 June 2009 $'000 | Impairment losses reversed Increase(decrease) $'000 | Profit restated 30 June 2009 $'000 |
|---|---|---|---|
| Profit before realised gains and losses | 22,112 | - | 22,112 |
| Net realised gains on investments | 2,536 | - | 2,536 |
| Impairment losses | (4,845) | (4,845) | - |
| Profit attributable to shareholders of Choiseul | 19,803 | 4,845 | 24,648 |

Basic and diluted earnings per share based on profit attributable to shareholders of Choiseul increased by 5.3 cents from 21.7 cents to 27 cents.

### 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

Cash includes cash at bank, deposits at call and term deposits and are recognised initially at fair value and subsequently measured at amortised cost.

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

## 1. Summary of significant accounting policies (continued)

### d. Trading securities

Trading securities are recognised initially at cost and subsequently measured at fair value.

Changes in fair value are taken directly through the income statement.

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 equity instruments and may be realised within 12 months.

Other liquid securities are recognised initially at cost and Choiseul has elected to present subsequent changes in fair value in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability.

On disposal, the cumulative gain or loss net of tax thereon, is transferred from the asset revaluation reserve to the capital profits reserve.

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

### f. Investments

Investments are recognised initially at cost and Choiseul has elected to present subsequent changes in fair value of equity instruments in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long-term holdings of equity instruments.

Quoted investments are valued continuously at fair value, which is the price quoted on the Australian Securities Exchange.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the asset revaluation reserve to the capital profits reserve.

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.

Deferred tax liabilities have been recognised for capital gains tax on the unrealised gain in the investment portfolio at current tax rates.

As Choiseul does not intend to dispose of the investment portfolio this tax may not be payable at the amount disclosed in note 14. Any tax liability that may arise on disposal of investments is subject to tax legislation relating to the treatment of capital gains and the applicable tax rate at the time of disposal.

Deferred tax assets have been recognised 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. The deferred tax assets related to carried forward capital losses have been offset against the related deferred tax liability as disclosed in note 14.

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.

### i. New standards and interpretations not yet adopted

No new accounting standards and interpretations, that are available for early adoption at 30 June 2010, but not yet adopted, will result in any material change in relation to the financial statements.

| | | 2010 | 2009 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **2.** | **Revenue** | | |
| **a.** | **Ordinary revenue** | | |
| | Dividends and distributions: | | |
| | investments held in portfolio at 30 June | **18,691** | 20,528 |
| | investments sold during the year | **121** | 332 |
| | Interest | **2,318** | 2,717 |
| | Net realised gains on trading portfolio | **359** | 312 |
| | Other revenue | **326** | 264 |
| | | **21,815** | 24,153 |
| **b.** | **Special investment revenue** | | |
| | Dividends and distributions: | | |
| | investments held in portfolio at 30 June | **1,538** | 423 |
| | investments sold during the year | **115** | - |
| | | **1,653** | 423 |
| **3.** | **Administration expenses** | | |
| | Administration | **653** | 632 |
| **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 | **6,844** | 7,034 |
| | Increase (decrease) in income tax expense due to: | | |
| | Rebates on dividend and distribution income | **(5,229)** | (5,312) |
| | (Over)underprovision for prior year | **(58)** | 57 |
| | Other differences | **(40)** | (27) |
| | Income tax expense attributable to operating profit before special investment revenue, realised gains and losses | **1,517** | 1,752 |
| **b.** | **Special investment revenue** | | |
| | Prima facie income tax expense calculated at 30% on special investment revenue | **496** | 126 |
| | Rebates on dividend and distribution income | **(481)** | (120) |
| | Income tax expense attributable to special investment revenue | **15** | 6 |

| | | 2010 | 2009 |
|---|---|---|---|
| | | **$'000** | $'000 |
| **4.** | **Income tax expense (Continued)** | | |
| **c.** | **Realised gains and losses on investments** | | |
| | Prima facie income tax expense calculated at 30% on realised gains on investments | **240** | 1,168 |
| | Tax effected difference between accounting and tax cost base for capital gains purposes | **-** | 189 |
| | Income tax expense attributable to realised gains on investments | **240** | 1,357 |
| **5.** | **Auditor's remuneration** | **$** | $ |
| | Audit services | **31,967** | 35,473 |
| | Liquidation of non-operating subsidiary | **-** | 2,218 |
| | | **31,967** | 37,691 |
| **6.** | **Ordinary fully franked dividends** | **$'000** | $'000 |
| **a.** | **Recognised in the current year** | | |
| | A final dividend in respect of the 2009 year of 10.5 cents per share paid on 18 September 2009 (2009: a final dividend in respect of the 2008 year of 13.0 cents per share paid on 11 September 2008) | **9,766** | 12,091 |
| | An interim dividend of 10.5 cents per share paid on 9 March 2010 (2009: 11.5 cents per share paid on 6 March 2009) | **10,171** | 10,696 |
| | | **19,937** | 22,787 |
| **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 8 September 2010 (2009: ordinary final 10.5 cents per share paid on 18 September 2009) | **10,171** | 9,766 |
| **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 | **17,211** | 16,987 |
| | Subsequent to year end, the franking account will be reduced by the proposed final dividend to be paid on 8 September 2010 | **(4,359)** | (4,185) |
| | | **12,852** | 12,802 |

The franking account balance would allow Choiseul to frank additional dividend payments up to an amount of $29,989,171 (2009: $29,871,000) which is 31 cents per share (2009: 33 cents per share).

| | 2010 | 2009 |
|---|---|---|
| | **$'000** | $'000 |

### 7. Listed Investment Company capital gain account

| | **2010 $'000** | 2009 $'000 |
|---|---|---|
| Balance of the Listed Investment Company (LIC) capital gain account | **1,618** | 878 |
| Subsequent to year end, this account would be reduced by the proposed final dividend which includes a LIC capital gain dividend of 1.5 cents per share to be paid on 8 September 2010 | **(1,453)** | - |
| | **165** | 878 |

(2009: 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.

### 8. Earnings per share

| | **cents** | cents |
|---|---|---|
| Basic earnings per share | **22.8** | 27.0 |
| Basic earnings per share before special investment revenue and realised gains and losses | **20.5** | 23.8 |
| | **$'000** | $'000 |
| Profit attributable to shareholders of the entity | **21,843** | 24,648 |
| Special investment revenue, realised gains and losses | **(2,198)** | (2,953) |
| Earnings used in the calculation of basic earnings per share excluding special investment revenue and realised gains and losses | **19,645** | 21,695 |
| | **No.** | No. |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | **95,680,655** | 91,226,214 |

Diluted earnings per share figures are the same because there are no dilutive potential ordinary shares.

### 9. Cash

| | **2010 $'000** | 2009 $'000 |
|---|---|---|
| Cash at bank | **504** | 384 |
| Deposits at call | **4,444** | 6,588 |
| Term deposits | **41,100** | 38,500 |
| | **46,048** | 45,472 |

The weighted average interest rate for cash as at 30 June 2010 was 5.7% p.a. (2009: 3.0% p.a.). Term deposits had an average maturity date of August 2010 (2009: August 2009) and an average interest rate of 5.6% p.a. (2009: 4.00% p.a.).

## 10. Receivables

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| Income and other receivables | **3,276** | **3,764** |

This receivable relates to accrued income which is non-interest bearing.

## 11. Other financial assets

| | | |
|---|---|---|
| Other liquid securities – at fair value | **1,073** | 1,090 |
| Trading securities – at fair value | **210** | 610 |
| Pre-paid expenses | **20** | 19 |
| | **1,303** | 1,719 |

## 12. Investments – non current

| | | |
|---|---|---|
| Quoted investments – at fair value | **421,180** | 369,484 |

### a. Included in quoted investments are

| | | |
|---|---|---|
| Shares in other corporations | **410,537** | 360,045 |
| Units in trusts | **10,643** | 9,439 |
| | **421,180** | 369,484 |

### b. Investments disposed of during the year

| | Fair value at disposal date<br>$'000 | Gain(Loss) on disposal<br>$'000 |
|---|---|---|
| Equity investments | **3,045** | 1,055 |

The disposals occurred in the normal course of Choiseul's operations as a listed investment company or as a result of takeovers or mergers.

## 13. Deferred tax assets

The balance comprises temporary differences attributable to:

| | | |
|---|---|---|
| Provisions | **22** | 22 |
| Share issue expenses | **322** | 424 |
| Other | **7** | 8 |
| Total deferred tax assets | **351** | 454 |
| Movements: | | |
| Balance at 1 July | **454** | 54 |
| Charged (credited) to the income statement | **(117)** | (133) |
| Credited to equity | **14** | 533 |
| Balance at 30 June | **351** | 454 |
| To be recovered within 12 months | **114** | 366 |
| To be recovered after more than 12 months | **237** | 88 |
| | **351** | 454 |

## 14. Deferred tax liabilities

The balance comprises temporary differences attributable to:

| | | |
|---|---|---|
| Amounts recognised directly in equity: | | |
| Revaluation of investments | **59,912** | 50,471 |
| Amounts recognised in profit: | | |
| Realised capital losses | **(920)** | (1,237) |
| Unrealised gains on trading securities | **4** | 29 |
| | **58,996** | 49,263 |

| | 2010 | 2009 |
|---|---|---|
| | **$'000** | $'000 |

## 14. Deferred tax liabilities (continued)

| | | |
|---|---|---|
| Movements: | | |
| Balance at 1 July | **49,263** | 75,229 |
| Charged (credited) to the income statement | **(25)** | 29 |
| Charged (credited) to other comprehensive income | **9,758** | (25,995) |
| Balance at 30 June | **58,996** | 49,263 |
| To be settled within 12 months | **-** | - |
| To be settled beyond 12 months | **58,996** | 49,263 |

## 15. Issued capital

### a. Movement in share capital

| | | |
|---|---|---|
| Balance at 1 July 93,008,362 shares (2009: 81,596,362 shares) | **110,752** | 53,795 |
| Share Purchase Plan and other issues of 3,855,284 shares for cash (2009: 11,412,000 shares) | **19,298** | 58,201 |
| Share issue costs net of tax | **(1,404)** | (1,244) |
| Balance at 30 June 96,863,646 (2009: 93,008,362 shares) | **128,646** | 110,752 |

### b. Ordinary shares

All capital consists of fully paid ordinary shares which are listed on the ASX and carry one vote per share and the right to receive dividends.

## 16. Nature and purpose of reserves

Changes in fair value of investments and other liquid securities are presented in other comprehensive income through the asset revaluation reserve as referred to in notes 1e and 1f.

Upon disposal of investments and other liquid securities the net gain or loss is transferred from the asset revaluation reserve to the capital profits reserve as referred to in notes 1e and 1f.

## 17. Management of financial risk

The risks associated with the financial instruments, such as investments and cash 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 significant 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 statement of financial position 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, bank term deposits 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.

## 17. Management of financial risk (continued)

### c. Credit risk exposure (continued)

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.

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

### 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.

Investments represent 89% (2009: 88%) of total assets. A 5% fall in the movement of the market value of investments in each of the companies and trusts within the portfolio would result in a 4.5% (2009: 4.4%) movement in the net assets before provision for tax on unrealised capital gains as at 30 June 2010. The net asset backing before provision for tax on unrealised capital gains would move by 22 cents per share at 30 June 2010 (2009: 20 cents per share at 30 June 2009).

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. The Chairman of Choiseul is a member of the Manager's investment committee and an independent director of Choiseul also regularly attends the Manager's investment committee.

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.

### g. Fair value measurement

Financial instruments carried at fair value are comprised of investments and other financial assets.

The fair value of these financial instruments is the quoted prices (unadjusted) in active markets for identical assets. The ASX is the active market for all financial instruments.

| | 2010 $'000 | 2009 $'000 |
|---|---|---|

## 18. Note to the Statement of cash flows

**Reconciliation of net profit to net cash provided by operating activities**

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Profit attributable to shareholders | **21,843** | 24,648 |
| Net realised gains on investments | **(560)** | (2,536) |
| Decrease in receivables | **637** | 340 |
| Decrease in other creditors and accruals | **-** | (133) |
| Decrease in income taxes payable | **(87)** | (759) |
| Net cash provided by operating activities | **21,833** | 21,560 |

## 19. Related parties

**a. Directors and Key Management Personnel compensation**

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Short-term employee benefits | **88** | 91 |
| Post-employment benefits | **46** | 46 |
| | **134** | 137 |

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

| | | Opening Balance | Acquisition | Closing Balance |
|---|---|---|---|---|
| R.D. Millner | **2010** | **17,277,459** | **38,700** | **17,316,159** |
| | 2009 | 17,277,459 | - | 17,277,459 |
| J.A. Bryson | **2010** | **11,000** | **3,225** | **14,225** |
| | 2009 | - | 11,000 | 11,000 |
| R.A.F. England | **2010** | **21,930** | **3,225** | **25,155** |
| | 2009 | 21,930 | - | 21,930 |

**c. Other related party transactions**

**Directors**

All non-executive 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.

## 20. Contingencies

At balance date the directors are not aware of any material contingent liabilities.

## 21. 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 8 September 2010.

## 22. Holdings at Fair Value through other Comprehensive Income at 30 June 2010

The following list are those holdings that are valued at fair value through Other comprehensive Income.

| Investments in equity instruments | **2010** **$'000** | 2009 $'000 |
|---|---|---|
| AGL Energy Limited | **6,351** | 4,614 |
| Alumina Limited | **198** | 188 |
| Ammtec Limited | **1,639** | 754 |
| AMP Limited | **2,523** | 2,363 |
| APA Group | **571** | 436 |
| AP Eagers Limited | **1,933** | 1,104 |
| ARB Corporation Limited | **963** | - |
| Australand Property Group | **633** | 628 |
| Australia & New Zealand Banking Group Limited | | |
| - ordinary shares | **4,527** | 2,399 |
| - convertible preference shares | **458** | - |
| ASX Limited | **3,956** | 4,064 |
| AWB Limited | **93** | 120 |
| Bendigo and Adelaide Bank Limited | **8,860** | 7,226 |
| Bank of Queensland Limited | | |
| - ordinary shares | **9,600** | 7,672 |
| - reset preference shares | **500** | 500 |
| BHP Billiton Limited | **28,109** | 24,251 |
| Bluescope Steel Limited | **449** | 542 |
| Boral Limited | **805** | 680 |
| Brambles Limited | **1,851** | 2,021 |
| Brickworks Limited | **12,644** | 13,947 |
| Campbell Brothers Limited | **10,769** | 6,338 |
| Charter Hall Office Trust (previously Macquarie Office Trust) | **112** | 95 |
| Charter Hall Retail Trust (previously Macquarie Countrywide Trust) | **159** | 157 |
| Coca-Cola Amatil Limited | **3,869** | 1,774 |
| Commonwealth Bank of Australia | **32,897** | 26,378 |
| Commonwealth Property Office Fund | **465** | 415 |
| Consolidated Media Holdings Limited | **402** | 287 |
| Crane Group Limited | **1,127** | 1,352 |
| Crown Limited | **983** | 920 |
| Fairfax Media Limited | **1,370** | 1,271 |
| FKP Property Group | **542** | 414 |
| Foster's Group Limited | **2,051** | - |
| Graincorp Limited | **492** | 667 |
| GWA International Limited | **1,990** | 1,297 |
| Hills Industries Limited | **1,722** | 1,258 |
| Incitec Pivot Limited | **769** | 671 |
| Infigen Energy | **148** | 238 |
| Insurance Australia Group Limited | **2,595** | 2,406 |
| Intoll Group (previously Macquarie Infrastructure Group) | **520** | 715 |
| InvoCare Limited | **3,073** | 2,024 |

| | 2010 | 2009 |
|---|---|---|
| | **$'000** | $'000 |
| Leighton Holdings Limited | **4,604** | 3,667 |
| Lion Nathan Limited | **-** | 2,661 |
| Macquarie Group Limited | **6,249** | 6,582 |
| Metcash Limited | **5,357** | 4,800 |
| Milton Corporation Limited | **27,166** | 24,650 |
| National Australia Bank Limited | **31,614** | 30,473 |
| New Hope Corporation Limited | **2,584** | 2,672 |
| OneSteel Limited | **2,149** | 1,860 |
| Perpetual Limited | **4,848** | 4,897 |
| Qantas Airways Limited | **-** | 288 |
| QBE Insurance Group Limited | **30,228** | 33,051 |
| Rio Tinto Limited | **1,220** | 955 |
| Santos Limited | | |
| - ordinary shares | **2,951** | 3,428 |
| - reset convertible preference shares | **-** | 401 |
| Sims Group Limited | **3,935** | 6,627 |
| Sonic Healthcare Limited | **1,132** | 770 |
| Stockland Trust Group | **5,328** | 4,598 |
| Suncorp-Metway Limited | | |
| - ordinary shares | **3,967** | 3,306 |
| - non-cumulative converting prefs | **764** | 696 |
| Tabcorp Holdings Limited | **1,212** | 1,371 |
| Telstra Corporation Limited | **7,848** | 5,070 |
| Ten Network Holdings Limited | **322** | 234 |
| TPG Telecom Limited (previously SP Telemedia Limited) | **3,499** | 605 |
| Transfield Services Limited | **221** | 163 |
| Transurban Group | **1,665** | 1,505 |
| Trust Company Limited | **3,845** | 3,657 |
| UGL Limited | **1,152** | - |
| Washington H. Soul Pattinson & Company Limited | **55,059** | 45,706 |
| West Australian Newspapers Holdings Limited | **1,773** | 1,182 |
| Westfield Group | **499** | 239 |
| Wesfarmers Limited | | |
| - ordinary shares | **11,682** | 9,235 |
| - partially protected shares | **884** | 721 |
| Westpac Banking Corporation | **30,123** | 28,732 |
| Woodside Petroleum Limited | **3,828** | 2,852 |
| Woolworths Limited | **9,455** | 8,465 |
| Worley Parsons Limited | **1,299** | 1,179 |
| | **421,180** | 369,484 |
| **Other liquid securities** | | |
| AMP - notes | **1,073** | 1,090 |