

S Y L V A S T A T E



ANNUAL REPORT 2009



EMAS

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Sylvastate Ltd

ABN 24 000 014 782

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SHARE REGISTRY:

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Services Pty Ltd
Level 2, 60 Carrington Street
Sydney NSW 2000 Australia
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DIRECTORS:

David J. Iliffe, F.C.A, Chairman

Graeme J. Gillmore, C.A., B.Com, LLB

Sam Armstrong, B.Comm (Hons),
MBA (Finance)

Angus J. Gluskie, B.Ec, C.A.,
Graduate Diploma Applied
Finance and Investment, F.Fin.

COMPANY SECRETARY:

Peter A. Roberts, B.Bus, C.A.

CHIEF EXECUTIVE OFFICER:

Angus J. Gluskie,
B.Ec, C.A., Graduate Diploma Applied
Finance and Investment, F.Fin

AUDITORS:

MNSA
Level 2, 333 George Street
Sydney NSW 2000

STOCK EXCHANGE LISTING:

Australian Stock Exchange

OTHER INFORMATION:

Sylvastate Limited, incorporated and
domiciled in Australia, is a publicly
listed company limited by shares.

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CEO'S REVIEW

+ Sylvastate's investment portfolio return of (0.71%) was 3.19% higher than the return of the All Industrials Accumulation Index of (3.90%), representing a moderately strong margin of relative outperformance in a difficult year.



Operating Results

For the year ended 31 August, 2009 Sylvastate reports an underlying operating profit after tax (before fluctuations in capital value) of \$2,664,375, 26% lower than the result for the prior financial year.

In line with the slowdown in economic activity over the last year, a growing number of companies across the Australian listed market have announced cuts to their dividends. Sylvastate's lower underlying profit for the 2009 year reflects this fall in dividend earnings.

Across the twelve months Sylvastate's investment portfolio generated a return of (0.71%). This return was 3.19% higher than the return of the All Industrials Accumulation Index of (3.90%), and 7.35% higher than the return of the All Ordinaries Accumulation Index of (8.06%) representing a moderately strong margin of relative outperformance.

The strongest contributors to return for the period were the company's investments in Macquarie Bank, the four major banks, Challenger, Toll Holdings, Cochlear, ResMed, Woolworths and Whitefield.

For accounting purposes Sylvastate has recorded an impairment charge in the financial year in accordance with applicable accounting standards. This accounting entry has no impact on the company's underlying profit from operations, nor on the value of our investments or asset backing. Sylvastate's investments are revalued daily to market value, and all movements in market values are fully reflected in the company's investment returns, balance sheet and the company's asset backing which is reported to the market at each month end.

Net Asset Backing and Asset Revaluation

The net asset backing for each of the company's shares (including investments at market value and before an allowance for capital gains tax which would become payable in the event that the entire portfolio was realised) amounted to \$3.94. This compares to \$4.12 at the same time last year.

The net asset backing for each of the company's shares (including investments at market value and after an allowance for capital gains tax in the event that the entire portfolio was realised) amounted to \$4.01. This compares to \$4.22 at the same time last year. (The amount of deferred capital gains tax at the latest year end represents a net tax benefit).

The fluctuation in the value of investments across the year is represented by a net revaluation movement of (\$1,097,548) in the asset revaluation reserve.

Investment Transactions

Investment transactions during the year included:

- Participating in share issues for Macquarie Bank, Fairfax Media, Asciano and the major banks.
- Exiting holdings in Metcash and AMP.
- Reductions in exposure to Telstra, Qantas, Macquarie Infrastructure Group, Crown, CSL and QBE.

Outlook

The 2009 year surprised the global investment community both with the rapidity and extent of market falls, as well as the rapidity and extent of the market recovery in recent months. This pace of change provides some insight into the high mobility of capital in today's marketplace as well as the speed at which information can be transmitted and acted upon in an internet-driven environment. It also reminds investors of the extent to which share prices can be driven away from fundamental value through excesses of fear or ebullience.

Australia's unemployment rate currently stands at only 5.7%, a level of unemployment that is far more favourable than that experienced in many other countries. At this time unemployment may rise mildly into the end of the calendar year, however it now appears likely that we are nearing the peak of unemployment in this downturn. The willingness of banks to fund distressed corporations through the downturn has supported continued employment, while labour force flexibility has seen the burden of reduced production spread across the workforce through lower working hours rather than lay-offs.

This resilience in employment has prevented the Australian economy from slipping further into recession, and has had a significant impact in limiting the bad debt cycle for the banking sector.

As we move into the 2010 year official cash interest rates are likely to rise from the emergency rate of 3.0% to more normalised levels. Importantly in addition to these increases in base rates, the margins charged by lenders have risen by approximately 2% and in many cases more. While there is some scope for the funding margin to ease slightly, we would contend that the cost burden on borrowers is likely to remain meaningfully higher over future years than it was over the last decade.

As economic growth accelerates government stimulus initiatives can also be expected to be steadily withdrawn.

Collectively we expect the stabilisation of employment coupled with higher funding costs and lower government support to result in a slow and extended (rather than a rapid) improvement in retail sales and housing activity.

Commercial construction work is likely to remain weak into 2010, although this will be partially offset by the growing investment in infrastructure projects planned for upcoming years.

Financial, investment market, transport and media activity are all likely to accelerate significantly throughout the 2009/10 period.

We continue to see many stocks in the Australian market as undervalued at the present time. Coupled with progressive improvements in economic conditions and the consequent enhancement this brings to the earnings of many companies, the Australian market has the potential to provide investors with returns above long term averages in the 2010 year. However, as always investors should recognise that investment outcomes are uncertain.

While companies will be cautious over upcoming months, as the year progresses we are likely to see a growing number of companies prepared to raise dividends. On this basis, Sylvastate's own underlying investment income may show an accelerating rate of growth in the second half of its financial year.

Dividends to Shareholders

While Sylvastate's investment income has fallen, the Company has sought to maintain the consistency of its own dividend to shareholders. We hope that this consistency of income flow is valued by investors. Consequently the Board has declared a final fully franked dividend of 10.5 cents per share. Total dividends for the financial year, including the final dividend, amount to 21.0 cents per share, an increase of 2.4% on the prior year.

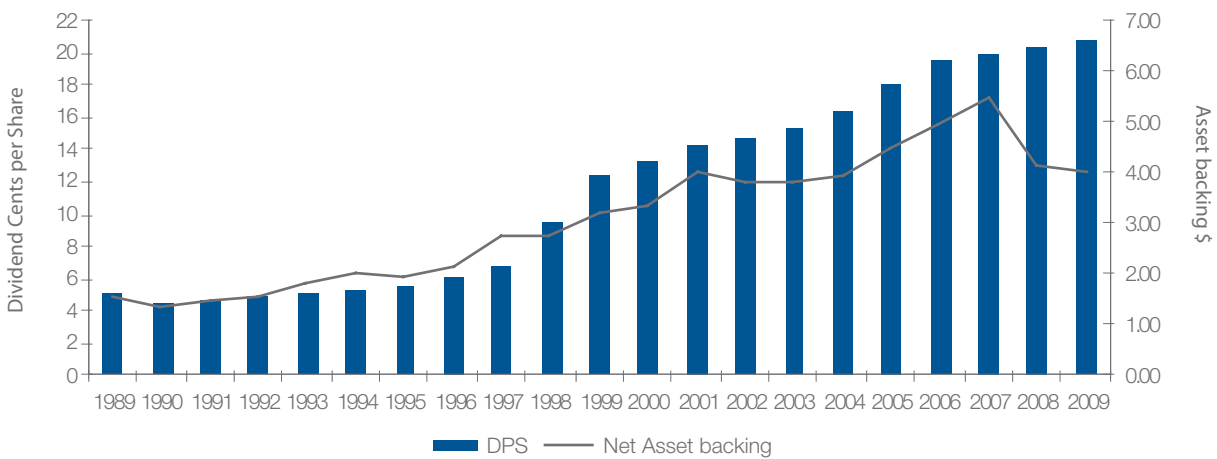
CEO'S REVIEW

Conclusion

We are naturally disappointed with the extreme gyrations of the comparatively weak and volatile investment markets that characterised the 2009 year. Notwithstanding this, the resurgence in the market over recent months is encouraging for all investors. Sylvastate is pleased to have generated a robust margin of outperformance in its investment return relative to market across this difficult 12 month period, and now looks forward to the 2010 financial year as a period of more favourable fundamental economic growth.

Angus Gluskie
Chief Executive Officer

Dividends Per Share And Net Asset Backing After Tax



SYLVASTATE AND ITS INVESTMENT STRATEGY

Sylvastate

Sylvastate is a listed investment company which was founded in 1924. Sylvastate holds a concentrated portfolio of listed Australian industrial shares providing a careful balance of earnings consistency, risk control and the potential for delivery of robust investment performance.

Investment Objective

Sylvastate's investment objective is to generate a strong outright investment return and a steadily growing stream of investment income over the long term from investment in a concentrated portfolio of listed Australian industrial securities.

Investment Strategy & Process

Sylvastate seeks to hold a compact portfolio of shares whose realistically achievable future earnings can be acquired at sufficiently attractive prices to provide a satisfactorily robust rate of investment return.

Sylvastate's investment management team aim to obtain a qualitative and quantitative portrait of the short, medium and long term earnings which are realistically achievable for each stock, as well as the risks or certainty associated with those earnings. This portrait of achievable earnings is compared to the future earnings captured in the stock's current share price and the portfolio structured accordingly.

This process is undertaken through a disciplined routine of research and analysis examining a range of factors including the natural demand for each company's products or services, new markets available, competitive advantage, distribution techniques, competitive positioning, pricing power, strategic actions, competitive positioning of significant suppliers, return on equity, management quality and financial position.

Sylvastate's Management Expense Ratio

Sylvastate aims to provide investors with a cost-efficient investment vehicle. Sylvastate's management expenses currently amount to only 0.36% per annum of the value of its gross investment assets.

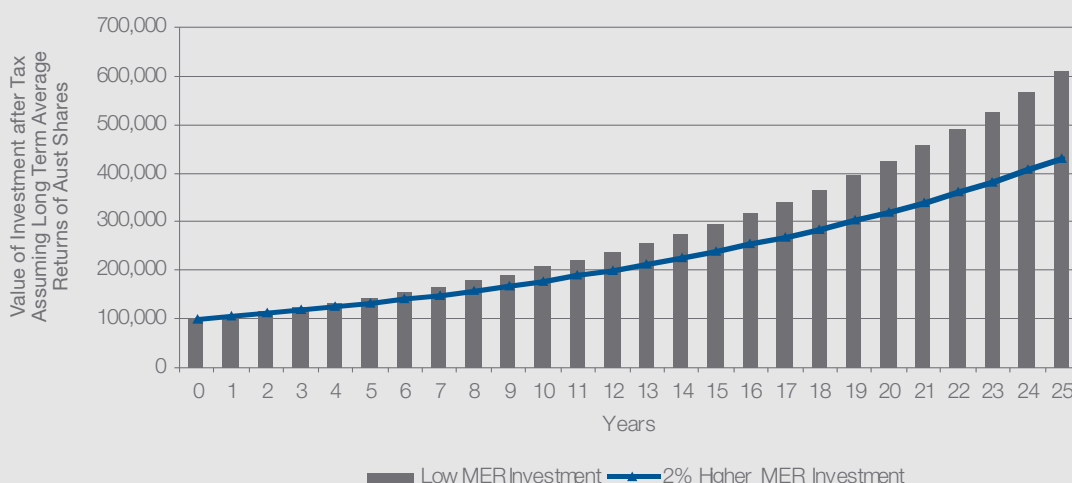
Sylvastate does not pay performance fees to its managers or executives and has no share or options plans for Directors or executives.

Management expenses on listed investment companies vary from the wholesale rates offered by some listed investment companies (usually less than 0.5%pa) to the higher retail rates offered by other listed investment companies of 3% pa or more.

The benefit of a low management expense, such as that offered by Sylvastate, can be seen in the graph below. Assuming investment returns are similar, over 25 years approximately 30% of an investor's ultimate investment value (after tax) would be eroded by investing in a vehicle which has a 2% higher management expense.

Benefit of A Low MER Investment Vehicle

(Over 25 years the value of an investment in a low MER vehicle is 39% higher than in a 2% higher MER vehicle – all other things being equal).



SYLVASTATE AND ITS INVESTMENT STRATEGY

Sylvastate's Tax Status

Sylvastate pays income tax on its net taxable investment income at the company tax rate, and is entitled to the benefit of franking credits it receives.

Sylvastate pays tax at the company rate (30%) on any net realised capital gains it makes.

Sylvastate may periodically pay dividends to its shareholders out of qualifying net realised LIC discount capital gains. Where this is done individual shareholders become entitled to the usual 50% capital gains tax discount on the grossed-up value of the LIC discount dividend paid to them. (Superannuation fund shareholders are entitled to their usual 1/3rd capital gains tax discount). In general realised capital gains made by Sylvastate will qualify as LIC discount capital gains where the investment has been held for more than 12 months and is part of a long term investment portfolio.

The implications of this are that a shareholder with a marginal tax rate of 46.5% pays tax on qualifying realised LIC discount capital gains made by Sylvastate at the effective rate of 23.25%.

Controlling Risk Through Diversity

Sylvastate seeks to manage and constrain risk through a range of prudent checks and controls. These include:

- (a) Diversification of the investment portfolio across multiple stocks and industry sectors;
- (b) Maintenance of the portfolio within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors;
- (c) Prudent controls governing accounting, reporting and custodial processes;
- (d) A robust process of corporate governance and the careful monitoring of executive management.

Full details on the company's approach to corporate governance is shown in the Corporate Governance Statement.

Dividend Policy

Sylvastate aims to pay out dividends which are approximately equal to its through the cycle net operating profit after tax, but excluding realised capital gains.

When Sylvastate realises LIC Discount Capital Gains it will seek to pass the tax status of those gains to underlying shareholders where possible.

KEY PERSONNEL



David J. Iliffe

Non-Executive Chairman,
Member of Audit, Nomination
and Remuneration Committees
Age, 65

David has been a Director of Sylvastate Ltd since March 1990, and was appointed Chairman in 2003. David has over 35

years experience as a Chartered Accountant and is a Fellow of the Institute of Chartered Accountants and of the Taxation Institute of Australia; and an Associate of the Australian Institute of Company Directors. David is Chairman of Whitefield Ltd and is a Director of Employers Mutual Ltd.

Graeme J. Gillmore



Non-Executive Director,
Chairman of Audit Committee,
Member of Nomination and
Remuneration Committees
Age, 50

John is a Chartered Accountant and Solicitor, appointed as a Director of Sylvastate Ltd since September 1995. John

is a Director of Whitefield Ltd and holds a Bachelor of Commerce and a Bachelor of Laws.



Sam A. Armstrong

Non-Executive Director, Member
of Audit, Nomination and
Remuneration Committees
Age, 46

Sam has been a Director of Sylvastate Ltd since 2003. Sam has over 20 years experience in wholesale investments markets

previously with Macquarie Funds Management and Quay Partners Pty Ltd. Sam is a Partner of Barwon Investments Partners and holds a Bachelor of Commerce (Hons) and a MBA from Columbia University, New York.



Angus J. Gluskie

Chief Executive Officer, Director,
Member of Nomination and
Remuneration Committees
Age, 43

Angus has been Chief Executive Officer of Sylvastate Ltd since 1996 and was appointed as a Director in 2003. Angus has over

21 years experience in the fields of funds management and financial services. Angus is a Member of the Institute of Chartered Accountants and an Associate of the Securities Institute of Australia, and holds a Bachelor of Economics and a Graduate Diploma in Applied Finance & Investment. Angus is Chief Executive Officer of Whitefield Ltd and Managing Director of White Funds Management Pty Ltd.



Peter A. Roberts

Company Secretary
Age, 40

Peter was appointed Company Secretary in 2003 and has over 15 years experience in the fields of chartered accountancy and specialised back office services to the funds management

community. Peter is a Director of White Outsourcing Pty Ltd and Company Secretary of Ironbark Capital Ltd and Whitefield Ltd. Peter holds a Bachelor of Business and is a Member of the Institute of Chartered Accountants.

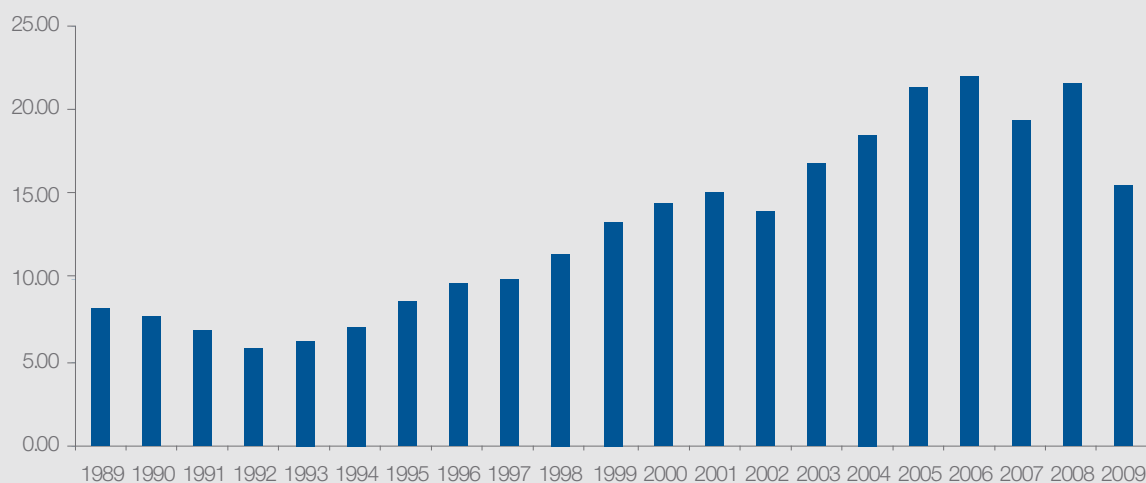
INVESTMENT PORTFOLIO

As At 31 August 2009

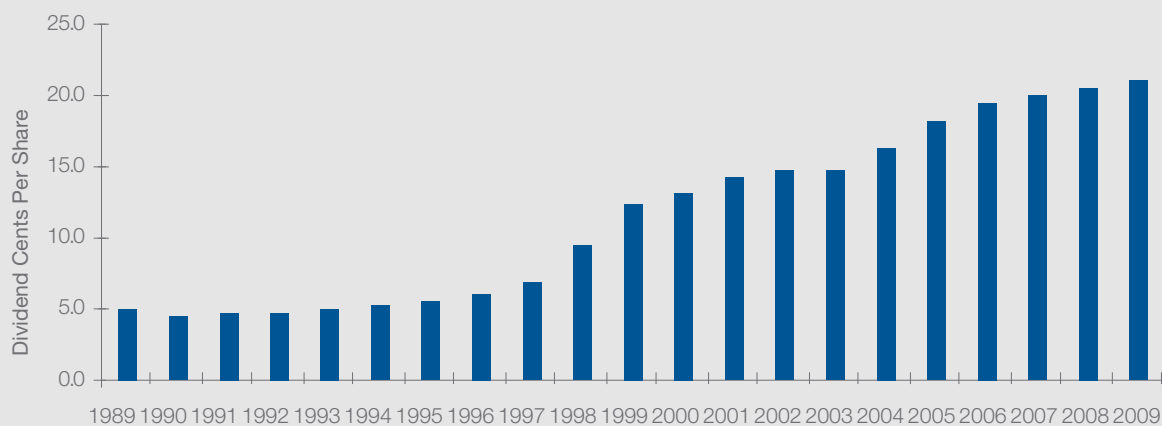
Code	Name	Shares	Market Value	Sylvastate %
Consumer Discretionary				
ALL	Aristocrat Leisure Ltd	48,800	225,456	0.38%
CMJ	Consolidated Media Holdings Limited	163,000	519,970	0.87%
CWN	Crown Limited	39,500	312,445	0.52%
FXJ	Fairfax Media Limited	1,281,280	1,883,482	3.16%
NWS	News Corporation Inc	22,500	342,000	0.57%
NWSLV	News Corp. Class A Non Voting Stock	100,800	1,312,416	2.20%
QAN	Qantas Airways Limited	294,234	744,412	1.25%
SEV	Seven Network Limited	153,500	977,795	1.64%
			6,317,976	10.59%
Consumer Staple				
WES	Wesfarmers Limited	85,821	2,156,682	3.62%
WOW	Woolworths Limited	201,525	5,646,731	9.48%
			7,803,412	13.10%
Banks				
ANZ	ANZ Banking Group Limited	176,166	3,750,574	6.29%
CBA	Commonwealth Bank of Australia	78,844	3,626,824	6.09%
NAB	National Australia Bank	157,600	4,488,448	7.53%
WBC	Westpac Banking Corporation	161,570	3,937,461	6.61%
			15,803,307	26.52%
Financials ex Banks				
ASX	Australian Stock Exchange Limited	20,200	668,620	1.12%
CGF	Challenger Financial Services Group	261,900	822,366	1.38%
HFA	HFA Limited	835,094	229,651	0.39%
LLC	Lend Lease Limited	26,100	246,123	0.41%
QBE	QBE Insurance Group Limited	48,846	1,117,596	1.88%
SUN	Suncorp-Metway Limited	104,388	817,358	1.37%
			3,901,714	6.55%
Health Care				
COH	Cochlear Limited	3,600	202,572	0.34%
CSL	CSL Limited	46,629	1,501,920	2.52%
RMD	ResMed Inc	238,100	1,295,264	2.17%
			2,999,756	5.03%
Industrials				
AIO	Asciano Group Limited	700,164	1,113,261	1.87%
ALS	Alesco Corporation Limited	186,392	797,758	1.34%
BXB	Brambles Limited	300,890	2,235,613	3.75%
MAP	Macquarie Airports	269,800	690,688	1.16%
MIG	Macquarie Infrastructure Group	661,700	880,061	1.48%
MQG	Macquarie Group Limited	65,200	3,312,160	5.57%
TOL	Toll Holdings Limited	202,000	1,609,940	2.70%
VBA	Virgin Blue Holdings Limited	404,000	157,560	0.26%
			10,797,040	18.13%
Telecommunication Services				
TLS	Telstra Corporation Limited	552,400	1,800,824	3.02%
			1,800,824	3.02%
Other				
WHF	Whitefield Limited	3,015,037	10,160,675	17.05%
			10,160,675	17.05%
TOTAL			59,584,704	100.00%

FINANCIAL STATISTICS

Net Operating Profit After Tax Per Share Excluding Realised Gains on Investments



Dividends (Cents Per Share)



Performance of Sylvastate's Investment Portfolio

Sylvastate as at 31 August 2009	Annualised				
	3m	1yr	3yr	5yr	10yr
Portfolio	22.8219%	(0.707%)	(1.736%)	6.8607%	7.6298%
Benchmark (ASX200 Industrials)	23.6942%	(3.900%)	(2.477%)	6.4599%	6.9310%

FINANCIAL STATISTICS

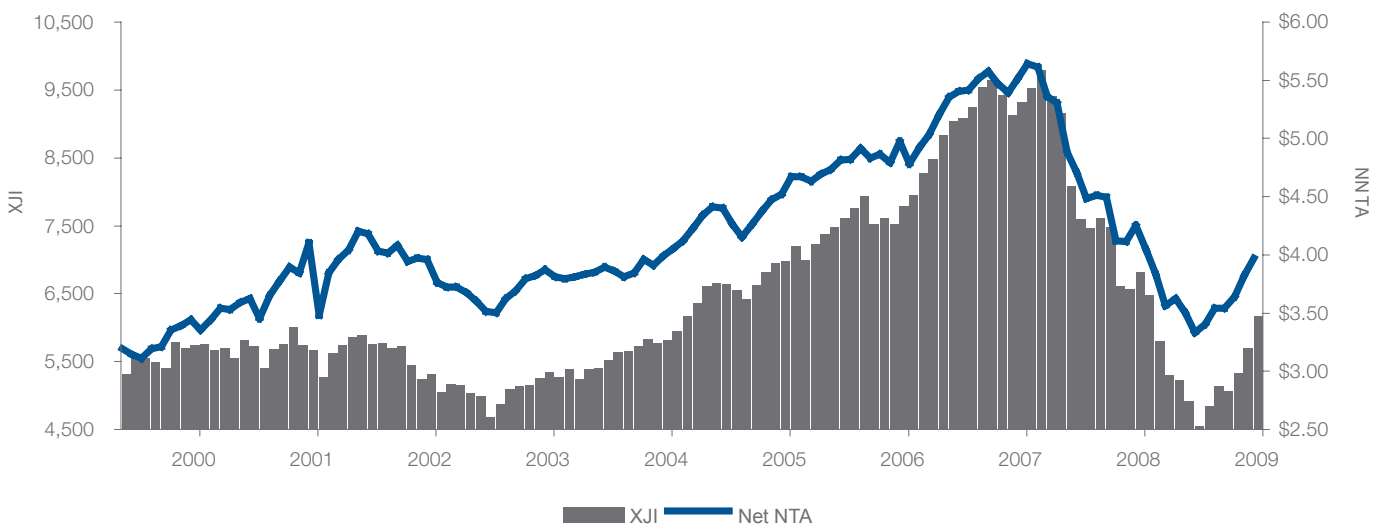
For the Year Ended 31 August, 2009

Net Tangible Assets as at 31 August 2009	
NTA (post-tax)	\$67.5 million
Shares on Issue	16,834,475
NTA per share (pre-tax)	\$3.94
NTA per share (post-tax)	\$4.01
Share Price	\$3.60
(Discount)/Premium to NTA (pre-tax)	(8.63%)
(Discount)/Premium to NTA (post-tax)	(10.22%)

Sylvastate Ltd Premium/(Discount) to Net NTA and Share Price



Sylvastate Ltd NTA vs XJI



SYLVASTATE 20 YEAR FINANCIAL HISTORY

Year Ended	Ord Shares Issued	Capital Raised \$	Issued Capital	Operating Profit After Tax	Dividends Paid/ Provided / Declared \$	Shareholders' Equity \$	Dividends Per Share cps	Operating Profit After Tax Per Share cps	NTA Pre Tax Per Share \$
1990	-		8,000,000	640,841	360,000	10,765,865	4.50	7.91	1.35
1991	-		8,000,000	566,055	376,000	11,766,775	4.70	6.99	1.47
1992	-		8,000,000	476,356	392,000	12,201,963	4.90	5.88	1.53
1993	-		8,000,000	504,114	408,000	14,607,351	5.10	6.22	1.82
1994	-		8,000,000	575,171	424,000	15,922,014	5.30	7.10	1.99
1995	-		8,000,000	702,909	456,000	15,517,344	5.70	8.67	1.94
1996	-		8,000,000	786,285	496,000	17,324,100	6.20	9.70	2.17
1997	-		8,000,000	814,499	544,000	22,278,658	6.80	10.05	2.78
1998	-		8,000,000	937,917	760,000	21,809,450	9.50	11.57	2.73
1999	-		8,000,000	1,091,166	1,000,000	25,705,035	12.50	13.47	3.42
2000	-		8,000,000	1,175,863	1,064,000	26,718,449	13.30	14.51	3.54
2001	-		8,000,000	1,225,711	1,152,000	31,946,385	14.40	15.13	4.24
2002	-		8,000,000	1,142,593	1,184,000	30,870,263	14.80	14.10	4.09
2003	-		8,000,000	1,373,425	1,184,000	30,682,796	14.80	16.95	3.97
2004	1,705,889	6,296,000	9,705,889	1,699,153	1,340,891	38,378,470	16.50	18.58	4.12
2005	290,491	1,176,698	9,996,380	2,101,071	1,671,057	44,880,570	18.20	21.33	4.85
2006	1,183,984	5,462,610	11,180,364	2,293,477	1,912,407	55,246,867	39.60	22.10	5.37
2007	3,088,400	15,965,746	14,268,764	2,386,355	4,519,436	78,184,851	20.00	19.36	5.97
2008	3,374,103	16,018,398	17,293,697	3,611,654	3,572,553	72,989,629	20.50	21.58	4.12
2009	(459,224)	(1,325,453)	16,834,473	2,664,375	3,532,696	67,527,182	21.00	15.64	3.94

Note: Shareholders' Equity includes the unrealised market value of publicly listed shares and notes in Australian Companies and Trusts, less tax which would be payable on realisation of all investments and the estimated cost of such realisation. Operating profit in this summary excludes abnormal profits or losses arising from the sale of investments. Per share calculations have been adjusted for bonus issues where appropriate.

CORPORATE GOVERNANCE STATEMENT

For the Year Ended 31 August, 2009

+ This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Principles and Recommendations (2nd Edition, August 2007) unless otherwise stated.

Board of Directors and Its Committees

Structure of the Board

The skills, experience and expertise and period of office relevant to the position of each director in office at the date of the annual report is included on page 5 of this Annual Report. Directors of Sylvastate Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of director independence, “materiality” is considered from both the company and individual director’s perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the directors in question to shape the direction of the company’s loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the Board has a majority of directors who are independent, in assessing this the following directors, are considered to be independent:

- **Mr D.J Iliffe** – Chairman, Non-Executive Director
- **Mr G.J Gillmore** – Non-Executive Director
- **Mr S. Armstrong** – Non-Executive Director

The term in office held by each director in office at the date of this report is as follows:

Mr D. J Iliffe	19 years
Mr G. J. Gillmore	14 years
Mr S. Armstrong	6 years
Mr A. J. Gluskie	6 years

The Chief Executive Officer of the Company is Mr A. J. Gluskie (for more information refer “Executive Management” in this Statement). Mr A.J Gluskie is not an independent director.

Functions of the Board

The Board’s primary function is the protection and enhancement of long-term shareholder value. To fulfil this role the Board seeks to address:

- (a) the prudential control of the Company’s operations;
- (b) the resourcing, review and monitoring of executive management;
- (c) the timeliness and accuracy of reporting to shareholders; and
- (d) the determination of the Company’s broad objectives.

Board Processes

The Board has established a number of Board Committees including a Nomination Committee, a Remuneration Committee and an Audit Committee. These committees have written mandates and operating procedures which are reviewed on a

regular basis. The Board has also established a range of policies which govern its operation.

The Board will hold four scheduled meetings each year plus any other strategic meetings as and when necessitated by the Company's operations. The agenda for meetings is prepared through the input of the Chairman and the Company Secretary. Standing items include matters of compliance and reporting, financials, shareholder communications and investment strategy and outcomes. Submissions are circulated in advance.

Composition of the Board

The names of the directors of the Company in office at the date of this Statement are set out in the Directors' Report on page 19.

The composition of the Board is determined using the following principles:

- A minimum of three and not more than five directors;
- An independent, non-executive director as Chairman; and
- A majority of independent non-executive directors.

An independent director is considered to be a director:

- (a) who is not a member of management;
- (b) who has not within the last three years been employed in an executive capacity by the Company or been a principal of a professional adviser or consultant to the Company;
- (c) is not a significant supplier to the Company;
- (d) has no material contractual relationship with the Company other than as a director; and
- (e) is free from any interest or business or other relationship which could materially interfere with the director's ability to act in the best interests of the Company.

No Directors other than the Chief Executive Officer shall hold office for a period in excess of three years or until the third AGM following their appointment without submitting their self for re-election.

Nomination Committee

The Nomination Committee considers the appropriate size and composition of the Board, criteria for membership, identification of potential candidates and the terms and conditions of appointment to and retirement from the Board.

The Committee is responsible for:

- Conducting an annual review of the Board membership with regard to the present and future requirements of the Company and make recommendations as to composition and appointments;
- Review of Board succession plans, including succession of the Chairman, to maintain an appropriate balance of skills, experience and expertise;
- Conducting an annual review of the time required from non-executive directors, and whether the directors are meeting this;
- Requesting non-executive directors to inform the Chair and the Chair of the nomination committee before accepting any new appointments as directors;
- Conducting an annual review of the independence of directors; and
- Recommendations to the Board on necessary and desirable competencies of directors.

The Committee's target is to ensure that (as a minimum) directors collectively have investment accounting, general business experience and shareholder representation. The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment.

The Committee is responsible for the performance review of the Board and its Committees. In respect of the current financial year all necessary performance evaluations of the Board and its Committees have taken place in the reporting period in accordance with the processes disclosed.

In addition, the performance of service providers (JP Morgan, White Outsourcing Pty Limited and White Funds Management Pty Ltd) is the subject of continuous oversight by the Chairman and the Board as a whole.

CORPORATE GOVERNANCE STATEMENT

Continued

The Nomination Committee comprised the following members during the year:

- Mr D. J Iliffe (Chairman) – Independent Non-Executive
- Mr G. J Gillmore – Independent Non-Executive
- Mr S. Armstrong – Independent Non-Executive
- Mr A. J Gluskie – Executive

The Nomination Committee meets annually unless otherwise required. For details on the number of meetings of the Nomination Committee held during the year and the attendees at those meetings, refer to page 19 of the Director's Report.

Performance Evaluation of Directors

The Nomination Committee is responsible for the review of the Board and its Committee's performance as a whole.

In order for a specific opportunity for performance matters to be discussed with each Director, each year the Chairman of the Board conducts a formal review process. The Chairman meets with each Director individually to discuss issues including performance and discusses with each Director the effectiveness of the Board as a whole, its Committees, individual Directors and the Chairman with the intention of providing mutual feedback. The Chairman reports on the general outcome of these meetings to the Nomination Committee. Directors whose performance is unsatisfactory are asked to retire. In respect of the current financial year all assessments under this process have taken place in accordance with the process disclosed.

Director Dealing in Company Shares

Directors and senior management may acquire shares in the Company, but are prohibited from dealing in Company shares (a) between the close of a month and the release of the company's net asset backing to the ASX or (b) whilst in possession of price-sensitive information.

Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant Company information and to the Company's executives and subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the director is made available to all other members of the Board.

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration of the directors themselves. The Remuneration Committee meets once a year. Full details on Directors' remuneration are provided in the Directors' Report.

The members of the Remuneration Committee during the year were:

- Mr D. J Iliffe (Chairman) – Independent Non-Executive
- Mr G. J. Gillmore – Independent Non-Executive
- Mr S. Armstrong – Independent Non-Executive
- Mr A. J. Gluskie – Executive

The executive function of the Company has been outsourced to White Outsourcing Pty Limited (accounting and administration) and White Funds Management Pty Limited (funds management). The responsibility for considering and recommending appropriate remuneration of the non-executive directors' packages for the Board lies with the Remuneration Committee. Non-executive directors are remunerated by way of cash payments. Mr A.J Gluskie does not receive remuneration directly from the Company.

Only non-executive directors' receive remuneration in the form of directors fees paid either as cash or superannuation contributions.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 19 of the Director's Report.

Audit Committee

The Audit Committee has a documented Charter, approved by the Board. All members must be non-executive directors. The Chairman is not the Chairman of the Board. The Committee is responsible for considering the effectiveness of the systems and standards of internal control, financial reporting and any other matter at the request of the Board. The Audit Committee will meet at least two times per year.

The Audit Committee may have in attendance at their meeting such members of management as may be deemed necessary to provide information and explanations. The external auditors attend meetings by invitation to report to the Committee.

The members of the Audit Committee during the year were:

- Mr G. J Gillmore (Chairman) – Independent Non-Executive
- Mr D. J Iliffe – Independent Non-Executive
- Mr S. Armstrong – Independent Non-Executive

The responsibilities of the Audit Committee are to ensure that:

1. Relevant, reliable and timely information is available to the Board to monitor the performance of the Company;
2. External reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
3. Management process support external reporting in a format which facilitates ease of understanding by shareholders and institutions;
4. The external audit arrangements are adequate to ensure the maintenance of an effective and efficient external audit. This involves:
 - (a) reviewing the terms of engagement, scope and auditor's independence;
 - (b) recommendations as to the appointment, removal and remuneration of an auditor; and
 - (c) reviewing the provision of non-audit services provided by the external auditor ensuring they do not adversely impact on audit independence;
5. Review the Company's risk profile including material business risks and assess the operation of the Company's internal control system.
6. Conduct an annual review of the Chief Executive Officer's performance

The external auditor is required to attend the Annual General Meeting and is available to answer shareholder questions.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to page 19 of the Director's Report. The qualifications and experience of Committee members are shown on page 7 of this Annual Report

The Board as a whole monitor the performance of the annual & half-yearly audit performed by the external auditor. If the Board considers that the external auditor of the Company should be changed a special resolution will be put to shareholder vote at the following Annual General Meeting. External audit engagement partners are required by legislation to rotate their appointment every five years.

The Audit Committee undertakes a review of the Chief Executive Officers performance against relevant qualitative and quantitative measures and brings to the Board an assessment of the Chief Executive Officers performance. In respect of the current financial year the performance review of the Chief Executive Officer has been undertaken in accordance with the process disclosed.

Risk Management Policy

The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board has delegated responsibility for reviewing the risk profile including material business risks and reporting on the operation of the internal control system to the Audit Committee.

The Audit Committee (a) requires executive management to report annually on the operation of internal controls, (b) reviews the external audit of internal controls and liaises with the external auditor and (c) conducts any other investigations and obtains any other information it requires in order to report to the Board on the effectiveness of the internal control system. In respect of the current financial year all necessary declarations have been submitted to the Board.

The Board identifies the following business risks as having the potential to significantly or materially impact the company's performance (a) administrative risks including operational, compliance and financial reporting and (b) market related risks.

CORPORATE GOVERNANCE STATEMENT

Continued

Administrative Risks

The Company has outsourced its administrative functions to service providers, ANZ (custody), White Outsourcing Pty Limited (accounting and Company Secretarial) and White Funds Management Pty Limited (investment management) accordingly risk issues associated with these activities are handled in accordance with the service providers policies and procedures. White Outsourcing Pty Limited is responsible for recognising and managing administrative risks including (a) operational, (b) compliance and (c) financial reporting. Certificates of insurance currency are obtained annually from all key service providers.

The Company Secretary provides a declaration to the Board twice annually, to certify that the Company's financial statements and notes present a true and fair view, in all material respects, of the Company's financial condition and operational results and that they have been prepared and maintained in accordance with relevant Accounting Standards and the Corporations Act 2001. In respect of the current financial year all necessary declarations have been submitted to the Board. In addition, White Outsourcing Pty Ltd (accounting and Company Secretarial) will confirm half-yearly in writing to the Board that the declaration provided above is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Market Risks

The Board is primarily responsible for recognising and managing market related risks. By its nature as a Listed Investment Company, the Company will always carry investment risk because it must invest its capital in securities which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market. White Funds Management Pty Ltd (investment manager), is required to act in accordance with the Board approved investment management agreement and reports to the Board quarterly on the portfolio's performance, material actions of the investment manager during that quarter and an explanation of the investment manager's material proposed actions for the upcoming quarter. In addition, the investment manager is required to report half-

yearly that White Funds Management Pty Ltd have invested the Company's assets in accordance with the approved investment mandate and complied with the Investment Management Agreement requirements during the reporting period. In respect of the current financial year all necessary declarations have been submitted to the Board. In assessing the Company's risk tolerance level the Board considers any instance which materially affects the Company's monthly Net Tangible Asset backing announcement released to the ASX.

The Audit Committee and the Board perform a risk review on an annual basis to ensure that adequate controls are in place to mitigate risk associated with investment manager performance, market risk, fraud, transaction reporting errors, material reporting risks and compliance risk.

Executive Management

The companies operations are conducted through White Funds Management Pty Ltd (Investment Manager) and White Outsourcing Pty Limited (Administration Manager). These entities incorporate the specialist wholesale investment and administration personnel who undertake the Company's executive operations.

The Company's executive management arrangements have been structured to provide investors with a cost efficient investment vehicle and access to a significant depth of professional resources.

Ethical Standards

The Board expects all non-executive directors to act professionally in their conduct and with the utmost integrity and objectivity. All non-executive directors must comply with the Company's Code of Conduct and Ethics.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and are able to receive the annual and interim financial statements if requested. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Sylvastate Limited, to lodge questions to be responded by the Board, and are able to appoint proxies.

Shareholder Communications

It is the intention of the Board to promote effective communication with shareholders and to encourage shareholder participation at AGM's. The Board informs shareholders of all major developments affecting the Company's state of affairs as follows:

- All information lodged with the ASX is available on the Company's website at **www.sylvastate.com.au** via a direct link to the ASX website;
- An Annual Report will be mailed to shareholders at the close of the financial year, where requested; and
- Net asset backing per share is released to the ASX by the 14th day following each month-end.

The Chief Executive Officer is responsible for ensuring Sylvastate Limited complies with its continuous disclosure obligations. All relevant staff of White Outsourcing Pty Limited and White Funds Management Pty Limited are made aware of these obligations and are required to report any price sensitive information to the Chief Executive Officer immediately once they become aware of it. The Chief Executive Officer will decide whether the information should be disclosed to the ASX.

Where possible, all continuous disclosure releases to the ASX are approved by the Board, except the monthly net asset backing per share which is approved by White Outsourcing Pty Limited in consultation with White Funds Management Pty Limited. Where time does not permit approval by the Board, the Chief Executive Officer must approve the release.

Any information of a material nature affecting the Company is disclosed to the market through release to the ASX as soon as the Company becomes aware of such information, in accordance with the ASX Continuous Disclosure requirement.

Board policies and charters covering the following are available on the Company's website at **www.sylvastate.com.au**:

- Board charter
- Nomination Committee charter
- Audit Committee charter
- Remuneration Committee
- Continuous Disclosure policy
- Shareholder Communications policy
- Risk Management policy
- Trading policy
- Code of Conduct and Ethics

DIRECTORS' REPORT

+ The Directors present their report together with the financial report of Sylvastate Limited (“the Company”) for the year ended 31 August, 2009 and the auditor’s report thereon.

Principal Activity

The principal activity of the Company is investment in the publicly listed equities and notes of Australian companies and trusts. No change in this activity took place during the year or is likely in the future.

Operating and Financial Review

Net profit after tax (before fluctuation in investments) amounted to \$2,664,375 (2008: \$3,611,654).

A full review of operations and results is included in the accompanying Chief Executive Officer’s Review.

Dividends

Dividends paid or recommended for payment out of the profits since the end of the previous financial year were:

In respect of last year’s report:

(a) Final dividend declared by the Directors, not provided, payable 28th October, 2008	
10.5 cents per ordinary share, fully franked,	
0% attributable to discount capital gains	\$1,815,838

In respect of the current financial year:

(b) Interim dividend paid 30th April 2009	
10.5 cents per ordinary share, fully franked	
0% attributable to discount capital gains	\$1,766,348
(c) Final dividend declared by the Directors, not provided, payable 26th October 2009	
10.5 cents per ordinary share, fully franked,	
0% attributable to discount capital gains	\$1,766,348

State Of Affairs

Significant changes in the state of affairs of the company during the financial year were as follows:

Fully paid ordinary share capital moved during the year as follows:

	2009 \$
- 28th October 2008 - Dividend Reinvestment of 77,160 shares at \$3.38 per share to provide additional working capital of \$260,800 less transaction costs \$1,276	259,524
- 30th April 2009 - Dividend Reinvestment of 89,752 shares at \$2.92 per share to provide additional working capital of \$262,076 less transaction costs \$1,275	260,801
-1st September 2008 – 31 August, 2009 - Share Buyback of 626,136 shares to reduce working capital of \$1,845,778	(1,845,778)
Decrease in fully paid share capital	(1,325,453)

Events Subsequent To Balance Date

The final dividend as declared by the directors will be paid subsequent to balance date and is not provided for in the Balance Sheet.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

Likely Developments

The Directors have no plans for new developments in the operations of the Company and propose to continue to invest available funds in the publicly listed equities of Australian companies. Further comments on the outlook for the company are included in the Chief Executive Officer's Review.

Directors

The Directors in office at any time during or since the end of the financial year are as follows:

	Period of Directorship
David J. Iliffe (Independent Chairman)	15th March 1990 to current
Angus J. Gluskie (Chief Executive Officer)	4th February 2003 to current
Sam Armstrong	5th June 2003 to current
Graeme J. Gillmore	7th September 1995 to current

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated. No other Directors held office during the financial year.

The qualifications, experience and special responsibilities of the Directors are shown on page 7 of this Annual Report. Particulars of the interest of Directors in the issued capital of the Company are shown on page 36 of this Annual Report.

Company Secretary

The Company Secretary is Mr. Peter A. Roberts. The Company Secretary has been in office since the start of the financial period to the date of this report unless otherwise stated. The qualifications and experience of the Company Secretary are shown on page 7 of this Annual Report.

Environmental Issues

The company's operations are not subject to any significant environmental regulations under the law of the Commonwealth and State. To the extent that any environmental regulations may have incidental impact on the Company's operation, the Directors' of the Company are not aware of any breach by the Company of those regulations.

Directors' Meetings

During the year the Company held 4 Directors' Meetings, 2 Audit Committee Meetings attended by all Audit Committee members, 1 Remuneration committee meeting attended by all directors and 1 Nomination committee meeting attended by all directors.

	Directors' Meetings Attended	Audit Committee Meetings Attended
S. Armstrong	4	2
G.J. Gillmore	4	2
A.J. Gluskie	4	-
D.J. Iliffe	4	2

	Nomination Committee Meetings Attended	Remuneration Committee Meetings Attended
S. Armstrong	1	1
G.J. Gillmore	1	1
A.J. Gluskie	1	1
D.J. Iliffe	1	1

(a) Remuneration Report

This report outlines the remuneration arrangements for directors and executives of Sylvastate Limited.

Remuneration Policy

The Board determines the remuneration structure of Non-Executive Directors having regard to the scope of the Company's operations and other relevant factors including the frequency of Board meetings as well as directors' length of service, particular experience and qualifications. The Board makes a recommendation to shareholders as to the level of Non-Executive Directors remuneration which is then put to shareholders at the Annual General Meeting for approval.

The company pays no direct remuneration to executives. Mr A.J. Gluskie is a member and director of White Funds Management Pty Ltd and a member of White Outsourcing Pty Ltd. Mr P.A. Roberts is a member, director and employee of White Outsourcing Pty Ltd. White Funds Management Pty Ltd and White Outsourcing

DIRECTORS' REPORT

Continued

Pty Ltd are contracted by the company as the Investment Manager and Administrator respectively. Those entities receive fees for service on normal commercial terms and conditions.

As the company does not pay performance fees, nor provide share or option schemes to Directors and executives, remuneration of Executives and Non-executives is not explicitly linked to the Company's performance. Notwithstanding this, Board members and Company executives are subject to ongoing performance monitoring and regular performance reviews.

Details of the nature and amount of each director and senior executive's emoluments from the Company in respect of the year to 31 August, 2009 were:

Directors and Senior Executives' Emoluments for the year ended 31 August:

2009	Base Emoluments	Super	Other	Total
S. Armstrong	\$4,128.44	\$371.56	-	4,500.00
G.J. Gillmore	\$4,128.44	\$371.56	-	4,500.00
D.J. Iliffe	\$4,128.44	\$371.56	-	4,500.00
A.J. Gluskie	}		\$80,474 ¹	\$80,474 ¹
P.A. Roberts				

2008	Base Emoluments	Super	Other	Total
S. Armstrong	\$3,211.00	\$289.00	-	\$3,500.00
G.J. Gillmore	\$3,211.00	\$289.00	-	\$3,500.00
D.J. Iliffe	\$3,211.00	\$289.00	-	\$3,500.00
A.J. Gluskie	}		\$106,818 ¹	\$106,818 ¹
P.A. Roberts				

¹ Mr A.J. Gluskie is a member and director of White Funds Management Pty Ltd. Mr P.A. Roberts is a member, director and employee of White Outsourcing Pty Ltd. During the year, White Funds Management Pty Ltd and White Outsourcing Pty Limited received fees of \$80,474 (2008: \$106,818) for the management of the Company, out of which costs of accounting, administration and investment management are paid. Mr A.J. Gluskie and Mr P.A. Roberts received no fees as individuals.

Indemnification and Insurance of Officers

Since the end of the previous year, the company has paid insurance premiums in respect of a directors' and officers' liability policy which covers the directors and officers of Sylvastate Limited. The terms of the policy prohibit disclosure of details of the amount of insurance cover and the nature of the liability insured against.

Proceedings on Behalf of The Company

No persons have applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceeding during the year.

Directors' and Executives Benefits

No director or executive since the end of the previous financial year has received or become entitled to receive a benefit, (other than emoluments shown in the financial statements or notes thereto), by reason of a contract made by the Company or a related company with the Director, Executive or with a firm of which a Director or Executive is a member or with a company in which he has a substantial financial interest.

Non-Audit Services

The directors' of the Company are satisfied that the general standard of independence for auditors imposed by the Corporations Act 2001 have been met as there has been no provision of non-audit services by the external auditor.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 August, 2009 has been received and can be found on page 21.

Signed in accordance with a resolution of the Directors.



David Iliffe, Director

Signed at Sydney this 1st day of October 2009

AUDITOR'S INDEPENDENCE / DIRECTORS' DECLARATION

Sylvastate Limited ABN 24 000 014 782

Under section 307C of the Corporations Act 2001 to the Directors of Sylvastate Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 August, 2009 there have been:

- a) no contraventions of the auditor independence requirements as set out in 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.

The declaration is made in respect of Sylvastate Limited during the period.

MNSA

Mark Schiliro, Partner

Signed at Sydney this 1st day of October 2009

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 22 to 38, are in accordance with the Corporations Act 2001 and:
 - (a) Give a true and fair value of the financial position of the company as at 31 August, 2009 and of the performance for the year ended on that date; and
 - (b) Comply with Accounting Standards in Australia and the Corporations Regulations 2001.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and the Company Secretary regarding the financial statements in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 31 August, 2009. The declarations received were that, in the opinion of the Chief Executive Officer and the Company Secretary, to the best of their knowledge the financial records of the Company have been properly maintained, that the financial statements and notes set out on pages 22 to 38 comply with accounting standards and that they give a fair and true view.



David Iliffe, Director

Dated at Sydney this 1st day of October 2009

INCOME STATEMENT

For the Year Ended 31 August, 2009

	Notes	Year ended 31-Aug 2009 \$	Year ended 31-Aug 2008 \$
Investment Revenue from ordinary activities	3	3,044,071	4,095,328
Administrative expenses		(80,474)	(106,818)
Directors' fees		(13,500)	(10,500)
Listing fees		(30,454)	(29,751)
Audit fees	4	(9,900)	(10,040)
Registry fees		(39,614)	(53,146)
Other expenses		(68,297)	(78,012)
Operating Profit before income tax expense and realised gains/(losses) on investments		2,801,832	3,807,061
Income tax expense	5(a), 5(c)	(137,457)	(195,407)
Operating profit before realised gains/(losses) and impairment losses on investments		2,664,375	3,611,654
Realised gains/(losses) on investments		(3,025,949)	642,661
Impairment losses on investment portfolio		(1,417,860)	-
Income tax (expense)/benefit	5(a), 5(c)	2,311,226	(150,273)
Profit attributable to members of the company		531,792	4,104,042
		2009 cents	2008 cents
Basic and diluted earnings per share (excluding realised gains/(losses) on investments)	8	15.64	21.58
Basic and diluted earnings per share (including realised gains/(losses) on investments)	8	3.12	24.52

The Income Statement should be read in conjunction with the accompanying Notes to the Financial Statements.

BALANCE SHEET

As at 31 August, 2009

	Notes	Year ended 31-Aug 2009 \$	Year ended 31-Aug 2008 \$
Current Assets			
Cash and cash equivalents		4,331,017	1,215,824
Trade and other receivables	9	404,478	768,722
Other	10	51,349	47,022
Total Current Assets		4,786,844	2,031,568
Non-Current Assets			
Investment portfolio - available for sale	11	59,584,704	69,392,408
Deferred tax assets	5(f)	3,740,639	1,980,548
Total Non-Current Assets		63,325,343	71,372,956
Total Assets		68,112,187	73,404,524
Current Liabilities			
Trade and other payables	12	23,128	62,835
Current tax liabilities	5(d)	-	330,271
Total Current Liabilities		23,128	393,106
Non-Current Liabilities			
Deferred tax liabilities	5(e)	561,877	21,789
Total Non-Current Liabilities		561,877	21,789
Total Liabilities		585,005	414,895
Net Assets		67,527,182	72,989,629
Equity			
Share capital	13	50,005,330	51,330,783
Investment portfolio revaluation reserve	14(a)	(1,989,970)	(892,422)
Realised capital profits reserve	14(b)	18,669,929	19,810,010
Retained earnings	15	841,893	2,741,258
Total Equity		67,527,182	72,989,629

The Balance Sheet should be read in conjunction with the accompanying Notes to the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 August, 2009

	Note	Share Capital \$	Investment Portfolio Revaluation Reserve / Realised Capital Profits Reserve \$	Retained Earnings \$	Total \$
As at 1 September 2007		36,797,911	39,072,257	2,314,683	78,184,851
Direct equity adjustments					
Investment portfolio losses					
Net unrealised losses on investments		-	(29,519,212)	-	(29,519,212)
Tax on unrealised losses on investments		-	8,872,155	-	8,872,155
Net realised gains on investment portfolio		-	642,661	-	642,661
Income tax expense on investment portfolio		-	(150,273)	-	(150,273)
Total direct equity adjustments		-	(20,154,669)	-	(20,154,669)
Profit for the year (excluding realised gains/(losses))		-	-	3,611,654	3,611,654
Transactions with shareholders					
Issue of Shares		16,018,398	-	-	16,018,398
Share buy-back		(1,368,555)	-	-	(1,368,555)
Transaction costs arising from share issue		(116,971)	-	-	(116,971)
Dividends paid from retained earnings	(6)	-	-	(3,185,079)	(3,185,079)
As at 31 August 2008		51,330,783	18,917,588	2,741,258	72,989,629
As at 1 September 2008		51,330,783	18,917,588	2,741,258	72,989,629
Direct equity adjustments					
Investment portfolio losses					
Net unrealised losses on investments		-	(2,609,638)	-	(2,609,638)
Tax on unrealised losses on investments		-	519,588	-	519,588
Tax effected Impairment loss recognised in income statement		-	992,502	(992,502)	-
Net realised losses on investment portfolio		-	(3,025,949)	-	(3,025,949)
Income tax benefit on investment portfolio		-	1,885,868	-	1,885,868
Total direct equity adjustments		-	(2,237,629)	(992,502)	(3,230,131)
Profit for the year (excluding realised gains/(losses))				2,664,375	2,664,375
Transactions with Shareholders					
Issue of shares		522,876	-	-	522,876
Share buy-back		(1,845,778)	-	-	(1,845,778)
Transaction costs arising from share issue		(2,551)	-	-	(2,551)
Dividends paid from retained earnings	(6)	-	-	(3,571,238)	(3,571,238)
As at 31 August 2009		50,005,330	16,679,959	841,893	67,527,182

This Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements which follow.

CASH FLOW STATEMENT

For the Year Ended 31 August, 2009

	Year ended 31 August 2009 \$	Year ended 31 August 2008 \$
Cash flows from operating activities		
Dividends and trust distributions received	3,161,257	3,582,547
Other Income	-	2,089
Interest received	281,547	245,988
Payments for administrative and general expenses	(320,593)	(339,179)
Income tax paid	(320,348)	(1,661,004)
Net cash provided by operating activities	2,801,863	1,830,441
Cash flows from investing activities		
Proceeds from sale of investments	27,429,424	17,432,097
Payments for purchase of investments	(22,218,140)	(32,116,204)
Net cash provided by/(used in) investing activities	5,211,284	(14,684,107)
Cash flows from financing activities		
Proceeds from issue of shares	-	15,503,060
Payments for share buyback	(1,845,778)	(1,368,555)
Transaction costs from the issue of shares	(3,645)	(167,102)
Dividends paid	(3,048,361)	(2,669,741)
Unclaimed dividends	(170)	(4,968)
Net cash (used in) / provided by financing activities	(4,897,954)	11,292,694
Net increase/(decrease) in cash and cash equivalents held	3,115,193	(1,560,972)
Cash and cash equivalents at beginning of the financial year	1,215,824	2,776,796
Cash and cash equivalents at end of the financial year	4,331,017	1,215,824
Notes to Cash Flow Statement		
For the purpose of the cash flow statement, cash includes cash at bank and commercial bank bills. Cash at the end of the year shown in the cash flow statement is reconciled to the Balance Sheet as follows:-		
(i) Reconciliation of cash and cash equivalents		
Cash at bank (interest bearing)	4,331,017	1,215,824
The credit risk of the Company in relation to cash is the carrying amount and any unpaid interest. Cash investments are made with ANZ which is rated A-1+ for short term investments by Standard and Poor's.		
(ii) Reconciliation of profit from ordinary activities after income tax and before realised (losses)/gains on investments to net cash provided by operating activities.		
Operating profit before capital gains	2,664,375	3,611,654
Net cash Provided by Operating Activities before change in assets and liabilities	2,664,375	3,611,654
Increase/(Decrease) in income taxes payable	(182,892)	(1,465,598)
Increase/(Decrease) in trade and other payables	(38,541)	14,613
(Increase)/Decrease in trade and other receivables	358,921	(330,228)
Net cash provided by operating activities	2,801,863	1,830,441

The Cash Flow Statement should be read in conjunction with the accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 August, 2009

1 Reporting Entity

Sylvastate Limited is a company domiciled in Australia. The address of Sylvastate Limited's registered office is Level 7, 20 Hunter Street, Sydney NSW, 2000. The financial statements of Sylvastate Limited are as at and for the year ended 31 August 2009. The company is primarily involved in the operations of the financial sector of Australia, making investments and deriving revenue and investment income from listed securities and unit trusts.

2 Statement of Significant Accounting Policies

(a) Basis of Accounting

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Sylvastate Limited which is a listed public company, incorporated and domiciled in Australia. The financial report has been prepared on an accrual basis and is based on historical costs, with the exception of the valuation of investments as described in Note 2(b) below.

The accounting policies are consistent with those of the previous year. In order to reflect changing market values the Directors have adopted a policy to revalue all investments on a daily basis. Apart from this policy, the Financial Statements have been prepared on the basis of historical cost.

The financial report of the Company complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Australian equivalents to International Financial Reporting Standards

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS").

Compliance with AIFRS ensures that the financial report of the Company complied with International Financial Reporting Standards.

(b) Investments

Classification

Investments are classified as available-for-sale in accordance with the AIFRS definition. Financial instruments are initially measured at fair value on trade date at fair value, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trade date accounting is adopted for financial assets that are delivered within time established by market place conventions.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Determination of Fair Value

AIFRS defines fair value for the purpose of valuing holdings of securities that are listed or traded on an exchange to be based on quoted "bid" prices for securities prevailing at the close of business on the balance date.

Impairment

When the market value of a stock that is held in the investment portfolio is significantly below its cost, it is reviewed for impairment. AASB 139 – Financial Instruments: Recognition and Measurement states that impairment has occurred if there has been a 'loss event or events' that have an impact on the future cash flows of the financial asset that can be reliably estimated. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(c) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets

and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Investment Portfolio

A tax provision is made for the unrealised gain or loss on securities valued at fair value through the Investment Portfolio Revaluation Reserve.

The expected tax on disposal of securities in the investment portfolio is recognised directly in equity and as deferred tax liability. Where the Company disposes of such securities, tax is calculated on gains made according to the particular parcels allocated to the sale for tax purposes offset against any capital losses carried forward. At this time the tax recognised directly in equity is transferred to Net Profit and adjusted to actual tax expense. The associated deferred tax liability is similarly adjusted and transferred to tax payable.

(d) Revenue Recognition

- (i) Dividend Income - dividends and distributions are brought to account when the Company's right to receive a dividend is established.
- (ii) Interest Income - interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.
- (iii) Other Income - other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

(e) Receivables

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the period end from the time of last payment. Amounts received for securities sold are recorded when a sale has occurred. Amounts are generally received within 30 days of being recorded as a receivable.

NOTES TO THE FINANCIAL STATEMENTS

Continued

(f) Payables

Payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid at the reporting date. Payables are unsecured and are usually paid within 30 days of recognition.

(g) Dividends

Provisions for dividends payable are recognised in the reporting period in which they are declared for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

The Company may pay dividends from profits, dividends and interest income it receives from its investments to the extent permitted by law and prudent business practices. Dividends will be franked to the extent that available imputation credits permit. Dividends that are paid from the realisation of capital gain may be passed onto the shareholders.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as cash flows from operating activities.

(j) Earnings per share

Basic and diluted earnings per share including realised profits and losses on the investment portfolio are calculated by dividing profit attributable to members of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for any bonus element.

(k) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(l) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The directors' assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8.

AASB 8 and AASB 2007-3 are effective for annual reporting periods beginning on or after 1 January 2009. The entity has not adopted these standards early. Application of these standards will not effect any of the amounts recognised in the financial statements, but may effect the segment disclosures provided in Note 21.

- (ii) Revised AASB 101: Presentation of Financial Statements and AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 required the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being at the beginning of the comparative period. The entity will apply the revised standard from 1 September 2009.

(iii) AASB Interpretation 17: Distribution of Non-cash Assets to Owners and AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17

AASB-I 17 applies to situation where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. This is different to the entity's current policy which is to measure distributions of non-cash assets at their carrying amounts. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The entity will apply the interpretation prospectively from 1 September 2009.

(m) Functional and presentation currency

The functional and presentation currency of the Company is Australian Dollars.

(n) Operating segments

The company operated in Australia only and the principal activity is investment.

(o) Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents, and non-interest bearing monetary financial assets and liabilities of the Company approximates their carrying value. The fair value for assets that are actively traded on market is defined by AASB 139 as 'last bid price'.

(p) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement the Company evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of the near term business outlook for investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The Company has recognised deferred tax assets relating to current year and carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. There are some concerns that the entity may fail to satisfy the continuity of ownership test and therefore has to rely on the same business test. If the entity fails to satisfy the test, carried forward losses of \$1,908,649 that are currently recognised as deferred tax asset would have to be written off to income tax expense.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 August, 2009

	Year Ended 31 August 2009 \$	Year Ended 31 August 2008 \$
3. Investment revenue from ordinary activities		
Dividends Received from Whitefield Limited	512,556	451,670
Dividends Received from Other Companies	2,046,997	3,082,943
Net Interest Received	279,332	234,280
Trust Distributions	205,186	324,346
Other Income	-	2,089
	3,044,071	4,095,328
4. Auditor's remuneration		
Audit and Review of the Financial Reports		
MNSA	9,900	10,040
	9,900	10,040
5. Taxation		
(a) Income tax expense/(benefit) recognised in the Income Statement		
Current income tax expense/(benefit)		
On operating profit before realised gains/(losses) on investments	137,457	195,407
On impairment losses on investments		-
On realised gains/(losses) on investments	(1,885,868)	150,273
Total Income tax expense	(1,748,411)	345,680
(b) Income tax recognised directly in equity		
The following current and deferred amounts were charged directly to equity during the year:		
Current tax		
Share-issue expenses	54,348	61,754
Deferred tax		
Revaluation of investment portfolio	519,588	(8,721,882)
	573,936	(8,660,128)
(c) Income tax expense / (benefit)		
The prima facie income tax expense / (benefit) on pre-tax accounting profit (before realised gains/(losses) on investments) reconciles to income tax expense as follows:		
Prima facie income tax expense calculated at 30% on the operating profit before realised gains/(losses) on investments	840,549	1,142,118
Imputation gross up on dividends received	338,108	379,003
Franking credits on dividends received	(1,127,027)	(1,263,342)
Timing differences	106,475	(66,919)
Under/(Over) provided in prior year	(20,648)	4,547
Income Tax Expense / (Benefit) (excluding realised gains on investments)	137,457	195,407

	Year Ended 31 August 2009 \$	Year Ended 31 August 2008 \$
Prima facie income tax expense calculated at 30% for net gains/(losses) on investments	(907,785)	192,798
Impact of parcel selection for capital gains tax purposes	(978,083)	(42,525)
Income Tax Expense (on realised gains on investments)	(1,885,868)	150,273
Income Tax Expense	(1,748,411)	345,680
The applicable weighted average effective tax rate on Operating profit before income tax expense and realised gains/(losses) on investments are as follows:	4.9%	5.1%
(d) Tax Liability		
Current tax liability	-	330,271
(e) Deferred tax liabilities		
Provision for deferred income tax comprises the estimated expense at current income tax rates of 30% on the following items:		
Provision for capital gains tax on unrealised investments	553,242	-
Temporary Differences	8,635	21,789
	561,877	21,789
(f) Deferred tax assets		
Current tax assets comprises the estimated expense at current income tax rates on the following items:		
Temporary Differences	108,832	163,421
Provision for capital losses on unrealised investments	1,723,158	1,689,504
Realised capital losses on investments		
- current year	1,781,026	-
- carried forward	127,623	127,623
	3,740,639	1,980,548
(g) The overall movement in the net deferred tax asset and liability account is as follows		
Opening balance	3,605,459	(5,218,053)
(Charge)/credit to income statement	(1,865,868)	101,630
Charge to Equity	(519,588)	8,721,882
Closing Balance	1,220,003	3,605,459

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 August, 2009

	Year Ended 31 August 2009 \$	Year Ended 31 August 2008 \$
6. Dividends	\$	\$
(a) Ordinary dividends recognised in the current year		
Final - Ordinary Shares	1,804,890	1,428,364
Interim - Ordinary Shares	1,766,348	1,756,715
Total Dividends For Financial Year	3,571,238	3,185,079

	Total Amount \$	Date of Payment	% Franked	% Discount Cap Gain
2009				
Interim 10.5cps	1,766,348	30-Apr-09	100%	0%
Final 10.5cps	1,804,890	28-Oct-08	100%	0%
	3,571,238			
2008				
Interim 10cps	1,756,715	29-Apr-08	100%	30%
Final 10cps	1,428,364	15-Nov-07	100%	100%
	3,185,079			

No unfranked dividends have been declared or paid during the year.

(b) Subsequent events

Since the end of the financial year, the directors have recommended the following dividend:

Final 10.5cps- ordinary	1,766,348	26-Oct-09	100%	0%
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The final dividend has not been brought to account in the financial statements for the year ended 31 August, 2009 but will be recognised in subsequent financial reports.

The financial report was authorised for issue on the 1st October 2009 by the Board of Directors.

	Year Ended 31 August 2009 \$	Year Ended 31 August 2008 \$
7. Franking account		
Franking credits available to shareholders for subsequent financial years	4,607,807	4,669,040
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	330,271
Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	119,121	271,228
Adjusted franking account balance	4,726,928	5,270,539
Impact on the franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the period	(757,006)	(778,216)
	3,969,922	4,492,323

No Unfranked Dividends have been declared or paid during the year.

	Year Ended 31 August 2009 \$	Year Ended 31 August 2008 \$
8. Earnings per share		
Basic and diluted earnings per share (excluding Realised gains/(losses) on investments)	15.64 Cents	21.58 Cents
Basic and diluted earnings per share (including Realised gains/(losses) on investments)	3.12 Cents	24.52 Cents
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share:	17,034,150	16,734,556
Diluted earnings per share is the same as basic earnings per share. The company has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings per share.		
9. Trade and other receivables		
Dividend income receivable	302,178	698,696
Interest receivable	4,585	6,800
Other receivable	97,715	63,226
	404,478	768,722
Receivables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.		
The credit risk exposure of the Company in relation to receivables is the carrying amount.		
10. Other		
Prepayments	51,349	47,022
	51,349	47,022
11. Investment portfolio – Available for Sale		
Subject to capital gains tax if realised and recorded at fair value		
Shares in Whitefield Limited	10,160,675	9,527,517
Shares & equities in other listed companies	49,424,029	59,864,891
	59,584,704	69,392,408
12. Trade and other payables		
Trade creditors	18,653	57,195
Unclaimed moneys	4,475	4,645
Other Payables	-	995
	23,128	62,835
Payables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.		
13. Share Capital		
(a) Paid-up capital		
16,835,473 (2008:17,293,697) ordinary shares, fully paid	50,005,330	51,330,783

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 August, 2009

(b) Movement in Ordinary Share Capital

Shares issued during the year	2009		2008	
	No. Shares	\$	No. Shares	\$
Balance at the beginning of the year	17,293,697	51,330,783	14,268,764	36,797,911
Shares issued under the Dividend Reinvestment Plan	166,912	522,876	110,301	515,338
Shares issued under 1:4 Rights Issue	-	-	3,263,802	15,503,060
Share buy back	(626,136)	(1,845,778)	(349,170)	(1,368,555)
Transaction costs on issue	-	(2,551)	-	(116,971)
	16,834,473	50,005,330	17,293,697	51,330,783

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders meetings. In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

(c) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence.

To achieve this the Board of Directors monitor the monthly NTA results, investment performance, the Company's management expense ratio (MER) and share price movements.

The Company announced to the market in March 2009 an on-market share buy-back of up to 1,682,240 of the Company's shares. The buy-back commenced 25th March 2009 for a duration of approximately twelve months.

The Company is not subject to any externally imposed capital requirements.

	Notes	Year Ended 31 August 2009 \$	Year Ended 31 August 2008 \$
14. Reserves			
Investment Portfolio Revaluation Reserve	14(a)	(1,989,970)	(892,422)
Realised Capital Profits Reserve	14(b)	18,669,929	19,810,010
		16,679,959	18,917,588
(a) Investment Portfolio Revaluation Reserve			
Balance at beginning of financial year		(892,422)	19,754,635
Revaluation of Investments (net of tax)		(3,230,131)	(20,154,669)
Tax effected Impairment loss recognised in income statement		992,502	-
Transfer of Realised (Surpluses)/losses to Income Statement		1,140,081	(492,388)
Balance at end of financial year		(1,989,970)	(892,422)
(b) Realised Capital Profits Reserve			
Balance at beginning of financial year		19,810,010	19,317,622
Transfer from Income Statement		(1,140,081)	492,388
Balance at end of financial year		18,669,929	19,810,010
(c) Nature and Purpose of Reserves			
For a description of the nature and purpose of the Investment Portfolio Revaluation Reserve and Realised Capital Profits Reserve refer to note 2(b).			

	Year Ended 31 August 2009 \$	Year Ended 31 August 2008 \$
15. Retained Earnings		
Balance at beginning of financial year	2,741,258	2,314,683
Profit attributable to members of the company (including Net Realised gains/(losses) on investments)	531,792	4,104,042
Dividends provided for or paid	(3,571,238)	(3,185,079)
Transfer of net (gains)/losses to Realised Capital Profits Reserve on realisation	1,140,081	(492,388)
Balance at end of financial year	841,893	2,741,258

16. Related Party Information

(a) Key Management Personnel

The names of persons who were the key management personnel of the Company during the financial year were:

D.J. Iliffe
G.J. Gillmore
S. Armstrong
A.J. Gluskie

(b) Directors' & Executive Officer's Remuneration

Details of the remuneration of Sylvastate key management personnel and their related entities is set out as below:

	Short-term Employee Benefit	Post- Employment Benefit	Other Benefit	
	Cash Salary & Fees \$	Super- annuation \$	Related party \$	Total \$
2009	12,385	1,115	80,474*	93,974
2008	9,633	867	106,818*	117,318

Detailed remuneration disclosures are provided in the remuneration report in the Directors' report.

The Remuneration Committee of the Board of Directors of Sylvastate Ltd was responsible for determining and reviewing compensation arrangements for the directors. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of each director on a periodic basis by reference to workload and market conditions. The overall objective is to ensure maximum stakeholder benefit from the retention of a high quality board whilst constraining costs.

The company pays no direct remuneration to executives. Mr A.J. Gluskie is a member and director of White Funds Management Pty Ltd and a member of White Outsourcing Pty Ltd. Mr P.A. Roberts is a member, director and employee of White Outsourcing Pty Ltd. White Funds Management Pty Ltd and White Outsourcing Pty Ltd are contracted by the company as the Investment Manager and Administrator respectively. Those entities receive fees for service on normal commercial terms and conditions.

*Mr A.J. Gluskie is a member and director of White Funds Management Pty Ltd. Mr P.A. Roberts is a member, director and employee of White Outsourcing Pty Ltd. During the year, White Funds Management Pty Ltd and White Outsourcing Pty Limited received fees of \$80,474 (2008: \$106,818) for the management of the Company, out of which costs of accounting, administration and investment management are paid. The net amount payable / (receivable) at year end was \$5,913 payable (2008 \$21,588 receivable).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 August, 2009

(c) Shareholdings of Key management personnel (and their Related Entities)

Ordinary shares held				
	Balance at 1 Sept 2008	Shares acquired / (disposed)	Shares no longer deemed to be Director related	Balance at 31 August 2009
2009				
Mr D.J. Iliffe (Non-executive Chairman)	547,990	-	-	547,990
Mr G.J. Gillmore (Non-executive director)	89,800	-	-	89,800
Mr S. Armstrong (Non-executive director)	5,323	-	-	5,323
Mr A.J. Gluskie (Chief Executive Officer)	908,634	-	-	908,634
	1,551,747	-	-	1,551,747
2008				
Mr D.J. Iliffe (Non-executive Chairman)	448,196	99,794	-	547,990
Mr G.J. Gillmore (Non-executive director)	89,800	-	-	89,800
Mr S. Armstrong (Non-executive director)	4,258	1,065	-	5,323
Mr A.J. Gluskie (Chief Executive Officer)	223,197	685,437	-	908,634
	765,451	786,296	-	1,551,747

There were no shares granted during the reporting period as compensation.

17. Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, trading and investment portfolio, accounts receivable and payable.

AASB 7 Financial Instruments: Disclosures identify three types of risk associated with financial instruments (i.e. the Company's investments, receivables and payables):

(i) Credit Risk

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions

for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no other material amounts of collateral held as security at 31 August 2009.

Credit risk is managed as noted in the Notes to the Cash Flow Statement and Note 9 with respect to cash and receivables. None of these assets are over-due or considered to be impaired.

(ii) Liquidity Risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager monitors its cash-flow requirements weekly in relation to the trading account taking into account upcoming dividends, tax payments and trading activity.

The Company's inward cash-flows depend upon the level of dividend and distribution revenue received. Should these decrease by a material amount, the Company would amend its outward cash-flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and CEO.

Furthermore, the assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

The table below analyses the Company's financial liabilities in relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year end date. The amounts in the table are contractual undiscounted cash flows.

	Less than 1 month	More than 1 month	Total
At 30 June 2009			
Trade and other payables	23,128	-	23,128
Current tax liabilities	-	-	-
Total financial liabilities	23,128	-	23,128
At 30 June 2008			
Trade and other payables	62,835	-	62,835
Current tax liabilities	-	330,271	330,271
Total financial liabilities	62,835	330,271	393,106

17. Financial Risk Management (cont.)

(iii) Market Price Risk

The standard defined this as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

By its nature as a Listed Investment Company that invests, the Company can never be free of market price risk as it invests its capital in securities which are not risk free - the market price of these securities can fluctuate.

A general fall in market prices of 5 per cent and 10 per cent, if spread equally over all assets in the investment portfolio would lead to a reduction in the Company's equity of \$2.1 million (2008: \$2.4 million) and \$4.2 million (2008: \$5 million) respectively, assuming a flat tax-rate of 30 per cent.

The Investment Portfolio Revaluation Reserve at 31 August 2009 is negative \$2.0 million (2008: negative \$0.9 million). It would require an increase in the value of the investment portfolio of 7% (2008: 2%) to reverse this decrement. In accordance with Accounting Standards, any further falls in value would continue to be recognised in the equity as unrealised losses, thereby impacting the shareholders' equity of the Company. However in case of prolong decline in the value of instrument and if determined to be impaired; impairment losses will be recognised in the income Statement.

For the year ended 31 August 2009 the Company transferred an impairment loss of \$1,417,860 million from the Investment Portfolio Revaluation Reserve into the Income Statement.

Sylvastate seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors. The relative weightings of the individual securities and relevant market sectors are reviewed normally weekly and risk can be managed by reducing exposure where necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 August, 2009

The Company's investment sector as at 31 August is as below:

	2009 %	2008 %
Consumer discretionary	10.6	11.23
Consumer staple	13.10	11.44
Financials	50.13	51.51
Health Care	5.03	4.77
Industrials	18.12	14.75
Telecommunications services	3.02	6.30
	100.00	100.00

Securities representing over 5 per cent of the investment portfolio at 31 August were:

	2009 %
Whitefield Limited	17.05
Woolworths Limited	9.48
National Australia Bank Limited	7.53
Westpac Banking Corporation	6.61
ANZ Banking Group Limited	6.29
Commonwealth Bank of Australia	6.09
Macquarie Group Limited	5.56
	58.61

No other security represents over 5 per cent of the Company's investment portfolio.

The Company is also not directly exposed to currency risk as all its investments are quoted in Australian dollars.

The Company is not directly exposed to material interest rate risk as all its cash investments are short term.

18. Investment Transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 50 (2008: 81). Each contract note would involve multiple transactions. The total brokerage paid on these contract notes was \$43,546 (2008: \$125,254).

19. Contingent Liabilities

The Investment Management Agreement entered into by the company with White Funds Management Pty Ltd expires in September 2017.

20. Events Subsequent To Balance Date

The final dividend as recommended by the directors will be paid subsequent to balance date and is not provided for in the Balance Sheet.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Company to significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

21. Segment Reporting

The Company is engaged in investment activities conducted in Australia and derives investment income from listed securities, short term interest bearing securities and cash holdings.

22. Company details

The registered office and principal place of business of the Company is:

Level 7, 20 Hunter Street
Sydney NSW 2000

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SYLVASTATE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Sylvastate Limited, which comprises the balance sheet as at 31 August 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 of Sylvastate Limited.

Directors' Responsibility for the Financial Report

The directors of the company 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 control 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. In Note 2 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (AIFRS) ensures that the financial report comprising the financial statements and notes, complies with AIFRS.

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 judgment, 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 control 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 control. 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.

Independence

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

Auditor's Opinion

In our opinion:

- a. the financial report of Sylvastate Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 31 August 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;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included on page 19 of the directors' report for the year ended 31 August 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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 the Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Sylvastate Limited for the year ended 31 August 2009, complies with s 300A of the Corporations Act 2001.

MNSA

Mark N Schiliro

Partner

Dated at Sydney this 1st day of October 2009

DETAILS OF SHAREHOLDERS

Statement Of Shareholdings

At the date of this Report, 31 August, 2009, 1,071 members held 16,834,473 ordinary shares in the Company. The twenty largest ordinary shareholdings were equivalent to 47.6% of the total number of ordinary shares issued. The distribution of shares was as follows:-

No. of Ordinary Shares Held	No. of Ordinary Shareholders	No. of Shareholders
1 – 1,000	102	45,498
1,001 – 5,000	406	1,208,660
5,001 – 10,000	274	1,966,976
100,001 and over	289	13,613,339
Total	1,071	16,834,473

The number of shareholdings comprising less than a marketable parcel is 34.

Directors Shareholdings

The Directors of the Company as at 31 August, 2009 held the following shares or relevant interest in shares:-

Director	Ord Shares Acquired / (Disposed) During Year	Ord Shares Held at 31/8/09
D.J. Iliffe	-	547,990
S. Armstrong	-	5,323
G.J. Gillmore	-	89,800
A.J. Gluskie	-	908,634

Substantial Shareholders

Notice has been received of substantial shareholdings as follows:

Shareholder	Ordinary Shares
L.J.Gluskie	1,459,118
Caithness Nominees Pty Limited	1,270,562
S.C.Gluskie	1,082,570
Fiducio Pty Ltd	908,634

The Corporations Law requires shares in which an associate has a relevant interest to be included in each declaration of interest and as a result shareholdings may be included in the declarations of several different shareholders

Voting Rights

On a show of hands, every member present has one vote and upon a poll, every member present in person or by proxy has one vote for each share held.

Registered Office

The address of the registered office and principal place of business of the Company is:

Level 7, 20 Hunter Street
Sydney NSW 2000 Australia
Phone: (02) 8215 7900
Fax: (02) 8215 7901

Company Secretary

The name of the Company Secretary is Mr. Peter Roberts.

Share Registry

Share registry functions are maintained by Computershare Investor Services Pty Ltd and their contact details are as follows:

Level 2, 60 Carrington Street
Sydney NSW 2000 Australia

Phone: 1300 850 505 (inside Australia)
(03) 9415 4000 (outside Australia)

Fax: (03) 9473 2500

Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited (ASX).

Best Practice

The Company has followed all applicable best practice recommendations set by ASX Corporate Governance Council during the reporting period, unless otherwise stated.

The Company has used cash and assets in a form readily convertible to cash that it had at the time of admission consistent with its business objectives

Buy-Back

The Company has approved an on-market share buy-back. This action allows the Company to become a buyer of its own shares through their normal trading on the Australian Stock Exchange and as a result to purchase and cancel up to 10% of its issued capital over a twelve month period.

TOP TWENTY SHAREHOLDERS

	Shareholder	No of Shares	% of Issued
1	Laurence John Gluskie	1,459,118	8.67%
2	Caithness Nominees Pty Ltd	1,270,562	7.55%
3	Shane Carolyn Gluskie	1,082,570	6.43%
4	Fiducio Pty Ltd	908,634	5.40%
5	Estate Late Jean Price	412,548	2.45%
6	May D Gillmore	382,660	2.27%
7	Mrs Margaret Elizabeth Dobbin	335,005	1.99%
8	Nelrose Investments Pty Ltd	329,085	1.95%
9	Merran K Dunlop	324,515	1.93%
10	Don Barclay Super Fund A/C	273,924	1.63%
11	David J Iliffe	186,126	1.11%
12	Victor John Plummer	180,764	1.07%
13	Sirod Super Fund A/C	149,292	0.89%
14	Woodlands Superfund A/C	113,069	0.67%
15	Richard Davis Nominees Pty Ltd	111,671	0.66%
16	The Butler Family A/C	110,000	0.65%
17	Comserv No 575 Pty Ltd	103,363	0.61%
18	Chickenfeed Pty Ltd	101,935	0.61%
19	Gj Burton Personal Super A/C	95,533	0.57%
20	Clyde Green Pty Ltd	87,063	0.52%
	Total Top 20 Shareholders	8,017,437	47.63%
	Total Remaining Holders Balance	8,817,036	52.37%
	Total Shares On Issue	16,834,473	100.00%

S Y L V A S T A T E



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