MILTON CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

ANNUAL REPORT 2011

Profile

Milton was established as a private investment vehicle for four shareholders in 1938. It became a public company in 1950 and listed on the Sydney Stock Exchange in 1958. Milton is now an investment vehicle for its more than 19,000 shareholders and it is listed on the Australian Securities Exchange (ASX) under the code MLT.

Objective

Milton's objective is to hold a diversified portfolio of assets that generates a growing income stream for distribution to shareholders in the form of increasing fully franked dividends and provides capital growth in the value of the shareholders' investments.

Investment philosophy

Milton is predominantly a long term investor in companies and trusts that are well managed, with a profitable history and an expectation of increasing dividends and distributions. Turnover of investments is low and capital gains arising from disposals are reinvested.

Milton also invests in real property development through joint ventures, fixed interest securities and liquid assets such as cash and term deposits.

Milton's Investment Committee, which includes non-executive directors and the managing director, meets regularly to review the investment portfolio and to consider executives' investment recommendations.

Equity Investment portfolio

Milton's $1.9 billion equity investment portfolio comprises companies and trusts which are expected to provide an increase in investment revenue over the long term. Its composition has been determined by consistent application of its investment philosophy over many years and consequently the portfolio is not aligned with any stock exchange index. A list of investments by sector commences on page 8 and the classification of investments is detailed in the Chairman's Review on page 4.

Dividend policy

Ordinary fully franked dividends are paid out of the underlying operating profit which excludes special dividends, realised capital gains and losses and acquisition costs of subsidiaries. Milton has paid a dividend every year since listing and since the introduction of franking they have all been fully franked. Refer to the dividend history graph on page 5.

Internal management

Milton's directors oversee the performance of its executives who manage the company and its investments to maximise returns to its shareholders. This internal management structure helps to maintain low operating costs.

Share issues

During the year Milton issued shares as consideration for the merger with Choiseul Investments Limited and for the acquisition of an unlisted company. A list of all share issues since 1985 is shown on page 51.

Contents

Calendar

Final and special dividends:	
- Ex dividend date	31 August 2011
- Payment date	20 September 2011
Annual General Meeting:	13 October 2011 at 3 pm
- To be held at	The Lyceum Room, Wesley Conference Centre 220 Pitt Street, Sydney

Key performance indicators

	2011	2010
Underlying operating profit after tax	**$90.5 million**	$68.9 million
This represents the ordinary profit from the investments and excludes special investment revenue, net realised capital gains and losses and acquisition costs of subsidiaries.		
Weighted average underlying operating earnings per share	80.8 cents	73.7 cents
The operating profit after tax expressed on a per share basis after taking into account additional shares issued during the year.		
Fully franked ordinary dividends per share		
Ordinary fully franked dividends are paid out of underlying operating profit after tax.		
Interim dividend	**37 cents**	35 cents
Final dividend	**39 cents**	36 cents
Full year dividend	**76 cents**	71 cents
In 2011 the full year ordinary dividend was 92% of underlying operating profit after tax.		
In 2010 the full year ordinary dividend was 98% of underlying operating profit after tax.		
Fully franked special dividend	**5.0 cents**	-
Special fully franked dividends are paid out of receipts of special investment income.		
Net tangible asset value at 30 June	**$2.1 billion**	$1.6 billion
The net tangible asset value before providing for tax on unrealised capital gains.		
During the year Milton merged with Choiseul Investments Limited and acquired an unlisted investment company which together increased net assets by $439 million.		
Net tangible asset backing per share at 30 June	**$17.36**	$16.51
The net asset backing per share is the net asset value expressed on a per share basis.		
The number of shares on issue increased during the year when Milton issued 26.2 million shares as consideration for the two acquisitions.		
Management expense ratio	**0.17%**	0.17%
The management expense ratio is the total cost of running Milton, net of management fees recovered, expressed as a percentage of the average Total Assets for the year.		
Total Shareholder Return (TSR) over 10 years	**7.8%**	10.7%
This compound return measures the change in the value of an investment in Milton by considering the movement in the market price and assuming dividends are reinvested in Milton shares. See commentary on page 5.		

Chairman's review of the 2011 financial year

Milton's underlying operating profit per share improved over the year as many of the companies in which it is invested paid higher dividends. In most cases the increase in dividends followed improved earnings, stronger balance sheets and a generally positive outlook.

This positive outlook was tested by external factors such as the Japanese earthquake and tsunami, civil unrest in the Middle East, continuing sovereign debt issues in Europe, doubts over the strength of the economic recovery in the United States, rising inflation in China and domestic factors including potential interest rate increases, a strong Australian dollar, uncertainty over carbon pricing and the resources rent tax, flooding and a two speed economy.

Throughout the year Milton continued to invest for the long term in companies that were expected to pay increasing dividends.

In August 2010 Milton acquired an unlisted investment company and in December 2010 the shareholders of Choiseul Investments limited agreed to a merger with Milton. These transactions increased the size of Milton's investment portfolio, provided additional cash for investment and brought a number of new shareholders to the register. Milton's net assets at 30 June 2011 are now approximately $2 billion and there are now almost 19,500 shareholders.

Milton continues to be a low cost, efficient operation and its reliable, fully franked dividend stream is expected to continue to attract long term investors.

Underlying profit

Milton's underlying operating profit after tax, which excludes special investment revenue, acquisition costs of subsidiaries and realised capital gains and losses, for the year to 30 June 2011, was $90.5 million (2010: $68.9 million).

	$ million
Dividends and distributions	88.7
Interest income	6.8
Joint venture profits	2.2
Other income	0.6
	98.3
Administration expenses	(3.2)
Underlying operating profit	**95.1**
Income tax expense	(4.6)
Underlying operating profit after tax	90.5

The increase in underlying operating profit was primarily due to higher dividends received from many of the companies in Milton's expanded investment portfolio.

Overall the improvement in dividends received was more evident in the six months to 31 December 2010 than in the following six months. Most of the banks provided double digit growth in dividends over the year, Rio Tinto returned to paying an interim dividend in August 2010 and the most notable increase came from Campbell Brothers with a 40% increase over the year.

Higher cash balances combined with rising interest rates to lift the interest income by 28.7% to $6.8 million.

The property joint ventures in the greater region of Perth continued to provide a sound return on investment by contributing $2.2 million (2010: $3.7 million). The developments, which are not immune to the general weakness in the housing market, continue to be among the better performing land developments in Perth.

The fall in other income from $2.7 million to $0.6 million largely reflects the reduced trading opportunities in which Milton participated.

Milton's administration expenses, net of management fee recoveries, represented 0.17% of average total assets for the year. Your directors and management continue to focus on operating efficiencies to ensure that shareholders benefit from increased portfolio returns.

Net profit after tax for the year of $93.9 million (2010: $73.1 million), included special dividends of $3.6 million, which were partially offset by after tax acquisition costs of subsidiaries of $0.2 million.

Special dividends fluctuate from year to year and are therefore excluded from underlying operating profit. In 2011 the larger special dividends were received from Washington H Soul Pattinson and Choiseul Investments.

Acquisition costs represent the costs of acquiring subsidiaries. In 2011 Milton acquired an unlisted investment company and it completed the merger with Choiseul Investments Limited.

Earnings per share

The weighted average earnings per share, based on underlying operating profit, were 80.8 cents per share compared with 73.7 cents per share in the prior year, an increase of 9.6%.

The first half earnings per share of 41.9 cents were 16.4% higher than the 36.0 cents per share of the previous corresponding half.

The weighted average earnings per share, based on net profit, were 83.9 cents per share compared with 78.2 cents per share in the prior year.

Chairman's Review of the 2011 financial year (continued)

Fully franked ordinary dividends

With sound growth in earnings per share in the first six months, the fully franked interim dividend was increased to 37 cents per share, some 5.7% higher than the previous interim dividend of 35 cents per share. The interim dividend, which was paid two months earlier than usual because of the merger with Choiseul Investments Limited, was paid on 5 January 2011.

The fully franked final dividend was increased by 3 cents per share to 39 cents per share and is payable on 20 September 2011.

The full year ordinary dividend payment of $83.6 million represents 92.4% of underlying operating earnings.

The objective is to lift the ordinary dividends as investment revenue and underlying earnings per share increase. Milton has sufficient franking credits to ensure that dividends will be fully franked for the foreseeable future.

Fully franked special dividend

A fully franked special dividend of 5 cents per share is payable with the final dividend on 20 September 2011. This represents a distribution of the special dividends that were received since the last payment of a special dividend in 2008.

As special dividends are irregular they are not included in underlying profit and therefore not paid out as ordinary dividends. However Milton does have a history of paying special dividends as its special dividend receipts accumulate.

Share issues

Milton issued 2.4 million shares in August 2010 to acquire an unlisted investment company with net assets of $41.4 million.

Milton completed the merger with Choiseul Investments Limited In December 2010 when it issued 23.8 million Milton shares to the shareholders of Choiseul. Milton had managed Choiseul since 1992 and prior to the merger it owned 11.9% of the issued capital of Choiseul.

Choiseul had previously invested in Milton and when the merger was implemented it owned 1.7 million Milton shares. To comply with the requirements of the Corporations Act these shares must either be sold by Choiseul or cancelled by Milton within 12 months of the date on which Milton took control of Choiseul.

Having considered these alternatives your directors are of the opinion that the shares should be cancelled. This will require shareholders' approval which will be sought at the annual general meeting to be held on 13 October 2011.

Balance sheet

At 30 June 2011 Milton's net tangible asset value, before providing for tax on unrealised capital gains, (NTA) was $2.1 billion which represented $17.36 per share (2010: $16.51). This calculation assumes the 1.7 million Milton shares referred to above are cancelled.

Milton is well placed to continue investing in Australian listed companies, for the long term benefit of shareholders, with cash and other liquid assets of $143 million at 30 June 2011.

Investments

The portfolio of quoted investments was valued at $1.9 billion at 30 June 2011.

The acquisition and the merger completed during the year increased consolidated investments by $397 million. As Milton had managed Choiseul since 1992 it was familiar with the Choiseul portfolio which had been constructed using an investment philosophy similar to that of Milton. At the time of the merger all 70 of Choiseul's investments were also in the Milton portfolio.

Additional funds of $37 million were invested during the year. Companies added to the portfolio for the first time were Automotive Holdings Group Limited, Qube Logistics and Ramsay Health Care Limited.

Quoted Portfolio movements

	$ million
30 June 2010	1,452.8
Acquisitions	450.4
Elimination of Choiseul investment	(53.5)
Purchases	35.4
Disposals	(19.1)
Revaluation	62.2
30 June 2011	1,928.2

The larger additional investments made during the year included Adelaide Brighton Limited, ANZ Banking Group Limited, Bradken Limited, Insurance Australia Group Limited, Leighton Holdings Limited, Metcash Limited, Orica Limited, Transfield Services Limited, and Woolworths Limited.

The larger disposals during the year were takeover-related and included AWB Limited, Adtrans Limited, Ammtec Limited, Crane Group Limited, Healthscope Limited and Intoll Group.

Milton did not participate in any equal access buy backs during the year as the benefits to companies are not as significant as they may be to investors with tax rates below 30%.

Chairman's Review of the 2011 financial year (continued)

Investments (continued)

The following table shows the classification of investments of Milton, Choiseul and the merged group.

Classification of investments

Classification(1)	Milton Group 30 June 10 $ million	Acquisitions of portfolios(3) $ million	Additional investments $ million	Disposal of Investments $ million	Revaluation $ million	Milton Group 30 June 11 $ million
Banks	510.0	139.3	1.8	-	16.2	667.3
Materials	188.1	61.7	4.7	(2.0)	16.2	268.7
Consumer staples	150.6	48.3	5.0	(0.7)	10.8	214.0
Diversified financials	185.2	21.0	0.3	(0.9)	(1.3)	204.3
Insurance	60.9	39.4	2.0	(0.3)	(0.1)	101.9
Commercial services	58.6	18.4	1.2	-	35.3	113.5
Energy	55.0	12.9	2.6	-	3.2	73.7
Capital goods	53.6	11.0	5.0	(3.1)	(12.5)	54.0
Real estate	35.9	8.4	2.4	(0.3)	(0.3)	46.1
Healthcare	35.6	1.3	1.5	(3.8)	3.5	38.1
Telecommunications	29.5	9.8	0.4	-	(2.7)	37.0
Utilities	23.4	8.8	0.3	-	(0.7)	31.8
Media	20.3	4.0	2.0	-	(7.1)	19.2
Retailing	19.4	3.2	2.9	(0.6)	(2.7)	22.2
Other shares	26.7	9.4	3.3	(7.4)	4.4	36.4
Other assets(2)	152.3	-	32.9	-	-	185.2
Total assets	1,605.1	396.9	68.3	(19.1)	62.2	2,113.4

(1) Investments are grouped according to their asset classes using the Global Industry Classification Standard ("GICS") codes. Full details of the investments at 30 June 2011 are reported on pages 8 to 11.

(2) Milton also maintains investments in cash, liquid assets and real property development.

(3) The portfolios were acquired through the acquisition of the unlisted investment company and the merger with Choiseul Investments Limited and is after eliminating the effect of intercompany holdings.

Top 20 Investments at 30 June 2011

Company	Fair value $ million	Share of total assets %	Company	Fair value $ million	Share of total assets %
Westpac Banking Corporation	231.9	11.0	Bank of Queensland	47.8	2.3
Commonwealth Bank	157.5	7.5	QBE Insurance	46.7	2.2
BHP Billiton	136.8	6.5	Rio Tinto	37.4	1.8
Washington H. Soul Pattinson	119.1	5.6	Brickworks	32.9	1.6
National Australia Bank	110.9	5.2	Woodside Petroleum	32.2	1.5
Campbell Brothers Limited	99.2	4.7	Telstra Corporation	30.7	1.5
Wesfarmers Limited	88.8	4.2	AGL Energy	27.4	1.3
Woolworths Limited	69.8	3.3	Suncorp Group	23.1	1.1
ANZ Banking Group	61.2	2.9	Perpetual	20.4	1.0
Bendigo and Adelaide Bank	50.6	2.4	CSL	19.4	0.9
			Total market value of Top 20	1,443.8	68.5

Chairman's Review of the 2011 financial year (continued)

Total Returns

Total Portfolio Return (TPR) and Total Shareholder Return (TSR) are often used by listed investment companies (LICs) to assess and compare their performance. These total return calculations measure the change in the value of an investor's holding assuming all dividends are reinvested.

The TPR uses NTA to value the investor's holding and may be used to gauge the performance of the underlying investments in the portfolio. The TPR tends to understate the company's investment performance as it is reduced by administration expenses and tax paid by the company. Milton's TPR for the ten years to 30 June 2011 was 8.5% per annum compounded.

Whilst there is a high correlation between the share price and the net asset backing of listed investment companies they are rarely the same. Therefore the TSR, which uses market price to value the investor's holding, is produced to provide a guide to the performance of the shareholders' investment. Milton produced a TSR of 7.8% per annum compounded over ten years to 30 June 2011.

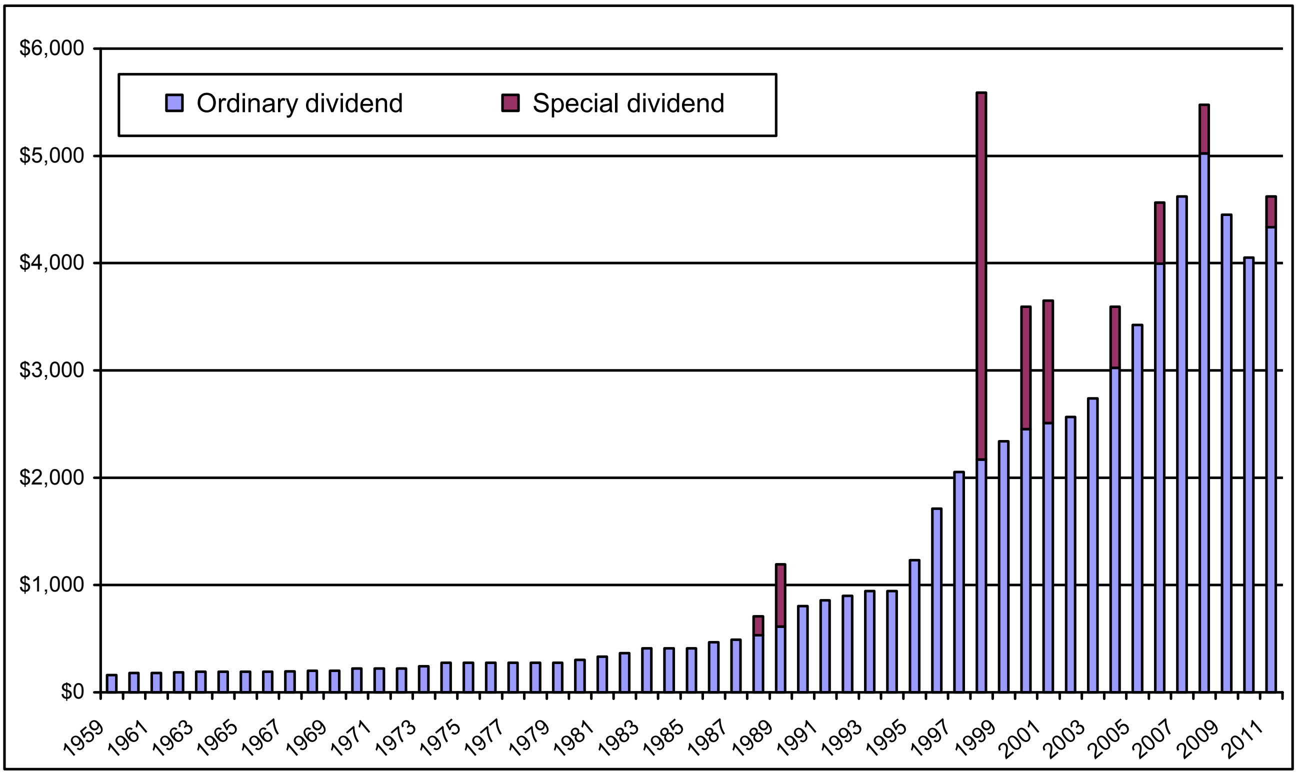
The Accumulation Return of the All Ordinaries Index, which excludes expenses and tax, was 7.4% per annum compounded for the same ten year period.

It should also be noted that these total returns are not adjusted for the benefit of any franking credits that have been attached to the dividends paid to shareholders over the period.

Since the introduction of franking in 1987 all of the dividends paid by Milton have been fully franked and Milton has sufficient franking credits to ensure that all dividends for the foreseeable future will also be fully franked.

The following graph shows the growth in Milton's dividend since the company was listed in 1958. It assumes 1,000 shares were purchased for £1,000 in 1958 and dividends have NOT been reinvested and there has been no further shares purchased. Through the sub-division of shares on the introduction of decimal currency and bonus share issues, the number of shares on issue would have increased to 5,706. The annual dividend has increased from $160 in 1959 to $ 4,337 in 2011.

Dividend History



Director retirement

Mr John Aitken will retire from the board at the completion of the company's annual general meeting in October 2011. Mr Aitken became a director of Milton in December 2001 after Milton acquired Cambooya Investments Limited and prior to this he was an executive director of Cambooya for 9 years. I would like to acknowledge his contribution to the success of the company particularly through his efforts as a member of the Investment Committee and the Audit Committee.

The board is currently considering its options regarding the appointment of an additional director.

Chairman's Review of the 2011 financial year (continued)

Outlook

The Australian share market is operating under a great deal of uncertainty which is affecting investors' appetite for equity investments. The uncertainty is not restricted to domestic issues but includes concerns over the resolution of European debt problems, ongoing economic issues in the United States and the effects of monetary policy tightening particularly in the emerging markets.

Domestically consumer sentiment is low as there is uncertainty over the direction of interest rates, the effects of the proposed carbon tax and resources rent tax, house prices and rising costs. The mining sector and its related industries are benefiting from the continuing strong global demand for Australia's resources. However many other sectors are finding conditions challenging.

This may provide opportunities for long term investors. Milton is well placed to identify these opportunities and will continue to invest in well-run companies that are expected to continue to pay increasing dividends over time.

Finally I would like to thank my fellow directors and the management and staff of Milton for their efforts and commitment to the Company throughout the year.

R. D. MILLNER
Chairman

Sydney, 11 August 2011

Five Year Financial Summary

	2011	2010	2009	2008	2007
Underlying operating profit after tax ($million)	90.5	68.9	73.6	82.8	70.5
Profit after tax ($million)	93.9	73.1	69.4	122.0	85.7
Underlying earnings per share (cents)(1)	80.8	73.7	85.0	98.5	91.0
Administration costs as % of average total assets	0.17	0.17	0.19	0.17	0.13
Interim dividend (cents per share)	37	35	43	43	38
Final dividend (cents per share)*	39	36	35	45	43
Full year ordinary dividend (cents per share)	76	71	78	88	81
Special dividend (cents per share)	5	-	-	8	-
*LIC Capital Gain paid as part of final dividend (cents per share)	-	2	-	12	6
Net assets(2) at 30 June ($million)	2,112	1,603	1,338	1,609	1,926
Net asset backing per share(2) at 30 June($)	17.36	16.51	15.04	19.03	23.41
Net asset backing per share(3) at 30 June($)	16.11	15.17	13.98	16.78	19.63
Last sale price at 30 June ($)	15.60	15.98	14.50	19.38	22.45
All Ordinaries Index at 30 June	4660	4325	3948	5333	6310
Ten year Total Shareholder Return (% per annum)	7.8	10.7	9.8	13.4	17.6
Five year Total Shareholder Return (% per annum)	(0.4)	4.0	6.0	12.4	17.4
Shares on issue (million)	123.3	97.1	88.9	84.5	82.3
Number of shareholders	19,490	15,890	14,578	13,890	13,522

(1) Underlying earnings per share represents earnings per share based on operating profit before special investment revenue, acquisition costs of subsidiaries and realised gains and losses.

(2) Before provision for tax on unrealised capital gains net of tax on unrealised capital losses and before providing for the ordinary final dividend.

(3) After provision for tax on unrealised capital gains net of tax on realised capital losses and before providing for the ordinary final dividend.

Milton Corporation Foundation

Milton was one of the founders of Milton Corporation Foundation, a charitable foundation formed in 1988 to acknowledge the 50th anniversary of incorporation of Milton Corporation Limited.

Since its formation the Foundation has made donations totalling more than $ 1.4 million to various charities and at 30 June 2011 it had capital of approximately $1.6 million.

Details of donations made by the Foundation to date may be obtained by writing to the Foundation.

Shareholders are invited to make tax deductible donations of $2 or more to the Foundation by forwarding them to The Trustees, Milton Corporation Foundation, PO Box R1836, Royal Exchange NSW 1225.

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2011

	Holding	Fair Value $'000
Automobiles & Components		
Fleetwood Corporation Limited	146,500	1,660
Schaffer Corporation Limited	68,999	225
		1,885
Banks		
Australia & New Zealand Banking Group Limited	2,780,380	61,168
Australia & New Zealand Banking Group Limited convertible preference shares	19,500	2,004
Australia & New Zealand Banking Group Limited – CPS 1	2,000	204
Bendigo and Adelaide Bank Limited	5,709,709	50,588
Bank of Queensland Limited	5,850,276	47,797
Commonwealth Bank of Australia	3,012,075	157,532
Commonwealth Bank of Australia – PERLS V	500	104
National Australia Bank Limited	4,328,688	110,901
Mystate Limited	444,992	1,562
Wide Bay Australia Limited	416,206	3,538
Westpac Banking Corporation	10,417,683	231,898
		667,296
Capital Goods		
Bradken Limited	560,338	4,460
Cardno Limited	333,167	1,792
CSR Limited	208,741	605
G W A International Limited	2,275,000	6,256
Hills Holdings Limited (previously Hills Industries Limited)	2,520,299	3,012
Leighton Holdings Limited	825,365	17,209
Reece Australia Limited	112,961	2,334
Sedgman Limited	818,800	1,515
UGL Limited	1,212,996	16,836
		54,019
Commercial Services		
Brambles Limited	1,167,966	8,433
Cabcharge Australia Limited	134,711	694
Campbell Brothers Limited	2,168,165	99,215
Coffey International Limited	703,394	419
Transfield Services Limited	1,414,032	4,737
		113,498
Consumer Services		
Crown Limited	267,301	2,387
InvoCare Limited	1,626,526	12,508
Tatts Group Limited	260,000	624
		15,519

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2011 (continued)

	Holding	Fair Value
Consumer Staples		**$'000**
Coca-Cola Amatil Limited	1,218,684	13,917
Foster's Group Limited	3,069,812	15,810
Goodman Fielder Limited	320,000	339
Graincorp Limited	310,099	2,558
Metcash Limited	4,520,560	18,760
Select Harvests Limited	250,373	460
Treasury Wine Estates Limited	1,023,271	3,479
Wesfarmers Limited	2,443,866	77,837
Wesfarmers Limited Partially Protected	340,685	10,987
Woolworths Limited	2,516,073	69,821
		213,967
Diversified Financials		
Argo Investments Limited	809,094	4,539
ASX Limited	367,092	11,178
Australian Foundation Investment Company Limited	1,304,250	5,765
BKI Invest Company Limited	1,147,375	1,388
Carlton Investments Limited	354,809	6,014
Diversified United Investment Limited	270,400	733
Equity Trustees Limited	235,503	3,273
IOOF Holdings Limited	75,067	495
Macquarie Group Limited	494,118	15,440
Perpetual Limited	818,126	20,396
The Trust Company Limited	2,940,394	16,172
Washington H Soul Pattinson & Company Limited	9,094,840	119,142
		204,535
Energy		
Caltex Limited	47,700	561
Coal & Allied Industries Limited	42,044	4,436
New Hope Corporation Limited	1,290,107	6,734
Origin Energy Limited	323,051	5,101
Santos Limited	1,407,057	19,052
Woodside Petroleum Limited	785,175	32,192
Worley Parsons Limited	198,412	5,603
		73,679
Healthcare		
Blackmores Limited	347,066	9,267
Cochlear Limited	31,800	2,290
CSL Limited	587,062	19,408
Ramsay Health Care Limited	74,942	1,362
Sonic Healthcare Limited	451,998	5,817
		38,144

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2011 (continued)

	Holding	Fair Value $'000
Insurance		
AMP Limited	1,975,110	9,658
Austbrokers Limited	879,046	5,582
Insurance Australia Group Limited	3,405,575	11,579
IAG Reset Preference Shares	3,000	303
IAG Finance (NZ) Limited perpetual reset exchangeable notes	12,000	1,236
Q B E Insurance Group Limited	2,705,729	46,674
Suncorp Group Limited	2,832,882	23,060
Suncorp Metway reset convertible preference shares	38,000	3,857
		101,949
Materials		
Adelaide Brighton Limited	1,613,440	4,986
Alumina Limited	1,021,919	2,156
Amcor Limited	871,322	6,274
BHP Billiton Limited	3,124,296	136,844
Bluescope Steel Limited	991,517	1,195
Boral Limited	1,627,462	7,161
Brickworks Limited	3,224,567	32,891
Fletcher Building Limited	803,229	5,325
Incitec Pivot Limited	1,385,770	5,349
Macarthur Coal Limited	352,500	3,860
OneSteel Limited	3,730,301	6,901
Orica Limited	161,487	4,350
Rio Tinto Limited	450,888	37,419
Sims Metal Management Limited	793,037	13,997
		268,708
Media		
Amalgamated Holdings Ltd	620,303	3,598
APN News & Media Limited	1,309,855	1,722
Consolidated Media Limited	267,301	698
Fairfax Media Limited	4,731,643	4,637
Seven Group Holdings Limited – Transferable Equity Linked Yield Shares 4	7,000	630
Seven West Media Limited (previously West Australian Newspapers Holdings Limited)	1,619,110	6,557
Ten Network Holdings Limited	1,260,246	1,336
		19,178

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2011 (continued)

	Holding	Fair Value $'000
Real Estate		
Australand Property Group	832,732	2,382
Bunnings Warehouse Property Trust	1,363,394	2,495
CFS Retail Property Trust	9,102,979	16,522
Charter Hall Office Trust	228,064	764
Charter Hall Retail Trust	613,350	1,963
Commonwealth Property Office Fund	1,724,537	1,621
FKP Property Group	3,630,448	2,541
Goodman Group	923,777	651
Lend Lease Corporation Limited	407,216	3,653
Mirvac Group	327,380	409
Stockland Trust Group	2,150,940	7,335
Westfield Group	477,895	4,139
Westfield Retail Trust	590,873	1,601
		46,076
Retailing		
A P Eagers Limited	1,062,660	10,839
ARB Corporation Limited	709,941	5,374
Automotive Holdings Group Limited	456,900	1,019
Billabong Limited	95,728	575
David Jones Limited	356,090	1,446
Noni B Limited	867,396	564
Premier Investments Limited	385,250	2,342
		22,159
Telecommunication		
Telstra Corporation Limited	10,621,253	30,695
TPG Telecom Limited	3,731,553	6,288
		36,983
Transport		
Lindsay Australia Limited	1,600,000	288
MAP Group	432,301	1,444
Qube Logistics	618,000	964
Transurban Group Limited	2,157,081	11,282
Toll Holdings Limited	994,679	4,824
		18,802
Utilities		
AGL Energy Limited	1,872,500	27,432
APA Group	973,833	3,964
Infigen Energy	1,230,811	431
		31,827
Total Listed Investments by Sector		**1,928,224**

Directors' Report

For the year ended 30 June 2011

The directors present their report together with the financial statements of the consolidated entity ("Milton") consisting of Milton Corporation Limited and its subsidiaries for the financial year ended 30 June 2011 and the independent auditor's report thereon.

Directors

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

Robert D. Millner FAICD Independent non-executive chairman.

Director of Milton Corporation Limited since 1998 and appointed chairman in 2002.
Chairman of the Investment and Remuneration Committees. Extensive experience in the investment industry.

Other current directorships:
Director of Brickworks Limited since 1997 and appointed chairman in 1999. Director of New Hope Corporation Limited since 1995 and appointed chairman in 1998. Director of Washington H. Soul Pattinson & Company Limited since 1984 and appointed chairman in 1998. Chairman of BKI Investment Company Limited since 2003 and Souls Private Equity Limited since 2004. Director of Australian Pharmaceutical Industries Limited since 2000 and TPG Telecom Limited since 2000.

Former directorships in the last three years:
Choiseul Investments Limited from 1995 to 2010.

John N. Aitken CA, F Fin Independent non-executive director.

Director of Milton Corporation Limited since 2001.
Member of the Investment and Audit Committees.
Over 38 years experience in the investment management industry.

John F. Church FCIS, F Fin Independent non-executive director.

Director of Milton Corporation Limited since 1986.
Member of the Investment Committee.
A solicitor and over 38 years experience in the investment industry.

Graeme L. Crampton B.Ec, FCA, FAICD Independent non-executive director.

Director of Milton Corporation Limited since 1 June 2009.
Chairman of the Audit Committee and a member of the Remuneration Committee.
A Chartered Accountant and former partner of a major firm of Chartered Accountants for more than 28 years and has extensive experience in the investment industry.

Francis G. Gooch B.Bus, CPA Managing director.

Managing Director of Milton Corporation Limited since 2004 and chief executive since 1999.
Member of the Investment Committee.
A Certified Practising Accountant and over 26 years experience in the finance and investment industries.

Ian A. Pollard BA (Macq), MA (Oxon), D Phil (IMC), FIA, FIAA Independent non-executive director.

Director of Milton Corporation Limited since 1998.
Member of the Audit and Remuneration Committees.
An Actuary and over 34 years of involvement in the investment industry.

Former directorships in the last three years:
Corporate Express Australia Limited from 2004 to 2010.

Directors' meetings

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

Director	Directors' Meetings		Investment Committee Meetings		Audit Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
R.D. Millner	8	8	19	21	*	*	1	1	1	1
J.N. Aitken	8	8	20	21	4	4	1	1	*	*
J.F. Church	8	8	20	21	*	*	1	1	*	*
G.L. Crampton	8	8	*	*	4	4	1	1	1	1
F.G. Gooch	8	8	21	21	*	*	1	1	*	*
I.A. Pollard	8	8	*	*	4	4	*	*	1	1

A - Number of meetings attended.
B - Number of meetings held during the time the director held office or was a member of the committee during the year.
* - Not a member of the relevant committee.

Principal activities

The principal activity of Milton is investment. Milton invests in companies and trusts, real property development, fixed interest securities, and liquid assets such as cash and term deposits. There has been no significant change in the nature of this activity during the financial year.

Operating and financial review

The consolidated profit after income tax of Milton for the year attributable to shareholders of Milton was $93.9 million (2010: $73.1 million). Milton is in a sound financial position with net assets at 30 June 2011 of approximately $2.0 billion (2010: $1.5 billion) and no debt.

The operating and financial reviews are contained in the Chairman's Review on page 2.

Significant changes in the state of affairs

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

Dividends

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

	Cents per share	Total amount $'000	Date of payment
Declared and paid during the year			
- Final 2010 ordinary fully franked (1)	36	34,946	1 September 2010
- Interim 2010 ordinary fully franked	37	36,194	5 January 2011
Declared after end of year and not provided for			
- Final 2011 ordinary fully franked (2)	39	47,434	20 September 2011
- Special fully franked	5	6,081	20 September 2011

(1) includes LIC capital gain dividend of 2 cents per share.
(2) Does not include any LIC capital gain dividend.

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

Events subsequent to reporting date

Apart from the information contained in note 25 to the financial statements, no matter or circumstance has arisen since the end of the financial year that has or may significantly affect the operations, results or state of affairs of Milton in subsequent financial years.

Likely developments

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

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

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

Environmental regulations

There are no significant environmental regulations that apply directly to Milton.

Directors' relevant interests

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

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

Director	No. of Shares
R.D. Millner	2,456,884
J.N. Aitken	23,000
J.F. Church	5,726,492
G.L. Crampton	27,307
F.G. Gooch	129,013
I.A. Pollard	14,724

Indemnification and insurance of directors, officers and auditors

Neither Milton nor any related entity has indemnified or agreed to indemnify, paid or agreed to pay any insurance premium which would be prohibited under Section 199A or Section 199B of the Corporations Act 2001 during or since the financial year ended 30 June 2011.

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

Secretary

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

Non-audit services

During the year, Moore Stephens Sydney, Milton's auditor, has performed certain other services in addition to its statutory duties. Details of the amounts paid to the auditors are disclosed in note 5 to the consolidated financial statements.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by Milton and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Milton, acting as an advocate for Milton or jointly sharing risks and rewards.

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 19.

Remuneration Report

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

Remuneration of non-executive directors

Non-executive directors' remuneration comprises base fees, committee fees and superannuation. Remuneration is not linked to Milton's performance and no bonuses are paid or options issued.

The fixed maximum sum of $450,000, which was approved by shareholders at the 2003 annual general meeting, is available for the remuneration of non executive directors. This maximum sum covers all fees and superannuation. The total remuneration paid in 2011 was $364,650 (2010: $354,430).

The annual review by the board of non-executive directors' remuneration considers the demands made on directors, remuneration of non executive directors of comparable Australian companies and the aggregate limit approved by shareholders. The remuneration for 2012 has been increased by 5% as shown in the following table.

Base remuneration and committee remuneration

	2010	2011	2012
Chairman base remuneration	113,000	**113,000**	118,650
Director base remuneration	56,500	**56,500**	59,325
Chairman of the Audit Committee remuneration	Not applicable	**5,000**	5,250
Member of the Audit Committee	Not applicable	**2,825**	2,975
Member of the Investment Committee	Not applicable	**5,000**	5,250

Non-executive directors, who were appointed before 30 June 2003, are entitled to retirement benefits in accordance with a shareholder approved scheme. In June 2003 the board resolved to cap retirement benefits for all directors at the amounts provided as at 30 June 2003. The total balance provided at 30 June 2011 is $204,405 (2010: $204,405).

Remuneration of executives

The remuneration of executives is set to attract and retain appropriately qualified and experienced professionals who will be motivated to enhance the long term performance of Milton.

The remuneration of the managing director and senior executives is reviewed annually by the Remuneration Committee which then makes recommendations to the board.

In formulating its recommendations the Remuneration Committee considers the performance of the Company and the contribution of the managing director and the senior executives to this performance as well as the remuneration of key management personnel of other listed investment companies with similar long term investment philosophies and objectives.

Each executive's remuneration package may comprise a cash component and an equity component.

The cash component includes a Total Employment Cost Package (TECP) and it may include a cash bonus. The TECP includes superannuation contributions by the company and it may include non monetary benefits such as the provision of a motor vehicle and car parking. A cash bonus may be awarded with the amount determined by the board after consideration of Milton's underlying operating performance, which is measured by the rate of growth in underlying earnings per share and dividends paid, and the executives' contribution to the achievement of Milton's objectives. Whilst there is no agreed maximum level of cash bonus that may be paid it is typically between 5% and 10% of each executive's TECP.

Milton's objectives are of a long term nature and involve the management of a portfolio of investments to maximise returns to shareholders through an increase in dividends paid and the value of the shareholders' investment over time. To motivate executives to build shareholder wealth over the long term the directors consider it is appropriate to use qualitative measures to assess the executives' contribution and entitlement to a cash bonus.

The equity component of the remuneration package encourages executives to have an investment in Milton so that their interests are aligned with the shareholders' interests.

The equity component is delivered through participation in the Senior Staff Share Plan ("SSSP"), which was approved by shareholders at Milton's Annual General Meeting on 9 October 2001.

In accordance with the terms of the SSSP, the directors determine the maximum number of shares for which the executive may apply. All SSSP shares are acquired on the market and held on behalf of the executives by the trustee of the SSSP. The price offered to the executive shall be at a discount of one cent per share to the market value of the shares.

Executives are required to hold the SSSP shares for a minimum period of three years however the benefit to the executive is increased through long term ownership as dividends are paid and the Milton share price appreciates.

Milton provides an interest free loan to the executives to fund the acquisition of each parcel of SSSP shares. Each loan is repaid by the application of the after tax proceeds from the dividends paid on the SSSP shares. The cost to Milton of providing the loan is the notional interest which is reported in Note 23d of the financial statements. The Remuneration Committee includes this cost when it reviews each executive's total remuneration.

SSSP shares may not be sold, transferred, mortgaged or otherwise dealt with by the executive for a period of three years from the date of issue or until the executive ceases employment with Milton.

If the executive's employment ceases, the executive may within 30 days repay the loan and direct the trustee to transfer the shares to the executive or, provided the value of the shares is greater than the loan outstanding, direct the trustee to sell the shares, repay the loan and distribute the balance to the executive. Otherwise the trustee will sell the shares when so directed by Milton and apply the proceeds to the repayment of the loan.

The board considers that the SSSP is appropriately designed to encourage long term ownership of shares by executives, which then aligns their interests with that of Milton's predominantly long term shareholder base.

Executives, other than the managing director, may participate in the Employee Share Plan ("ESP") which enables a bonus of up to $1,000 to be paid in the form of Milton shares (refer note 18a to the financial statements).

In addition, executives are provided with life, total and permanent disablement and salary continuance insurance.

The overall level of executive reward takes into account the performance of Milton over a number of years. Key performance indicators for Milton over five years are tabled below.

Key performance indicators

	2011	2010	2009	2008	2007
Profitability measures					
Underlying operating profit ($million)[1]	90.5	68.9	73.6	82.8	70.5
Growth in underlying operating profit (%)	31.3	(6.4)	(11.1)	17.4	25.9
Underlying earnings per share (cents)[1]	80.8	73.7	85.0	98.5	91.0
Growth in underlying earnings per share (%)	9.6	(13.3)	(13.8)	8.2	15.9
Dividend measures					
Full year ordinary dividend (cents per share)	76.0	71.0	78.0	88.0	81.0
Growth in full year dividend (%)	7.0	(9.0)	(11.4)	8.6	15.7
Special dividend (cents per share)	5.0	-	-	8.0	-
Capital measures					
Net asset backing per share[2] at 30 June($)	17.36	16.51	15.04	19.03	23.41
Growth in net asset backing per share (%)	5.1	9.3	(20.6)	(18.7)	22.6
Net assets[2] at 30 June ($million)	2,112	1,603	1,338	1,609	1,926

(1) Underlying operating profit is before special investment revenue, acquisition costs of subsidiaries and realised gains and losses.

(2) Before provision for tax on unrealised capital gains net of tax on realised capital losses and before providing for the ordinary final dividend.

Details of remuneration

Amounts of remuneration

Details of the remuneration of each non-executive director of Milton Corporation Limited, the managing director and specified executives of Milton for the years ended 30 June 2010 and 2011 are set out in the following tables.

Non-executive directors of Milton Corporation Limited

Name			Short Term Benefits Fees	Post Employment Superannuation	Total paid	Retirement Provision[1]
			$	$	$	$
R.D. Millner	Chairman	**2011**	**108,257**	**9,743**	**118,000**	**55,905**
		2010	103,670	9,330	113,000	55,905
J.N. Aitken	Director	**2011**	**44,325**	**20,000**	**64,325**	**13,500**
		2010	36,500	20,000	56,500	13,500
J.F. Church	Director	**2011**	**56,422**	**5,078**	**61,500**	**90,000**
		2010	51,835	4,665	56,500	90,000
G.L. Crampton	Director	**2011**	**13,500**	**48,000**	**61,500**	-
		2010	8,500	48,000	56,500	-
I.A. Pollard	Director	**2011**	**54,427**	**4,898**	**59,325**	**45,000**
		2010	51,835	4,665	56,500	45,000
D.F. Myles [2]	Director	**2011**	**-**	**-**	**-**	-
(retired 8.10.09)		2010	8,603	6,827	15,430	-
Total Remuneration		**2011**	**276,931**	**87,719**	**364,650**	**204,405**
		2010	260,943	93,487	354,430	204,405

(1) The directors' retirement benefits have been capped at the balance provided at 30 June 2003.

(2) In addition to the directors fees paid in 2010, Mr D.F. Myles received a payment in respect of a retirement provision of $45,000 previously provided.

Managing director and executives of Milton Corporation Limited and its subsidiaries

Name		Short Term Benefits			Post Employment Superannuation	Other long term benefits (3)	Share based payments (4)	Total
		Salary	Cash bonus (1)	Non monetary benefits (2)				
		$	$	$	$	$	$	$
F.G. Gooch	**2011**	**369,331**	**40,000**	**45,239**	**45,704**	**9,557**	**97,526**	**606,727**
Managing director	2010	345,000	20,000	44,602	50,000	8,929	80,829	549,360
A.R. Davison	**2011**	**187,081**	**5,000**	**3,552**	**32,919**	**5,541**	**41,228**	**275,321**
CFO, secretary	2010	191,743	10,000	3,276	18,082	3,193	33,220	259,514
J.L. Coombs [5]	**2011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Secretary	2010	18,220	-	-	11,987	485	-	30,692
Total	**2011**	**556,412**	**45,000**	**48,791**	**78,623**	**15,098**	**138,754**	**882,678**
remuneration	2010	554,963	30,000	47,878	80,069	12,607	114,049	839,566

(1) Represents 100% of cash bonus paid or payable which vested in the year.

(2) Non monetary benefits include the provision of a motor vehicle, parking, the cost of life, total & permanent disablement insurance and salary continuance insurance provided through the superannuation fund.

(3) Other long term benefits are comprised of long service leave provisions.

(4) Includes the notional value of interest on loans provided to acquire shares in Milton under the Senior Staff Share Plan.

(5) Mr J.L. Coombs resigned on 25 September 2009 and received payment in respect of unused annual and long service leave of $65,677 which was previously provided in addition to salary, superannuation and non-monetary benefits paid in 2010.

There are no fixed term employment contracts between Milton and its employees. Employment may be terminated with four weeks notice by either Milton or the employee. There are no provisions for any termination payments other than for unpaid annual and long service leave.

Share based compensation, Senior Staff Share Plan equity holdings and loans

The movements during the reporting period are as follows:

Executives' shareholdings in relation to the Senior Staff Share Plan - Number of shares held

		Opening Balance	Received as Remuneration	Closing Balance
F.G. Gooch	**2011**	**95,000**	**10,000**	**105,000**
Managing director	2010	95,000	-	95,000
A.R. Davison	**2011**	**37,500**	**5,000**	**42,500**
CFO, secretary	2010	37,500	-	37,500

Loans in relation to the Senior Staff Share Plan

Details regarding loans outstanding at the reporting date to specified directors and specified executives, where the individual's aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

		Opening Balance $	Net change $	Closing Balance $	Highest balance in the period $	Notional Interest (1) $
F.G. Gooch	**2011**	**1,360,242**	**100,164**	**1,460,406**	**1,516,238**	**97,526**
Managing director	2010	1,411,067	(50,825)	1,360,242	1,411,067	80,829
A.R. Davison	**2011**	**564,465**	**55,661**	**620,126**	**642,463**	**41,228**
CFO, secretary	2010	584,528	(20,063)	564,465	584,528	33,220

(1) The notional interest has been included under "Share Based Payment" in the remuneration of the managing director and the executive disclosed on page 17.

Terms and conditions of the loans are referred to in note 18b to the financial statements.

Rounding off

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

Signed in accordance with a resolution of the directors.

R. D. MILLNER
Chairman

Sydney, 11 August 2011

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Auditor's Independence Declaration
to the Directors of Milton Corporation Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Milton Corporation Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

Martin J. Shannon

Martin J. (Joe) Shannon
Partner

Dated in Sydney this 11th day of August 2011

Moore Stephens Sydney ABN 90 773 984 843. Liability limited by a scheme approved under Professional Standards Legislation* *Other than for the acts or omissions of financial services licensees. An independent member of Moore Stephens International Limited - members in principal cities throughout the world The Sydney Moore Stephens firm is not a partner or agent of any other Moore Stephens firm.

Corporate Governance Statement

This statement outlines Milton's main corporate governance practices which have been in place throughout the financial year.

The board considers it essential that directors and staff of Milton employ sound corporate governance practices in carrying out their duties and responsibilities. Accordingly a code of conduct has been issued to detail the expected behaviour required to ensure Milton acts with integrity and objectivity.

A number of committees, which operate in accordance with their respective charters, have been established to assist the board in carrying out its responsibilities.

Milton has placed its corporate governance statement on its website: www.milton.com.au. The board charter, code of conduct, audit, nomination and remuneration committee charters and share trading, communication, disclosure, performance evaluation and risk management policies are available on this website.

The ASX Corporate Governance Council released its "Principles of Good Corporate Governance and Best Practice Recommendations" ("Recommendations") in March 2003 and these were revised in August 2007 and in June 2010. The directors of Milton support the thrust of the Recommendations and, whilst the Recommendations are not prescriptive, the ASX Listing Rules require listed companies to identify those recommendations that have not been followed and the reasons for not following them.

The directors consider that Milton's corporate governance practices do comply with the Recommendations.

Board of directors

The board charter details the composition and the role and responsibilities of the board and their relationship with management to accomplish the board's primary role of promoting the long-term success of Milton.

The board is accountable to shareholders for the performance of Milton. It oversees the activities and performance of management and provides an independent and objective view of Milton's performance.

The board is comprised of a majority of independent non-executive directors and one executive director with a mix of skills and considerable experience in the investment industry.

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

The Recommendations state that to be considered independent, directors must be "a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with) the independent exercise of their judgement."

All directors except Mr R. D. Millner would satisfy all the tests of the Recommendations and are considered as being independent.

The Recommendations state that the determination of the independence of a director is to be dealt with by the board of directors who are to consider all relevant facts and circumstances on a case by case basis.

Milton's chairman, Mr R. D. Millner, is also chairman of Washington H Soul Pattinson & Co Limited, a substantial shareholder of Milton. The Washington H Soul Pattinson holding of less than 6% of Milton's issued capital represents less than 5% of Washington H Soul Pattinson's assets and therefore the board considers it is unlikely to impact the chairman's independence.

The board is strongly of the opinion that the thinking and actions of Mr R. D. Millner and his commitment to represent the interests of all shareholders is not impaired, and he is considered by the board as a whole to be independent.

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

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

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

The board meets regularly to review management reports on the investment portfolio and on the operational and financial performance of Milton.

The directors agreed in 2003 to phase out retirement benefits, with the amount to be paid to each director upon retirement limited to the provision in the financial statements as at 30 June 2003, details of which are disclosed on page 17.

Board committees

The board has established committees to assist it in carrying out its responsibilities. The charters that identify the roles and responsibilities of the following committees have been approved by the board and are available on Milton's web site.

The Audit Committee, consisting of at least three independent non-executive directors, reviews the effectiveness of the risk management and internal controls, the reliability of financial information and the appointment and effectiveness of the external auditor. To assist in this function the committee may invite the external auditor and senior executives to report to meetings. Any significant non-audit services to be provided by the external auditors must be approved in advance by the Audit Committee. The Audit Committee considers that the provision of those non-audit services provided to date by the external auditor would not affect the auditor's independence.

The Investment Committee, consisting of three independent non-executive directors and the managing director, meets regularly to review the investment portfolio and to make investment decisions within defined limits. All directors may attend the Investment Committee meetings. The defined limits are reviewed by the board from time to time.

The Nomination Committee consists of those directors who are not seeking re-election. This committee reviews the composition of the board annually and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity. The committee having reviewed the performance of the directors recommended Mr J. F. Church for election at the 2011 annual general meeting.

The Remuneration Committee, consisting of three independent non-executive directors, advises the board on remuneration policies and practices generally, and makes specific recommendations to the board annually on remuneration packages and other terms of employment for senior executives and directors.

Trading policy in relation to listed securities

This trading policy is provided to all directors and employees so that they are aware of the restrictions that apply to them in relation to their dealing in securities.

The policy has been developed to ensure that directors and employees comply with insider trading provisions of the Corporations Act and to avoid the risk that they are perceived to have traded while in the possession of insider information.

Milton encourages directors and employees to have a personal financial interest in Milton by acquiring and holding shares on a long term basis.

Short term dealing in and short selling of Milton securities by its directors and employees is not permitted.

The buying or selling of shares is not permitted by any director or employee of Milton or their immediate family when that person is in possession of price sensitive information in relation to those shares that is not available to the market.

This trading restriction is a requirement of the Corporations Act and it applies to dealing in Milton securities and other listed securities.

Price sensitive information must be treated as confidential and must not be communicated to third parties who may use the information inappropriately.

The following trading restrictions apply regardless of whether the director or employee or their immediate family is in possession of price sensitive information.

Directors and employees of Milton or their immediate family may not purchase or sell Milton shares in the following blackout periods:-

i) from the end of the month until the day after the announcement of the monthly net tangible asset backing per share (NTA) for that month and

ii) from the end of the half year or full year until the day after the results for the half year or full year are announced to the market.

It is the responsibility of directors and employees to advise the secretary of any intention to deal in Milton's securities and the secretary must be advised when the dealing occurs.

Directors or employees or their immediate family who intend to deal in Milton shares during the closed periods must receive prior approval from the Chairman. Such requests, which must be made in writing, will only be approved in exceptional circumstances, which include severe financial hardship.

The restrictions on buying or selling Milton shares by directors or employees or their immediate family in the blackout periods do not apply in the following situations of passive trading in Milton shares:

a. the transfer of securities already held by directors or employees or their immediate family into a superannuation fund or similar scheme where the above are a beneficiary;

b. the acceptance of a takeover offer;

c. trading under an offer or invitation made to all or most of the company's security holders, such as a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;

d. accepting an offer to participate in an employee securities plan; and

e. any such similar transaction determined by the directors to be a passive dealing.

Continuous disclosure and shareholder communication

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

The board reviews and approves all announcements to the ASX, except for the monthly net asset backing announcements which are reviewed by the chief financial officer and the managing director.

Milton has established a website to enhance communication with its shareholders and potential investors. The website contains historical information, copies of all information disclosed to the ASX and a corporate governance section that includes details of the various committee charters and policies. Shareholders, who have advised Milton of their email addresses, are notified by email of all announcements to the ASX. The Milton communications policy is available on Milton's website.

Risk management

The managing director and chief financial officer report annually to the Audit Committee on Milton's risk management system and provide written confirmation to the board that the integrity of the financial statements are founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting.

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

Milton Corporation Limited
Consolidated income statement
for the year ended 30 June 2011

	Note	**2011**	2010
		$'000	$'000
Operating revenue	2a	**96,172**	72,305
Share of net profits of joint ventures – equity accounted	20b	**2,164**	3,689
Administration expenses	3	**(3,211)**	(2,827)
Operating profit before income tax expense, special investment revenue, acquisition related costs of subsidiaries and realised gains		**95,125**	**73,167**
Income tax expense thereon*	4a	**(4,644)**	(4,316)
Operating profit (before special investment revenue, acquisition related costs of subsidiaries and realised gains and losses)		**90,481**	**68,851**
Special investment revenue before tax	2b	**3,628**	2,536
Income tax expense thereon*	4b	**(26)**	(48)
		3,602	2,488
Acquisition related costs of subsidiaries before tax		**(284)**	(573)
Income tax benefit thereon*		**85**	172
		(199)	(401)
Realised gains on investments before tax		**-**	2,993
Income tax expense thereon*	4c	**-**	(832)
Net realised gains on investments		**-**	2,161
Profit attributable to shareholders of Milton		**93,884**	73,099
*Total income tax expense		**(4,585)**	(5,024)
Basic and diluted earnings per share based on profit attributable to shareholders of Milton (cents)	8	**83.9**	78.2
Basic and diluted earnings per share based on operating profit before special investment revenue, acquisition related costs of subsidiaries and realised gains (cents)	8	**80.8**	73.7

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

Milton Corporation Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2011

	2011	2010
	$'000	$'000
Profit attributable to shareholders of Milton	**93,884**	73,099
Other comprehensive income:		
Revaluation of investments	**62,258**	121,296
Provision for tax expense on revaluation of investments	**(18,478)**	(37,023)
Reduction of deferred tax on Choiseul consolidation	**10,323**	-
Net realised gains on investments transferred to the income statement from the asset revaluation reserve	**-**	(2,161)
Other comprehensive income net of income tax	**54,103**	82,112
Total comprehensive income attributable to shareholders of Milton	**147,987**	155,211

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

Milton Corporation Limited
Consolidated statement of financial position
as at 30 June 2011

	Note	**2011**	2010
		$'000	$'000
Current assets			
Cash	9	**127,479**	100,637
Receivables	10a	**19,188**	13,224
Other financial assets	11	**15,889**	16,671
Total current assets		**162,556**	130,532
Non-current assets			
Receivables	10b	**2,947**	3,700
Investments	12	**1,928,404**	1,453,150
Joint ventures – equity accounted	20c	**18,277**	16,646
Plant and equipment		**113**	125
Deferred tax assets	13	**1,067**	908
Total non-current assets		**1,950,808**	1,474,529
Total assets		**2,113,364**	1,605,061
Current liabilities			
Payables		**188**	303
Current tax liabilities		**1,075**	1,183
Provisions		**89**	95
Total current liabilities		**1,352**	1,581
Non-current liabilities			
Deferred tax liabilities	14	**151,792**	130,757
Provisions		**400**	415
Total non-current liabilities		**152,192**	131,172
Total liabilities		**153,544**	132,753
Net assets		**1,959,820**	1,472,308
Shareholders' equity			
Issued capital	15	**1,373,857**	963,192
Capital profits reserve		**99,084**	70,080
Asset revaluation reserve		**341,531**	318,373
Retained profits		**145,348**	120,663
Total equity attributable to shareholders of Milton		**1,959,820**	1,472,308
Net tangible assets per share before provision for tax on unrealised capital gains and net of tax on realised capital losses		**$17.36**	$16.51
Net tangible assets per share after provision for tax on unrealised capital gains and net of tax on realised capital losses		**$16.11**	$15.17

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements.

Milton Corporation Limited
Consolidated statement of changes in equity
for the year ended 30 June 2011

	Issued capital $'000	Capital profits reserve $'000	Asset revaluation reserve $'000	Retained profits $'000	Total shareholders equity $'000
Balance at 1 July 2010	**963,192**	**70,080**	**318,373**	**120,663**	**1,472,308**
Net profit	**-**	**-**	**-**	**93,884**	**93,884**
Other Comprehensive Income:					
Net revaluation of investments	**-**	**-**	**43,780**	**-**	**43,780**
Reduction of deferred tax on Choiseul consolidation	**-**	**10,323**	**-**	**-**	**10,323**
Total comprehensive income	**-**	**10,323**	**43,780**	**93,884**	**147,987**
Net realised losses	**-**	**(8,058)**	**8,058**		**-**
Gains on initial investment on Choiseul consolidation	**-**	**28,680**	**(28,680)**	**-**	**-**
Transactions with shareholders in their capacity as shareholders:					
Share issues	**410,665**	**-**	**-**	**-**	**410,665**
LIC dividends paid	**-**	**(1,941)**	**-**	**-**	**(1,941)**
Dividends paid	**-**	**-**	**-**	**(69,199)**	**(69,199)**
Balance at 30 June 2011	**1,373,857**	**99,084**	**341,531**	**145,348**	**1,959,820**

	Issued capital $'000	Capital profits reserve $'000	Asset revaluation reserve $'000	Retained profits $'000	Total shareholders equity $'000
Balance at 1 July 2009	826,141	72,545	233,956	111,081	1,243,723
Net profit	-	-	-	73,099	73,099
Other Comprehensive Income:					
Net realised gains	-	-	(2,161)	-	(2,161)
Net revaluation of investments	-	-	84,273	-	84,273
Total comprehensive income	-	-	82,112	73,099	155,211
Net realised losses transferred to capital profits reserve	-	(160)	-	160	-
Transfer to asset revaluation reserve	-	(2,305)	2,305	-	-
Transactions with shareholders in their capacity as shareholders:					
Share issues	137,051	-	-	-	137,051
Dividends paid	-	-	-	(63,677)	(63,677)
Balance at 30 June 2010	963,192	70,080	318,373	120,663	1,472,308

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

Milton Corporation Limited
Consolidated statement of cash flows
for the year ended 30 June 2011

	Note	**2011**	2010
		$'000	$'000
Cash flows from operating activities			
Dividends and distributions received		**90,450**	65,606
Interest received		**6,840**	4,823
Distributions received from joint venture entities		**2,350**	2,350
Other receipts in the course of operations		**587**	697
Proceeds from sales of trading securities		**1,146**	9,909
Payments for trading securities		**(500)**	(8,670)
Other payments in the course of operations		**(3,354)**	(3,759)
Income taxes paid		**(4,582)**	(3,522)
Net cash provided by operating activities	19a	**92,937**	67,434
Cash flows from investing activities			
Proceeds from disposal of investments		**21,537**	16,722
Payments for investments		**(37,333)**	(54,784)
Cash on acquisition of subsidiaries		**47,078**	4,464
Payments for acquisition of subsidiaries		**(284)**	(573)
Payments of pre acquisition liabilities of subsidiary		**(26,522)**	-
Payments for plant and equipment		**(20)**	(21)
Loans repaid by other entities		**753**	1,008
Net cash provided by (used in) investing activities		**5,209**	(33,184)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	63,578
Payments for issue of shares		**(164)**	(139)
Ordinary dividends paid		**(71,140)**	(63,677)
Net cash used in financing activities		**(71,304)**	(238)
Net increase in cash assets held		**26,842**	34,134
Cash assets at the beginning of the year		**100,637**	65,343
Cash assets at the end of the year	9	**127,479**	100,637

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

Milton Corporation Limited
Notes to the consolidated financial statements for the year ended 30 June 2011

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include the consolidated entity (“Milton”) consisting of Milton Corporation Limited and its subsidiaries.

a. Basis of preparation

These general purpose financial statements have 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.

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

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

b. Basis of consolidation

The consolidated financial statements include the financial statements of Milton, being the parent entity, and its subsidiaries. The balances and effects of transactions between subsidiaries included in the consolidated financial statements have been eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Where entities have come under the control of the parent entity during the year, their operating results have been included in the group from the date control was obtained. Entities cease to be consolidated from the date on which control is transferred out of the group and the consolidated financial statements include the result for the part of the reporting period during which the parent entity had control.

c. Income tax

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

Deferred tax is recognised using the balance sheet method.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

1. Summary of significant accounting policies (continued)

c. Income tax (continued)

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

Milton Corporation Limited (the parent entity) and its wholly-owned subsidiaries have formed an income tax consolidated group. Each entity in the group recognises its own current and deferred tax, except for any deferred tax assets arising from unused tax losses from subsidiaries, which are immediately assumed by the parent entity. The current tax liability of each group entity is subsequently assumed by the parent entity. There is no tax funding agreement between Milton and its subsidiaries.

d. Cash

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

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

e. Trading securities

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

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

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

f. Other liquid securities

Other liquid securities include listed securities such as reset preference shares which are classified as equity instruments and may be realised within 12 months.

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

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

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

g. Investments

Subsidiaries

Investments in subsidiaries are carried at net asset value which approximates fair value of the controlled entities.

Income from dividends is brought to account when they are declared.

Other companies

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

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

h. Employee benefits

The provision for employee entitlements relates to amounts expected to be paid to employees for long service leave and annual leave (including on-costs) and is based on legal and contractual entitlements and assessments having regard to experience in relation to staff departures and leave utilisation. Employees are not paid on termination for untaken sick leave.

Under the Employee Share Plan, shares are acquired for employees as part of their remuneration and the cost of the shares is recorded in employee benefit expenses (refer note 18a).

Under the Senior Staff Share Plan, shares are acquired for eligible employees as part of their remuneration and held on their behalf by the trustee of the Plan. The purchase of the Plan Shares is financed by a loan from Milton (refer note 18b).

i. Operating segments

The consolidated entity operates in Australia only and the principal activity is investment.

j. Business Combinations

The acquisition method of accounting has been used to account for all business combinations, regardless of equity instruments or other assets acquired. The business combinations have been accounted from the date Milton attained control of the subsidiaries. The considerations transferred for the acquisitions comprise of the fair values of the identifiable assets transferred and the liabilities assumed.

Costs related to the acquisitions, other than those associated with the issue of equity securities, are expensed to the consolidated income statement as incurred.

k. Critical accounting estimates and judgments

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

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

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

Deferred tax assets have been recognised relating to carried forward capital losses, based on current tax rates. Utilisation of the tax losses requires the realisation of capital gains in subsequent years and the ability to satisfy certain tests at the time the losses are recouped. The deferred tax assets related to carried forward capital losses have been offset against the related deferred tax liability as disclosed in note 14.

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

l. New standards and interpretations not yet adopted

No new accounting standards and interpretations, that are available for early adoption at 30 June 2011, but not yet adopted, will result in any material change in relation to the financial statements.

		2011	2010
		$'000	$'000
2.	**Revenue**		
a.	**Operating revenue**		
	Dividends and distributions:		
	investments held in portfolio at 30 June	**87,995**	64,238
	investments sold during the year	**794**	26
	Interest	**6,782**	5,269
	Net realised gains on trading portfolio	**362**	2,083
	Other revenue	**239**	689
		96,172	72,305
b.	**Special investment revenue**		
	Dividends and distributions:		
	investments held in portfolio at 30 June	**2,899**	2,185
	investments sold during the year	**729**	351
		3,628	2,536
3.	**Administration expenses**		
	Employment and administration	**2,953**	2,661
	Occupancy	**226**	143
	Depreciation	**32**	23
		3,211	2,827
4.	**Income tax expense**		
a.	**Operating profit**		
	Prima facie income tax expense calculated at 30% on the profit after special investment revenue, acquisition related costs of subsidiaries and before realised gains	**29,540**	22,539
	Increase (decrease) in income tax expense due to:		
	Tax offset for franked dividends	**(24,260)**	(17,876)
	Non taxable distributions	**(502)**	(331)
	Overprovision in prior year	**(199)**	(146)
	Other differences	**65**	130
	Income tax expense attributable to operating profit after special investment revenue and acquisition related costs of subsidiaries and before realised gains	**4,644**	4,316
b.	**Special investment revenue**		
	Prima facie income tax expense calculated at 30% on special investment revenue	**1,089**	761
	Rebates on dividend and distribution income	**(1,063)**	(713)
	Income tax expense attributable to special investment revenue	**26**	48
c.	**Realised gains on investments**		
	Prima facie income tax expense calculated at 30% on realised gains on investments	**-**	898
	Tax effected difference between accounting and tax cost base for capital gains purposes	**-**	(66)
	Income tax expense attributable to realised gains on investments	**-**	832

		2011	2010
5.	**Auditor's remuneration**	**$'000**	$'000
	Audit services	**115**	96
	Liquidation of non-operating subsidiaries	**18**	10
	Due diligence for acquisition of subsidiaries	**28**	21
	Other services	**-**	9
		161	136
6.	**Ordinary fully franked dividends**		
a.	**Recognised in the current year**		
	A final dividend in respect of the 2010 year of 36 cents per share paid on 1 September 2010 (2010: 35 cents per share paid on 11 September 2009)	**34,946**	31,147
	An interim dividend of 37 cents per share paid on 5 January 2011 (2010: 35 cents per share paid on 3 March 2010)	**36,194**	32,530
		71,140	63,677
b.	**Not recognised in the current year**		
	Since the end of the financial year, the directors declared a fully franked ordinary final dividend in respect of the 2011 year of 39 cents per share (2010: 36 cents per share) and a fully franked special dividend of 5 cents per share (2010: nil), both payable on 20 September 2011	**53,515**	34,946
c.	**Dividend franking accounts**		
	The amount of franking credits available to shareholders for the subsequent financial year, adjusted for franking credits that will arise from the payment of the current tax liability	**103,859**	91,211
	Subsequent to year end, the franking account will be reduced by the proposed final ordinary and special dividends (2010: final ordinary dividend) to be paid on 31 August 2011	**(22,935)**	(14,977)
		80,924	76,234

The franking account balance would allow Milton to frank additional dividend payments up to an amount of $188,823,534 (2010:$177,879,000) which represents 155 cents per share (2010: 183 cents per share).

7.	**Listed Investment Company capital gain account**		
	Balance of the Listed Investment Company (LIC) capital gain account available to shareholders for the subsequent financial year	**1,156**	2,685
	(2010: LIC capital gain dividend of 2 cents was included in the final dividend per share paid on 1 September 2010)	**-**	(1,941)
		1,156	744

Distributed LIC capital gains may entitle certain shareholders to a special deduction in their income tax return. LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains and the receipt of LIC capital gain distributions.

		2011	2010
		cents	cents
8.	**Earnings per share**		
	Basic earnings per share	**83.9**	78.2
	Basic earnings per share before special investment revenue, acquisition related costs of subsidiaries and realised gains	**80.8**	73.7
		$'000	$'000
	Profit attributable to shareholders of the parent entity	**93,884**	73,099
	Special investment revenue, acquisition related costs of subsidiaries and realised gains	**(3,403)**	(4,248)
	Earnings used in the calculation of basic earnings per share excluding special investment revenue, acquisition related costs of subsidiaries and realised gains	**90,481**	68,851
		No.	No.
	Weighted average number of ordinary shares used in the calculation of basic earnings per share	**111,964,506**	93,458,216
	Diluted earnings per share figures are the same because there are no dilutive potential ordinary shares.		
		$'000	$'000
9.	**Cash**		
	Cash at bank	**1,607**	1,022
	Deposits at call	**16,266**	9,615
	Fixed term deposits	**109,606**	90,000
		127,479	100,637

The weighted average interest rate for cash as at 30 June 2011 is 5.7% p.a. (2010: 5.6% p.a.). Fixed term deposits have an average maturity date of September 2011 (2010: August 2010) and an average interest rate of 5.9% (2010: 5.7% pa).

10.	**Receivables**		
a.	**Receivables – current**		
	Income receivable	**19,183**	13,024
	Sundry debtors	**5**	200
		19,188	13,224
b.	**Receivables – non-current**		
	Loans receivable – secured	**-**	973
	Senior staff share plan loans	**2,947**	2,727
		2,947	3,700

c. Terms and conditions

Loans receivable – secured (2010: secured by real property – due within 13 months with a fixed interest rate of 8.0% p.a.). Sundry debtors are due within 30 days and no interest is charged.

		2011	2010
		$'000	$'000
11.	**Other financial assets**		
	Other liquid securities - at fair value	**15,247**	15,753
	Trading securities - at fair value	**389**	826
	Prepaid expenses	**253**	92
		15,889	16,671
12.	**Investments – non-current**		
	Quoted investments - at fair value	**1,928,224**	1,452,758
	Unquoted investments - at fair value	**180**	392
		1,928,404	1,453,150
a.	**Included in quoted investments are:**		
	Shares in other corporations	**1,867,718**	1,405,070
	Stapled securities in other corporations	**36,178**	25,601
	Units in trusts	**24,328**	22,087
		1,928,224	1,452,758
b.	**Included in unquoted investments are:**		
	Securities in other corporations	**6**	131
	Units in trusts	**174**	261
		180	392

c. Terms and conditions

(2010: Unquoted stapled securities had a maturity date of 30 June 2011 and an average interest rate of 9.75% p.a.).

d. Investments disposed of during the year

	Fair value at disposal date	
	$'000	$'000
Equity investments	**33,785**	16,702

	Gain (Loss) on disposal after tax	
	$'000	$'000
Equity investments	**(7,129)**	1,960

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

		2011	2010
		$'000	$'000
13.	**Deferred tax assets**		
	The balance comprises temporary differences attributable to :		
	Revenue tax losses carried forward	**38**	38
	Provisions	**248**	426
	Retirement benefit obligations	**61**	61
	Share issue expenses	**281**	340
	Other	**439**	43
	Total deferred tax assets	**1,067**	908
	Movements:		
	Balance at 1 July	**908**	1,184
	Charged (credited) to the income statement	**208**	(234)
	Credited to equity	**(49)**	(42)
	Balance at 30 June	**1,067**	908
	To be recovered within 12 months	**86**	181
	To be recovered after more than 12 months	**981**	727
		1,067	908
14.	**Deferred tax liabilities**		
	The balance comprises temporary differences attributable to:		
	Amounts recognised directly in equity:		
	Revaluation of investments	**147,365**	125,200
	Realised capital losses	**(12,860)**	(11,700)
	Amounts recognised in profit:		
	Realised capital gains	**832**	832
	Unrealised gains on trading securities	**-**	14
	Income receivable which is not assessable for tax until receipt	**16,455**	16,411
		151,792	130,757
	Movements:		
	Balance at 1 July	**130,757**	94,370
	Charged (credited) to income statement	**30**	(168)
	Charged (credited) to other comprehensive income	**18,478**	37,023
	Charged (credited) to equity	**2,527**	(468)
	Balance at 30 June	**151,792**	130,757
	To be settled within 12 months	**-**	-
	To be settled beyond 12 months	**151,792**	130,757

	2011	2010
	$'000	$'000

15. Issued capital

a. Movement in share capital

	2011 $'000	2010 $'000
Balance at 1 July 2010: 97,075,280 shares (1 July 2009: 88,988,740 shares)	**963,192**	826,141
(2010: share purchase plan issues of 3,953,829 shares for cash)	**-**	63,578
26,250,375 shares issued as consideration for acquisitions (2010: 4,132,711 shares)	**439,341**	73,570
Elimination of 1,700,000 shares in Milton held by Choiseul [1]	**(28,560)**	-
Share issue costs net of tax	**(116)**	(97)
Balance at 30 June 2011: 121,625,655 shares (30 June 2010: 97,075,280 shares)	**1,373,857**	963,192

[1] Choiseul owns 1,700,000 Milton shares which subject to shareholder approval at Milton's annual general meeting in October 2011 are proposed to be cancelled through a selective capital reduction.

b. Ordinary shares

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

16. Nature and purpose of reserves

Changes in fair value of investments are presented in other comprehensive income through the asset revaluation reserve as referred to in note 1g.

Upon disposal of investments, the net gain or loss is transferred from the asset revaluation reserve to the capital profits reserve as referred to in note 1g.

17. Management of financial risk

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

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

a. Financial instruments' terms, conditions and accounting policies

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

b. Net fair values

The carrying amounts of financial instruments in the consolidated statement of financial position approximate their net fair value.

c. Credit risk exposures

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

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

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

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

There are no financial instruments overdue.

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

17. Management of financial risk (continued)

d. Market risk

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

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

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

Investments represent 91% (2010: 90%) of total assets. A 5% fall in movement in the market value of investments in each of the companies and trusts within the portfolio would result in a 4.6% (2010: 4.5%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2011 (2010: 30 June 2010). The net asset backing before provision for tax on unrealised capital gains would move by 79 cents per share at 30 June 2011 (2010: 75 cents at 30 June 2010).

Milton's management regularly monitor the performance of the companies within its portfolio and make portfolio recommendations which are considered by the Investment Committee. The Milton board reviews the portfolio on a quarterly basis.

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

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

e. Liquidity risk

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

Milton manages liquidity risk by monitoring forecast and actual cashflows.

f. Capital risk management

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

The capital base is managed to ensure there are funds available for investment as opportunities arise. Capital may be increased annually through the issue of shares under the Share Purchase Plan. Other means of increasing capital could include rights issues and acquisitions of unlisted investment companies.

g. Fair value measurement

Financial instruments carried at fair value are comprised of investments and other financial assets. The fair value of these financial instruments is the quoted prices (unadjusted) in active markets for identical assets. The Australian Securities Exchange is the active market for all financial instruments.

18. Employee entitlements

a. Employee Share Plan

The Employee Share Plan ("ESP") is available to all eligible employees to acquire ordinary shares in Milton in lieu of a cash bonus of up to $1,000 per year as part of the employee's remuneration. The transaction and administration costs of acquiring the shares and administering the plan are paid by Milton.

In 2011 there were no shares acquired. (2010: 360 shares were acquired by Milton on behalf of eligible employees under the ESP at a cost of $6,008 and with a total market value at 30 June 2010 of $5,753).

Any shares acquired cannot be disposed of or transferred until the earlier of 3 years from the date of issue or acquisition or on the date that the employee's employment ceases with Milton.

18. Employee entitlements (continued)

b. Senior Staff Share Plan

The Senior Staff Share Plan ("SSSP") was approved by shareholders at Milton's Annual General Meeting on 9 October 2001. Eligible employees are given the opportunity to apply for Plan Shares in Milton which are subscribed for or acquired and held on their behalf by the trustee of the plan. The purchase of these Plan Shares is financed by an interest-free limited recourse loan from Milton with recourse only to plan shares. The loan will be repaid partially from any dividends received. Milton administers the SSSP and meets the transactional and administration costs.

In August 2010, 21,000 shares (2010: nil shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of $327,590 (2010: $ nil). The loans to eligible employees are as disclosed in note 10b. The shares acquired by the trustee during the year had a market value of $327,600 at $15.60 per share as at 30 June 2011.

Any shares acquired are held in the name of the trustee and classified as Restricted Shares which cannot become Unrestricted Shares until the earlier of 3 years from the date of issue to the trustee or acquisition by the trustee or on the date that the employee's employment ceases with Milton. The trustee may transfer Unrestricted Shares to the participant provided that any outstanding loan has been repaid in full.

	2011	2010
	$'000	$'000
19. Note to the cash flow statements		
a. Reconciliation of net profit to net cash provided by operating activities		
Profit attributable to shareholders	**93,884**	73,099
Net realised (gains) losses on investments	**-**	(2,161)
Share of net profits of joint ventures – equity accounted	**(2,164)**	(3,689)
Distributions received from joint venture entities	**2,350**	2,350
Depreciation of non-current assets	**32**	23
Increase in receivables	**(1,108)**	(1,907)
Decrease in payables and provisions	**(59)**	(951)
Increase in income taxes payable	**2**	670
Net cash provided by operating activities	**92,937**	67,434

b. Non-cash financing and investing activities

As described in note 22b, Milton acquired an unlisted investment company through the issue of 2,446,521 new Milton shares with a fair value of $41,413,000 and acquired 88.1% of Choiseul through the issue of 23,803,854 new Milton shares with a fair value of $397,928,000. (2010: acquired three unlisted investment companies and their subsidiaries through the issue of 4,132,711 new Milton shares with a fair value of $73,570,000.)

20. Investment in joint venture entities

a. Details of joint venture entities

Companies in the consolidated entity have entered into joint ventures to develop real property. These joint ventures which are held by subsidiaries have been accounted for using the equity accounting principles.

b. Contribution from joint venture entities

Milton has interests in the following joint venture entities:

	2011	2010
33.33% interest in the Ellenbrook Syndicate Joint Venture contribution to operating profit before tax	**2,001**	3,125
23.33% interest in the Mews Joint Venture contribution to operating profit before tax	**163**	564
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture	**-**	-
Share of net profits of joint ventures	**2,164**	3,689

		2011 $'000	2010 $'000
20.	**Investment in joint venture entities (continued)**		
c.	**Consolidated interest in the assets and liabilities of the joint ventures**		
	Current assets	**17,413**	17,311
	Non-current assets	**9,315**	8,149
	Current liabilities	**(1,233)**	(1,596)
	Non-current liabilities	**(6,675)**	(6,675)
		18,820	17,189
	Provision for diminution in value	**(543)**	(543)
	Net assets	**18,277**	16,646

d. Contingent liabilities and commitments

Each venturer is liable for its share of the debts of the joint ventures. The finance facilities have recourse only to the assets of the joint ventures. The LWP Huntlee Syndicate No 2 Joint Venture was formed in June 2010 and Milton is committed to providing further capital of $1.484 million over the next two years (2010: $3.562 million). Apart from this commitment there are no further financial commitments.

21 Parent entity disclosures

In accordance with the Corporations Amendment (Corporate Reporting Reform) Act 2010 and the Corporations Act 2001 the following summarised parent entity information is set out below.

As at, and throughout, the financial year ended 30 June 2011 the parent entity is Milton Corporation Limited.

	2011 $'000	2010 $'000
Profit of the parent entity		
Profit for the year	**90,505**	70,447
Total comprehensive income for the year	**138,296**	152,559
Financial position (Balance Sheet) of the parent entity		
Current assets	**162,234**	130,297
Total assets	**2,636,901**	1,749,312
Current liabilities	**493,171**	143,342
Total liabilities	**658,843**	277,004
Net assets	**1,978,058**	1,472,308
Total equity of the parent entity comprising of		
Issued capital	**1,402,417**	963,192
Capital profits reserves	**69,407**	72,726
Asset revaluation reserve	**405.850**	356,681
Retained profits	**100,384**	79,709
Total equity attributable to shareholders of the parent entity	**1,978,058**	1,472,308

22. Particulars in relation to subsidiaries

a. Milton Corporation Limited's subsidiaries

The following subsidiaries have been included in the consolidated accounts:	**2011**	2010
	Interest held %	
85 Spring Street Properties Pty Ltd	**100**	100
Chatham Investment Co. Pty Limited	**100**	100
Incorporated Nominees Pty Limited	**100**	100
Milhunt Pty Limited	**100**	100
Choiseul Investments Limited	**100**	-

The parent entity and all subsidiaries are incorporated in Australia

b. Acquisition of subsidiaries

In August 2010 Milton acquired 100% of the shares in an unlisted investment company with the consideration consisting of the issue of 2,446,521 new Milton shares with a fair value of $41,413,000.

In December 2010 Milton increased its ownership of Choiseul to 100% when it acquired 88.1% of the issued capital of Choiseul with the consideration consisting of 23,803,854 new Milton shares with a fair value of $397,928,000.

(2010: Acquired three unlisted investment companies and their subsidiaries through the issue of 4,132,711 new Milton shares with a fair value of $73,570,000).

The main activity of the companies is investing in listed securities.

The operating results of the companies from the date of acquisition have been included in the consolidated income statement, while the assets and liabilities have been included in the consolidated statement of financial position.

Choiseul contributed revenues of $2,841,000 and net profit of $2,200,000 to Milton for the period from 3 December 2010 to 30 June 2011. If the merger had occurred on 1 July 2010 consolidated revenue and consolidated profit for the year ended 30 June 2011 would have been $113,950,000 and $104,125,000 respectively.

The results of the unlisted investment company from 1 July 2010 to the date of acquisition and subsequent to that are not considered material to warrant separate disclosure.

The basis of fair value of the net assets acquired is the price quoted in an active market being the Australian Securities Exchange.

	$'000	$'000
The assets and liabilities recognised as a result of the acquisitions are as follows:		
Choiseul		
Fair value of the net assets acquired:		
Investments	**439,661**	-
Fair value of Milton's holding in Choiseul	**(53,524)**	-
Liquid and other assets	**51,634**	-
Liabilities	**(39,843)**	-
	397,928	**-**

	2011	2010
	$'000	$'000

22. Particulars in relation to subsidiaries (continued)

Unlisted Investment companies

	2011	2010
Fair value of the net assets acquired:		
Investments	**39,621**	69,233
Liquid and other assets	**2,781**	4,493
Liabilities	**(989)**	(156)
	41,413	73,570

Total acquisition costs of $284,000 are included in the consolidated income statement (2010: $573,000) and share issue costs of $165,000 (2010: $139,000) have been included in issued capital.

c. Disposal of subsidiaries

In December 2010 the unlisted investment company that was acquired and referred to in note 22b was placed into voluntary liquidation (2010: three unlisted investment companies and their subsidiaries were placed into voluntary liquidation).

23. Related parties

a. Directors and Key Management Personnel compensation

	2011	2010
Short-term benefits	**927**	894
Other long-term benefits	**15**	13
Post-employment benefits	**166**	173
Share-based payments	**139**	114
	1,247	1,194

Information regarding individual director's and executives' compensation and equity instruments disclosures, as permitted by Corporations Regulations 2M.3.03, are provided in the Remuneration Report section of the Directors' Report on pages 15 to 18.

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

		Balance 1 July	Acquisition	Balance 30 June
R.D. Millner	**2011**	**4,747,967**	**4,833,855**	**9,581,822**
	2010	4,741,443	6,524	4,747,967
J.N. Aitken	**2011**	**21,400**	**-**	**21,400**
	2010	20,780	620	21,400
J.F. Church	**2011**	**5,664,451**	**236,949**	**5,901,400**
	2010	5,651,637	12,814	5,664,451
G.L. Crampton	**2011**	**20,307**	**7,000**	**27,307**
	2010	17,511	2,796	20,307
I.A. Pollard	**2011**	**25,455**	**1,982**	**27,437**
	2010	22,659	2,796	25,455

23. Related parties (continued)

c. Executives' and their related parties shareholdings – number of shares held

		Balance 1 July	Received as Remuneration	Other Acquisitions	Balance 30 June
F.G. Gooch	**2011**	**128,967**	**10,000**	**23,770**	**162,737**
Managing director	2010	128,367	-	600	128,967
A.R. Davison	**2011**	**38,012**	**5,000**	-	**43,012**
CFO, secretary	2010	38,012	-	-	38,012

d. Loans to executives in relation to the Senior Staff Share Plan

Details regarding loans outstanding at the reporting date to specified directors and specified executives, where the individual's aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

		Balance 1 July	Net change	Balance 30 June	Highest balance in the period	Notional Interest
		$	$	$	$	$
F.G. Gooch	**2011**	**1,360,242**	**100,164**	**1,460,406**	**1,516,238**	**97,526**
Managing director	2010	1,411,067	(50,825)	1,360,242	1,411,067	80,829
A.R. Davison	**2011**	**564,465**	**55,661**	**620,126**	**642,463**	**41,228**
CFO, secretary	2010	584,528	(20,063)	564,465	584,528	33,220

Terms and conditions of the loans are referred to in note 18b.

e. Other related party transactions

All non-executive directors have entered into the Deed of Indemnity, Insurance and Access that was approved at the Annual General Meeting held on 10 October 2000. Milton has a Remuneration and Retirement Benefits Deed with each of the non-executive directors except Graeme Lindsay Crampton. During the 30 June 2004 year, Milton and the directors varied the Remuneration and Retirement Benefits Deed, whereby the maximum retirement benefit payable to a non-executive director on retirement will be the provision for the director as at 30 June 2003. Apart from the details disclosed in this note no director has entered into a material contract with the parent entity or Milton since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at the end of the year.

Loans to and from subsidiaries

Loans have been made to and by the parent entity to wholly owned subsidiaries for capital transactions. The loans between the parent and its subsidiaries have no fixed date of repayment and are non-interest bearing.

During the year ended 30 June 2011, such loans to subsidiaries totalled $76,392,021 (2010: $124,640,485) and loans from subsidiaries totalled $426,333,493 (2010: $75,024,122).

Other arrangement with non executive director

Mr J.F.Church rented office space from Milton at commercial rates from 1 July 2010 to 30 June 2011 and rental income received by Milton during the financial year was $12,911 (2010: $10,659).

24. Contingencies

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

25. Events subsequent to reporting date

Since the end of the financial year, the directors declared a fully franked final dividend of 39 cents per share and a fully franked special dividend of 5 cents per share, payable on 20 September 2011.

This financial report was authorised for issue in accordance with a resolution of directors on 11 August 2011.

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2011

The following holdings are valued at fair value through Other Comprehensive Income.

Investments in equity instruments	**2011** **$'000**	2010 $'000
Adelaide Brighton Limited	**4,986**	3,271
Adtrans Group Limited	**-**	1,435
AGL Energy Limited	**27,432**	19,990
Alumina Limited	**2,156**	1,360
Amalgamated Holdings Limited	**3,598**	3,245
Amcor Limited	**6,274**	4,889
Ammtec Limited	**-**	3,055
AMP Limited	**9,658**	7,101
A P Eagers Limited	**10,839**	10,370
APA Group	**3,964**	2,707
APN News & Media Limited	**1,722**	2,600
ARB Corporation Limited	**5,374**	2,684
Argo Investments Limited	**4,539**	4,733
ASX Limited	**11,178**	5,874
Austbrokers Limited	**5,582**	4,016
Australand Property Group	**2,382**	1,382
Australia & New Zealand Banking Group Limited		
- ordinary shares	**61,168**	51,662
- convertible preference shares	**2,004**	1,017
- CPS 1	**204**	-
Australian Foundation Investment Company Limited	**5,765**	6,169
Automotive Holdings Group Limited	**1,019**	-
AWB Limited	**-**	433
Axa Asia Pacific Holdings Limited	**-**	547
Bank of Queensland Limited		
- ordinary shares	**47,797**	49,660
- reset preference shares	**-**	1,560
Bendigo & Adelaide Bank Limited	**50,588**	37,846
BHP Billiton Limited	**136,844**	83,683
Billabong International Limited	**575**	837
BKI Investment Company Limited	**1,388**	1,314
Blackmores Limited	**9,267**	7,740
Bluescope Steel Limited	**1,195**	1,528
Boral Limited	**7,161**	6,557
Bradken Limited	**4,460**	3,214
Brambles Limited	**8,433**	4,526
Brickworks Limited	**32,891**	25,890
Bunnings Warehouse Property Trust	**2,495**	1,858
Cabcharge Australia Limited	**694**	692
Caltex Australia Limited	**561**	450
Campbell Brothers Limited	**99,215**	49,713
Cardno Limited	**1,792**	988
Carlton Investments Limited	**6,014**	5,837
CFS Retail Property Trust	**16,522**	17,205
Charter Hall Office Trust	**764**	458
Charter Hall Retail Trust	**1,963**	1,528
Choiseul Investments Limited	**-**	51,109
Coal & Allied Industries Limited	**4,436**	3,910
Coca-Cola Amatil Limited	**13,917**	10,336
Cochlear Limited	**2,290**	2,259
Coffey International Limited	**419**	675
Commonwealth Bank of Australia	**157,532**	109,330
Commonwealth Bank of Australia – PERLS V	**104**	-
Commonwealth Property Office Fund	**1,621**	1,039
Consolidated Media Holdings Limited	**698**	448
Crane Group Limited	**-**	5,117
Crown Limited	**2,387**	1,094
CSL Limited	**19,408**	19,029

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2011 continued

	2011	2010
	$'000	$'000
CSR Limited	**605**	1,052
David Jones Limited	**1,446**	1,082
Diversified United Investment Limited	**733**	781
Equity Trustees Limited	**3,273**	3,428
Fletcher Building Limited	**5,325**	-
Fairfax Media Limited	**4,637**	4,852
FKP Property Group	**2,541**	1,927
Fleetwood Corporation Limited	**1,660**	1,208
Foster's Group Limited	**15,810**	15,045
Goodman Fielder Limited	**339**	430
Goodman Group	**651**	587
Goldman Sachs JB Were Collateral Mezzanine Fund	**104**	104
Goldman Sachs JB Were Private Equity Fund	**9**	9
Graincorp Limited	**2,558**	1,161
Gresham Private Equity Co-Investment Fund	**60**	60
GWA International Limited	**6,256**	4,632
Healthscope Limited	**-**	2,943
Hills Holdings Limited	**3,012**	3,696
Insurance Australia Group Limited		
- ordinary shares	**11,579**	7,501
- reset preference shares	**303**	296
IAG Finance(NZ) Limited Perpetual Reset Exchangeable Notes	**1,236**	1,200
Incitec Pivot Limited	**5,349**	3,014
Infigen Energy	**431**	732
Intoll Group	**-**	1,660
InvoCare Limited	**12,508**	6,443
IOOF Holdings Limited	**495**	450
Leighton Holdings Limited	**17,209**	17,210
Lend Lease Corporation Limited	**3,653**	1,458
Lindsay Australia Limited	**288**	296
Macarthur Coal Limited	**3,860**	4,272
MAP Group	**1,444**	700
Macquarie Global Infrastructure Trust	**-**	1
Macquarie Group Limited	**15,440**	12,093
Metcash Limited	**18,760**	11,401
Mirvac Group	**409**	431
Mystate Limited	**1,562**	1,388
National Australia Bank Limited	**110,901**	67,989
New Hope Corporation Limited	**6,734**	3,118
Noni B Limited	**564**	915
Nufarm Limited	**-**	1,218
Oakton Limited	**-**	901
OneSteel Limited	**6,901**	8,437
Orica Limited	**4,350**	1,970
Origin Energy Limited	**5,101**	4,022
Perpetual Limited	**20,396**	18,273
Plantation Land Limited	**6**	6
Plantation Land Limited Unsecured Notes	**-**	125
Premier Investments Limited	**2,342**	2,063
QBE Insurance Group Limited	**46,674**	18,539
Qantas Airways Limited	**-**	1,482
Qube Logistics	**964**	-
Reece Australia Limited	**2,334**	2,632
Ramsay Health Care Limited	**1,362**	-
Rio Tinto Limited	**37,419**	28,836
Santos Limited	**19,052**	13,191
Schaffer Corporation Limited	**225**	315
Sedgman Limited	**1,515**	755
Select Harvests Limited	**460**	619

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2011 continued

	2011	2010
	$'000	$'000
Seven Group Holdings Limited - Transferable Equity Linked Yield Shares 4	**630**	541
Seven West Media Limited (previously West Australian Newspapers Holdings Limited)	**6,557**	6,927
Sigma Pharmaceuticals Limited	**-**	368
Sims Metal Management Limited	**13,997**	10,147
Sonic Healthcare Limited	**5,817**	3,312
Stockland Corporation Group	**7,335**	2,673
Suncorp Group Limited		
- ordinary shares	**23,060**	18,810
- convertible preference shares	**3,857**	2,867
Tabcorp Holdings Limited	**-**	226
Tatts Group Limited	**624**	582
Telstra Corporation Limited	**30,695**	25,883
Ten Network Holdings Limited	**1,336**	1,707
The Platinum Trust - Japan Fund	**-**	87
Toll Holdings Limited	**4,824**	4,311
TPG Telecom Limited	**6,288**	3,665
Transfield Services Limited	**4,737**	2,998
Transurban Group Limited	**11,282**	7,481
The Trust Company Limited	**16,172**	12,386
Treasury Wine Estates Limited	**3,479**	-
UGL Limited	**16,836**	14,272
Washington H. Soul Pattinson & Company Limited	**119,142**	62,719
Wesfarmers Limited		
- ordinary shares	**77,837**	51,981
- partially protected shares	**10,987**	5,241
Westfield Group	**4,139**	5,321
Westfield Retail Trust	**1,601**	-
Westpac Banking Corporation	**231,898**	186,178
Wide Bay Australia Limited	**3,538**	3,328
Woodside Petroleum Limited	**32,192**	29,023
Woolworths Limited	**69,821**	53,944
Worley Parsons Limited	**5,603**	1,253
	1,928,404	1,453,150

Other liquid securities

Adelaide Managed Funds	**375**	2,010
AMP - notes	**2,803**	1,717
Bank of Queensland- perpetual equity preference 07	**4,665**	4,475
Commonwealth Bank of Australia		
- Perls III	**929**	815
- Perls IV	**1,181**	1,155
Fairfax Media Limited - stapled preference securities	**-**	645
Goodman Funds Management – perpetual listed unsecured securities	**855**	616
Macquarie CPS Trust – convertible preference shares	**1,045**	1,065
Orica Limited – step-up preference shares	**808**	746
Suncorp convertible preference shares	**1,015**	957
Westpac Banking Corporation - preference shares (stapled preferred securities)	**1,012**	1,004
Woolworths Limited - notes	**559**	548
	15,247	15,753

DIRECTORS' DECLARATION

1. In the opinion of the directors of Milton Corporation Limited:

(a) the consolidated financial statements and notes that are set out on pages 23 to 45 and the Remuneration report, that is set out on pages 15 to 18 in the Directors' report are in accordance with the Corporations Act 2001, including:

   (i) giving a true view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that Milton Corporation Limited will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the directors.

R. D. MILLNER
Chairman

Sydney, 11 August 2011

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MILTON CORPORATION LIMITED

We have audited the accompanying financial report of Milton Corporation Limited and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising Milton Corporation Limited and the entities it controlled at the year ended or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Milton Corporation Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Independence

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

Auditor's Opinion

In our opinion the financial report of Milton Corporation Limited and its Controlled Entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Milton Corporation Limited's consolidated financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 30 June 2011. The directors of Milton Corporation Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Milton Corporation Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001.*

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

Martin J. Shannon

Martin J. (Joe) Shannon
Partner

Dated in Sydney this 11th day of August 2011.

DIRECTORY

DIRECTORS

R. D. MILLNER - Chairman
J. N. AITKEN
J. F. CHURCH
G.L. CRAMPTON
F. G. GOOCH - Managing director
I. A. POLLARD

MANAGEMENT

F. G. GOOCH - Managing director
A. R. DAVISON - Chief financial officer, secretary

REGISTERED OFFICE

LEVEL 2, 50 PITT STREET
SYDNEY NSW 2000
PHONE: (02) 8006 5357
FAX: (02) 9251 7033
EMAIL: general@milton.com.au
INTERNET: www.milton.com.au

AUDITORS

MOORE STEPHENS SYDNEY
CHARTERED ACCOUNTANTS
LEVEL 7
20 HUNTER STREET
SYDNEY NSW 2000
INTERNET: www.moorestephens.com.au

SHARE REGISTRY

LINK MARKET SERVICES LIMITED
LOCKED BAG A14
SYDNEY SOUTH NSW 1235
PHONE: (02) 8280 7111
FAX: (02) 9261 8489
TOLL FREE: 1800 641 024
EMAIL: registrars@linkmarketservices.com.au
INTERNET: www.linkmarketservices.com.au

ASX INFORMATION

TOP 20 SHAREHOLDERS AS AT 31 JULY 2011

NAME	***SHARES HELD***	***%***
Argo Investments Limited	8,260,028	6.70
Washington H. Soul Pattinson & Company Limited	6,717,060	5.45
Myora Pty Limited	4,757,295	3.86
Australian Foundation Investment Company Limited	2,880,585	2.34
Chickenfeed Pty Limited	1,806,114	1.47
Choiseul Investments Limited	1,700,000	1.38
Griffinna Pty Ltd <Wood Dragon a/c>	1,271,004	1.03
Megan Grace & Christopher Ian Gabriel. Est of Michael E N Grace	1,223,248	0.99
Bortre Pty Limited	1,213,725	0.98
Danwer Investments Pty Limited	1,213,725	0.98
Otterpaw Pty Ltd <Penguin a/c>	1,168,105	0.95
Perpetual Trustee Company Limited	1,078,356	0.87
JBF Holdings Pty Ltd	1,050,000	0.85
Ms Julia Jane Drew	889,427	0.72
Jamama Nominees Pty Limited	838,353	0.68
Macdawley Proprietary Limited	695,923	0.56
J S Millner Holdings Pty Limited	646,527	0.52
Hexham Holdings Pty Limited	643,840	0.52
Riversdale Pty Ltd <No 1 a/c>	636,812	0.52
Gartfern Pty Limited	628,992	0.51

On 31 July 2011, there were 19,426 holders of ordinary shares in the capital of Milton. Holders of ordinary shares are entitled to one vote per share.

Number of shares held	Number of shareholders
1-500	4,339
501-1000	2,851
1,001 – 5,000	8,985
5,001 – 10,000	1,989
10,001 – 50,000	1,083
50,001– 100,000	76
100,001 and over	103
The number of holders of less than a marketable parcel of 33 shares	691

SUBSTANTIAL SHAREHOLDINGS As at 31 July 2011 the names and holdings of substantial shareholders as disclosed in notices received by Milton are as follows:-

Substantial shareholders	***Date of Notice***	***No. of shares***
Argo Investments Limited	20 December 2010	8,260,028
Washington H Soul Pattinson & Company Limited	20 December 2010	6,717,060

OTHER INFORMATION

Milton is taxed as a public company.

There is no current on-market buy-back.

The total number of transactions in securities undertaken by Milton was 206 and the total brokerage paid or accrued was $153,645.

ISSUES TO SHAREHOLDERS SINCE 19TH SEPTEMBER, 1985
(Commencement of Capital Gains Tax)

15.11.1985	1 for 10 Bonus Issue from Capital Profits Reserve
19.05.1986	Bonus in lieu of Dividend from Capital Profits Reserve
05.06.1987	1 for 10 Bonus Issue from Capital Profits Reserve
05.06.1987	Bonus in lieu of Dividend from Capital Profits Reserve
15.11.1988	1 for 20 Bonus from Share Premium Reserve
15.11.1988	1 for 20 Bonus from Capital Profits Reserve - a fully franked dividend
26.05.1989	1 for 20 Cash Issue at $3 per share
10.11.1989	1 for 10 Bonus from Share Premium Reserve
08.06.1990	1 for 20 Cash Issue at $3 per share
24.05.1991	1 for 20 Cash Issue at $3 per share
23.04.1992	1 for 10 Bonus from Capital Profits Reserve - a fully franked dividend
11.05.1992	1 for 10 Cash Issue at $4 per share
23.11.1994	1 for 10 Bonus from Share Premium Reserve
12.12.1994	1 for 10 Cash Issue at $4.75 per share
15.11.1995	1 for 10 Bonus from Share Premium Reserve
06.07.1998	3 Milton shares for 10 Chatham shares at $7.756022 per Milton share
06.07.1998	3 Milton shares for 10 Matine shares at $7.756022 per Milton share
06.07.1998	9 Milton shares for 40 Milkirk shares at $7.756022 per Milton share
21.06.1999	1 for 10 cash issue at $8.20 per share
10.11.1999	Share Purchase Plan at $8.75 per share
13.11.2000	Share Purchase Plan at $8.86 per share
13.11.2001	Share Purchase Plan at $10.79 per share
31.12.2001	Acquired Cambooya Investments Limited on the basis of 1.55 Milton shares for every 10 Cambooya shares - 8,273,502 Milton shares issued
28.06.2002	2,287,200 Milton shares for the acquisition of an unlisted investment company
08.11.2002	Share Purchase Plan at $11.70 per share
31.12.2002	1,739,112 Milton shares for the acquisition of an unlisted investment company
31.10.2003	Share Purchase Plan at $13.21 per share
11.03.2004	2,742,777 Milton shares for the acquisition of an unlisted investment company
01.04.2004	496,809 Milton shares for the acquisition of an unlisted investment company
29.10.2004	Share Purchase Plan at $14.10 per share
21.10.2005	Share Purchase Plan at $17.11 per share
17.08.2006	1,000,322 Milton shares for the acquisition of an unlisted investment company
23.08.2006	1,476,254 Milton shares for the acquisition of an unlisted investment company
28.08.2006	382,404 Milton shares issued for the acquisition of an unlisted investment company
21.09.2006	278,103 Milton shares issued for the acquisition of an unlisted investment company
16.10.2006	Share Purchase Plan at $19.60 per share
10.11.2006	1,888,353 Milton shares issued for the acquisition of an unlisted investment company
23.03.2007	1,895,976 Milton shares issued for the acquisition of an unlisted investment company
14.05.2007	2,424,582 Milton shares issued for the acquisition of an unlisted investment company
20.06.2007	252,477 Milton shares issued for the acquisition of an unlisted investment company
24.09.2007	1,223,252 Milton shares issued for the acquisition of an unlisted investment company
19.10.2007	Share Purchase Plan at $22.48 per share
03.10.2008	Share Purchase Plan at $17.85 per share
19.02.2009	3,555,958 Milton shares issued for the acquisition of an unlisted investment company
09.10.2009	Share Purchase Plan at $16.08 per share
26.02.2010	4,132,711 Milton shares issued for the acquisition of unlisted investment companies
16.12.2010	23,803,854 Milton shares issued for the acquisition of Choiseul Investments Limited

"CPI" FOR CAPITAL GAINS TAX

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