

**MILTON CORPORATION LIMITED**

ABN 18 000 041 421

**APPENDIX 4D – HALF YEAR REPORT  
RESULTS FOR ANNOUNCEMENT TO THE MARKET  
HALF-YEAR ENDED 31 DECEMBER 2009****(Comparative figures being the half-year ended 31 December 2008)**

			<u>\$'000</u>
<b>Revenue:</b>			
Operating revenue	down 20.7%	to	35,213
Special investment revenue	up 182.9%	to	2,303
Revenue from realised gains on investments	down 59.3%	to	2,993
<b>Profits:</b>			
Operating profit after tax but before special investment revenue and realised gains and losses	down 21.2%	to	32,659
Special investment revenue after tax	up 188.2%	to	2,303
Net realised gains on investments after tax	down 51.9%	to	2,161
Net profit for the half-year attributable to shareholders	down 19.0%	to	37,123
<b>Earnings per share:</b>			
			<u>Cents</u>
Basic and diluted earnings per share including after tax special investment revenue and realised gains and losses	down 24.1%	to	40.9
Basic and diluted earnings per share based on operating profit before special investment revenue and realised gains and losses	down 26.2%	to	36.0
<b>Dividends per ordinary share:</b>			
Interim fully franked dividend	down 18.6%	to	35.0

Record date for the interim dividend is 17 February 2010

Payment date is 3 March 2010

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

This report is based on financial statements which have been subject to independent review by the auditors, Moore Stephens Sydney.

All documents comprise the information required by listing rule 4.2A.

This information should be read in conjunction with the most recent annual financial report.

# **MILTON CORPORATION LIMITED**

ABN 18 000 041 421

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**ASX+MEDIA RELEASE**

**28 JANUARY 2010**

## **RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

Consistent with comments made by the chairman to the annual general meeting in October 2009 and with the market update in December 2009 Milton's Underlying Operating Profit after Tax<sup>(1)</sup> for the half year to 31 December 2009 was \$32.6 million (2008: \$41.4 million). A fully franked final dividend of 35 cents per share has been declared and will be paid on 3 March 2010 to shareholders on the register at close of business on 17 February 2010.

The Underlying Operating Profit after Tax, which is largely comprised of ordinary dividends and trust income received from Milton's long term investments in Australian listed companies and trusts, was affected by substantial dividend cuts from many of its investments.

Milton's managing director, Mr Frank Gooch said, "In the six months to 31 December 2009, most of the companies in Milton's portfolio reported their full year results and paid reduced final dividends. As expected, these final dividends were affected by a combination of factors such as lower earnings, increased shares on issue and a trend towards lower gearing."

The weighted average earnings per share, based on Underlying Operating Profit after Tax<sup>(1)</sup>, was 36 cents, which was 26.2% lower than the corresponding half year to 31 December 2008. The interim fully franked dividend of 35 cents per share is equal to the 2009 final dividend.

In addition to the Underlying Operating Profit, Milton received special dividends of \$2.3 million (2008: \$0.8 million), and had net realised gains from the disposal of investments of \$2.2 million (2008: gains of \$4.5 million). Including these items the net profit after tax was \$37.1 million for the half year ended 31 December 2009 (2008: \$45.8 million).

Special investment revenue was boosted by significant receipts of special dividends from Washington H Soul Pattinson and New Hope Corporation. This special investment revenue is excluded from underlying operating profit as it tends to be "one off" in nature.

Reduced corporate activity in the period resulted in lower realised capital gains. In the half year under review, Milton realised a gain from the takeover of Lion Nathan whereas in the previous corresponding half year there were realisations from the St George Bank merger with Westpac and the takeover of Just Group.

Milton was reasonably fully invested for most of the period however it did participate in a number of discounted issues with the larger ones being Campbell Brothers, Woodside Petroleum, Bank of Queensland and Bendigo and Adelaide Bank.

Milton's cash balances were boosted by \$63.5 million in October 2009 when more than 37% of shareholders participated in the issue of shares at \$16.08 per share under the Share Purchase Plan.

At 31 December 2009 Milton had net assets before provision for tax on unrealised capital gains of \$1.7 billion, which included current assets of \$150 million and investments in Australian listed companies and trusts valued at \$1.5 billion.

"After providing for the interim dividend payment of \$32.5 million, Milton had \$115 million in liquid assets available for future investment." Mr Gooch said.

"Whilst the market looks reasonably fully valued at present we will continue to be patient and seek to invest as opportunities arise," he added.

The net asset backing, before provision for tax on unrealised capital gains, at 31 December 2009 was \$18.37 per share, compared with \$15.11 per share at 30 June 2009.

Milton's Total Portfolio Return (TPR), which is net of administration costs and tax, for the ten years to 31 December 2009 was 11.7% per annum compounded. The All Ordinaries Accumulation Return, which has no allowance for management costs or tax, for the same period was 8.8% per annum compounded.

Milton is currently negotiating with two parties to acquire their unlisted investment companies. These companies are long term investors with portfolios that complement Milton's existing portfolio. If successful, Milton scrip will be issued after the dividend record date of 17 February 2010. Both acquisitions are expected to be net asset backing accretive after allowing for all costs.

Chairman of Milton, Mr. Millner said, "We expect most companies that report their results in February 2010 will at least maintain their interim dividend and, in the absence of unforeseen circumstances, the current intention is for Milton to at least maintain the fully franked final dividend of 35 cents per share."

- (1) Underlying Operating Profit after Tax is Net Profit after Tax but before special investment revenue after tax and after tax capital gains and losses on the investment portfolio.

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<b>ISSUED FOR</b>	<b>:</b>	<b>MILTON CORPORATION LIMITED</b>
<b>FOR FURTHER</b>		<b>MR FRANK GOOCH, MANAGING DIRECTOR</b>
<b>INFORMATION</b>	<b>:</b>	<b>MILTON CORPORATION LIMITED</b>
		<b>TEL: (02) 9993 0782 MOBILE: 0414 675 748</b>

## BACKGROUND

Milton is a listed investment company that was incorporated in 1938.

Milton invests for the long-term in well managed companies with a profitable history and the expectation of dividend growth, and its key objective is to pay increasing fully franked dividends per share.

Milton operates with an internal management structure and does not have an external manager. Hence the administration costs as a percentage of total assets remains low when compared to many externally managed entities.

Milton's management expense ratio (MER) at 31 December 2009 was 0.20 per cent per annum.

## MILTON'S TOTAL RETURNS

For the period ended 31 December 2009	TSR <sup>(1)</sup> % p.a.	TPR <sup>(2)</sup> % p.a.	All Ordinaries Accumulation Index % p.a.
10 years	12.0	11.7	8.8
5 years	7.1	7.0	8.2
3 years	-1.8	-	-0.6
1 year	31.6	34.2	39.6

(1) Total Shareholder Return (TSR) - Share price movement with dividends reinvested  
(2) Total Portfolio Return (TPR) - Net asset backing movement with dividends reinvested  
TPR is calculated after deducting all expenses, including income tax, and after allowing for tax paid on realised capital gains. This tends to understate the TPR when compared with Accumulation Index which is not affected by expenses or tax.

## MILTON'S INVESTMENT PROFILE

The 20 largest investments at 31 December 2009 are set out below.

COMPANY	MARKET VALUE \$'000	COMPANY	MARKET VALUE \$'000
Westpac Banking Corporation	216,405	Bendigo & Adelaide Bank	45,277
Commonwealth Bank	117,003	Woodside Petroleum	29,995
BHP Billiton	77,469	Brickworks	25,469
National Australia Bank	76,526	Rio Tinto	24,869
Washington H Soul Pattinson	65,770	QBE Insurance Group	24,578
Choiseul Investments	58,000	Perpetual	23,547
Wesfarmers	60,198	Telstra Corporation	22,733
Bank of Queensland	54,271	Leighton Holdings	22,388
Woolworths	51,739	Suncorp-Metway	20,330
Campbell Brothers	49,565	Total market value of Top 20	<u>1,115,405</u>
ANZ Banking Group	49,273	Total Assets	<u>1,709,693</u>

## CLASSIFICATION OF ASSETS

The following table shows assets at 31 December 2009 classified by Global Industry Classification Standard ("GICS") as adopted by the ASX.

CLASSIFICATION	TOTAL ASSETS %	CLASSIFICATION	TOTAL ASSETS %
Banks	32.9	Energy	2.9
Diversified financials	11.8	Real estate	2.2
Materials	10.7	Other shares	<u>4.8</u>
Consumer staples	8.6	Total shares	89.1
Industrials	8.2	Cash & liquid assets	8.5
Insurance	4.1	Other assets	<u>2.4</u>
Consumer discretionary	2.9	Total	100.0

# MILTON CORPORATION LIMITED

ABN 18 000 041 421

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## HALF-YEAR ENDED 31 DECEMBER 2009

### DIRECTORS' REPORT

The directors of Milton Corporation Limited ("Milton") present their report together with the consolidated financial statements for the half-year ended 31 December 2009 and the auditor's independent review report thereon.

#### DIRECTORS

The names of the directors of Milton in office during the half-year and up to the date of this report are:-

##### Name

Robert D. Millner (Chairman)

John N. Aitken, CA, F Fin

John F. Church, FCIS, F Fin

Graeme L. Crampton B.Ec, FCA, FAICD

Francis G. Gooch B.Bus, CPA (Managing Director)

Ian A. Pollard, BA (Macq), MA (Oxon), D Phil (IMC), FIA, FIAA

David F. Myles, FCA, FCPA was a director from the beginning of the half-year until his retirement on 8 October 2009.

#### REVIEW OF OPERATIONS

Operating profit after tax but before special investment revenue and realised capital gains was down 21.2% to \$32,659,000.

Profit after tax including special dividends, realised gains on investments and unrealised impairment losses was \$37,123,000 representing a decrease of 19.0% over the previous corresponding half-year.

In October 2009, 3,953,829 ordinary shares were issued to shareholders under the Share Purchase Plan at \$16.08 per share raising \$63.6 million.

#### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

#### ROUNDING OFF

Milton is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed on behalf of the board in accordance with a resolution of the directors.



R.D. Millner  
Chairman

Sydney, 28 January 2010

**Milton Corporation Limited**  
**Consolidated income statement**  
**for the half-year ended 31 December 2009**

		Half-year	
	Notes	2009 \$'000	2008 \$'000
Operating revenue	2a	35,213	44,425
Share of net profits of joint ventures - equity accounted	5	1,298	197
Operating expenses	3a	(1,647)	(1,563)
Finance costs		-	(200)
<b>Operating profit before income tax expense, special investment revenue and realised gains and losses</b>		<b>34,864</b>	42,859
Income tax expense thereon*		(2,205)	(1,404)
<b>Operating profit before special investment revenue and realised gains and losses</b>		<b>32,659</b>	41,455
Special investment revenue before tax	2b	2,303	814
Income tax expense thereon*		-	(15)
		<b>2,303</b>	799
<b>Operating profit before realised gains and losses</b>		<b>34,962</b>	42,254
Realised gains on investments before tax		2,993	7,346
Income tax expense thereon*		(832)	(2,849)
<b>Net realised gains on investments</b>	7b	<b>2,161</b>	4,497
Unrealised impairment losses before tax		-	(1,294)
Income tax benefit thereon*		-	388
Net unrealised impairment losses		-	(906)
<b>Profit attributable to shareholders of Milton</b>		<b>37,123</b>	45,845
*Total income tax expense		(3,037)	(3,880)
Basic and diluted earnings per share including after tax special investment revenue, realised gains and losses and impairment losses (cents)		<b>40.9</b>	53.9
Basic and diluted earnings per share based on operating profit before special investment revenue, realised gains and losses and impairment losses (cents)		<b>36.0</b>	48.8

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

**Milton Corporation Limited**  
**Consolidated statement of comprehensive income**  
**for the half-year ended 31 December 2009**

	Notes	Half-year	
		2009 \$'000	2008 \$'000
<b>Profit attributable to shareholders of Milton</b>		<b>37,123</b>	45,845
Other comprehensive income			
Revaluation (devaluation) of investments		<b>302,473</b>	(385,716)
Provision for tax (expense) benefit on revaluation (devaluation) of investments		<b>(90,693)</b>	110,383
Net realised gains on investments transferred to the income statement from the asset revaluation reserve		<b>(2,161)</b>	(4,497)
Net unrealised impairment losses transferred to the income statement from the asset revaluation reserve		-	906
Other comprehensive income (loss) net of income tax		<b>209,619</b>	(278,924)
<b>Total comprehensive income (loss) attributable to shareholders of Milton</b>		<b>246,742</b>	<b>(233,079)</b>

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

**Milton Corporation Limited**  
**Consolidated statement of financial position**  
**as at 31 December 2009**

	<b>31 December 2009 \$'000</b>	30 June 2009 \$'000
<b>Current assets</b>		
Cash and cash equivalents	129,972	66,503
Receivables	2,715	14,224
Other financial assets	17,206	15,609
<b>Total current assets</b>	<u>149,893</u>	<u>96,336</u>
<b>Non-current assets</b>		
Receivables	2,777	2,827
Investments	1,540,304	1,225,868
Joint ventures – equity accounted	15,501	14,203
Plant and equipment	120	127
Deferred tax assets	1,098	1,184
<b>Total non-current assets</b>	<u>1,559,800</u>	<u>1,244,209</u>
<b>Total assets</b>	<u>1,709,693</u>	<u>1,340,545</u>
<b>Current liabilities</b>		
Payables	96	1,163
Current tax liabilities	1,217	682
Provisions	113	215
<b>Total current liabilities</b>	<u>1,426</u>	<u>2,060</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	185,032	94,370
Provisions	406	392
<b>Total non-current liabilities</b>	<u>185,438</u>	<u>94,762</u>
<b>Total liabilities</b>	<u>186,864</u>	<u>96,822</u>
<b>Net assets</b>	<u>1,522,829</u>	<u>1,243,723</u>
<b>Shareholders equity</b>		
Issued capital	889,652	826,141
Reserves	515,960	325,921
Retained profits	117,217	91,661
<b>Total equity attributable to shareholders of Milton</b>	<u>1,522,829</u>	<u>1,243,723</u>
Net tangible assets per share before provision for tax on unrealised capital gains	<b>\$18.37</b>	\$15.11
Net tangible assets per share after provision for tax on unrealised capital gains	<b>\$16.38</b>	\$13.98

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



**Milton Corporation Limited**  
**Consolidated statement of changes in equity**  
**for the half-year ended 31 December 2009**

	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
<b>Comprehensive Income:</b>					
Net profit				37,123	37,123
Net realised gains			(2,161)		(2,161)
Net revaluation of investments			211,780		211,780
<b>Total comprehensive income for the half-year</b>			<b>209,619</b>	<b>37,123</b>	<b>246,742</b>
Net realised gains/losses transferred to capital profits reserve		(160)		160	
Transfer to asset revaluation reserve		(2,105)	2,105		
Transactions with shareholders in their capacity as shareholders					
Share issues net of transaction costs	63,511				63,511
Dividends paid				(31,147)	(31,147)
<b>Balance at 31 December 2009</b>	<b>889,652</b>	<b>70,280</b>	<b>445,680</b>	<b>117,217</b>	<b>1,522,829</b>
Balance at 1 July 2008	763,770	85,091	460,134	110,317	1,419,312
<b>Comprehensive Income:</b>					
Net profit				45,845	45,845
Net realised gains			(4,497)		(4,497)
Net unrealised impairment losses			906		906
Net devaluation of investments			(275,333)		(275,333)
<b>Total comprehensive income for the half-year</b>			<b>(278,924)</b>	<b>45,845</b>	<b>(233,079)</b>
Net realised gains/losses transferred to capital profits reserve		4,497		(4,497)	
Transactions with shareholders in their capacity as shareholders					
Share issues net of transaction costs	15,520				15,520
Dividends paid		(10,147)		(34,670)	(44,817)
<b>Balance at 31 December 2008</b>	<b>779,290</b>	<b>79,441</b>	<b>181,210</b>	<b>116,995</b>	<b>1,156,936</b>

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

**Milton Corporation Limited**  
**Consolidated statement of cash flows**  
**for the half-ended 31 December 2009**

	Half-year	
	2009	2008
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Dividends received	41,680	56,352
Interest received	1,875	3,107
Other receipts in the course of operations	837	595
Proceeds from sales of assets held for resale	8,909	328
Payments for assets held for resale	(8,056)	(688)
Finance costs paid	(61)	(232)
Other payments in the course of operations	(1,873)	(1,893)
Income taxes paid	(1,585)	(8,577)
<b>Net cash provided by operating activities</b>	<u>41,726</u>	<u>48,992</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of investments	11,522	7,771
Payments for investments	(24,288)	(13,620)
Payments for plant and equipment	-	(8)
Loans repaid (advanced to) by other entities	1,944	1,090
<b>Net cash used in investing activities</b>	<u>(10,822)</u>	<u>(4,767)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	63,578	15,564
Payments for issue of shares	(95)	(62)
Proceeds from borrowings	229	-
Repayment of borrowings	-	(2,848)
Ordinary dividends paid	(31,147)	(38,052)
Special dividends paid	-	(6,765)
<b>Net cash (used in) provided by financing activities</b>	<u>32,565</u>	<u>(32,163)</u>
<b>Net increase in cash assets held</b>	<b>63,469</b>	<b>12,062</b>
<b>Cash assets at the beginning of the half-year</b>	<u>66,503</u>	<u>65,343</u>
<b>Cash assets at the end of the half-year</b>	<u>129,972</u>	<u>77,405</u>

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

**Milton Corporation Limited**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2009**

**1. Statement of significant accounting policies**

**a. Basis of preparation**

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, and other applicable Australian Accounting Standards (including Australian Accounting Interpretations).

These half-year financial statements do not include all the notes of the type normally included in an annual financial report. It is recommended that these half-year financial statements be read in conjunction with the 30 June 2009 annual financial report and any public announcements made by Milton and its controlled entities during the half-year in accordance with any continuous disclosure requirements arising under 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 investments which are recorded at fair value.

These consolidated half-year financial statements were approved by the Board of Directors on 28 January 2010.

This financial report is 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.

The accounting policies have been consistently applied by Milton and its consolidated entities and are consistent with those applied in the 30 June 2009 annual financial report, except for the early adoption of accounting standard, AASB 9 – Financial instruments.

**AASB 9 - Financial instruments**

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

Investments continue to be valued at fair value with changes in value being recognised in the asset revaluation reserve. Consequently adoption of AASB 9 has no effect on the valuation of Milton's net assets.

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

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

**Restatement of comparatives at 30 June 2009**

	<b>Balance previously reported 30 June 2009 \$'000</b>	<b>Impairment losses reversed \$'000</b>	<b>Balance restated 30 June 2009 \$'000</b>
Asset revaluation reserve	253,376	(19,420)	233,956
Retained profits	91,661	19,420	111,081

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

### b. Investments

Investments are long term holdings of equity instruments which are recognised at fair value 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.

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 returns of capital and not as dividends.

### c. Operating segments

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

	Half-Year	
	2009	2008
	\$'000	\$'000
<b>2. Revenue</b>		
<b>a. Ordinary revenue</b>		
Dividends – franked	26,974	36,996
Dividends – unfranked	1,926	2,098
Interest	2,264	3,351
Trust distributions	1,515	1,446
Net realised gains on trading portfolio	1,433	172
Other revenue	1,101	362
	<u>35,213</u>	<u>44,425</u>
<b>b. Special investment revenue</b>		
Dividends – franked	2,303	763
Trust distributions	-	51
	<u>2,303</u>	<u>814</u>
<b>3. Expenses (excluding finance costs)</b>		
<b>a. Operating expenses</b>		
Employment and administration	1,578	1,414
Occupancy	57	132
Depreciation	12	17
	<u>1,647</u>	<u>1,563</u>
<b>b. Movements in provisions included in expense</b>		
Employee benefits	<u>22</u>	<u>23</u>

		Half-Year	
		2009	2008
		\$'000	\$'000
<b>4. Ordinary fully franked dividends</b>			
<b>a. Recognised in the half-year</b>			
A final dividend in respect of the 2009 year of 35 cents per share paid on 11 September 2009 (2008: a final dividend in respect of the 2008 year of 45 cents per share paid on 3 September 2008)		<u>31,147</u>	<u>38,052</u>
(2008: a special dividend in respect of the 2008 year of 8 cents per share paid on 3 September 2008)		<u>-</u>	<u>6,765</u>
<b>b. Not recognised in the current half-year</b>			
Since the end of the half-year, the directors declared an interim dividend of 35 cents per share payable on 3 March 2010 (2008: an interim dividend of 43 cents per share paid on 3 March 2009)		<u>32,530</u>	<u>36,736</u>
<b>5. Contribution from joint venture entities</b>			
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.			
The group has interests in the following joint venture entities:			
33.33% interest in the Ellenbrook Syndicate Joint Venture			
- contribution to operating profit before tax		1,154	220
23.33% interest in The Mews Joint Venture			
- contribution to operating profit before tax		<u>144</u>	<u>(23)</u>
		<u>1,298</u>	<u>197</u>
<b>6. Issued capital</b>			
Total issued shares at 31 December 2009 were 92,942,569 (2008: 85,432,782). During the half-year ended 31 December 2009, Milton issued 3,953,829 fully paid ordinary shares for cash at a total value of \$63,511,000 after costs of issue through the Share Purchase Plan. (2008: Milton issued 871,945 fully paid ordinary shares for cash at a total value of \$15,520,000 after costs of issue through the Share Purchase Plan).			
<b>7. Reserves</b>			
<b>a. Movements in capital profits reserve</b>			
Balance at the beginning of the half-year		72,545	85,091
Transfer from retained profits		(160)	4,497
Transfer to asset revaluation reserve		(2,105)	-
LIC dividends paid		-	(10,147)
Balance at the end of the half-year		<u>70,280</u>	<u>79,441</u>
<b>b. Movements in asset revaluation reserve</b>			
Balance at the beginning of the half-year		233,956	460,134
Net revaluation (devaluation) of investments		211,780	(275,333)
Net realised gains transferred to the income statement		(2,161)	(4,497)
Transfer from capital profits reserve		2,105	-
Net unrealised impairment losses transferred to the income statement		-	906
Balance at the end of the half-year		<u>445,680</u>	<u>181,210</u>

	<b>Half-Year</b>	
	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
<b>8. Retained profits</b>		
Balance at the beginning of the half-year	111,081	110,317
Profit attributable to shareholders of Milton for the half-year	37,123	45,845
Net realised gains/losses transferred to capital profits reserve	160	(4,497)
Dividends paid	<u>(31,147)</u>	<u>(34,670)</u>
Balance at the end of the half-year	<u>117,217</u>	<u>116,995</u>
	<b>31 December</b>	30 June
	<b>2009</b>	2009
	<b>\$'000</b>	\$'000
<b>9. Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments net of realised capital losses	184,515	93,822
Amounts recognised in profit:		
Unrealised gains on trading securities	-	31
Income receivable which is not assessable for tax until receipt	<u>517</u>	<u>517</u>
	<u>185,032</u>	<u>94,370</u>

**10. Acquisition and disposal of controlled entities**

There were no controlled entities acquired or disposed of during the half-year ended 31 December 2009.

**11. Contingencies and Capital Commitments**

At 31 December 2009 the directors are not aware of any material contingent liabilities, contingent assets or capital commitments.

**12. Events subsequent to balance date**

Milton is currently negotiating terms to acquire two unlisted investments companies. These companies are long-term investors with investment philosophies similar to Milton's.

The terms will ensure that each acquisition is earnings per share accretive and net asset backing accretive. The consideration for these acquisitions will be satisfied through the issue of Milton shares which will not be eligible to participate in the interim dividend to be paid on 3 March 2010.

Apart from the above there has been no transaction or event since 31 December 2009 to the date of this report of which the directors are aware that has had a material effect on Milton or its financial position.

# MILTON CORPORATION LIMITED

ABN 18 000 041 421

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## HALF-YEAR ENDED 31 DECEMBER 2009

### DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on pages 6 to 14 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



R.D. Millner  
Chairman

Sydney, 28 January 2010

**Auditor's Independence Declaration  
to the Directors of Milton Corporation Limited  
and its Controlled Entities**

As lead auditor for the review of Milton Corporation Limited and its Controlled Entities for the half year ended 31 December 2009, 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 review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Milton Corporation Limited and its Controlled Entities during the period.



**Moore Stephens Sydney**  
Chartered Accountants



**Martin J. (Joe) Shannon**  
Partner

Dated in Sydney this 28<sup>th</sup> day of January 2010.



**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF MILTON CORPORATION LIMITED  
AND ITS CONTROLLED ENTITIES**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Milton Corporation Limited (Milton) and its Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, the accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Milton and the entities it controlled at half year's end or from time to time during the half year.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*. As the auditor of Milton Corporation Limited and its Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

### **Independence**

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

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Milton Corporation Limited and its Controlled Entities is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*.

*Moore Stephens Sydney*

**Moore Stephens Sydney**  
Chartered Accountants

*Martin J. Shannon*

**Martin J. (Joe) Shannon**  
Partner

Dated in Sydney, the 28<sup>th</sup> day of January 2010