

# MILTON CORPORATION LIMITED

ABN 18 000 041 421

## APPENDIX 4D – HALF YEAR REPORT RESULTS FOR ANNOUNCEMENT TO THE MARKET HALF-YEAR ENDED 31 DECEMBER 2011

(Comparative figures being the half-year ended 31 December 2010)

			<u>\$'000</u>
<b>Revenue:</b>			
Operating revenue	Up 23.3%	to	56,418
Special investment revenue	Down 79.3%	to	647
<b>Profits:</b>			
Profit after tax (before special investment revenue )	Up 26.4%	to	53,984
Special investment revenue after tax	Down 79.1%	to	647
Profit attributable to shareholders of Milton	Up 19.3%	to	<u>54,631</u>
<b>Earnings per share:</b>			
Basic and diluted earnings per share based on profit attributable to shareholders of Milton	Up 0.5%	to	44.92
Basic and diluted earnings per share based on profit after tax <u>before</u> special investment revenue after tax	Up 6.5%	to	44.39
<b>Dividend per ordinary share:</b>			
Interim fully franked dividend	Up 2.7%	to	38.0
Record date for interim dividend is 15 February 2012			
Payment date is 29 February 2012			

### Net Tangible Asset Backing per Share

Net tangible asset backing per share before provision for tax on unrealised capital gains was \$16.08 as at 31 December 2011, compared with \$17.39 as at 31 December 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**

*A.B.N. 18 000 041 421*

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## **ASX+MEDIA RELEASE**

**24 JANUARY 2012**

### **MILTON INCREASES HALF YEAR PROFIT AND LIFTS INTERIM DIVIDEND**

Listed investment company, Milton Corporation Limited, reported an increased half year net profit of \$54.6 million and the fully franked interim dividend has been raised to 38 cents per share (2011: 37 cents per share).

Milton's managing director, Mr Frank Gooch, said, "Dividends are a critical component of investors' returns and we are pleased to lift the fully franked ordinary interim dividend to our shareholders."

The main driver of the result was the increased ordinary investment income of \$52.7 million which was derived from Milton's \$1.8 billion, long term investment portfolio. This investment portfolio was expanded in December 2010 through the merger with Choiseul Investments Limited.

"Milton's larger investments performed well during the half with increases in ordinary dividends from Westpac, Commonwealth Bank of Australia, Washington H Soul Pattinson, BHP Billiton, National Australia Bank, Campbell Bothers and Bank of Queensland," Mr Gooch said.

"I think this result demonstrates the benefit of Milton's long held investment philosophy which is to be a long term owner of well managed companies that reward shareholders with dividends," he added.

The half year net profit included special investment revenue of \$0.6 million which was significantly less than the \$3.1 million included in the net profit of the prior corresponding half year. As the amount of special income can vary from year to year Milton's directors prefer to use underlying operating profit, which excludes special investment income, as the key performance indicator and to determine the ordinary dividend.

Underlying operating profit for the half year was \$54 million some 26.4% higher than the previous corresponding half. With additional shares on issue following the merger with Choiseul, Milton's weighted average earnings per share, based on the underlying operating profit, grew by 6.5% to 44.4 cents per share.

This enabled directors to declare an increased fully franked interim dividend of 38 cents per share. The interim dividend will be paid on 29 February 2012 to shareholders on the register on 15 February 2012.

At 31 December 2011 Milton's net tangible assets per share, before provision for tax on unrealised capital gains (NTA), were \$16.08 compared with \$17.36 at 30 June 2011. The 7.4% reduction in Milton's NTA compares with an 11.8% drop in the All Ordinaries Index.

Milton's total assets at 31 December 2011 comprised the investment portfolio valued at \$1,771 million, cash and liquids of \$162 million and other assets of \$26 million.

Mr Gooch said "Milton is reasonably fully invested however it does have sufficient cash to enable it to participate in further opportunities as they arise."

Over the last six months the equity market has continued to be volatile and this has provided opportunities to add to the company's investments in sound dividend paying companies. Milton invested \$31 million in 44 companies over the six months to 31 December 2011. The larger investments were in AGL Energy, BHP Billiton, Cardno, Coca-Cola Amatil, Telstra, UGL, Wesfarmers and Woolworths.

In the same period Milton received \$27 million as consideration for the takeovers of its holdings in Coal and Allied, Fosters' Group and Macarthur Coal.

Global events are likely to continue to influence the Australian equity markets for the foreseeable future and we would expect the equity market to remain volatile until there is some certainty over the resolution of the European debt issues and its likely impact on global economic growth.

Milton's efforts are directed at identifying those companies that are expected to continue to pay dividends even as the domestic economy slows and it will continue to invest in these companies at appropriate prices for the long term benefit of Milton and its shareholders.

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**ISSUED FOR :** MILTON CORPORATION LIMITED

**FOR FURTHER INFORMATION :** MR FRANK GOOCH, MANAGING DIRECTOR  
MILTON CORPORATION LIMITED  
TEL: (02) 9993 0782 MOBILE: 0414 675 748

## 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 average total assets (MER) remains low when compared to many externally managed entities.

Milton's MER at 31 December 2011 was 0.16 per cent per annum.

## MILTON'S 20 LARGEST INVESTMENTS

The 20 largest investments at 31 December 2011 are set out below.

COMPANY	MARKET VALUE \$ m	COMPANY	MARKET VALUE \$ m
Westpac Banking Corporation	208.4	Telstra Corporation	36.6
Commonwealth Bank of Australia	148.3	QBE Insurance	35.0
Washington H Soul Pattinson	125.8	Brickworks	35.0
BHP Billiton	110.2	AGL Energy	28.2
Campbell Brothers	106.2	Rio Tinto	27.2
National Australia Bank	101.6	Woodside Petroleum	24.2
Wesfarmers	83.6	Suncorp-Metway	23.7
Woolworths	64.6	Metcash	18.9
Australia & New Zealand Banking Group	58.1	CSL	18.8
Bendigo and Adelaide Bank	45.8	Total market value of Top 20	1,343.0
Bank of Queensland	42.8	Total Assets	1,959.0

## CLASSIFICATION OF ASSETS

The following table shows assets at 31 December 2011 classified by Global Industry Classification Standard ("GICS") as adopted by the ASX.

CLASSIFICATION	TOTAL ASSETS %	CLASSIFICATION	TOTAL ASSETS %
Banks	31.2	Real estate	2.1
Materials	11.1	Telecommunication	2.1
Diversified financials	10.3	Healthcare	2.0
Consumer staples	9.6	Other shares	5.7
Commercial services	6.0	Cash	8.3
Insurance	4.6	Other assets	1.3
Energy	3.1		
Capital goods	2.6	Total	100.0

# MILTON CORPORATION LIMITED

ABN 18 000 041 421

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## HALF-YEAR ENDED 31 DECEMBER 2011

### 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 2011 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, FAICD (Chairman)

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

Kevin J. Eley, CA, F Fin was appointed a director on 1 December 2011 and continues in office at the date of this report.

John N. Aitken, CA, F Fin was a director from the beginning of the half-year until his retirement on 13 October 2011.

#### REVIEW OF OPERATIONS

Profit attributable to shareholders of Milton was \$54,631,000 representing an increase of 19.3% over the previous corresponding half-year.

The main driver of the result was the increased ordinary investment income of \$52.7 million which was derived from Milton's \$1.8 billion, long term investment portfolio. This investment portfolio was expanded in December 2010 through the merger with Choiseul Investments Limited.

Milton's larger investments performed well during the half with increases in ordinary dividends from Westpac, Commonwealth Bank of Australia, Washington H Soul Pattinson, BHP Billiton, National Australia Bank, Campbell Bothers and Bank of Queensland.

The half year net profit included special investment revenue of \$0.6 million which was significantly less than the \$3.1 million included in the net profit of the prior corresponding half year.

Over the last six months the equity market has continued to be volatile and this has provided opportunities to add to the company's investments in sound dividend paying companies. Milton invested \$31 million in 44 companies over the six months to 31 December 2011. The larger investments were in AGL Energy, BHP Billiton, Cardno, Coca-Cola Amatil, Telstra, UGL, Wesfarmers and Woolworths.

In the same period Milton received \$27 million as consideration for the takeovers of its holdings in Coal and Allied, Fosters' Group and Macarthur Coal.

## **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.

A handwritten signature in black ink, appearing to be 'R.D. Millner', with a long horizontal line extending to the right.

R.D. Millner  
Chairman

Sydney, 24 January 2012

**Milton Corporation Limited**  
**Consolidated income statement**  
**for the half-year ended 31 December 2011**

	Notes	Half-year 2011 \$'000	2010 \$'000
Ordinary dividends and distributions		52,746	42,003
Special dividends and distributions		647	3,122
Interest		3,511	3,263
Net (losses) gains on trading portfolio		(24)	227
Other revenue		185	261
Share of net profits of joint ventures – equity accounted	3	2,798	809
Income from operating activities		59,863	49,685
Administration expenses			
Employment and administration		1,462	1,438
Occupancy		128	120
Depreciation		21	12
Acquisition related costs of subsidiaries		-	275
		1,611	1,845
<b>Profit before income tax expense</b>		<b>58,252</b>	<b>47,840</b>
Income tax expense thereon		(3,621)	(2,033)
<b>Profit attributable to shareholders of Milton</b>		<b>54,631</b>	<b>45,807</b>
		<b>Cents</b>	Cents
Basic and diluted earnings per share		<b>44.92</b>	44.71

*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 2011**

	Half-year	
	2011	2010
	\$'000	\$'000
<b>Profit attributable to shareholders of Milton</b>	<b>54,631</b>	45,807
Other comprehensive income net of income tax		
(Devaluation) revaluation of investments	<b>(156,707)</b>	114,021
Provision for tax benefit (expense) on (devaluation) revaluation of investments	<b>46,753</b>	(33,480)
Reduction of deferred tax on Choiseul consolidation	-	10,323
	<hr/>	<hr/>
Other comprehensive (loss) income net of income tax	<b>(109,954)</b>	90,864
	<hr/>	<hr/>
<b>Total comprehensive (loss) income attributable to shareholders of Milton</b>	<b>(55,323)</b>	136,671

*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 2011**

	<b>31 December 2011 \$'000</b>	30 June 2011 \$'000
<b>Current assets</b>		
Cash	148,546	127,479
Receivables	3,164	19,188
Other financial assets	<u>14,134</u>	<u>15,889</u>
<b>Total current assets</b>	<u>165,844</u>	<u>162,556</u>
<b>Non-current assets</b>		
Receivables	3,505	2,947
Investments	1,770,755	1,928,404
Joint ventures – equity accounted	17,830	18,277
Plant and equipment	69	113
Deferred tax assets	<u>912</u>	<u>1,067</u>
<b>Total non-current assets</b>	<u>1,793,071</u>	<u>1,950,808</u>
<b>Total assets</b>	<u>1,958,915</u>	<u>2,113,364</u>
<b>Current liabilities</b>		
Payables	700	188
Current tax liabilities	1,894	1,075
Provisions	<u>99</u>	<u>89</u>
<b>Total current liabilities</b>	<u>2,693</u>	<u>1,352</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	104,849	151,792
Provisions	<u>391</u>	<u>400</u>
<b>Total non-current liabilities</b>	<u>105,240</u>	<u>152,192</u>
<b>Total liabilities</b>	<u>107,933</u>	<u>153,544</u>
<b>Net assets</b>	<u>1,850,982</u>	<u>1,959,820</u>
<b>Shareholders' equity</b>		
Issued capital	1,373,857	1,373,857
Capital profits reserve	99,927	99,084
Asset revaluation reserve	230,734	341,531
Retained profits	<u>146,464</u>	<u>145,348</u>
<b>Total equity attributable to shareholders of Milton</b>	<u>1,850,982</u>	<u>1,959,820</u>

*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 2011**

	Issued capital \$'000	Capital profits reserve \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total shareholders equity \$'000
<b>Balance at 1 July 2011</b>	<b>1,373,857</b>	<b>99,084</b>	<b>341,531</b>	<b>145,348</b>	<b>1,959,820</b>
<b>Profit</b>	-	-	-	<b>54,631</b>	<b>54,631</b>
<b>Other comprehensive income:</b>					
<b>Net devaluation of investments</b>	-	-	<b>(109,954)</b>	-	<b>(109,954)</b>
<b>Total comprehensive income for the half-year</b>	-	-	<b>(109,954)</b>	<b>54,631</b>	<b>(55,323)</b>
<b>Net realised gains</b>	-	<b>843</b>	<b>(843)</b>	-	-
<b>Transactions with shareholders in their capacity as shareholders:</b>					
<b>Dividends paid</b>	-	-	-	<b>(53,515)</b>	<b>(53,515)</b>
<b>Balance at 31 December 2011</b>	<b>1,373,857</b>	<b>99,927</b>	<b>230,734</b>	<b>146,464</b>	<b>1,850,982</b>
Balance at 1 July 2010	963,192	70,080	318,373	120,663	1,472,308
Profit	-	-	-	45,807	45,807
Other comprehensive income:					
Net revaluation of investments	-	-	80,541	-	80,541
Reduction of deferred tax on Choiseul consolidation	-	10,323	-	-	10,323
<b>Total comprehensive income for the half-year</b>	-	<b>10,323</b>	<b>80,541</b>	<b>45,807</b>	<b>136,671</b>
<b>Net realised gains</b>	-	<b>185</b>	<b>(185)</b>	-	-
<b>Gain on initial investment on Choiseul consolidation</b>	-	<b>28,680</b>	<b>(28,680)</b>	-	-
<b>Transactions with shareholders in their capacity as shareholders:</b>					
Share issues	410,665	-	-	-	410,665
LIC dividends paid	-	(1,941)	-	-	(1,941)
Dividends paid/payable	-	-	-	(69,199)	(69,199)
<b>Balance at 31 December 2010</b>	<b>1,373,857</b>	<b>107,327</b>	<b>370,049</b>	<b>97,271</b>	<b>1,948,504</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 2011**

	Half-year	
	2011	2010
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Dividends and distributions received	69,224	59,207
Interest received	3,820	3,843
Distributions received from joint venture entities	3,613	850
Other receipts in the course of operations	185	276
Proceeds from sales of trading securities	1,045	575
Payments for trading securities	(1,077)	-
Other payments in the course of operations	(1,880)	(1,556)
Income taxes paid	(2,803)	(2,027)
<b>Net cash provided by operating activities</b>	<b>72,127</b>	<b>61,168</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of investments	34,266	14,483
Payments for investments	(31,487)	(15,411)
Payments for joint ventures	(368)	(1,484)
Cash on acquisition of subsidiaries	-	47,078
Payments for acquisition of subsidiaries	-	(275)
Payments of pre acquisition liabilities of subsidiary	-	(26,368)
Loans repaid by (advanced to) other entities	44	(1,024)
<b>Net cash provided by investing activities</b>	<b>2,455</b>	<b>16,999</b>
<b>Cash flows from financing activities</b>		
Payments for issue of shares	-	(165)
Ordinary dividends paid	(47,434)	(34,946)
Special dividends paid	(6,081)	-
<b>Net cash used in financing activities</b>	<b>(53,515)</b>	<b>(35,111)</b>
<b>Net increase in cash assets held</b>	<b>21,067</b>	<b>43,056</b>
<b>Cash assets at the beginning of the half-year</b>	<b>127,479</b>	<b>100,637</b>
<b>Cash assets at the end of the half-year</b>	<b>148,546</b>	<b>143,693</b>

*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 consolidated financial statements**  
**for the half-year ended 31 December 2011**

**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 2011 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 24 January 2012.

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 2011 annual financial report.

**b. Investments**

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".

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	
	2011 \$'000	2010 \$'000
<b>2. Ordinary and Special fully franked dividends</b>		
<b>a. Recognised in the half-year</b>		
A final ordinary dividend in respect of the 2011 year of 39 cents per share paid on 20 September 2011. (2010: a final ordinary dividend in respect of the 2010 year of 36 cents per share paid on 1 September 2010)	47,434	34,946
A special dividend in respect of the 2011 year of 5 cents per share paid on 20 September 2011 (2010: nil)	6,081	-
(2010: An interim ordinary dividend of 37 cents per share paid on 5 January 2011)	-	36,194
	<b>53,515</b>	<b>71,140</b>
<b>b. Not recognised in the current half-year</b>		
Since the end of the half year, the directors declared an interim dividend of 38 cents per share payable on 29 February 2012. (2010:nil)	<b>46,218</b>	-
<b>3. Contribution from joint venture entities</b>		
<b>Details of 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.		
<b>Contribution from joint venture entities</b>		
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	2,773	684
23.33% interest in the Mews Joint Venture contribution to operating profit before tax	25	125
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture	-	-
Share of net profits of joint ventures	<b>2,798</b>	<b>809</b>
	<b>31 December 2011 \$'000</b>	<b>30 June 2011 \$'000</b>
<b>4. Issued capital</b>		
<b>Movement in share capital</b>		
Balance at 1 July 2011: 121,625,655 shares (1 July 2010: 97,075,280 shares)	1,373,857	963,192
(2010: 26,250,375 shares issued as consideration for acquisitions)	-	439,341
(2010: cancellation of 1,700,000 shares in Milton held by Choiseul <sup>(1)</sup> )	-	(28,560)
Share issue costs net of tax	-	(116)
Balance at 31 December 2011: 121,625,655 shares (30 June 2011: 121,625,655 shares)	<b>1,373,857</b>	<b>1,373,857</b>

<sup>(1)</sup> 1,700,000 shares held by Choiseul Investments Limited (Choiseul) in Milton were cancelled through a selective capital reduction approved at Milton's annual general meeting held on 13 October 2011.

<b>31 December</b>	30 June
<b>2011</b>	2011
<b>\$'000</b>	\$'000

**5. Deferred tax liabilities**

The balance comprises temporary differences attributable to:

Amounts recognised directly in equity:

Revaluation of investments	<b>101,361</b>	147,365
Realised capital losses	<b>(13,607)</b>	(12,860)

Amounts recognised in profit:

Realised capital gains	<b>832</b>	832
Income receivable which is not assessable for tax until receipt	<b>16,263</b>	16,455

<b>104,849</b>	<b>151,792</b>
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**6. Acquisition and disposal of controlled entities**

**a. Acquisition of subsidiaries**

During the half-year ended 31 December 2011 there were no acquisitions of subsidiaries.

**Previous comparative period – 31 December 2010**

In August 2010 Milton acquired 100% of the shares in an unlisted investment company and in December 2010 Milton increased its ownership of Choiseul to 100% when it acquired 88.1% of the issued capital of Choiseul.

Choiseul contributed revenues of \$893,000 and net profit of \$590,000 to the group for the period from 3 December 2010 to 31 December 2010. If the merger with Choiseul had occurred on 1 July 2010 consolidated revenue and consolidated profit for the half-year ended 31 December 2010 would have been \$56,696,000 and \$51,190,000 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.

Details of these acquisitions were disclosed in note 22b on page 40 of Milton's annual report for the year ended 30 June 2011.

**b. Disposal of subsidiaries**

In November 2011 Choiseul was placed into voluntary liquidation.

(2010: The unlisted investment company referred to in note 6a was placed into voluntary liquidation).

**7. Contingencies and capital commitments**

At 31 December 2011 the directors are not aware of any material contingent liabilities, contingent assets or capital commitments.

**8. Events subsequent to balance date**

There has been no transaction or event since 31 December 2011 to the date of this report of which the directors are aware that has had a material affect on Milton or its financial position.

# MILTON CORPORATION LIMITED

ABN 18 000 041 421

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## HALF-YEAR ENDED 31 DECEMBER 2011

### DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on pages 7 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 2011 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, 24 January 2012

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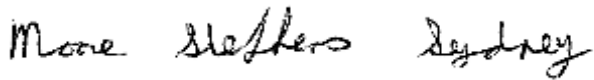
[www.moorestephens.com.au](http://www.moorestephens.com.au)

**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 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 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 24<sup>th</sup> day of January 2012.



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**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 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of significant 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 2011 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.

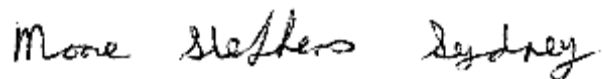
**Independence**

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 2011 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**  
Chartered Accountants



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

Dated in Sydney, the 24<sup>th</sup> day of January 2012.