MILTON CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

ANNUAL REPORT 2010

Profile

Milton is a listed investment company incorporated in 1938 and listed on the Sydney Stock Exchange in 1958. Milton's market capitalisation was $1.6 billion at 30 June 2010.

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' investment.

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, fixed interest securities and liquid assets such as cash and term deposits.

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

Investment portfolio

Milton's investment portfolio has been accumulated over many years through the consistent application of its investment philosophy and consequently the portfolio is not aligned with any stock exchange index. A list of investments by sector commences on page 7 and the asset composition 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 acquisition costs of subsidiaries.

Internal management

Milton's executives manage the company and its investments to maximise returns to its shareholders. Their focus is on operating efficiently to meet Milton's objective. This internal management structure helps to maintain low operating costs.

Share issues

Shareholders have been able to increase their holdings, at a discount to the market price, by participating in the Share Purchase Plan (SPP), which was introduced in 1999. In addition, Milton has issued shares for the acquisition of both listed and unlisted companies.

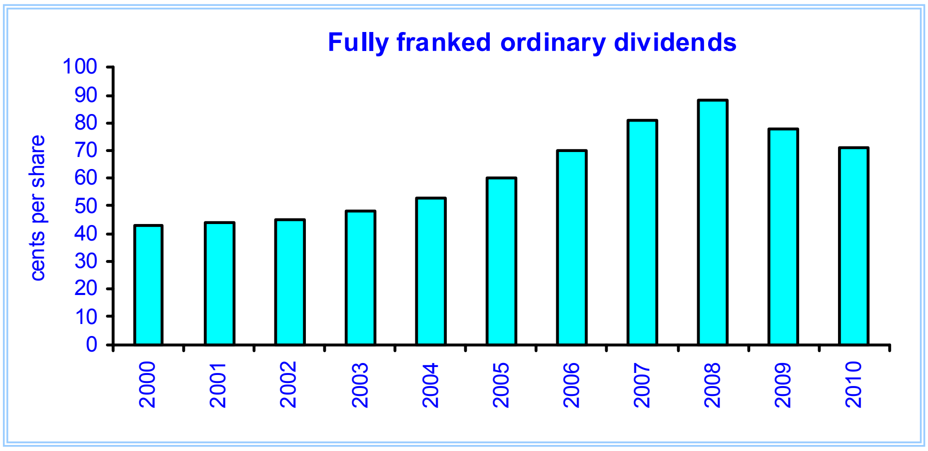
Contents

Calendar

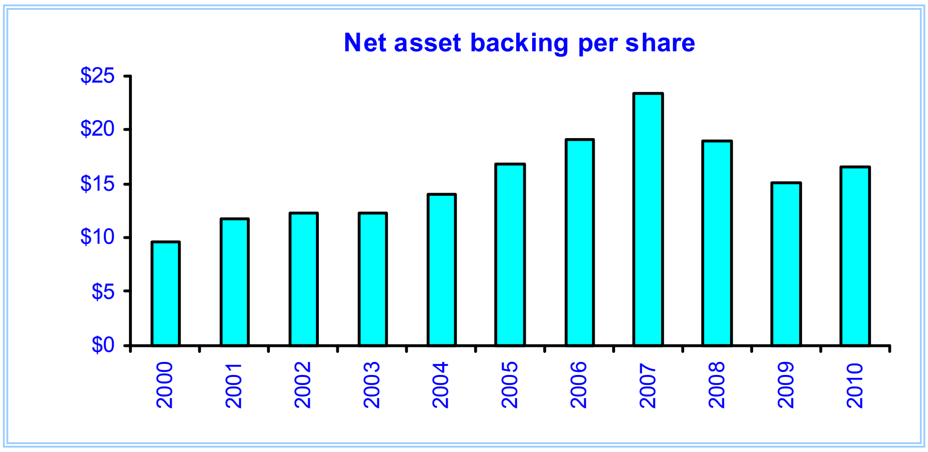
Final dividend:-	
- Ex dividend date	12 August 2010
- Record date	18 August 2010
- Payment date	1 September 2010
Annual General Meeting	7 October 2010 at 3 pm
- To be held at:	**Museum of Sydney, AGL Theatre, Cnr Bridge & Phillip Streets, Sydney**

Key performance indicators

	2010	2009
Operating profit after tax This represents the ordinary profit from the investments and excludes special investment revenue, net realised capital gains and losses and acquisition costs of subsidiaries.	$68.9 m	$73.6 m
Weighted average operating earnings per share The operating profit after tax expressed on a per share basis after taking into account the additional shares issued during the year under the Share Purchase Plan and as consideration for acquisition of unlisted investment companies.	73.7 cents	85.0 cents
Dividends per share	71 cents	78 cents



	2010	2009
Management expense ratio This is the total cost of running Milton, net of management fees recovered, expressed as a percentage of the average Total Assets for the year.	0.17%	0.19%
Net asset backing per share The net asset value, before providing for tax on unrealised capital gains, of each Milton share on issue at 30 June.	$16.51	$15.04



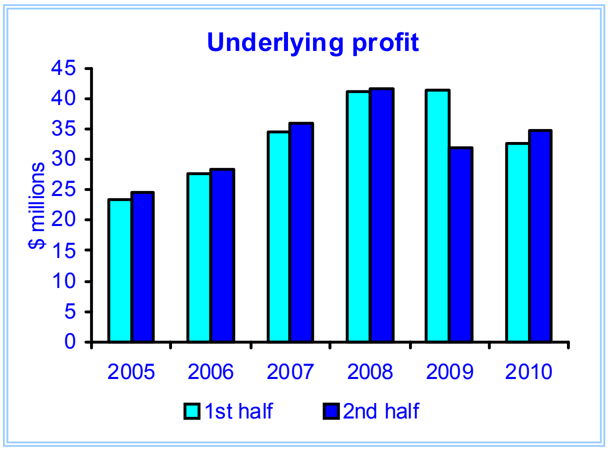
	2010	2009
Total Portfolio Return (TPR) over 10 years This compound return measures the change in the value of an investment in Milton by considering the movement in the value of the net asset backing and assuming dividends are reinvested in Milton shares. The TPR is net of expenses and tax paid.	10.2%	9.4%
Total Shareholder Return (TSR) over 10 years 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.	10.7%	9.8%

Chairman's Review

The 2010 financial year was one of mixed fortunes. Total returns for the year improved significantly over the prior year as the value of the investment portfolio continued to recover, but investment revenue for the year was lower as corporate earnings and distributions continued to be affected by difficult economic conditions and in many cases more shares on issue.

Underlying profit

Milton's underlying operating profit after tax, which excludes special investment revenue, realised capital gains and losses and acquisition costs of subsidiaries, for the year to 30 June 2010, was $68.9 million. (2009: $73.6 million)



There are promising signs that the outlook for dividends is beginning to improve. Increased investment income received in the second half of the year lifted underlying operating profit, for the six months to 30 June 2010, by 12.5% above the previous corresponding half in 2009.

Rising interest rates and larger cash balances combined to lift interest income earned in the year to $5.3 million, some 7% higher than the prior year.

The short term trading opportunities continued in the first half of the year but slowed significantly in the second half. The trading profits this year amounted to $2 million (2009: $1 million). It is unlikely that this level of trading profits will be sustained in the 2011 financial year.

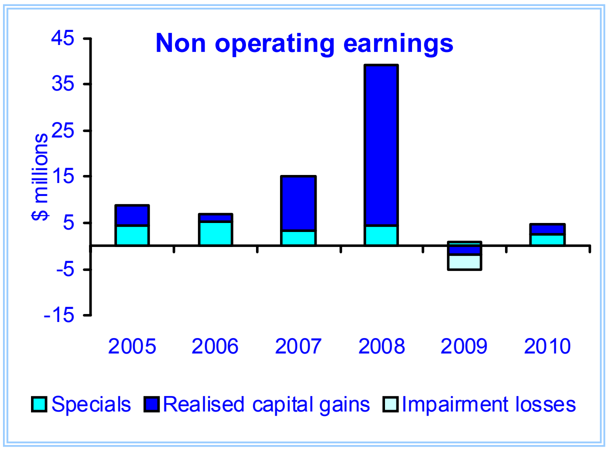
Through the property joint ventures in the greater region of Perth, Milton is able to benefit from the strengthening WA economy. In the first half of the year sales were dominated by first home buyers and then in the second half, as the economy improved, sales improved more generally. At $3.7 million, the contribution from these joint ventures was 69% higher than the previous year. The joint ventures are expected to continue to contribute strongly to underlying operating profit in the 2011 year.

Costs remained well controlled throughout the year, with operating costs net of management fee recoveries in line with the previous year. Consequently Milton's net operating costs represented 0.17% of average total assets for the year.

Net profit after tax for the year, which was $73.1 million, included the receipt of special dividends, net realised capital gains and acquisition costs of subsidiaries.

Special dividends fluctuate from year to year and are therefore excluded from underlying operating profit. In 2010, Milton received $2.5 million whereas in the prior year it received $0.9 million. The main contributors to the special dividends in 2010 were New Hope Coal and Washington H Soul Pattinson.

Net realised gains were $2.2 million. The only takeover during the year that affected Milton's investments was that of Lion Nathan by Kirin. In addition, a small number of investments were sold as there were concerns regarding the sustainability of their profit and future dividend distributions.



Acquisition costs after tax totalling $0.4 million represent the costs of acquiring two groups of unlisted investment companies in February 2010. Stamp duty payable on the transfer of unlisted shares is the major component of these costs, which are effectively borne by the vendors as the consideration paid for the companies includes an allowance for these acquisition costs. In prior years acquisition costs have been capitalised, however, due to a change to the accounting standards they are now required to be expensed.

A change in accounting standards removed the requirement to charge impairment losses to the income statement from the date of its early adoption in December 2009. The transition provisions required the standard to be applied retrospectively so that prior year impairment charges against assets that remained in the portfolio at the date of adoption were effectively reversed.

Chairman's Review (continued)

Earnings per share

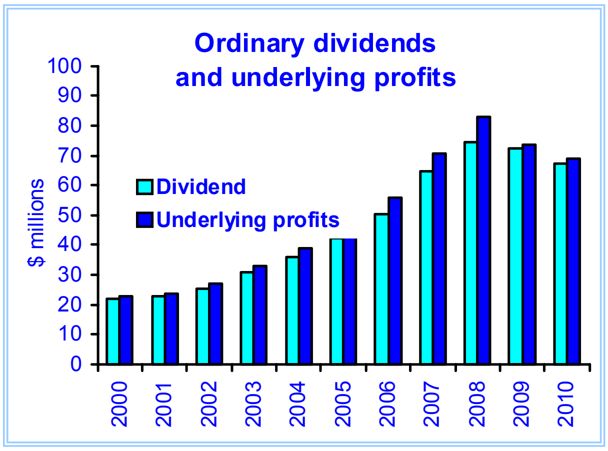
The weighted average earnings per share, based on underlying operating profit, were 73.7 cents per share compared with 85.0 cents per share in the prior year.

Fully franked ordinary dividends

The interim dividend paid in 2010 was maintained at 35 cents per share and the final dividend was increased to 36 cents per share as second half earnings improved.

The final dividend included a LIC capital gain component of 2 cents per share and this will give rise to an "attributable part" of 2.84 cents per share. Eligible shareholders are able to claim a deduction for their share of the "attributable part" in the year in which it is received.

Milton has consistently paid out a high proportion of its underlying operating profits as ordinary dividends to its shareholders. The total dividend payout for the 2010 financial year is $67.5 million, representing over 98% of Milton's underlying operating profit for that year.

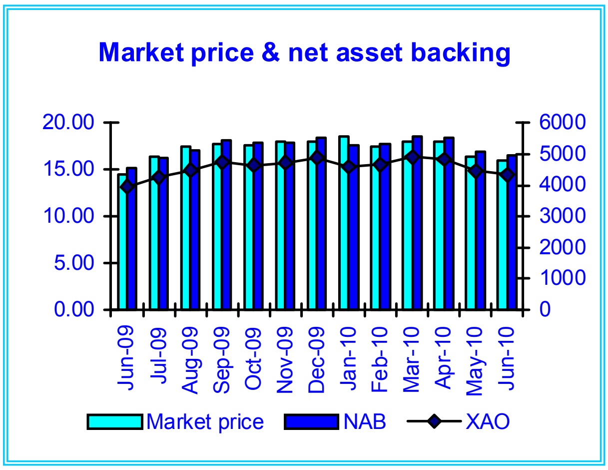


The objective is to lift the ordinary dividends as investment revenue improves and underlying earnings per share increase.

Balance sheet

Milton has a strong balance sheet with total assets in excess of $1.6 billion, including cash and other liquid assets of $116 million. Milton is well placed to continue investing in Australian listed companies for the long term benefit of shareholders.

With 97 million shares on issue, Milton's net asset backing before providing for tax on unrealised capital gains was $16.51 per share at 30 June 2010 (2009: $15.04). The major factor affecting Milton's net asset backing is the movement in the value of its listed equity investments.



Capital

During the 2010 financial year, Milton issued shares under the Share Purchase Plan (SPP) and as consideration for the acquisition of unlisted investment companies.

In October 2009, existing shareholders subscribed for 3.9 million shares at $16.08 each under the SPP. The net proceeds from the issue amounted to $63.5 million. The company's capital requirements will continue to be monitored and an offer of shares under the SPP will be made at the appropriate time.

In February 2010, Milton completed the acquisitions of two groups of unlisted investment companies when it issued 4.1 million shares as consideration. The acquisitions were completed on similar terms to those that were successfully completed in previous years. These terms ensured that each acquisition resulted in an increase to the net asset backing of the existing Milton shares. The assets of the acquired companies comprised listed equities that had been held as long term investments as well as cash.

Milton's market capitalisation at 30 June 2010 was $1.6 billion, with 97 million shares on issue and more than 15,890 shareholders.

Investments

The investment portfolio was valued at $1.45 billion at 30 June 2010. The increase of $0.23 billion over the year was due to increases in market values as well as additional investments made during the year.

The net increase of 9.7% in the value of the portfolio that arose from the continuous revaluation of the investments was $129 million.

The market as a whole increased in value by 8.8%. The All Ordinaries Index gained 20% in the three months to 30 September 2009 but many factors, including sovereign debt concerns, weighed on the market for the remainder of the year and much of the gains were subsequently lost.

Portfolio movements

	$ million
30 June 2009	1,216.0
Acquisitions	69.2
Purchases	55.0
Disposals	-16.7
Revaluation	129.3
30 June 2010	1,452.8

Chairman's Review (continued)

Investments

Through the acquisitions and direct purchases Milton invested $124 million in 71 companies during the year.

The acquisitions increased Milton's investment in the resource sector with investments in BHP Billiton valued at $15.2 million and Rio Tinto valued at $7.0 million.

Milton was well placed during the year to participate in a number of rights issues with the larger investments being Campbell Brothers ($5.2 million) and Woodside Petroleum ($2.1 million).

During the year, Coal and Allied Industries and Healthscope were added to the portfolio.

Milton's disposals amounted to $16.7 million.

The acquisition of Lion Nathan by Kirin, which was the only takeover that affected the Milton portfolio, contributed $8 million.

The other disposals were mainly smaller holdings.

Top 10 investments during the year

	$ million
BHP Billiton	17.73
Rio Tinto	7.01
Commonwealth Bank of Australia	6.08
Telstra Corporation	6.07
Australia & NZ Banking Group	5.65
Campbell Brothers	5.18
Westpac Banking Corporation	4.98
Woodside Petroleum	4.59
Woolworths	3.76
Coal & Allied	3.47

Top 20 Investments at 30 June 2010

Company	Fair value $million	Share of total assets %	Company	Fair value $million	Share of total assets %
Westpac Banking Corporation	186	11.5	Bank of Queensland	50	3.1
Commonwealth Bank	109	6.8	Bendigo & Adelaide Bank	38	2.3
BHP Billiton	84	5.2	Woodside Petroleum	29	1.8
National Australia Bank	68	4.2	Rio Tinto	29	1.8
Washington H. Soul Pattinson	63	3.9	Brickworks	26	1.6
Wesfarmers	57	3.5	Telstra Corporation	26	1.6
Woolworths	54	3.3	AGL Energy	20	1.2
ANZ Banking Group	52	3.2	CSL	19	1.2
Choiseul Investments	51	3.2	Suncorp-Metway	19	1.2
Campbell Brothers	50	3.1	QBE Insurance	19	1.1
			Total market value of Top 20	1,049	64.8

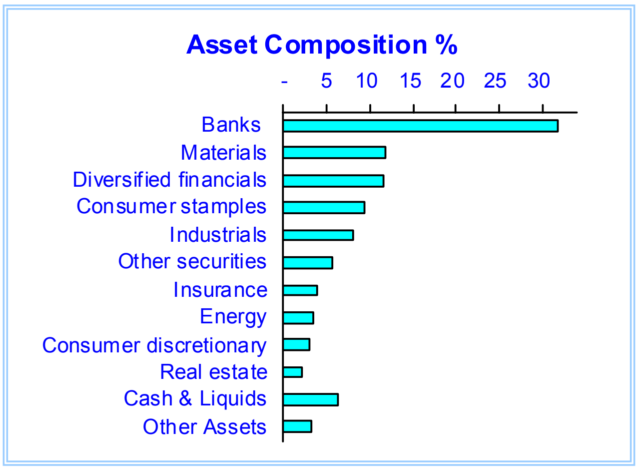
Asset composition

Milton's listed investment portfolio was valued at $1.4 billion on 30 June 2010.

Full details of these investments are reported on pages 7 to 10 and are grouped according to their asset classes using the Global Industry Classification Standard ("GICS") codes.

The selection of these investments has been and continues to be based on a number of criteria including an assessment of management, history of profits and expectations of future earnings and dividend growth. Selection is not dependant on a company's size nor its index weighting.

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



Chairman's Review (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 net asset backing to value the investor's holding and may be used to gauge the performance of the underlying investments in the portfolio. Milton's TPR for the ten years to 30 June 2010 was 10.2% 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 10.7% per annum compounded over ten years.

The total returns of the LICs are net of all expenses and tax paid on earnings and capital gains. Therefore they are not directly comparable to the accumulation returns of the stock exchange indices which are unaffected by expenses and tax.

The Accumulation Return of the All Ordinaries Index, which excludes expenses and tax, was 7.1% per annum compounded for the same ten year period.

Outlook

We are optimistic that the trend towards improved dividend income that was observed in the six months to 30 June 2010 will continue in the 2011 year. There are, however, many factors that may affect this outcome. We will be in a better position to comment on the outlook at the company's annual general meeting on 7 October 2010 by which time most of the companies in the Milton portfolio will have reported their full year results and final dividends.

Milton's objective is to provide shareholders with a growing fully franked ordinary dividend income stream and as the company's underlying profit improves we would expect to increase the dividends paid to shareholders.

R. D. MILLNER
Chairman

Sydney, 11 August 2010

Five Year Financial Summary

	2010	2009	2008	2007	2006
Underlying operating profit after tax ($million)	68.9	73.6	82.8	70.5	56.0
Profit after ta ($million)	73.1	69.4	122.0	85.7	63.1
Underlying earnings per share (cents)(1)	73.7	85.0	98.5	91.0	78.5
Administration costs as % of Total Assets	0.17	0.19	0.17	0.13	0.18
Interim dividend (cents per share)	35	43	43	38	33
Final dividend (cents per share)*	36	35	45	43	37
Full year ordinary dividend (cents per share)	71	78	88	81	70
Special dividend (cents per share)	-	-	8	-	10
*LIC Capital Gain paid as part of final dividend (cents per share)	2	-	12	6	-
Net assets(2) at 30 June ($million)	1,603	1,338	1,609	1,926	1,369
Net asset backing per share(2) at 30 June($)	16.51	15.04	19.03	23.41	19.09
Net asset backing per share(3) at 30 June($)	15.17	13.98	16.78	19.63	16.12
Last sale price at 30 June ($)	15.98	14.50	19.38	22.45	19.95
All Ordinaries Index at 30 June	4325	3948	5333	6310	5034
Ten year Total Shareholder Return (% per annum)	10.7	9.8	13.4	17.6	20.0
Five year Total Shareholder Return (% per annum)	4.0	6.0	12.4	17.4	16.8
Shares on issue (million)	97.1	88.9	84.5	82.3	71.6
Number of shareholders	15,890	14,578	13,890	13,522	12,815

(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 2010 it had capital of approximately $1.5 million.

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

Tax deductible donations of $2 or more may be made by individuals and companies 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 2010

	Holding	Fair Value $'000
Automobiles & Components		
Fleetwood Corporation Limited	131,500	1,208
Schaffer Corporation Limited	68,999	315
		1,523
Banks		
Australia & New Zealand Banking Group Limited	2,390,656	51,662
Australia & New Zealand Banking Group Limited convertible preference shares	10,000	1,017
Bendigo and Adelaide Bank Limited	626,636	37,846
Bank of Queensland Limited	4,743,051	49,660
Bank of Queensland reset preference	15,598	1,560
Commonwealth Bank of Australia	2,247,729	109,330
National Australia Bank Limited	2,920,486	67,989
Mystate Limited (previously Tasmanian Perpetual Trustees Limited)	444,992	1,388
Wide Bay Australia Limited	326,288	3,328
Westpac Banking Corporation	8,769,590	186,178
		509,958
Capital Goods		
Bradken Limited	446,338	3,214
Cardno Limited	247,000	988
Crane Group Limited	635,670	5,117
CSR Limited	626,223	1,052
G W A International Limited	1,538,999	4,632
Hills Industries Limited	1,719,260	3,696
Leighton Holdings Limited	594,468	17,210
Reece Australia Limited	108,761	2,632
Sedgman Limited	565,800	755
UGL Limited (previously United Group Limited)	1,053,296	14,272
		53,568
Commercial Services		
Brambles Limited	828,955	4,526
Cabcharge Australia Limited	134,711	692
Coffey International Limited	703,394	675
Campbell Brothers Limited	648,862	49,713
Transfield Services Limited	964,026	2,998
		58,604
Consumer Services		
Crown Limited	140,801	1,094
InvoCare Limited	1,063,254	6,443
Tabcorp Holdings Limited	35,767	226
Tattersall's Limited	260,000	582
		8,345

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2010 (continued)

	Holding	Fair Value
Consumer Staples		**$'000**
AWB Limited	473,000	433
Coca-Cola Amatil Limited	864,183	10,336
Goodman Fielder Limited	320,000	430
Foster's Group Limited	2,662,812	15,045
Graincorp Limited	217,813	1,161
Metcash Limited	2,721,060	11,401
Select Harvests Limited	178,838	619
Wesfarmers Limited	1,814,340	51,981
Wesfarmers Limited Partially Protected	182,048	5,241
Woolworths Limited	1,996,431	53,944
		150,591
Diversified Financials		
Australian Foundation Investment Company Limited	1,304,250	6,169
Argo Investments Limited	809,094	4,733
ASX Limited	201,438	5,874
BKI Invest Company Limited (previously Brickworks Investment Company Limited)	1,147,375	1,314
Choiseul Investments Limited	11,485,134	51,109
Carlton Investments Limited	354,809	5,837
Diversified United Investment Limited	270,400	781
Equity Trustees Limited	225,503	3,428
IOOF Holdings Limited	75,067	450
Macquarie Group Limited	325,784	12,093
Perpetual Limited	646,588	18,273
Washington H Soul Pattinson & Company Limited	4,843,150	62,719
The Trust Company Limited	2,243,751	12,386
		185,166
Energy		
Caltex Limited	47,700	450
Coal & Allied Industries Limited	42,044	3,910
New Hope Corporation Limited	705,500	3,118
Origin Energy Limited	269,209	4,022
Santos Limited	1,046,889	13,191
Worley Parsons Limited	56,412	1,253
Woodside Petroleum Limited	693,675	29,023
		54,967
Healthcare		
Blackmores Limited	347,066	7,740
Cochlear Limited	30,400	2,259
CSL Limited	584,062	19,029
Healthscope Limited	567,000	2,943
Sonic Healthcare Limited	317,498	3,312
Sigma Pharmaceuticals Limited	876,915	368
		35,651

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2010 (continued)

	Holding	Fair Value $'000
Insurance		
AMP Limited	1,362,906	7,101
AXA Asia Pacific Holdings Limited	100,000	547
Austbrokers Limited	814,546	4,016
Insurance Australia Group Limited	2,199,625	7,501
IAG Reset Preference Shares	3,000	296
IAG Finance (NZ) Limited perpetual reset exchangeable notes	12,000	1,200
Q B E Insurance Group Limited	1,018,616	18,539
Suncorp-Metway Limited	2,339,507	18,810
Suncorp Metway reset convertible preference shares	30,000	2,867
		60,877
Materials		
Adelaide Brighton Limited	1,220,440	3,271
Ammtec Limited	870,339	3,055
Amcor Limited	766,322	4,889
Alumina Limited	891,919	1,360
BHP Billiton Limited	2,222,653	83,683
Brickworks Limited	2,166,498	25,890
Boral Limited	1,360,462	6,557
Bluescope Steel Limited	727,481	1,528
Incitec Pivot Limited	1,104,000	3,014
Macarthur Coal Limited	352,500	4,272
Nufarm Limited	226,003	1,218
Orica Limited	78,190	1,970
OneSteel Limited	2,831,183	8,437
Rio Tinto Limited	432,588	28,836
Sims Metal Management Limited (previously Sims Group Limited)	593,037	10,147
		188,127
Media		
Amalgamated Holdings Ltd	569,303	3,245
APN News & Media Limited	1,309,855	2,600
Consolidated Media Limited	140,801	448
Fairfax Media Limited	3,690,000	4,852
Seven Group Holdings Limited – Transferable Equity Linked Yield Shares 4	7,000	541
Ten Network Holdings Limited	1,060,246	1,707
West Australian Newspapers Holdings Limited	1,059,223	6,927
		20,320
Other		
Oakton Limited	375,500	901
		901

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2010 (continued)

	Holding	Fair Value $'000
Real Estate		
Australand Property Group	571,158	1,382
Bunnings Warehouse Property Trust	985,568	1,858
CFS Retail Property Trust	9,102,979	17,205
Commonwealth Property Office Fund	1,116,754	1,039
FKP Property Group	2,833,477	1,927
Goodman Group	923,777	587
Lend Lease Corporation Limited	198,879	1,458
Charter Hall Retail Trust (previously Macquarie CountryWide Trust)	2,777,860	1,528
Mirvac Group	327,380	431
Charter Hall Office Trust (previously Macquarie Office Trust)	1,830,634	458
Stockland Trust Group	718,629	2,673
Westfield Group	436,895	5,321
		35,867
Retailing		
Adtrans Group Limited	410,000	1,435
A P Eagers Limited	829,636	10,370
ARB Corporation Limited	470,941	2,684
Billabong Limited	95,728	837
David Jones Limited	251,090	1,082
Noni B Limited	867,396	915
Premier Investments Limited	338,250	2,063
		19,386
Telecommunication		
TPG Telecom Limited (previously SP Telemedia Limited)	1,909,080	3,665
Telstra Corporation Limited	7,964,053	25,883
		29,548
Transport		
Lindsay Australia Limited	1,600,000	296
MAP Group (previously Macquarie Airports)	260,301	700
Intoll Group (previously Macquarie Infrastructure Group)	1,596,527	1,660
Qantas Airways Limited	673,789	1,482
Transurban Group Limited	1,764,364	7,481
Toll Holdings Limited	786,679	4,311
		15,930
Utilities		
AGL Energy Limited	1,359,880	19,990
APA Group	751,851	2,707
Infigen Energy	1,024,200	732
		23,429
Total Listed Investments by Sector		**1,452,758**

Directors' Report

For the year ended 30 June 2010

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 2010 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 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 Choiseul Investments Limited since 1995 and appointed chairman in 2000. 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.

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 37 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 37 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 25 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.
A member of the Audit and Remuneration Committees.
An Actuary and over 33 years of involvement in the investment industry.

Former directorships in the last three years:
Just Group Limited from 2004 to 2008. Corporate Express Australia Limited from 2004 to 2010.

David F. Myles FCA, FCPA Independent non-executive director.

Director of Milton Corporation Limited since 1998.
Formerly chairman of the Audit Committee and a member of the Mortgage and Remuneration Committees.
A Chartered Accountant and former partner of a major firm of Chartered Accountants for 25 years and extensive experience in the investment industry.
Retired as a director on 8 October 2009.

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	6	7	25	27	*	*	*	*	1	1
J.N. Aitken	7	7	26	27	4	4	1	1	*	*
J.F. Church	7	7	24	27	*	*	1	1	*	*
G.L. Crampton	7	7	*	*	4	4	*	*	1	1
F.G. Gooch	7	7	27	27	*	*	1	1	*	*
I.A. Pollard	7	7	*	*	4	4	1	1	1	1
D.F. Myles(1)	3	3	*	*	2	2	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.
(1) Mr D.F. Myles retired on 8 October 2009.

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 $73.1 million (2009: $69.4 million). Milton is in a sound financial position with net assets of $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 2009 ordinary fully franked	35	31,147	11 September 2009
- Interim 2010 ordinary fully franked	35	32,530	3 March 2010
Declared after end of year and not provided for			
- Final 2010 ordinary fully franked*	36	34,947	1 September 2010

* Final dividend includes LIC capital gain dividend of 2 cents per share (2009: nil).

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 26 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	4,747,967
J.N. Aitken	21,400
J.F. Church	5,464,648
G.L. Crampton	20,307
F.G. Gooch	99,013
I.A. Pollard	12,742

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 2010.

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 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 18.

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

The total fees and superannuation paid to non-executive directors each year is limited by an amount approved by shareholders from time to time. Shareholders approved a maximum of $450,000 per annum at the 2003 Annual General Meeting.

Non-executive directors' fees and payments are reviewed annually by the board which gives consideration to the demands made on directors and fees paid to comparable Australian companies. Non-executive directors' remuneration is not linked to Milton's performance and they do not receive bonuses nor are they issued options on securities.

Directors' fees cover all board activities and membership of committees with the Chairman receiving twice the base fee. The total non-executive director remuneration for the year ended 30 June 2010 was $354,430 and was based on fees which were last increased on 1 July 2008. The directors have resolved that directors' base remuneration will be increased for the year ending 30 June 2011 to $379,000 and committee fees of $15,000.

Non-executive directors, who were appointed before 30 June 2003, are entitled to retirement benefits in accordance with a shareholder approved scheme. 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 2010 is $204,405.

Remuneration of executives

The Remuneration Committee, consisting of three 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 the managing director and senior executives.

The remuneration policy is to provide the small experienced executive team with a total package that will encourage outstanding performance and provide incentives to remain with the company.

The design and size of the packages are influenced by the remuneration practices of investment bodies such as other listed investment companies and listed and unlisted fund managers.

Accordingly executive remuneration may comprise a combination of cash and participation in the Senior Staff Share Plan ("SSSP") which was approved by shareholders at Milton's Annual General Meeting on 9 October 2001. The cash component includes a total employment cost package and it may include a cash bonus.

The executive may elect to receive the total employment cost package as a combination of cash, non-cash benefits and superannuation contributions. The total employment cost package is reviewed in June of each year, to ensure that it is competitive and reasonable, however there are no guaranteed increases. Neither the managing director nor any executive received an increase in their total employment cost package in the 2010 financial year.

There is no guaranteed cash bonus, with the amount paid each year 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. There is no maximum level of cash bonus that may be paid however it has not exceeded 20% of the total fixed compensation for each person.

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. Consequently the directors consider that it is appropriate to use both qualitative and quantitative measures to assess the executives' performance. The quantitative measures include total returns over periods of five to ten years as well as growth in ordinary dividend over similar periods. The directors are more concerned that the executives are motivated to build shareholder wealth over the long term. The qualitative measures vary depending upon the executive's role.

The non-executive directors may invite executives to participate in the shareholder approved SSSP. The SSSP encourages executives to have an investment in Milton so that their interests are closely aligned with the shareholders.

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 has regard to 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. Over the past 5 years, the total remuneration for the specified executives has grown by approximately 7.4% per annum. The key performance indicators for Milton for the same period are tabled below.

	2010	**2009**	**2008**	**2007**	**2006**
Underlying earnings per share (cents)[(1)]	73.7	85.0	98.5	91.0	78.5
Growth in underlying earnings per share (%)	(13.3)	(13.8)	8.2	15.9	14.6
Profit after tax ($million)	73.1	69.4	122.0	85.7	63.1
Full year ordinary dividend (cents per share)	71.0	78.0	88.0	81.0	70.0
Growth in full year dividend (%)	(9.0)	(11.4)	8.6	15.7	16.7
Special dividend (cents per share)	-	-	8.0	-	10.0
Net asset backing per share[(2)] at 30 June($)	16.51	15.04	19.03	23.41	19.09
Growth in net asset backing per share (%)	9.3	(20.6)	(18.7)	22.6	13.8
Net assets[(2)] at 30 June ($million)	1,603	1,338	1,609	1,926	1,369
Five year TSR (% per annum)	4.0	6.0	12.4	17.4	16.8
Ten year TSR (% per annum)	10.7	9.8	13.4	17.6	20.0

[(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 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 2009 and 2010 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	**2010**	**103,670**	**9,330**	**113,000**	**55,905**
		2009	103,670	9,330	113,000	55,905
J.N. Aitken	Director	**2010**	**36,500**	**20,000**	**56,500**	**13,500**
		2009	36,500	20,000	56,500	13,500
J.F. Church	Director	**2010**	**51,835**	**4,665**	**56,500**	**90,000**
		2009	51,835	4,665	56,500	90,000
G.L. Crampton	Director	**2010**	**8,500**	**48,000**	**56,500**	-
		2009	2,708	2,000	4,708	-
I.A. Pollard	Director	**2010**	**51,835**	**4,665**	**56,500**	**45,000**
		2009	43,196	13,304	56,500	45,000
D.F. Myles [(2)]	Director	**2010**	**8,603**	**6,827**	**15,430**	**-**
(retired 8.10.09)		2009	31,500	25,000	56,500	45,000
Total Remuneration		**2010**	**260,943**	**93,487**	**354,430**	**204,405**
		2009	269,409	74,299	343,708	249,405

(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 Super-annuation	Other long term benefits (3)	Share based payments (4)	Total
		Salary	Cash bonus (1)	Non monetary benefits (2)				
		$	$	$	$	$	$	$
F.G. Gooch	**2010**	**345,000**	**20,000**	**44,602**	**50,000**	**8,929**	**80,829**	**549,360**
Managing director	2009	316,670	-	44,610	79,000	26,430	125,114	591,824
A.R. Davison	**2010**	**191,743**	**10,000**	**3,276**	**18,082**	**3,193**	**33,220**	**259,514**
CFO, secretary	2009	191,743	**-**	3,269	17,257	5,489	52,409	270,167
J.L. Coombs [(5)]	**2010**	**18,220**	**-**	**-**	**11,987**	**485**	**-**	**30,692**
Secretary (resigned 25.9.09)	2009	86,190	**-**	2,292	40,285	7,224	1,000	136,991
Total remuneration	**2010**	**554,963**	**30,000**	**47,878**	**80,069**	**12,607**	**114,049**	**839,566**
	2009	594,603	**-**	50,171	136,542	39,143	178,523	998,982

(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.

(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 and participation by executives in the Employee Share Plan.

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

Managing director and executives of Milton Corporation Limited and its subsidiaries (continued)

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

No invitation to participate in the SSSP has been made to executives in respect of the year ended 30 June 2010.

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	**2010**	**95,000**	**-**	**95,000**
Managing director	2009	80,000	15,000	95,000
A.R. Davison	**2010**	**37,500**	**-**	**37,500**
CFO, secretary	2009	30,000	7,500	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	**2010**	**1,411,067**	**(50,825)**	**1,360,242**	**1,411,067**	**80,829**
Managing director	2009	1,191,940	219,127	1,411,067	1,475,748	125,114
A.R. Davison	**2010**	**584,528**	**(20,063)**	**564,465**	**584,528**	**33,220**
CFO, secretary	2009	467,626	116,901	584,528	609,531	51,409

[(1)] The notional interest has been included under "Share Based Payment" in the remuneration of the managing director and the executive disclosed on page 16.

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

R. D. MILLNER
Chairman

Sydney, 11 August 2010

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 2010, 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 2010

Moore Stephens Sydney ABN 90 773 984 843
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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 posted its corporate governance practices to its website: www.milton.com.au. The board charter, code of conduct, committee charters and various 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. 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 boards 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 J.F. Church 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.

Mr J. F. Church controls a substantial shareholding of 5.63% of Milton's issued capital and has been a director since 1986. The board is strongly of the opinion that the thinking and actions of Mr Church 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 16.

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 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 Dr Pollard for election at the 2010 annual general meeting.

The Remuneration Committee, consisting of three 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.

Share trading guidelines

Directors, officers and employees are encouraged to have a personal financial interest in Milton by acquiring and holding shares on a long-term basis.

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

In addition, directors, officers and employees of Milton or their associates may not purchase or sell Milton shares:-

i) in relation to the announcement of the monthly net tangible asset backing per share (NTA) from the end of the month until the day after the NTA is announced, and

ii) in relation to half and full year results announcements from the end of the half or full year until the day after the results are announced.

It is the responsibility of directors to advise the secretary of any dealing in Milton's securities.

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 posted 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 posted on Milton's website.

Milton Corporation Limited
Consolidated income statement
for the year ended 30 June 2010

	Note	2010	2009
		$'000	$'000
			restated
Operating revenue	2a	**72,305**	78,092
Share of net profits of joint ventures – equity accounted	20b	**3,689**	2,185
Administration expenses	3	**(2,827)**	(3,010)
Finance costs		**-**	(221)
Operating profit before income tax expense, special investment revenue, acquisition costs of subsidiaries and realised gains and losses		**73,167**	77,046
Income tax expense thereon*	4a	**(4,316)**	(3,422)
Operating profit before special investment revenue, acquisition costs of subsidiaries and realised gains and losses		**68,851**	73,624
Special investment revenue before tax	2b	**2,536**	882
Income tax expense thereon*	4b	**(48)**	(16)
		2,488	866
Acquisition costs of subsidiaries before tax		**(573)**	-
Income tax benefit thereon*		**172**	-
		(401)	-
Operating profit before realised gains and losses		**70,938**	74,490
Realised gains (losses) on investments before tax [1]		**2,993**	(1,629)
Income tax expense thereon*	4c	**(832)**	(212)
Net realised gains (losses) on investments		**2,161**	(1,841)
Impairment losses before tax [1]		**-**	(4,655)
Income tax benefit thereon*	4d	**-**	1,429
		-	(3,226)
Profit attributable to shareholders of Milton		**73,099**	69,423
*Total income tax expense		**(5,024)**	(2,221)

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

	Note	2010	2009
Basic and diluted earnings per share based on profit attributable to shareholders of Milton (cents)	8	**78.2**	80.1
Basic and diluted earnings per share based on operating profit before special investment revenue, acquisition costs of subsidiaries and realised gains and losses (cents)	8	**73.7**	85.0

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 year ended 30 June 2010

	2010	2009
	$'000	$'000
		restated
Profit attributable to shareholders of Milton	**73,099**	69,423
Other comprehensive income		
Revaluation (devaluation) of investments	**121,296**	(326,605)
Provision for tax (expense) benefit on revaluation (devaluation) of investments	**(37,023)**	95,708
Net realised (gains)losses on investments transferred to the income statement from the asset revaluation reserve	**(2,161)**	1,841
Net impairment losses transferred to the income statement from the asset revaluation reserve	-	3,226
Other comprehensive income (loss) net of income tax	**82,112**	(225,830)
Total comprehensive income (loss) attributable to shareholders of Milton	**155,211**	(156,407)

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 30 June 2010

	Note	2010	2009
		$'000	$'000
Current assets			restated
Cash	9	**100,637**	66,503
Receivables	10a	**13,224**	14,224
Other financial assets	11	**16,671**	15,609
Total current assets		**130,532**	96,336
Non-current assets			
Receivables	10b	**3,700**	2,827
Investments	12	**1,453,150**	1,225,868
Joint ventures – equity accounted	20c	**16,646**	14,203
Plant and equipment		**125**	127
Deferred tax assets	13	**908**	1,184
Total non-current assets		**1,474,529**	1,244,209
Total assets		**1,605,061**	1,340,545
Current liabilities			
Payables		**303**	1,163
Current tax liabilities		**1,183**	682
Provisions		**95**	215
Total current liabilities		**1,581**	2,060
Non-current liabilities			
Deferred tax liabilities	14	**130,757**	94,370
Provisions		**415**	392
Total non-current liabilities		**131,172**	94,762
Total liabilities		**132,753**	96,822
Net assets		**1,472,308**	1,243,723
Shareholders' equity			
Issued capital	15	**963,192**	826,141
Capital profits reserve		**70,080**	72,545
Asset revaluation reserve		**318,373**	233,956
Retained profits		**120,663**	111,081
Total equity attributable to shareholders of Milton		**1,472,308**	1,243,723
Net tangible assets per share before provision for tax on unrealised capital gains and net of tax on realised capital losses		**$16.51**	$15.04
Net tangible assets per share after provision for tax on unrealised capital gains and net of tax on realised capital losses		**$15.17**	$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 year ended 30 June 2010

	Issued capital $'000	Capital profits reserve $'000	Asset revaluation reserve $'000	Retained profits $'000	Total shareholders equity $'000
Balance at 1 July 2009 (restated)	**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 gains/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**

	Issued capital $'000	Capital profits reserve $'000	Asset revaluation reserve $'000	Retained profits $'000	Total shareholders equity $'000
Balance at 1 July 2008	763,770	85,091	460,134	110,317	1,419,312
Net profit (restated)	-	-	-	69,423	69,423
Other Comprehensive Income:					
Net realised losses	-	-	1,841	-	1,841
Net impairment losses (restated)	-	-	3,226	-	3,226
Net devaluation of investments	-	-	(230,897)	-	(230,897)
Total comprehensive income	-	-	(225,830)	69,423	(156,407)
Net realised gains/losses transferred to capital profits reserve	-	(2,747)	-	2,747	-
Transfer from asset revaluation reserve	-	348	(348)	-	-
Transactions with shareholders in their capacity as shareholders:					
Share issues	62,371	-	-	-	62,371
LIC dividends paid	-	(10,147)	-	-	(10,147)
Dividends paid	-	-	-	(71,406)	(71,406)
Balance at 30 June 2009 (restated)	826,141	72,545	233,956	111,081	1,243,723

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 year ended 30 June 2010

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Dividends and distributions received		**65,606**	78,719
Interest received		**4,823**	4,629
Distributions received from joint venture entities		**2,350**	833
Other receipts in the course of operations		**697**	657
Proceeds from sales of trading securities		**9,909**	5,327
Payments for trading securities		**(8,670)**	(4,527)
Finance costs paid		**-**	(252)
Other payments in the course of operations		**(3,759)**	(3,104)
Income taxes paid		**(3,522)**	(10,012)
Net cash provided by operating activities	19a	**67,434**	72,270
Cash flows from investing activities			
Proceeds from disposal of investments		**16,722**	11,611
Payments for investments		**(54,784)**	(24,140)
Cash on acquisition of subsidiaries		**4,464**	9,398
Payments for acquisition of subsidiaries		**(573)**	(380)
Payments for plant and equipment		**(21)**	(64)
Loans repaid by other entities		**1,069**	1,820
Net cash used in investing activities		**(33,123)**	(1,755)
Cash flows from financing activities			
Proceeds from issue of shares		**63,578**	15,564
Payments for issue of shares		**(139)**	(62)
Proceeds from borrowings		**61**	-
Repayment of borrowings		**-**	(3,304)
Ordinary dividends paid		**(63,677)**	(74,788)
Special dividend paid		**-**	(6,765)
Net cash used in financing activities		**(177)**	(69,355)
Net increase in cash assets held		**34,134**	1,160
Cash assets at the beginning of the year		**66,503**	65,343
Cash assets at the end of the year	9	**100,637**	66,503

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 year ended 30 June 2010

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. In accordance with the Corporations Amendment (Corporate Reporting Reform) Act 2010, parent entity columns are no longer required to be presented in the consolidated financial statements with summarised parent entity financial information to be provided in a note as disclosed in note 21.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

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

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

Milton has adopted AASB 3 - Business Combinations for business combinations occurring in the financial year starting 1 July 2009. In accordance with AASB 3 all acquisition related costs have been expensed as incurred and are shown on the consolidated income statement. Previously these costs were capitalised. AASB 101 – Presentation of Financial Statements has been adopted from 1 July 2009. This standard requires the presentation of a new Statement of Comprehensive Income which includes changes in fair value of investments as noted below. The adoption of this standard does not change the net assets and net profit of Milton.

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

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

Under AASB 9 there is no recycling of the realised gains and losses to the income statement as was previously required by AASB 139. There is also no requirement to test Milton's investments for impairment 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. Comparatives at 30 June 2009 have been restated as disclosed below to remove the effect of the impairment provisions of AASB 139, but only for those assets that had not been disposed of prior to 31 December 2009.

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

1. Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

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

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

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

	Profit previously reported 30 June 2009 $'000	Impairment losses reversed Increase(decrease) $'000	Profit restated 30 June 2009 $'000
Profit before realised gains and losses	74,490		74,490
Net realised (losses) gains on investments	(1,841)		(1,841)
Impairment losses	(22,646)	(19,420)	(3,226)
Profit attributable to shareholders of Milton	50,003	19,420	69,423

Basic and diluted earnings per share based on profit attributable to shareholders of Milton increased by 22.4 cents from 57.7 cents to 80.1 cents.

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 income tax rate enacted adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax is recognised using the balance sheet method.

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

Deferred tax 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.

1. Summary of significant accounting policies (continued)

c. Income tax (continued)

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.

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

Milton Corporation Limited (the head 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 are 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.

1. Summary of significant accounting policies (continued)

g. Investments (continued)

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.

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. 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.

k. New standards and interpretations not yet adopted

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

		2010 $'000	2009 $'000
2.	**Revenue**		
a.	**Operating revenue**		
	Dividends and distributions:		
	investments held in portfolio at 30 June	**64,238**	70,693
	investments sold during the year	**26**	745
	Interest	**5,269**	4,891
	Net realised gains on trading portfolio	**2,083**	1,059
	Other revenue	**689**	704
		72,305	78,092
b.	**Special investment revenue**		
	Dividends and distributions:		
	investments held in portfolio at 30 June	**2,185**	882
	investments sold during the year	**351**	-
		2,536	882
3.	**Administration expenses**		
	Employment and administration	**2,661**	2,869
	Occupancy	**143**	106
	Depreciation	**23**	35
		2,827	3,010
4.	**Income tax expense**		
a.	**Operating profit**		
	Prima facie income tax expense calculated at 30% on the profit before special investment revenue, acquisition costs and realised gains and losses	**22,539**	23,114
	Increase (decrease) in income tax expense due to:		
	Rebates on dividend and distribution income	**(18,201)**	(19,602)
	Overprovision in prior year	**(146)**	(100)
	Other differences	**124**	10
	Income tax expense attributable to operating profit before special investment revenue, acquisition costs and realised gains and losses	**4,316**	3,422
b.	**Special investment revenue**		
	Prima facie income tax expense calculated at 30% on special investment revenue	**761**	264
	Rebates on dividend and distribution income	**(713)**	(248)
	Income tax expense attributable to special investment revenue	**48**	16
c.	**Realised gains and losses on investments**		
	Prima facie income tax expense (benefit) calculated at 30% on realised gains (losses) on investments	**898**	(488)
	Tax effected difference between accounting and tax cost base for capital gains purposes	**(66)**	700
	Income tax expense attributable to realised gains and losses on investments	**832**	212

		2010	2009
4.	**Income tax expense (continued)**	**$'000**	$'000
d.	**Impairment losses**		
	Prima facie income tax (benefit) calculated at 30% on impairment losses	**-**	(1,396)
	Tax effected difference between accounting and tax cost base for capital gains purposes	**-**	(33)
	Income tax (benefit) attributable to impairment losses	**-**	(1,429)
5.	**Auditor's remuneration**		
	Audit services	**96**	100
	Liquidation of non-operating subsidiaries	**10**	21
	Acquisitions – due diligence costs	**21**	14
	Other services	**9**	2
		136	137
6.	**Ordinary fully franked dividends**		
a.	**Recognised in the current year**		
	A final dividend in respect of the 2009 year of 35 cents per share paid on 11 September 2009 (2009: A final dividend in respect of the 2008 year of 45 cents per share paid on 3 September 2008)	**31,147**	38,052
	(2009: a special dividend in respect of the 2008 year of 8 cents per share paid on 3 September 2008)	**-**	6,765
	An interim dividend of 35 cents per share paid on 3 March 2010 (2009: 43 cents per share paid on 3 March 2009)	**32,530**	36,736
		63,677	81,553
b.	**Not recognised in the current year**		
	Since the end of the financial year, the directors declared a fully franked ordinary final dividend of 36 cents per share payable on 1 September 2010 (2009: ordinary 35 cents per share paid on 11 September 2009)	**34,947**	31,147
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	**91,211**	80,706
	Subsequent to year end, the franking account will be reduced by the proposed final ordinary (2009: final ordinary dividend) to be paid on 1 September 2010	**(14,977)**	(13,348)
		76,234	67,358

The franking account balance would allow Milton to frank additional dividend payments up to an amount of $177,879,000 (2009: $157,168,000) which represents 183 cents per share (2009: 176 cents per share).

7.	**Listed Investment Company capital gain account**		
	Balance of the Listed Investment Company (LIC) capital gain account	**2,685**	2,646
	Subsequent to year end, this account would be reduced by the proposed final dividend which includes a LIC capital gain dividend of 2 cents per share to be paid on 1 September 2010.	**(1,941)**	-
		744	2,646

(2009: A LIC capital gain dividend of 12 cents per share was included in the final dividend paid on 3 September 2008).

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

		2010 cents	2009 cents
8.	**Earnings per share**		
	Basic earnings per share	**78.2**	80.1
	Basic earnings per share before special investment revenue, acquisition costs of subsidiaries and realised gains and losses	**73.7**	85.0
		$'000	$'000
	Profit attributable to shareholders of the parent entity	**73,099**	69,423
	Special investment revenue, acquisition costs of subsidiaries, realised gains and losses and impairment losses	**(4,248)**	4,201
	Earnings used in the calculation of basic earnings per share excluding special investment revenue, acquisition costs of subsidiaries and realised gains and losses	**68,851**	73,624
		No.	No.
	Weighted average number of ordinary shares used in the calculation of basic earnings per share	**93,458,216**	86,659,837

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

		$'000	$'000
9.	**Cash**		
	Cash at bank	**1,022**	899
	Deposits at call	**9,615**	16,704
	Term deposits	**90,000**	48,900
		100,637	66,503

The weighted average interest rate for cash as at 30 June 2010 is 5.6% p.a. (2009: 3.6% p.a.). Term deposits have an average maturity date of August 2010 (2009: August 2009) and an average interest rate of 5.7% (2009: 3.8% pa).

10.	**Receivables**		
a.	**Receivables – current**		
	Loans receivable – secured	**-**	1,944
	Income receivable	**13,024**	10,907
	Sundry debtors	**200**	1,373
		13,224	14,224
b.	**Receivables – non-current**		
	Loans receivable – secured	**973**	-
	Senior staff share plan loans	**2,727**	2,827
		3,700	2,827

c. Terms and conditions

Loans receivable – secured by real property - all due within 13 months (2009: due within 1 year), with a fixed interest rate of 8.0% p.a. (2009: 8.0% p.a. to 10.75% p.a.). Sundry debtors are due within 30 days and no interest is charged.

		2010	2009
		$'000	$'000
11.	**Other financial assets**		
	Other liquid securities - at fair value	**15,753**	14,905
	Trading securities - at fair value	**826**	615
	Prepaid expenses	**92**	89
		16,671	15,609
12.	**Investments – non-current**		
	Quoted investments - at fair value	**1,452,758**	1,215,956
	Unquoted investments - at fair value	**392**	9,912
		1,453,150	1,225,868
a.	**Included in quoted investments are:**		
	Shares in other corporations	**1,405,070**	1,150,127
	Stapled securities in other corporations	**25,601**	23,114
	Units in trusts	**22,087**	42,715
		1,452,758	1,215,956
b.	**Included in unquoted investments are:**		
	Stapled securities in other corporations	**131**	131
	Units in trusts	**261**	9,781
		392	9,912

c. Terms and conditions

Unquoted stapled securities had a maturity date of 30 June 2011 (2009: 30 June 2010) and an average interest rate of 9.75% p.a. (2009: 9.75% p.a.).

d. Investments disposed of during the year

	Fair value at disposal date	Gain(Loss) on disposal
	$'000	**$'000**
Equity investments	**16,702**	**(1,030)**

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

		2010	2009
		$'000	$'000
13.	**Deferred tax assets**		
	The balance comprises temporary differences attributable to :		
	Revenue tax losses carried forward	**38**	38
	Provisions	**426**	695
	Retirement benefit obligations	**61**	75
	Share issue expenses	**340**	307
	Other	**43**	69
	Total deferred tax assets	**908**	1,184
	Movements:		
	Balance at 1 July	**1,184**	1,203
	Charged (credited) to the income statement	**(234)**	113
	Credited to equity	**(42)**	(132)
	Balance at 30 June	**908**	1,184
	To be recovered within 12 months	**181**	84
	To be recovered after more than 12 months	**727**	1,100
		908	1,184
14.	**Deferred tax liabilities**		
	The balance comprises temporary differences attributable to:		
	Amounts recognised directly in equity:		
	Revaluation of investments	**123,095**	85,113
	Amounts recognised in profit:		
	Realised capital losses	**(10,868)**	(7,336)
	Unrealised gains on trading securities	**14**	31
	Income receivable which is not assessable for tax until receipt	**18,516**	16,562
		130,757	94,370
	Movements :		
	Balance at 1 July	**94,370**	190,692
	Charged to the income statement	**(636)**	(614)
	Charged (credited) to other comprehensive income	**37,023**	(95,708)
	Balance at 30 June	**130,757**	94,370
	To be settled within 12 months	**-**	-
	To be settled beyond 12 months	**130,757**	94,370

		2010	2009
		$'000	$'000
15.	**Issued capital**		
a.	**Movement in share capital**		
	Balance at 1 July 88,988,740 shares (2009: 84,560,837 shares)	**826,141**	763,770
	Share Purchase Plan issues of 3,953,829 shares (2009: 871,945 shares) for cash	**63,578**	15,564
	4,132,711 shares issued as consideration for acquisition (2009: 3,555,958 shares)	**73,570**	47,116
	Share issue costs net of tax	**(97)**	(309)
	Balance at 30 June 97,075,280 shares (2009: 88,988,740 shares)	**963,192**	826,141

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

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

b. Net fair values

The carrying amounts of financial instruments in the 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 the group'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 90% (2009: 91%) 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 4.5% (2009: 4.6%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2010 (2009: 30 June 2009). The net asset backing before provision for tax on unrealised capital gains would move by 75 cents per share at 30 June 2010 (2009: 69 cents at 30 June 2009).

Milton's executives 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.

The group 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 June 2010, 360 (2009: 432) shares were acquired by Milton on behalf of eligible employees under the ESP at a cost of $6,008 (2009: $7,992) and with a total market value at 30 June 2010 of $5,753 (2009: $6,264).

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.

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 2010 there were no shares acquired. (2009, 37,500 shares were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a total cost of $709,521 and with a total market value at 30 June 2009 of $543,750).

The loans to eligible employees are as disclosed in note 10b.

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.

	2010	2009
	$’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	**73,099**	69,423
Net realised (gains) losses on investments	**(2,161)**	1,841
Share of net profits of joint ventures – equity accounted	**(3,689)**	(2,185)
Impairment losses	**-**	3,226
Distributions received from joint venture entities	**2,350**	833
Depreciation of non-current assets	**23**	35
(Increase) decrease in receivables	**(1,907)**	5,999
Decrease in payables and provisions	**(951)**	(322)
Increase (decrease) in income taxes payable	**670**	(6,580)
Net cash provided by operating activities	**67,434**	72,270

b. Non-cash financing and investing activities

As described in note 22b, Milton acquired three unlisted investment companies and their subsidiaries (2009: one unlisted investment company) during the year through the issue of 4,132,711 (2009: 3,555,958) Milton shares at a fair value of $73,570,000 (2009: $47,116.000).

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

The group has interests in the following joint venture entities:

	2010	2009
33.33% interest in the Ellenbrook Syndicate Joint Venture contribution to operating profit before tax	**3,125**	1,681
23.33% interest in the Mews Joint Venture contribution to operating profit before tax	**564**	504
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture	**-**	-
Share of net profits of joint ventures	**3,689**	2,185

		2010 $'000	2009 $'000
20.	**Investment in joint venture entities (continued)**		
c.	**Consolidated interest in the assets and liabilities of the joint ventures**		
	Current assets	**17,311**	15,495
	Non-current assets	**8,149**	8,231
	Current liabilities	**(1,596)**	(1,463)
	Non-current liabilities	**(6,675)**	(6,675)
		17,189	15,588
	Provision for diminution in value	**(543)**	(1,385)
	Net assets	**16,646**	14,203

d. Contingent liabilities

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 $3.562 million over the next three years 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 ending 30 June 2010 the parent company of the Group was Milton Corporation Limited

	2010 $'000	2009 $'000
Profit of the parent entity		
Profit for the year	**70,447**	67,399
Total comprehensive income for the year	**152,559**	(156,895)
Financial position of the parent entity as at 30 June 2010		
Current assets	**130,297**	105,819
Total assets	**1,749,312**	1,464,645
Current liabilities	**143,342**	126,677
Total liabilities	**277,004**	220,922
Net assets	**1,472,308**	1,243,723
Total equity of the parent entity comprising of		
Issued capital	**963,192**	826,141
Capital Profits Reserves	**72,726**	75,186
Asset Revaluation Reserve	**356,681**	269,619
Retained profits	**79,709**	72,777
Total equity attributable to shareholders of Milton	**1,472,308**	1,243,723

22. Particulars in relation to subsidiaries

a. Milton Corporation Limited's subsidiaries

The following subsidiaries have been included in the consolidated accounts:	**2010**	2009
	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

The parent entity and all subsidiaries are incorporated in Australia

b. Acquisition of subsidiaries

In February 2010, Milton Corporation Limited acquired 100% of the voting shares in three unlisted investment companies and their subsidiaries (2009: one unlisted investment company) with the consideration consisting of the issue of 4,132,711 Milton shares (2009: 3,555,958 Milton shares). 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 income statement, while the assets and liabilities have been included in the consolidated statement of financial position. The results of the companies from 1 July 2009 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
Details of the acquisitions are as follows:		
Fair value of the net assets acquired:	**69,233**	38,031
Investments	**4,493**	9,403
Liquid and other assets	**(156)**	(318)
Liabilities	**73,570**	47,116

Total acquisition costs, being stamp duty, due diligence fees and legal fees amounted to $573,000 (2009: $380,000).

c. Disposal of subsidiaries

In April 2010 all companies and their subsidiaries that were acquired and referred to in note 22b were placed into voluntary liquidation (2009: one wholly owned company was placed into voluntary liquidation).

23. Related parties

a. Directors and Key Management Personnel compensation

Short-term employee benefits	**894**	914
Other long-term benefits	**13**	39
Post-employment benefits	**173**	211
Share-based payments	**114**	179
	1,194	1,343

Information regarding individual director's and executives' compensation and some equity instruments disclosures, as permitted by Corporations regulations 2M.3.03, are provided in the Remuneration Report section of the Directors' Report on pages 14 to 17.

23. Related parties (continued)

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

		Balance 1 July	Acquisition	Balance 30 June
R.D. Millner	**2010**	**4,741,443**	6,524	**4,747,967**
	2009	4,739,483	1,960	4,741,443
J.N. Aitken	**2010**	**20,780**	**620**	**21,400**
	2009	20,500	280	20,780
J.F. Church	**2010**	**5,651,637**	**12,814**	**5,664,451**
	2009	5,647,337	4,300	5,651,637
G.L. Crampton [1]	**2010**	**17,511**	**2,796**	**20,307**
	2009	-	-	17,511
I.A. Pollard	**2010**	**22,659**	**2796**	**25,455**
	2009	22,099	560	22,659
D.F. Myles [2]	**2010**	**36,000**	**-**	**-**
	2009	33,900	2,100	36,000

[1] Appointed a director on 1 June 2009
[2] Retired on 8 October 2009

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

		Balance 1 July	Received as Remuneration	Other Acquisitions	Balance 30 June
F.G. Gooch	**2010**	**128,367**	**-**	**600**	**128,967**
Managing director	2009	113,087	15,000	280	128,367
A.R. Davison	**2010**	**38,012**	**-**	**-**	**38,012**
CFO, secretary	2009	30,458	7,554	-	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	**2010**	**1,411,067**	**(50,825)**	**1,360,242**	**1,411,067**	**80,829**
Managing director	2009	1,191,940	219,127	1,411,067	1,475,748	125,114
A.R. Davison	**2010**	**584,528**	**(20,063)**	**564,465**	**584,528**	**33,220**
CFO, secretary	2009	467,626	116,746	584,528	609,531	51,978

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

23. Related parties (continued)

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 consolidated entity 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 2010, such loans to subsidiaries totalled $124,640,485 (2009: $83,862,000) and loans from subsidiaries totalled $ 75,024,122 (2009: $50,304,000).

Other arrangement with non executive director

Mr J.F.Church rented office space from Milton at commercial rates from 1 July 2009 to 30 June 2010 and rental income received by Milton during the financial year was $10,659 (2009: $11,798).

24. Contingencies

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

26. Events subsequent to reporting date

Since the end of the financial year, the directors declared a fully franked final dividend of 36 cents per share, payable on 1 September 2010.

This financial report was authorised for issue in accordance with a resolution of directors on 11 August 2010.

27. Holdings at Fair Value through Other Comprehensive Income at 30 June 2010

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

Investments in equity instruments	**2010 $'000**	2009 $'000
Adelaide Brighton Limited	**3,271**	1,354
Adtrans Group Limited	**1,435**	894
AGL Energy Limited	**19,990**	17,087
Alumina Limited	**1,360**	1,289
Amalgamated Holdings Limited	**3,245**	1,284
Amcor Limited	**4,889**	2,786
Ammtec Limited	**3,055**	1,601
AMP Limited	**7,101**	6,534
A P Eagers Limited	**10,370**	6,707
APA Group	**2,707**	2,068
APN News & Media Limited	**2,600**	1,932
ARB Corporation Limited	**2,684**	1,340
Argo Investments Limited	**4,733**	2,855
ASX Limited	**5,874**	5,589
Asciano Group	**-**	991
Austbrokers Limited	**4,016**	2,625
Australand Property Group	**1,382**	1,371
Australia & New Zealand Banking Group Limited		
- ordinary shares	**51,662**	34,852
- convertible preference shares	**1,017**	-
Australian Agricultural Company Limited	**-**	221
Australian Foundation Investment Company Limited	**6,169**	3,611

27. Holdings at Fair Value through Other Comprehensive Income at 30 June 2010 (continued)

	2010 $'000	2009 $'000
AWB Limited	**433**	558
Axa Asia Pacific Holdings Limited	**547**	389
Bank of Queensland Limited		
- ordinary shares	**49,660**	41,905
- reset preference shares	**1,560**	1,560
Bendigo & Adelaide Bank Limited	**37,846**	30,937
BHP Billiton Limited	**83,683**	61,927
Billabong International Limited	**837**	838
BKI Investment Company Limited (previously Brickworks Investment company Limited)	**1,314**	537
Blackmores Limited	**7,740**	4,882
Bluescope Steel Limited	**1,528**	1,769
Boral Limited	**6,557**	5,083
Bradken Limited	**3,214**	1,781
Brambles Limited	**4,526**	4,941
Brickworks Limited	**25,890**	27,769
Bunnings Warehouse Property Trust	**1,858**	1,138
Cabcharge Australia Limited	**692**	695
Caltex Australia Limited	**450**	661
Campbell Brothers Limited	**49,713**	29,256
Cardno Limited	**988**	852
Carlton Investments Limited	**5,837**	5,226
CFS Retail Property Trust	**17,205**	14,591
Charter Hall Office Trust (previously Macquarie Office Trust)	**458**	384
Charter Hall Retail Trust (previously Macquarie CountryWide Trust)	**1,528**	1,514
Choiseul Investments Limited	**51,109**	49,616
Coal & Allied Industries Limited	**3,910**	-
Coca-Cola Amatil Limited	**10,336**	5,234
Cochlear Limited	**2,259**	866
Coffey International Limited	**675**	1,144
Commonwealth Bank of Australia	**109,330**	83,193
Commonwealth Property Office Fund	**1,039**	885
Consolidated Media Holdings Limited	**448**	320
Crane Group Limited	**5,117**	6,383
Crown Limited	**1,094**	1,024
CSL Limited	**19,029**	18,260
CSR Limited	**1,052**	932
David Jones Limited	**1,082**	927
Diversified United Investment Limited	**781**	630
Equity Trustees Limited	**3,428**	3,270
Essa Australia Limited	**-**	162
Fairfax Media Limited	**4,852**	5,001
FKP Property Group	**1,927**	1,148
Fleetwood Corporation Limited	**1,208**	776
Foster's Group Limited	**15,045**	10,742
Goodman Fielder Limited	**430**	418
Goodman Group	**587**	342
Goldman Sachs JB Were Collateral Mezzanine Fund	**104**	104
Goldman Sachs JB Were Private Equity Fund	**9**	9
Graincorp Limited	**1,161**	1,575
Gresham Private Equity Co-Investment Fund	**60**	60
GWA International Limited	**4,632**	3,333
Healthscope Limited	**2,943**	-
Hills Industries Limited	**3,696**	2,699

27. Holdings at Fair Value through Other Comprehensive Income at 30 June 2010 (continued)

	2010 $'000	2009 $'000
Independence Group NL	-	
Insurance Australia Group Limited		694
- ordinary shares	**7,501**	6,615
- reset preference shares	**296**	302
IAG Finance(NZ) Limited Perpetual Reset Exchangeable Notes	**1,200**	897
Incitec Pivot Limited	**3,014**	2,551
Infigen Energy	**732**	1,178
Intoll Group (previously Macquarie Infrastructure Group)	**1,660**	2,283
InvoCare Limited	**6,443**	5,598
IOOF Holdings Limited	**450**	313
Leighton Holdings Limited	**17,210**	13,805
Lend Lease Corporation Limited	**1,458**	1,136
Lindsay Australia Limited	**296**	320
Lion Nathan Limited	**-**	8,122
LWP Huntlee Unit Trust No 2	**-**	9,521
Macarthur Coal Limited	**4,272**	2,326
MAP Group (previously Macquarie Airports)	**700**	551
Macquarie Communications Infrastructure Group	**-**	119
Macquarie Global Infrastructure Trust	**1**	1
Macquarie Group Limited	**12,093**	12,738
Metcash Limited	**11,401**	9,560
Mirvac Group	**431**	354
Mystate Limited (previously Tasmanian Perpetual Trustees Limited	**1,388**	1,201
National Australia Bank Limited	**67,989**	62,673
New Hope Corporation Limited	**3,118**	2,767
Noni B Limited	**915**	789
Nufarm Limited	**1,218**	2,625
Oakton Limited	**901**	804
Oldfields Holdings Limited	**-**	178
OneSteel Limited	**8,437**	6,855
Orica Limited	**1,970**	1,080
Origin Energy Limited	**4,022**	1,997
Perpetual Limited	**18,273**	18,120
Plantation Land Limited	**6**	-
Plantation Land Limited Unsecured Notes	**125**	131
Premier Investments Limited	**2,063**	1,867
QBE Insurance Group Limited	**18,539**	19,105
Qantas Airways Limited	**1,482**	1,354
Reece Australia Limited	**2,632**	1,778
Rio Tinto Limited	**28,836**	17,334
Santos Limited		
- ordinary shares	**13,191**	12,970
- reset convertible preference shares	**-**	501
Schaffer Corporation Limited	**315**	297
Sedgman Limited	**755**	197
Select Harvests Limited	**619**	452
Service Stream Limited	**-**	414
Seven Group Holdings Limited - Transferable Equity Linked Yield Shares 4	**541**	617
Sigma Pharmaceuticals Limited	**368**	1,314
Sims Metal Management Limited (previously Sims Group Limited)	**10,147**	16,252
Sonic Healthcare Limited	**3,312**	3,123
Stockland Corporation Group	**2,673**	2,307

27. Holdings at Fair Value through Other Comprehensive Income at 30 June 2010 (continued)

	2010 $'000	2009 $'000
Suncorp-Metway Limited		
- ordinary shares	**18,810**	15,675
- convertible preference shares	**2,867**	2,610
Tabcorp Holdings Limited	**226**	256
Tattersall's Limited	**582**	663
Telstra Corporation Limited	**25,883**	20,773
Ten Network Holdings Limited	**1,707**	1,240
The Platinum Trust - Japan Fund	**87**	85
Toll Holdings Limited	**4,311**	4,641
TPG Telecom Limited (previously SP Telemedia Limited)	**3,665**	640
Transfield Services Limited	**2,998**	2,208
Transfield Services Infrastructure Fund	**-**	97
Transurban Group Limited	**7,481**	6,957
The Trust Company Limited	**12,386**	11,780
Tutt Bryant Group Limited	**-**	101
UGL Limited (previously United Group Limited)	**14,272**	9,681
Washington H. Soul Pattinson & Company Limited	**62,719**	52,064
Wesfarmers Limited		
- ordinary shares	**51,981**	39,812
- partially protected shares	**5,241**	3,943
West Australian Newspapers Holdings Limited	**6,927**	4,488
Westfield Group	**5,321**	4,437
Westpac Banking Corporation	**186,178**	173,209
Wide Bay Australia Limited	**3,328**	2,107
Woodside Petroleum Limited	**29,023**	25,347
Woolworths Limited	**53,944**	48,709
Worley Parsons Limited	**1,253**	1,022
	1,453,150	1,225,868

Other liquid securities

Adelaide Managed Funds	**2,010**	1,733
AMP - notes	**1,717**	1,744
Bank of Queensland- perpetual equity preference 07	**4,475**	4,500
Commonwealth Bank of Australia		
- Perls III	**815**	840
- Perls IV	**1,155**	1,149
Fairfax Media Limited - stapled preference securities	**645**	454
Goodman Funds Management – perpetual listed unsecured securities	**616**	342
Macquarie CPS Trust – convertible preference shares	**1,065**	1,030
Orica Limited – step-up preference shares	**746**	731
Suncorp convertible preference shares	**957**	870
Westpac Banking Corporation - preference shares (stapled preferred securities)	**1,004**	980
Woolworths Limited - notes	**548**	532
	15,753	14,905

DIRECTORS' DECLARATION

1. 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 2010.

2. In the directors' opinion:

   (a) the financial statements and notes, set out on pages 21 to 44 and the Remuneration report in the Directors' report, set out on pages 14 to 17, are in accordance with the Corporations Act 2001, including:

      (i) complying with Australian Accounting Standards and the Corporations Regulations *2001*; and
      (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; 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.

Signed in accordance with a resolution of the board of directors pursuant to Section 295(5) of the Corporations Act 2001.

R. D. MILLNER
Chairman

Sydney, 11 August 2010

MOORE STEPHENS

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 2010, 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's end 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

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MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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 the consolidated entity's financial position as at 30 June 2010 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 14 to 17 of the directors' report for the year ended 30 June 2010. 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 2010, 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 2010

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

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SHARE REGISTRY

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ASX INFORMATION

TOP 20 SHAREHOLDERS AS AT 31 JULY 2010

NAME	***SHARES HELD***	***%***
Argo Investments Limited	7,760,452	7.99
Myora Pty Limited	4,544,540	4.68
Washington H. Soul Pattinson and Company Limited	4,118,468	4.24
Australian Foundation Investment Company Limited	2,880,585	2.97
Chickenfeed Pty Limited	2,046,186	2.11
Culloden Pty Ltd <K A Wood Family a/c>	1,921,820	1.98
Jamama Nominees Pty Limited	1,888,353	1.95
Choiseul Investments Limited	1,700,000	1.75
Bortre Pty Limited	1,213,725	1.25
Danwer Investments Pty Limited	1,213,725	1.25
Culloden Pty Ltd <A J R Wood Family a/c>	970,601	1.00
Griffinna Pty Ltd <Wood Dragon a/c>	829,607	0.85
Otterpaw Pty Ltd <Penguin a/c>	829,607	0.85
Macdawley Proprietary Limited	695,923	0.72
Riversdale Pty Ltd <No 1 a/c>	636,812	0.66
Gartfern Pty Limited	626,792	0.65
AVL Investments Proprietary Limited	595,816	0.61
Yerong Pty Limited	549,893	0.57
Bougainville Copper Limited	538,015	0.55
Gardenglen Pty Limited	527,538	0.54

On 31 July 2010, there were 15,928 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	3,639
501-1000	2,304
1,001 – 5,000	7,503
5,001 – 10,000	1,605
10,001 – 50,000	750
50,001– 100,000	45
100,001 and over	82
The number of holders of less than a marketable parcel of 31 shares	482

SUBSTANTIAL SHAREHOLDINGS As at 31 July 2010 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	25 February 2009	7,772,744
John Frederick Church	20 July 2010	5,464,648

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 314 and the total brokerage paid or accrued was $267,780.

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

"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	

NOTES