

CORPORATE OBJECTIVE

To hold a diversified portfolio of assets to generate an increasing income stream for distribution to shareholders in the form of fully franked dividends and to provide growth in the value of the shareholders' investments.

CLASSIFICATION OF ASSETS:

Classification	Total Assets
	%
Banks	31.8
Materials	10.1
Diversified financials	10.1
Consumer staples	9.8
Commercial Services	6.4
Insurance	4.6
Energy	2.8
Telecommunication	2.5
Capital goods	2.5
Healthcare	2.2
Real estate	2.2
Other shares	<u>6.1</u>
Total securities	91.1
Cash	5.9
Other assets	<u>3.0</u>
Total assets	<u>100.0</u>

INVESTMENT PHILOSOPHY

Milton is a long-term investor in companies, trusts, fixed interest securities and real property.

Milton seeks to invest in well-managed companies and trusts with a profitable history and with the expectation of sound dividend growth.

Milton is not a speculative investor and does not sell its assets to increase profit for distribution to shareholders.

Capital profits are reinvested by the company for the benefit of shareholders.

DIRECTORS

R.D. Millner (Chairman)	G.L. Crampton
K.J. Eley	F.G. Gooch (MD)
J.F. Church	I.A. Pollard

PORTFOLIO

Milton continued to invest cautiously during the 2012 financial year. It reinvested all of the \$34 million proceeds from disposals plus an additional of \$15 million. The total of \$49 million was invested in over 45 companies all of which were already held by Milton. Larger additional investments were AGL Energy, Bank of Queensland, Telstra, BHP Billiton, Cardno and Amcor.

Takeover related disposals amounted to \$27 million and included Coal & Allied, Foster's Group and Macarthur Coal.

THE 20 LARGEST INVESTMENTS:

	Market Value
	\$million
Westpac Banking Corporation	220.1
Commonwealth Bank	159.9
Washington H Soul Pattinson	125.4
Campbell Brothers	117.6
National Australia Bank	102.4
BHP Billiton	101.1
Wesfarmers	85.6
Woolworths	69.3
ANZ Banking Group	62.4
Telstra Corporation	43.4
Bank of Queensland	43.4
Bendigo and Adelaide Bank	42.3
QBE Insurance Group	36.2
AGL Energy	34.0
Brickworks	32.6
Rio Tinto	25.5
Woodside Petroleum	24.5
CSL	23.1
Suncorp-Metway	22.9
Perpetual Trustees	<u>18.8</u>
Total value of Top 20	<u>1,390.5</u>
Total assets	<u>2,002.8</u>

SHARE REGISTRY MATTERS:

Shareholders with access to the internet can manage their holding details and vote online by visiting www.linkmarketservices.com.au.

Alternatively you can call Link Market Services on (02) 8280 7111 or Toll Free on 1800 641 024

MILTON CORPORATION LIMITED

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ANNUAL REVIEW - 30 JUNE 2012

- **Fully franked ordinary dividends**
 - Final ordinary dividend of 40 cents per share⁽¹⁾ up from 39 cents per share paid last year
 - Full year ordinary dividend of 78 cents per share up 2.6% on prior year
- **Earnings per share:**
 - Up 4.5% to 84.4 cents (excluding special investment revenue)
 - Up 1.4% to 85.0 cents (including special investment revenue)
- **Profit after tax:**
 - Up 13.5% to \$102.7 million (excluding special investment revenue)
 - Up 10.2% to \$103.4 million (including special investment revenue)

Milton's dividend history

	2012	2011	2010	2009	2008
Interim (cps)	38	37	35	43	43
Final (cps)	⁽¹⁾ 40	39	*36	35	*45
Total (cps)	78	76	71	78	88
Special (cps)	-	5	-	-	8
*LIC Capital Gain included as part of final dividend :					
LIC (cps)	-	-	2	-	12

⁽¹⁾Dividend "ex date" – 15 August 2012

This document is not a prospectus and does not seek to invite applications for shares in the Company.

RESULTS FOR THE YEAR TO 30 JUNE 2012

	2012	Movement
	<u>\$million</u>	<u>on pcp</u>
Operating Revenue	108.6	↑ 12.9 %
Net profits of joint ventures	3.7	↑ 70.8 %
Operating expenses	(3.2)	0 %
Operating profit before tax	109.1	
Tax expense	(6.4)	
Underlying operating profit after tax	102.7	↑ 13.5 %
Special dividends after tax	0.7	↓ 78.7 %
Net profit after tax	103.4	↑ 10.2 %
Weighted average eps based on		
-Net profit after tax	85.0 cents	↑ 1.4 %
-Underlying operating profit after tax	84.4 cents	↑ 4.5 %

Administration expenses represented 0.16 per cent of average total assets at market value for the year ended 30 June 2012 (2011: 0.17 per cent).

BALANCE SHEET

	2012	2011
	<u>\$million</u>	<u>\$million</u>
Cash	118	127
Investments	1,825	1,928
Other assets	60	<u>58</u>
Total Assets	2,003	2,113
Liabilities	(5)	<u>(1)</u>
Net assets before provision for tax on unrealised capital gains	1,998	2,112
Provision for tax on unrealised capital gains	(117)	<u>(152)</u>
Net assets	1,881	<u>1,960</u>
Net tangible asset backing per share		
-before provision for tax on unrealised capital gains and net of tax on realised capital losses	\$16.42	\$17.36
-after provision for tax on unrealised capital gains and net of tax on realised capital losses	\$15.46	\$16.11

DIVIDENDS

The fully franked final dividend has been increased to 40 cents per share and it will be paid on 4 September 2012.

Milton shares will trade “ex” the final dividend on 15 August 2012.

COMMENTARY

Milton Corporation Limited lifted its underlying operating profit for the year ended 30 June 2012 by 13.5% to \$102.7 million.

Increasing rates of dividend receipts combined with a larger portfolio for the whole of the year, following the merger with Choiseul Investments in December 2010, delivered an increase of 13.9% in ordinary investment income.

The Choiseul merger also resulted in a higher number of Milton shares on issue throughout the year so the weighted average earnings per share was increased by 4.5% to 84.4 cents per share.

Managing director, Mr Frank Gooch, said, “The result highlights the benefits of owning a diversified portfolio of dividend paying companies. The increases in dividend rates from many of Milton’s investments more than offset any rate reductions.”

“We are aware that many of Milton’s investors are attracted to its reliable fully franked dividend stream and so the directors were pleased to increase the final dividend to 40 cents per share. The full year dividend of 78 cents per share is 2.6% higher than the previous year and represents a payout of 92.4% of underlying profit,” he said.

“Retaining some of the profits will provide additional funds for future investment and should assist the company in growing its profits and dividends,” Mr Gooch added.

Milton’s net profit, which is a combination of underlying operating profit and special investment revenue, was \$103.4 million, 10.2% higher than the previous corresponding year. Special investment revenue was significantly lower with just \$0.7 million received in 2012 compared with \$3.6 million received in 2011.

At 30 June 2012 Milton’s net assets, before provision for tax on unrealised capital gains, were valued at \$2 billion.

The assets included an investment portfolio of Australian listed equities valued at \$1.8 billion and cash of \$118 million. Milton invests for the long term and does not intend to dispose of its investment portfolio however the accounting standards require Milton to provide for the capital gains tax that may arise if the portfolio was realised and at 30 June that provision was \$117 million.

Milton’s net tangible assets per share, before provision for tax on unrealised capital gains (NTA), were valued at \$16.42 on 30 June 2012.

Milton’s Total Portfolio Return, which is the combination of the movement in NTA combined with the dividends paid during the year, was minus 0.6%. This return is net of all operating costs and realised tax liabilities.

Mr Gooch said, “Milton’s portfolio performed well relative to the market as a whole as measured by the accumulation return of the All Ordinaries Index for the year which was minus 7.0%. If the Index included costs and tax the market return would have been even less. The benefit of Milton’s long held investment philosophy of investing in companies that reward shareholders with regular dividends becomes more apparent when capital gains are more difficult to realise.”

OUTLOOK

There are so many variables that will have an effect on the the share market, particularly over the short term, that it is not possible to predict where it will be in a years time. However as the uncertainty around these variables lifts the market as a whole is expected to improve.

In the meantime Milton has sufficient cash to continue to invest in companies that have predictable earnings and dividends when the opportunities arise.

Milton’s objective over the next twelve months is to at least maintain the full year dividend of 78 cents per share which on the latest share price of \$15.40 is a fully franked yield of 5%. This fully franked yield equates to 7.2% pre tax.

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting will be held on Tuesday 16 October 2012 at 3.00pm at The Lyceum Room, Wesley Conference Centre, 220 Pitt Street Sydney.

The Notice of Meeting is expected to be sent to shareholders on 24 August 2012.