

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	31.7
Materials	12.9
Diversified financials	9.7
Consumer staples	10.1
Commercial Services	5.3
Insurance	4.9
Energy	3.4
Capital Goods	2.5
Real estate	2.1
Other securities	<u>8.6</u>
Total securities	91.2
Cash & liquids	6.8
Other assets	<u>2.0</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.

PORTFOLIO

Milton's investment portfolio at 30 June 2011 had a total value of \$1.9 billion and its cash assets were \$127 million. This provides Milton with sufficient funds to continue to invest for the foreseeable future.

Over the twelve months Automotive Holdings Group, Qube Logistics, and Ramsay Health Care Limited were added to the Milton portfolio.

The larger purchases of existing holdings in the portfolio were: Adelaide Brighton Limited, ANZ Banking Group, Bradken Limited, Insurance Australia Group Limited, Leighton Holdings Limited, Metcash Limited, Orica Limited, Transfield Services Limited, Woolworths and Worley Parsons Limited.

The major disposals during the year were takeover related and included Ammtec Limited, Crane Group Limited, Healthscope Limited and Intoll Group.

The merger with Choiseul also increased the portfolio by \$411 million, net of the Milton shares held by Choiseul. The addition of the Choiseul portfolio increased Milton's relative weightings in BHP Billiton Limited, Campbell Brothers Limited, QBE Insurance Group Limited and Washington H Soul Pattinson & Company Limited.

THE 20 LARGEST INVESTMENTS:

	Market Value
	\$million
Westpac Banking Corporation	231.9
Commonwealth Bank	157.5
BHP Billiton	136.8
Washington H Soul Pattinson	119.1
National Australia Bank	110.9
Campbell Brothers	99.2
Wesfarmers	88.8
Woolworths	69.8
ANZ Banking Group	61.2
Bendigo and Adelaide Bank	50.6
Bank of Queensland	47.8
Q B E Insurance	46.7
Rio Tinto	37.4
Brickworks	32.9
Woodside Petroleum	32.2
Telstra Corporation	30.7
AGL Energy	27.4
Suncorp-Metway	23.1
Perpetual	20.4
CSL	<u>19.4</u>
Total value of Top 20	<u>1,443.8</u>
Total assets	<u>2,113.3</u>

DIRECTORS

R.D. Millner (Chairman)
J.N. Aitken
J.F. Church

G.L. Crampton
F.G. Gooch (MD)
I.A. Pollard

MILTON CORPORATION LIMITED

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ANNUAL REVIEW - 30 JUNE 2011

- **Fully franked ordinary dividends**
Final ordinary dividend of 39 cents per share⁽¹⁾ up from 36 cents per share paid last year
Full year ordinary dividend of 76 cents per share up 7% on prior year
- **Special fully franked dividend of 5 cents per share⁽¹⁾**
- **Earnings per share:**
Up 9.7% to 80.8 cents (excluding special dividends, subsidiary acquisition costs and realised gains)
Up 7.2% to 83.9 cents (including special dividends, subsidiary acquisition costs and realised gains)
- **Profit after tax:**
Up 31.4% to \$90.5 million (excluding special dividends, subsidiary acquisition costs and realised gains)
Up 28.4% to \$93.9 million (including special dividends, subsidiary acquisition costs and realised gains)

Milton's dividend history

	2011	2010	2009	2008	2007
Interim (cps)	37	35	43	43	38
Final (cps)	⁽¹⁾ 39	*36	35	*45	*43
Total (cps)	76	71	78	88	81
Special (cps)	⁽¹⁾ 5	-	-	8	-
*LIC Capital Gain included as part of final dividend :					
LIC (cps)	-	2	-	12	6

⁽¹⁾Dividend "ex date" – 31 August 2011

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 2011

	2011	Movement
	<u>\$million</u>	<u>on pcp</u>
Operating Revenue	96.2	↑ 33.0 %
Net profits of joint ventures	2.1	↓ 41.3 %
Operating expenses	<u>(3.2)</u>	↑ 13.6 %
Operating profit before tax	95.1	
Tax expense	<u>(4.6)</u>	
Underlying operating profit after tax	90.5	↑ 31.4 %
Special dividends after tax	3.6	↑ 44.8 %
Acquisition costs after tax	<u>(0.2)</u>	
Net profit after tax	<u>93.9</u>	↑ 28.4 %
Weighted average eps based on		
-Net profit after tax	83.9 cents	↑ 7.3 %
-Underlying operating profit after tax	80.8 cents	↑ 9.6 %

Administration expenses, net of management fee recoveries, represented 0.17 per cent of average total assets at market value for the year ended 30 June 2011 (2010: 0.17 per cent).

BALANCE SHEET

	2011	2010
	<u>\$million</u>	<u>\$million</u>
Cash & liquids	143	116
Investments	1,928	1,453
Other assets	<u>42</u>	<u>36</u>
Total Assets	2,113	1,605
Liabilities	<u>(1)</u>	<u>(2)</u>
Net assets before provision for tax on unrealised capital gains	2,112	1,603
Provision for tax on unrealised capital gains	<u>(152)</u>	<u>(131)</u>
Net assets	<u>1,960</u>	<u>1,472</u>
Net tangible asset backing per share		
-before provision for tax on unrealised capital gains and net of tax on realised capital losses	\$17.36	\$16.51
-after provision for tax on unrealised capital gains and net of tax on realised capital losses	\$16.11	\$15.17

DIVIDENDS

The fully franked final dividend has been increased to 39 cents per share

A fully franked special dividend of 5 cents per share will also be paid on 20 September 2011.

Milton shares will trade “ex” the final and special dividends on 31 August 2011 and they will be paid on 20 September 2011.

COMMENTARY

Milton’s managing director, Mr Frank Gooch, said, “Milton’s operating profit was boosted by higher investment income from its long term Australian equity portfolio, which was expanded in December 2010 through the acquisition of Choiseul Investments.”

“Many of the companies in the portfolio improved their dividends this year with increases of note coming from Rio Tinto, Campbell Brothers and most of the banks,” he added.

Milton also received special dividends which amounted to \$3.6 million, with large receipts from Washington H Soul Pattinson and Choiseul Investments.

Mr Gooch said, “Special dividend receipts are irregular in nature and so they are not included in operating profit and not distributed as part of the ordinary dividends each year. This year, we are pleased to be paying a fully franked special dividend of 5 cents per share and thereby passing on to shareholders the benefit of the special dividends that Milton has received since its last payment of a special dividend in 2008.”

The strong operating profit performance combined with the increased special dividends to produce net profit for the year of \$93.9 million, which was 28% more than the prior year.

The weighted average earnings per share, based on the operating profit, were 80.8 cents compared with 73.7 cents for the prior year. Importantly this 9.6% increase enabled the final dividend to be raised to 39 cents per share.

During the year, the value of Milton’s net tangible assets before provision for tax on unrealised capital gains (NTA) increased to \$17.36 per share and the company paid out 73 cents per share in fully franked dividends.

This provided a total return of 9.6% for the year. Over the same period the Milton share price reduced to \$15.60 from \$15.98 so that at 30 June 2011 the shares were trading at a discount to the NTA of 10.1%.

OUTLOOK

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

Domestically consumer sentiment is low as there is uncertainty over the direction of interest rates, the effects of the proposed carbon tax, house prices and rising costs. The mining sector and its related industries are benefiting from the continuing strong global demand for Australia’s resources. However many other sectors are finding conditions challenging. Certainly there has been a significant reduction in earnings forecasts over the year and analysts are likely to be revisiting their forecasts for 2012 after the August reporting season.

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

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting will be held on Thursday 13 October 2011 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 26 August 2011.

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