

## 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.

## 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.

## DIRECTORS

R.D. Millner (Chairman)

J.N. Aitken

J.F. Church

G.L. Crampton

F.G. Gooch (Managing Director)

I.A. Pollard

Each of the Directors has extensive experience in the investment industry.

## CONTACT DETAILS:

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ASX code: *MLT*

Share Registry:

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*Locked Bag A14*

*Sydney South NSW 1235*

*Phone: (02) 8280 7111*

*Toll Free: 1800 641 024*

*Web address:*

*[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)*

## INVESTMENTS AT 31 DECEMBER 2010:

### Top 20 Market Value

#### \$million

Westpac Banking Corporation	231.4
Commonwealth Bank	152.9
BHP Billiton	140.6
Washington H Soul Pattinson	114.6
National Australia Bank	102.6
Wesfarmers	88.7
Campbell Brothers	85.8
Woolworths	66.9
ANZ Banking Group	64.9
Bank of Queensland	60.8
Bendigo & Adelaide Bank	56.8
QBE Insurance Group	49.1
Rio Tinto	38.5
Brickworks	36.2
Woodside Petroleum	33.4
Telstra Corporation	29.3
AGL Energy	28.5
Perpetual	25.5
Suncorp-Metway	24.4
Leighton Holdings	<u>23.8</u>
Total value of Top 20	1,454.7
Total assets	<u>2,153.8</u>

### Total Assets

%

Banks	31.5
Diversified financials	10.0
Materials	12.9
Consumer staples	9.6
Insurance	4.9
Commercial services	4.6
Energy	3.4
Capital goods	3.3
Real estate	2.1
Healthcare	1.8
Telecommunications	1.6
Other shares	5.4
Cash and equivalents	7.5
Other assets	<u>1.4</u>
Total assets	<u>100.0</u>

### Classification

# MILTON CORPORATION LIMITED

ABN 18 000 041 421

## 31 DECEMBER 2010

### HALF-YEAR REVIEW

➤ Fully franked interim dividend of 37 cents per share paid 5 January 2011

➤ Profit after tax:

Up 31.4% to \$42.9 million (excluding special investment income and acquisition related costs of subsidiaries)

Up 23.4% to \$45.8 million (including special investment income and acquisition related costs of subsidiaries)

➤ Earnings per share:

Up 16.4% to 41.9 cents (excluding special investment income and acquisition related costs of subsidiaries)

Up 9.3% to 44.7 cents (including special investment income and acquisition related costs of subsidiaries)

➤ Net Asset Backing before tax on unrealised gains:

\$17.39 per share

➤ Total Portfolio Return for 10 yrs to 31 December 2010:

10.2% pa compounded

➤ Choiseul merger completed:

Increased assets by \$462 million

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

## RESULTS FOR THE HALF-YEAR TO 31 DECEMBER 2010

Operating Revenue	31/12/10	Movement
	\$'000	on pcp
Net profits of joint ventures	45,754	↑ 29.9%
Operating expenses	809	↓ 37.7%
Operating profit before tax	(1,570)	↓ 4.7%
Tax expense	44,993	
<b>Operating profit after tax <sup>(1)</sup></b>	<b>(2,090)</b>	
Special investment income after tax	42,903	↑ 31.4%
Acquisition related costs of subsidiaries after tax	3,097	↑ 34.5%
Net profit after tax	(193)	
Weighted average eps based on	45,807	↑ 23.4%
- Net profit after tax	44.7 cents	↑ 9.3%
- Operating profit after tax	41.9 cents	↑ 16.3%

(1) Operating profit after tax is before special investment revenue and acquisition related costs of subsidiaries. Milton refers to this as Underlying Profit.

## BALANCE SHEET

Cash & liquids	31/12/10	30/6/10
Investments	\$million	\$million
Other assets	160	116
Total Assets	1,966	1,453
Liabilities	28	36
Net assets before provision for tax on unrealised capital gains net of realised capital losses	2,154	1,605
Provision for tax on unrealised capital gains net of realised capital losses	(38)	(2)
Net assets	2,116	1,603
Net tangible asset backing per share	(167)	(131)
- Before providing for tax on unrealised capital gains	1,949	1,472
- After providing for tax on unrealised capital gains	\$17.39	\$16.51
	\$16.02	\$15.17

## DIVIDENDS

The fully franked interim dividend of 37 cents per share was paid on 5 January 2011 to shareholders on the register at the close of business on 14 December 2010.

The following table details the dividends declared in cents per share for each financial year.

	2011	2010	2009	2008	2007
Interim (cps)	37	35	43	43	38
Final* (cps)		36	35	45	43
Total (cps)		71	78	88	81
Special (cps)		-	-	8	-
<i>* LIC Capital gain included in final dividend:-</i>					
LIC (cps)		2	-	12	6

## COMMENTARY

The Underlying Profit after Tax received a boost from the acquisition of a private investment company in August 2010 and from the merger with Choiseul Investments Limited (Choiseul) in December 2010. Organic growth in earnings was achieved through the receipt of increased dividends from many of the companies in Milton's investment portfolio.

Milton's managing director, Mr Frank Gooch, said, "It is encouraging that many of the companies in the portfolio have increased their ordinary dividend and we are optimistic that we will see further increases in the upcoming reporting season."

This result included an interim dividend of \$1.2 million from Choiseul, which would normally have been received in the second half of the financial year but was brought forward to December 2010 as a consequence of the merger with Milton. "The increase in the ordinary dividend is directly related to the increase in underlying earnings per share and is consistent with Milton's objective to pay increasing fully franked dividends to its shareholders." Mr Gooch said.

"We think it is important that shareholders' returns consist of fully franked cash dividends as well as capital growth." He added.

In addition to the underlying operating profit, Milton's Net profit after tax of \$45.8 million included special dividends of \$3.1 million and acquisitions related costs of \$0.2 million.

The investment portfolio increased in value by \$513 million to \$1.966 billion over the six months to 31 December 2010. The acquisition of the private investment company and the merger with Choiseul contributed a net \$450 million to the increase.

During the period Ramsay Health Care Limited was added to the portfolio whilst Healthscope Limited, Adtrans Group Limited and Intoll Group were taken over.

At 31 December 2010 Milton's net tangible assets, before provision for tax on unrealised capital gains and after provision for Milton's interim dividend, amounted to \$2.1 billion, up from \$1.6 billion at 30 June 2010.

A large part of the increase was due to the Choiseul merger and the private investment company acquisition completed during the half year. These were funded by the issue of 26.2 million new Milton shares.

Over the ten years to 31 December 2010 Milton's shares have returned 10.5% per annum compounded. This return, which assumes the fully franked dividends are reinvested is known as the Total Shareholder Return (TSR) and compares quite favourably with the Accumulation Return of the All Ordinaries Index for the same period of 8.7% per annum.

Mr Gooch said, "This comparison actually understates Milton's performance as the TSR does not reflect the benefit of the fully franked component of the Milton dividends. Investors might also note that Milton's TSR is also inclusive of all operating costs."

## OUTLOOK

Milton's chairman, Mr Robert Millner said, "Milton is positioned well to take advantage of the opportunities that are expected to arise over the next twelve months as the economy improves."

Following the merger with Choiseul, Milton has a \$2 billion equity investment portfolio as well as over \$100 million of cash available for investment in sound dividend paying companies.

We are optimistic that dividends overall will continue to increase and Milton will continue to increase its dividends as its underlying earnings per share increase."