

## MILTON PROFILE

### Traditional investment company

Milton is a traditional investment company that was listed in 1958 and its key objective is to pay increasing fully franked dividends per share out of the dividends that it receives from its long term holdings of assets including Australian equities, interest bearing securities and real property.

Milton seeks to invest in well managed companies and trusts that are listed on the Australian Securities Exchange, have a profitable history and the expectation of 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.

### Diversified portfolio of long term investments

This long term approach to investing results in low turnover of the portfolio which is not aligned to any index.

## CLASSIFICATION OF ASSETS:

at 31 DECEMBER 2012	Total Assets
	%
Banks	33.1
Consumer staples	10.5
Materials	10.5
Diversified financials	9.9
Commercial Services	5.8
Insurance	4.4
Telecommunication	2.9
Energy	2.6
Capital goods	2.2
Real estate	2.0
Healthcare	2.0
Other shares	<u>6.2</u>
<b>Total securities</b>	92.1
Cash	6.0
Other assets	<u>1.9</u>
<b>Total assets</b>	<u>100.0</u>

## DIRECTORS

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

## PORTFOLIO

Milton has continued to invest cautiously over the last six months with \$15 million invested across 21 companies.

The single largest additional investment was \$3 million in Telstra. McMillan Shakespeare was added to the portfolio with an initial investment of \$1 million.

Disposals of smaller holdings during the period included Cabcharge, Caltex, CSR and Hills Industries.

## TOP 20 EQUITY INVESTMENTS:

at 31 DECEMBER 2012	Market Value \$million
Westpac Banking Corporation	271.3
Commonwealth Bank of Australia	187.3
W H Soul Pattinson	124.4
BHP Billiton	119.3
ALS Limited	117.1
National Australia Bank	109.3
Wesfarmers Limited	105.1
Woolworths Limited	75.9
ANZ Banking Group	71.5
Telstra Corporation	55.3
Bendigo and Adelaide Bank	48.5
Bank of Queensland	48.1
Brickworks Limited	37.2
AGL Energy	35.4
CSL Limited	31.6
Rio Tinto	29.8
QBE Insurance Group	29.5
Suncorp-Metway	28.8
Perpetual Trustees	28.4
Woodside Petroleum	<u>27.2</u>
Total value of Top 20	<u>1,581.0</u>
Total assets	<u>2,243.50</u>

## SHARE REGISTRY MATTERS:

Shareholders with access to the internet can manage their holding details and vote online by visiting [www.linkmarketservices.com.au](http://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

ABN 18 000 041 421

## HALF YEAR REVIEW 31 DECEMBER 2012

- Ø *Fully franked ordinary dividends*  
*Interim ordinary dividend of 39 cents per share*  
*Up from 38 cents per share <sup>(1)</sup>*
- Ø *Earnings per share:*  
*Up 2.2% to 45.35 cents (excluding special investment revenue) <sup>(1)</sup>*  
*Up 3.1% to 46.30 cents (including special investment revenue) <sup>(1)</sup>*
- Ø *Profit after tax:*  
*Up 2.2% to \$55.2 million (excluding special investment revenue) <sup>(1)</sup>*  
*Up 3.1% to \$56.3 million (including special investment revenue) <sup>(1)</sup>*
- Ø *Net asset backing per share before provision for tax on unrealised capital gains:*  
*Up 14.6% to \$18.42 <sup>(2)</sup>*

<sup>(1)</sup>Comparisons refer to the results for the six months to 31 December 2011.

<sup>(2)</sup>Comparison refers to the balance at 31 December 2011.

## CONTACT DETAILS

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*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 2012

	Movement on pcp	\$million
Operating Revenue	Up 2.3%	57.8
Net profits of joint ventures	Up 36.0%	1.8
Operating expenses <sup>(1)</sup>	Up 5.6%	(1.7)
Operating profit before tax		57.9
Tax expense		(2.7)
<b>Underlying operating profit after tax</b>	<b>Up 2.2%</b>	<b>55.2</b>
Special dividends after tax		<u>1.1</u>
Net profit after tax	Up 3.1%	<u>56.3</u>

### Efficient, low cost operation<sup>(1)</sup>

Milton's employees manage the company and its investments keeping operating costs low.

For the six months to 31 December administration costs represented 0.16% per annum of the company's average total assets.

## BALANCE SHEET at 31 DECEMBER 2012

	\$million
Cash	150
Investments	2,067
Other assets	<u>27</u>
Total Assets	2,244
Liabilities	<u>(3)</u>
<b>Net assets before provision for tax on unrealised capital gains</b>	<b>2,241</b>
Provision for tax on unrealised capital gains	<u>(188)</u>
Net assets	<b><u>2,053</u></b>

## DIVIDEND HISTORY

	2013	2012	2011	2010	2009
Interim (cps)	<sup>(1)</sup> 39	38	37	35	43
Final (cps)		40	39	*36	35
Total (cps)		78	76	71	78
Special (cps)		-	5	-	-
*LIC Capital Gain included as part of final dividend :					
LIC (cps)		-	-	2	-

<sup>(1)</sup>Dividend "ex date" is 14 February 2013 and the payment date is 6 March 2013.

## COMMENTARY

Net profit after tax for the six months to 31 December 12 increased by 3.1% to \$56.3 million.

This result included fully franked special dividend income of \$1.1 million which was received from Suncorp Group, New Hope Corporation, Graincorp and Woolworths. The Woolworths dividend was an in-specie distribution of Shopping Centres Australasia Group units.

Underlying operating profit, which excludes these specials, was 2.2% higher at \$55.2 million or 45.4 cents per share.

Milton has lifted its fully franked interim dividend by 2.6% to 39 cents per share to pass on the benefit of the higher underlying operating profit to its shareholders.

The inclusion of the Metcash 2012 final dividend and its 2013 interim dividend combined with increases in dividends from companies such as ALS, A.P. Eagers, Insurance Australia Group, Macquarie Group, Wesfarmers, W H Soul Pattinson and the larger banks offset disappointing falls in income from QBE and Perpetual.

As expected lower term deposit rates affected the earnings on liquid assets with interest income reducing by 13.6% to \$3.0 million for the six months.

Lower interest rates have encouraged many investors to seek higher income by investing in companies that offer reliable franked dividends. This has contributed to an increase in the market as a whole with the All Ordinaries Index up 12.8% for the six months to 31 December 12.

Milton's equity investment portfolio has been constructed over many years through the consistent application of its long held investment philosophy which is to invest in well managed companies that have a profitable history and the expectation of sound dividend growth. This portfolio, which represents 90% of total assets, delivered income growth and helped to lift Milton's NTA<sup>(1)</sup> by 12.2% over the six months to be \$18.42 per share at 31 December 12.

The return to equities by many investors has also contributed to the reduction in the discount to NTA at which Milton shares have traded over the six months. At 31 December 2012 the share price of \$17.68 represented a 4% discount to the NTA. The total shareholder return, which includes dividends paid and share price appreciation for the period, was 19.2% and this compares favourably with the accumulation return of the All Ordinaries Index of 15.5%. Milton's total shareholder return for the ten year period to 31 December 2012 was 9% per annum compounded which was in line with the accumulation return of All Ordinaries Index.

Milton's liquid assets at balance date totalled \$150 million, which is sufficient to pay the increased interim dividend and to fund ongoing investment activities.

<sup>(1)</sup> NTA is net tangible assets per share, before provision for tax on unrealised capital gains.

## OUTLOOK

While there are some indications that the European and USA economies may be improving the Australian economy is softening.

Housing finance remains subdued and the domestic consumer remains reluctant to spend, despite a series of interest rates cuts by the RBA. Many companies have focused on cost cutting to maintain profitability and this has impacted the employment outlook. At the same time the strong Australian dollar continues to impact exporters including the mining companies which are also receiving lower prices for their commodities.

Milton will use the upcoming reporting season to gain further insight into the sustainability of earnings and dividends and seek to increase its investments as opportunities arise.