

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.

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

CLASSIFICATION OF ASSETS:

Classification	Total Assets
	%
Banks	31.8
Materials	11.7
Diversified financials	11.5
Consumer staples	9.4
Industrials	8.0
Insurance	3.8
Energy	3.4
Consumer discretionary	3.0
Real estate	2.2
Other securities	<u>5.7</u>
Total securities	90.5
Cash & liquids	6.3
Other assets	<u>3.2</u>
Total assets	<u>100.0</u>

DIRECTORS

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

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

CONTACT DETAILS:

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PORTFOLIO

Milton's realised gains from the takeover of Lion Nathan were partially offset by losses realised from the disposal of investments that no longer met with Milton's investment criteria.

Milton invested \$55 million during the year and in February 2010 it acquired unlisted investment companies with a total portfolio value of \$69 million. The larger additions to the portfolio over the year were ANZ, BHP Billiton, Campbell Brothers, Commonwealth Bank, Rio Tinto and Telstra.

THE 20 LARGEST INVESTMENTS AT 30 JUNE 2010:

	Market Value
	\$'000
Westpac Banking Corporation	186,178
Commonwealth Bank	109,330
BHP Billiton	83,683
National Australia Bank	67,989
Washington H Soul Pattinson	62,719
Wesfarmers	57,222
Woolworths	53,944
ANZ Banking Group	51,662
Choiseul Investments	51,109
Campbell Brothers	49,713
Bank of Queensland	49,660
Bendigo & Adelaide Bank	37,846
Woodside Petroleum	29,023
Rio Tinto	28,836
Brickworks	25,890
Telstra Corporation	25,883
AGL Energy	19,990
CSL	19,029
Suncorp-Metway	18,810
QBE Insurance	18,539
Total value of Top 20	<u>1,047,955</u>
Total assets	<u>1,605,061</u>

SHARE REGISTRY:

Link Market Services Ltd
Locked Bag A14, Sydney South NSW 1235
Phone: (02) 8280 7111 Toll Free: 1 800 641 024
Web address: www.linkmarketservices.com.au

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- Fully franked ordinary dividends
Final dividend of 36 cents per share up from 35 cents per share paid last year
- includes LIC capital gain dividend of 2 cents per shares with an "attributable part" of 2.86 cents per share
- Full year dividend of 71 cents per share down 9% on prior year
- Earnings per share:
Down 13.3% to 73.7 cents (excluding special dividends, realised capital losses, restated impairment losses and subsidiary acquisition costs)
- Down 2.4% to 78.2 cents (including special dividends, realised capital losses, impairment losses and subsidiary acquisition costs)
- Profit after tax:
Down 6.5% to \$68.8 million (excluding special dividends, realised capital losses, impairment losses and subsidiary acquisition costs)
- Total returns to 30 June 2010:
Portfolio return over 10 years – 10.2% pa compounded
Shareholder return over 10 years – 10.7% pa compounded

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 2010

Operating Revenue	2010	
	<u>\$'000</u>	<u>72,305</u>
Net profits of joint ventures	3,689	
Operating expenses	(2,827)	
Borrowing expenses	-	
Operating profit before tax	<u>73,167</u>	
Tax expense	<u>(4,316)</u>	
Underlying operating profit after tax	68,851	↓ 6.5%
Special dividends after tax	2,488	↑ 187.4%
Realised gains after tax	2,161	↑ 217.4%
Acquisition costs after tax	<u>(401)</u>	
Net profit after tax	<u>73,099</u>	↑ 5.3%
Weighted average eps based on -Net profit after tax	78.2 cents	↓ 2.36%
-Underlying operating profit after tax	73.7 cents	↓ 13.3%

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 2010.

BALANCE SHEET

	2010	2009
	\$million	\$million
Cash & liquids	116	81
Investments	1,453	1,226
Other assets	<u>36</u>	<u>33</u>
Total Assets	<u>1,605</u>	<u>1,340</u>
Liabilities	<u>(2)</u>	<u>(2)</u>
Net assets before provision for tax on unrealised capital gains	1,603	1,338
Provision for tax on unrealised capital gains	<u>(131)</u>	<u>(94)</u>
Net assets	<u>1,472</u>	<u>1,244</u>
Net tangible asset backing per share -before provision for tax on unrealised capital gains and net of tax on realised capital losses	\$16.51	\$15.04
-after provision for tax on unrealised capital gains and net of tax on unrealised capital losses	\$15.17	\$13.98

DIVIDENDS

The fully franked final dividend has been increased to 36 cents per share and will be paid on 1 September 2010 to shareholders on the register at the close of business on 18 August 2010.

The final fully franked dividend includes a LIC capital gain component of 2 cents per share which gives rise to an "attributable part" of 2.86 cents per share. Eligible shareholders will be able to claim a tax deduction in their tax return for the 2011 financial year.

Milton's dividend history is tabled below:

	2010	2009	2008	2007	2006
Interim (cps)	35	43	43	38	33
Final (cps)	*36	35	*45	*43	37
Total (cps)	71	78	88	81	70
Special (cps)	-	-	8	-	10
*LIC Capital Gain included as part of final dividend:					
LIC (cps)	2	-	12	6	-

COMMENTARY

Underlying Operating Profit after Tax⁽¹⁾ for the year to 30 June 2010 was \$68.8 million (2009: \$73.6 million)

Milton's managing director, Mr Frank Gooch said, "Whilst we are disappointed that the full year result is lower than the prior year, we are pleased to note that dividend income received in the second half of the year did show signs of improvement. Underlying operating profit and earnings per share for the second half of the 2010 year were greater than those of the second half of the 2009 year. The stronger second half result has enabled the fully franked final dividend to be increased to 36 cents per share."

Dividend and distribution income for the year to 30 June 2010 of \$64.2 million was 9.1% lower than the prior year.

Rising interest rates throughout the year provided a boost to net interest income, which was increased to \$5.3 million for the 2010 year.

Underlying Operating Profit after Tax⁽¹⁾ also benefitted from the additional income earned on the investment portfolios and cash acquired through the acquisitions of unlisted investment companies in February 2010 and the funds raised through the share purchase plan in October 2009.

Net profit after tax was \$73.1 million for the year ended 30 June 2010. It included special dividends of \$2.5 million (2009: \$0.8 million), net realised gains from the disposal of investments of \$2.2 million (2009: losses of \$1.8 million) and costs of \$0.4 million relating to the acquisition of the unlisted investment companies.

Following the adoption of the Australian Accounting Standard AASB 9 there were no impairment charges in the 2010 year and Milton was required to restate impairment charges for the prior year to \$3.2 million from the previously reported \$22.6 million

The value of Milton's total assets at 30 June 2010 was \$1.6 billion. These assets were comprised of the long term equity investments of \$1.45 billion, cash and other liquid assets of \$0.12 billion and other assets of \$0.03 billion.

Milton's Total Portfolio Return (TPR), for the ten years to 30 June 2010, was 10.2% per annum compounded. The TPR is after payment of all administration costs and the payment of tax. The All Ordinaries Accumulation Return for the same period was 7.1% per annum compounded.

The directors have determined to defer the offering of the Share Purchase Plan to shareholders at this point in time. The company's capital requirements will continue to be monitored and an offer of shares under the Share Purchase Plan will be made at the appropriate time.

- (1) Underlying Operating Profit after Tax is Net Profit after Tax but before special investment revenue after tax, capital gains and losses on the investment portfolio and acquisition costs of unlisted companies.

OUTLOOK

Chairman of Milton, Mr. Millner said, "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," Mr Millner added.