

# **MILTON CORPORATION LIMITED**

ABN 18 000 041 421

An Australian Listed Investment Company  
Listed since 1958

## **ANNUAL REPORT 2012**

## Profile

Milton was established as a private investment vehicle for four shareholders in 1938. It became a public company in 1950 and listed on the Sydney Stock Exchange in 1958. Milton is now an investment vehicle for its' more than 18,000 shareholders and it is listed on the Australian Securities Exchange (ASX) under the code MLT.

### Objective

Milton's objective is to hold a diversified portfolio of assets that generates a growing income stream for distribution to shareholders in the form of increasing fully franked dividends and provides capital growth in the value of the shareholders' investments.

### Investment philosophy

Milton is predominantly a long term investor in companies and trusts that are well managed, with a profitable history and an expectation of increasing dividends and distributions. Turnover of investments is low and capital gains arising from disposals are reinvested.

Milton also invests in hybrid securities, liquid assets such as cash and term deposits and real property development through joint ventures.

Milton's Investment Committee, which includes three non-executive directors and the managing director, meets regularly to review the investment portfolio and to consider executives' investment recommendations.

### Equity Investment portfolio

Milton's \$1.8 billion equity investment portfolio, which represents 91% of total assets, comprises companies and trusts which are expected to provide an increase in investment revenue over the long term. Its composition has been determined by consistent application of its investment philosophy over many years and consequently the portfolio is not aligned with any stock exchange index. A list of investments by sector commences on page 7 and the classification of investments is detailed in the Chairman's Review on page 4.

### Dividend policy

Ordinary fully franked dividends are paid out of profit after tax excluding special investment revenue and acquisition related costs of subsidiaries. Milton has paid a dividend every year since listing and since the introduction of franking they have all been fully franked. Refer to the dividend history graph on page 3.

### Internal management

Milton's directors oversee the performance of its executives who manage the company and its investments to maximise returns to its shareholders. This internal management structure helps to maintain low operating costs.

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## Calendar

Final dividend:

- Ex dividend date 15 August 2012
- Payment date 4 September 2012

Annual General Meeting: 16 October 2012 at 3 pm

- To be held at The Lyceum Room,  
Wesley Conference Centre  
220 Pitt Street, Sydney

## Key performance indicators

	2012	2011
<b>Profit after tax</b>	\$103.4 million	\$93.9 million
This represents the ordinary profit from the investments and includes special investment revenue and acquisition related costs of subsidiaries.		
<b>Weighted average earnings per share</b>	85.0 cents	83.9 cents
<b>Underlying operating profit after tax</b>	\$102.7 million	\$90.5 million
This represents the ordinary profit from the investments and excludes special investment revenue and acquisition related costs of subsidiaries.		
<b>Weighted average underlying operating earnings per share</b>	84.4 cents	80.8 cents
The underlying operating profit after tax expressed on a per share basis after taking into account additional shares issued during the year.		
<b>Fully franked ordinary dividends per share</b>		
Ordinary fully franked dividends are paid out of underlying operating profit after tax.		
Interim dividend per share	38 cents	37 cents
Final dividend per share	<u>40 cents</u>	<u>39 cents</u>
Full year dividend per share	78 cents	76 cents
Full year ordinary dividend as a percentage of underlying operating profit after tax.	92%	92%
Fully franked special dividend	-	5.0 cents
Special fully franked dividends are paid out of receipts of special investment revenue.		
<b>Net tangible asset value at 30 June</b>	\$2.0 billion	\$2.1 billion
The net tangible asset value before providing for tax on unrealised capital gains.		
<b>Net tangible asset backing per share at 30 June</b>	\$16.42	\$17.36
The net tangible asset backing per share is the net tangible asset value expressed on a per share basis.		
<b>Management expense ratio</b>	0.16%	0.17%
The management expense ratio is the total cost of running Milton expressed as a percentage of the average Total Assets for the year.		
<b>Total Shareholder Return (TSR) over 10 years</b>	6.7%	7.8%
This compound return measures the change in the value of an investment in Milton by considering the movement in the market price and assuming dividends are reinvested in Milton shares. See commentary on page 4.		

## Chairman's Review of the 2012 financial year

Milton's underlying operating profit for the year increased to \$102.7 million, with growth in dividend income from Milton's portfolio of listed investments being the main driver of the improved return.

The dividend income growth is partly attributable to the increased size of the portfolio following the December 2010 merger with Choiseul Investments Limited and partly due to higher dividends from many of the companies in the portfolio.

The Choiseul merger also lifted Milton's average cash balances for the year and the earnings on the additional cash more than offset the effect of lower interest rates on offer during the year so that interest income of \$7.2 million was 5.8% higher than the previous year.

The weighted average earnings per share, based on underlying operating profit, increased by 4.5% to 84.4 cents per share.

The underlying operating profit excludes special investment revenue as this revenue typically results from one off dividends and distributions. In the 2012 financial year there was a significant reduction in the size and number of special dividends received, with just \$0.8 million recorded in 2012 compared with \$3.6 million the year before.

Milton's net profit, which is a combination of underlying operating profit and the special revenue, increased by 10.2% to \$103.4 million.

Milton aims to provide its investors with a growing stream of fully franked ordinary dividends which are paid out of underlying operating profits. Since the introduction of franking, all dividends have been fully franked and Milton currently has sufficient franking credits to ensure that all dividends paid in the foreseeable future will continue to be fully franked.

In 2012 Milton's shareholders received an increase in both the interim and final dividends. The fully franked interim dividend paid in February 2012 was increased by 1 cent per share to 38 cents per share and the fully franked final dividend to be paid in September 2012 was increased by 1 cent per share to 40 cents per share.

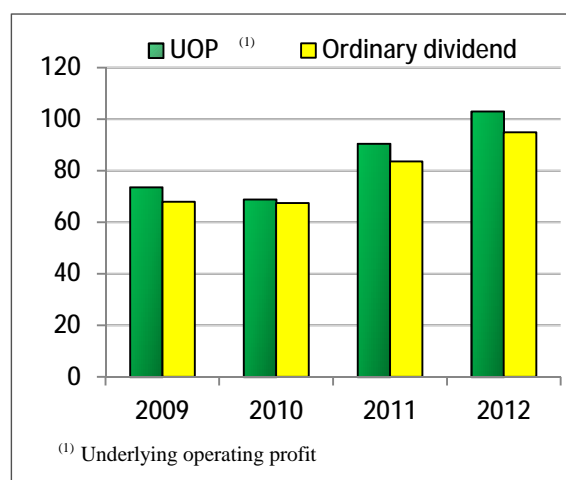
The franking credits attached to the dividends can enhance the after tax return for shareholders who pay tax in Australia. Under the dividend imputation system a fully franked dividend of 78 cents per share equates to pre tax income of 111.4 cents per share.

The total dividend payment for the year of \$94.9 million was 92.4% of underlying operating profit for the 2012 financial year. This payout ratio allows Milton to retain some funds for future investment and it assists Milton to at least maintain future dividends.

Milton currently aims to pay out between 90% and 95% of full year underlying operating profit each year.

	\$ million	Change
Dividends and distributions	100.9	Up 13.6%
Interest income	7.2	
Joint venture profits	3.7	
Other income	<u>0.5</u>	
	<b>112.3</b>	
Administration expenses	<u>(3.2)</u>	
<b>Underlying operating profit</b>	<b><u>109.1</u></b>	
Income tax expense	<u>(6.4)</u>	
<b>Underlying operating profit after tax</b>	<b><u>102.7</u></b>	Up 13.5%
Weighted ave shares on issue (million)	121.6	
Weighted ave eps <sup>(1)</sup>	84.4	

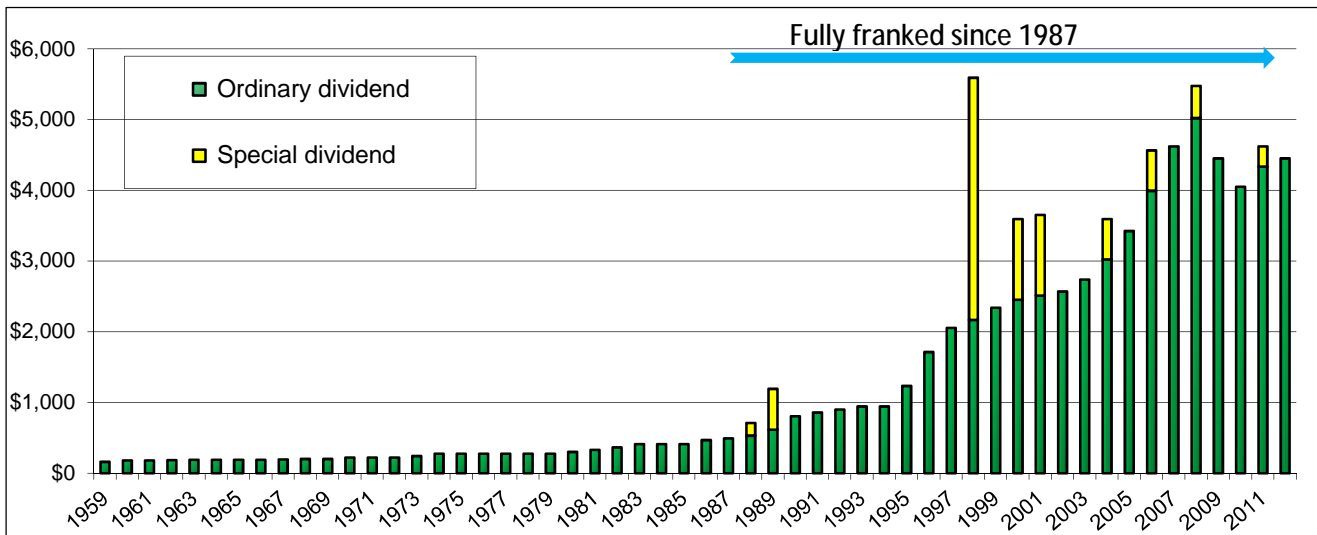
<sup>(1)</sup> based on underlying operating profit



## Chairman's Review of the 2012 financial year (continued)

The following graph shows the growth in Milton's dividends since the company was listed in 1958. It assumes 1,000 shares were purchased for £1,000 in 1958 and dividends have NOT been reinvested and no further shares have been purchased. Through the sub-division of shares on the introduction of decimal currency and bonus share issues, the number of shares held would have increased to 5,706. At 30 June 2012 these shares would have been valued at \$86,788. The annual dividend has increased from \$160 in 1959 to \$4,451 in 2012.

The growth in Milton's dividends reflects strong growth in investment income from its long term investment portfolio as well as an increase in the payout ratio.



The value of Milton's net assets before provision for tax on unrealised capital gains at 30 June 2012 was \$2 billion, which equated to \$16.42 per share.

As a long term equity investor, Milton remained quite fully invested throughout the year with 91% of its assets invested in Australian equities at 30 June 2012. Milton also held \$131 million in cash and other liquid assets which could be utilised to invest in companies that have predictable earnings and dividends when opportunities arise.

Milton took advantage of such opportunities in the 2012 financial year and outlaid a total of \$49 million to increase its investment in 45 companies that were already held by Milton. Larger increases to the investment portfolio were AGL Energy, Amcor, Bank of Queensland, BHP Billiton, and Cardno.

The increased investments were funded from the proceeds from disposals, which amounted to \$34 million, and existing cash balances.

The takeovers of Coal & Allied Industries, Foster's Group and Macarthur Coal provided funds of \$27 million. A further \$7 million were received from the sale of a number of smaller holdings.

Milton's investment portfolio, at 30 June 2012, included exposure to 92 listed companies and 14 listed trusts. These companies and trusts, which are listed on the Australian Securities Exchange, operate in a variety of sectors and geographies. A full list of investments is shown on pages 7 to 10.

The table on the following page shows the classification of assets by sector and how Milton's exposure to each sector changed over the year.

## Chairman's Review of the 2012 financial year (continued)

### Total assets classified by sector

Classification <sup>(1)</sup>	Opening position \$ million	Additions \$ million	Disposals \$ million	Change in value \$ million	Closing position \$ million	Income \$ million
Banks	667.3	5.9	-	(36.6)	636.6	45.7
Diversified financials	204.3	1.3	-	(2.9)	202.7	8.6
Materials	268.7	7.7	(6.5)	(67.4)	202.5	7.4
Consumer staples	214.0	6.2	(16.9)	(6.4)	196.9	9.6
Commercial services	113.5	0.4	(0.4)	14.8	128.3	5.4
Insurance	101.9	1.9	(0.3)	(11.8)	91.7	5.1
Energy	73.7	1.9	(4.9)	(14.9)	55.8	2.4
Telecommunications	37.0	3.8	-	9.1	49.9	3.3
Capital goods	54.0	6.6	(3.0)	(8.5)	49.1	2.7
Real estate	46.1	0.3	(0.4)	(1.4)	44.6	3.4
Healthcare	38.1	2.0	-	3.9	44.0	1.3
Other shares	36.4	2.8	-	1.0	40.2	1.9
Utilities	31.8	5.8	(0.5)	2.3	39.4	1.6
Retailing	22.2	1.7	(0.4)	7.7	31.2	1.5
Media	19.2	0.7	(1.1)	(6.5)	12.3	1.4
<b>Total listed investments</b>	<b>1,928.2</b>	<b>49.0</b>	<b>(34.4)</b>	<b>(117.6)</b>	<b>1,825.2</b>	<b>101.3</b>
Cash & liquids <sup>(2)</sup>	142.7				132.2	7.2
Other assets <sup>(3)</sup>	42.5				45.4	4.2
<b>Total assets</b>	<b>2113.4</b>				<b>2002.8</b>	<b>113.1</b>

<sup>(1)</sup> Investments are grouped according to their asset classes using the Global Industry Classification Standard ("GICS") codes. Full details of the investments at 30 June 2012 are reported on pages 7 to 10.

<sup>(2)</sup> Cash & liquid assets include cash, term deposits and hybrid securities.

<sup>(3)</sup> Other assets include Receivables and investments in real property development through joint ventures.

Milton's total return is a combination of its profit after expenses and tax together with the revaluation of its investment portfolio.

Milton's total return for the 2012 financial year was minus \$14.1 million, which equated to minus 0.7% of net assets at 30 June 2011.

The performance of the equity market as measured by the movement in the accumulation return of the All Ordinaries Index was minus 7%.

If the Index included costs and tax, then Milton's outperformance of the market over the year would have been greater.

<b>Movement in Net Assets<sup>(1)</sup> for the year ended 30 June 2012</b>	<b>\$ millions</b>
Income before provision for tax	113.1
Expenses	(3.2)
Tax expense	(6.4)
Change in value of investments	(117.6)
<b>Total return</b>	<b>(14.1)</b>
<b>Net assets 30 June 11</b>	<b>2,111.2</b>
Dividends paid during the year	(99.7)
<b>Net assets<sup>(1)</sup> 30 June 12</b>	<b>1,997.4</b>
<b>Net assets<sup>(1)</sup> per share 30 June 12</b>	<b>\$16.42</b>

<sup>(1)</sup> before provision for tax on unrealised capital gains

## Chairman's Review of the 2012 financial year (continued)

### Top 20 Investments at 30 June 2012

Company	Fair value \$ million	% of total assets	Company	Fair value \$ million	% of total assets
Westpac Banking Corporation	220.1	11.0	Bank of Queensland	43.4	2.2
Commonwealth Bank	159.9	8.0	Bendigo and Adelaide Bank	42.3	2.1
Washington H. Soul Pattinson	125.4	6.3	QBE Insurance Group	36.2	1.8
Campbell Brothers	117.6	5.9	AGL Energy	34.0	1.7
National Australia Bank	102.4	5.1	Brickworks	32.6	1.6
BHP Billiton	101.1	5.0	Rio Tinto	25.5	1.3
Wesfarmers	85.6	4.3	Woodside Petroleum	24.5	1.2
Woolworths	69.3	3.5	CSL	23.1	1.2
ANZ Banking Group	62.4	3.1	Suncorp-Metway	22.9	1.1
Telstra Corporation	43.4	2.2	Perpetual Trustees	18.8	0.9
			Total market value of Top 20	1,390.5	69.5

### Outlook

In the short term the Australian equity market is likely to continue to be affected by news regarding Euro zone issues, China growth and the strength of the US recovery. Until there is a clear solution to the Euro zone debt issues and investors have considered its implications for global economic growth equity markets are likely to remain volatile.

Under these conditions share price movements can often be a reaction to macro factors and unrelated to the economic performance of the companies themselves and this can provide Milton with the opportunity to invest in well managed companies that have predictable earnings and dividends.

Milton has a strong balance sheet and is well placed to take advantage of these opportunities.

Milton's objective for the 2013 financial year is to at least maintain the fully franked, full year dividend of 78 cents per share.

### Board changes

Mr John Aitken retired as a director of Milton at the conclusion of the annual general meeting in October 2011. Mr Aitken joined the Milton board in 2001 and served on the Investment and Audit Committees. I would like to thank Mr Aitken for his contribution over more than a decade.

In December 2011, Mr Kevin Eley became a director of Milton. Mr Eley has extensive experience in the investment industry and is a member of the Investment and Audit Committees. Mr Eley will stand for election at the annual general meeting which is to be held on 16 October 2012.



R. D. MILLNER  
Chairman

Sydney, 9 August 2012

## Five Year Financial Summary

	2012	2011	2010	2009	2008
Underlying operating profit after tax <sup>(1)</sup> (\$million)	102.7	90.5	68.9	73.6	82.8
Underlying earnings per share (cents)	84.4	80.8	73.7	85.0	98.5
Profit after tax (\$million)	103.4	93.9	73.1	69.4	122.0
Earnings per share (cents)	85.0	83.9	78.2	80.1	145.2
Administration costs as % of average total assets	0.16	0.17	0.17	0.19	0.17
Interim dividend (cents per share)	38	37	35	43	43
Final dividend (cents per share)*	40	39	36	35	45
Full year ordinary dividend (cents per share)	78	76	71	78	88
Special dividend (cents per share)	-	5	-	-	8
*LIC Capital Gain paid as part of final dividend (cents per share)	-	-	2	-	12
Net assets <sup>(2)</sup> at 30 June (\$million)	1,997	2,112	1,603	1,338	1,609
Net asset backing per share <sup>(2)</sup> at 30 June(\$)	16.42	17.36	16.51	15.04	19.03
Net asset backing per share <sup>(3)</sup> at 30 June(\$)	15.46	16.11	15.17	13.98	16.78
Last sale price at 30 June (\$)	15.21	15.60	15.98	14.50	19.38
All Ordinaries Index at 30 June	4135	4660	4325	3948	5333
Ten year Total Shareholder Return (% per annum)	6.7	7.8	10.7	9.8	13.4
Five year Total Shareholder Return (% per annum)	(3.0)	(0.4)	4.0	6.0	12.4
Shares on issue <sup>(4)</sup> (million)	121.6	123.3	97.1	88.9	84.5
Number of shareholders	19,008	19,490	15,890	14,578	13,890

<sup>(1)</sup> Underlying operating profit after tax excludes special investment revenue, acquisition related costs of subsidiaries and realised capital gains and losses.

<sup>(2)</sup> Before provision for tax on unrealised capital gains net of tax on unrealised capital losses and before providing for the ordinary final dividend.

<sup>(3)</sup> After provision for tax on unrealised capital gains net of tax on realised capital losses and before providing for the ordinary final dividend.

<sup>(4)</sup> In October 2011, shareholders approved the cancellation of 1,700,000 Milton shares that were held by Choiseul Investments Limited.

## Milton Corporation Foundation (ABN 95 051 921 133)

The Foundation was established in 1988 to support charitable organisations, particularly those which direct assistance to persons that are disadvantaged in the community.

The objective was to create a vehicle with sufficient capital that could, over time, make regular meaningful donations from the earnings derived from its investments. Contributions from Milton and others over the years have helped to grow the Foundation's total assets to \$1.7 million.

This financial year earnings from these assets enabled the Foundation to support 13 organisations through donations that totalled \$100,000. The Foundation has provided \$1.6 million of assistance to the community since its establishment.

Shareholders who wish to support the Foundation are invited to make tax deductible donations of \$2 or more by forwarding them to The Trustees, Milton Corporation Foundation, PO Box R1836, Royal Exchange NSW 1225.



## LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2012

	Holding	Fair Value \$'000
<b><u>Automobiles &amp; Components</u></b>		
Fleetwood Corporation Limited	177,000	2,078
Schaffer Corporation Limited	68,999	248
		<u>2,326</u>
<b><u>Banks</u></b>		
Australia & New Zealand Banking Group Limited	2,830,380	62,353
Australia & New Zealand Banking Group Limited convertible preference shares	19,500	1,935
Australia & New Zealand Banking Group Limited – CPS 1	2,000	199
Bendigo and Adelaide Bank Limited	5,709,709	42,309
Bank of Queensland Limited	6,550,276	43,363
Commonwealth Bank of Australia	3,012,075	159,941
Commonwealth Bank of Australia – PERLS V	500	102
National Australia Bank Limited	4,348,688	102,368
MyState Limited	444,992	1,357
Wide Bay Australia Limited	433,570	2,519
Westpac Banking Corporation	10,417,683	220,126
		<u>636,572</u>
<b><u>Capital Goods</u></b>		
Bradken Limited	704,338	3,656
Cardno Limited	751,090	5,678
CSR Limited	208,741	292
GWA International Limited	2,275,000	4,778
Hills Holdings Limited	1,051,478	1,115
Leighton Holdings Limited	757,865	12,330
Reece Australia Limited	130,916	2,356
Sedgman Limited	1,521,674	2,115
UGL Limited	1,352,191	16,781
		<u>49,101</u>
<b><u>Commercial Services</u></b>		
Brambles Limited	1,167,966	7,195
Cabcharge Australia Limited	134,711	674
Campbell Brothers Limited	2,168,165	117,623
Transfield Services Limited	1,519,032	2,757
		<u>128,249</u>
<b><u>Consumer Services</u></b>		
Crown Limited	267,301	2,269
InvoCare Limited	1,695,526	13,666
Tatts Group Limited	658,000	1,724
		<u>17,659</u>

**LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2012 (continued)**

	<b>Holding</b>	<b>Fair Value</b>
		<b>\$'000</b>
<b><u>Consumer Staples</u></b>		
Coca-Cola Amatil Limited	1,367,184	18,293
Graincorp Limited	310,099	2,946
Metcash Limited	4,784,560	16,124
Select Harvests Limited	161,862	210
Treasury Wine Estates Limited	1,023,271	4,451
Wesfarmers Limited	2,501,866	74,806
Wesfarmers Limited Partially Protected	340,685	10,752
Woolworths Limited	2,586,473	69,318
		<b><u>196,900</u></b>
<b><u>Diversified Financials</u></b>		
Argo Investments Limited	809,094	4,167
ASX Limited	394,202	11,755
Australian Foundation Investment Company Limited	1,304,250	5,426
BKI Investment Company Limited	1,147,375	1,325
Carlton Investments Limited	354,809	5,606
Diversified United Investment Limited	270,400	641
Equity Trustees Limited	235,503	2,605
IOOF Holdings Limited	161,067	974
Macquarie Group Limited	494,118	12,847
Perpetual Limited	818,126	18,735
The Trust Company Limited	2,940,394	13,202
Washington H Soul Pattinson & Company Limited	9,094,840	125,418
		<b><u>202,701</u></b>
<b><u>Energy</u></b>		
Caltex Limited	47,700	645
New Hope Corporation Limited	1,290,107	5,173
Origin Energy Limited	387,106	4,723
Santos Limited	1,407,057	14,985
Woodside Petroleum Limited	790,175	24,511
Worley Parsons Limited	230,612	5,788
		<b><u>55,825</u></b>
<b><u>Healthcare</u></b>		
Blackmores Limited	372,166	9,769
Cochlear Limited	31,800	2,094
CSL Limited	587,062	23,142
Ramsay Health Care Limited	104,942	2,373
Sonic Healthcare Limited	522,563	6,637
		<b><u>44,015</u></b>

**LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2012 (continued)**

	<b>Holding</b>	<b>Fair Value \$'000</b>
<b><u>Insurance</u></b>		
AMP Limited	2,021,110	7,781
Austbrokers Holdings Limited	984,795	6,834
Insurance Australia Group Limited	3,657,575	12,728
IAG Convertible Preference Shares	3,000	294
IAG Finance (NZ) Limited perpetual reset exchangeable notes	12,000	1,192
QBE Insurance Group Limited	2,705,729	36,203
Suncorp Group Limited	2,832,882	22,918
Suncorp Group Limited convertible preference shares	38,000	3,730
		<b><u>91,680</u></b>
<b><u>Materials</u></b>		
Adelaide Brighton Limited	1,863,440	5,926
Alumina Limited	1,121,919	886
Amcor Limited	1,160,322	8,227
Arrium Limited (previously OneSteel Limited)	3,995,301	3,456
BHP Billiton Limited	3,215,996	101,143
Boral Limited	1,627,462	4,801
Brickworks Limited	3,224,567	32,568
Fletcher Building Limited	803,229	3,695
Incitec Pivot Limited	1,529,770	4,360
Orica Limited	176,987	4,370
Rio Tinto Limited	450,888	25,475
Sims Metal Management Limited	793,037	7,621
		<b><u>202,528</u></b>
<b><u>Media</u></b>		
Amalgamated Holdings Ltd	740,667	4,777
APN News & Media Limited	1,309,855	865
Consolidated Media Limited	267,301	901
Fairfax Media Limited	3,231,643	1,794
Seven Group Holdings Limited – TELYS4 preference shares	7,000	546
Seven West Media Limited	1,619,110	2,825
Ten Network Holdings Limited	1,260,246	636
		<b><u>12,344</u></b>

**LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2012 (continued)**

	<b>Holding</b>	<b>Fair Value \$'000</b>
<b><u>Real Estate</u></b>		
Australand Property Group	832,732	2,057
BWP Trust	1,363,394	2,543
CFS Retail Property Trust	9,102,979	17,660
Charter Hall Retail REIT	613,350	2,030
Commonwealth Property Office Fund	1,724,537	1,750
FKP Property Group	3,630,448	1,380
Goodman Group	184,756	678
Lend Lease Corporation Limited	448,216	3,227
Mirvac Group	327,380	417
Stockland Group	2,150,940	6,625
Westfield Group	477,895	4,540
Westfield Retail Trust	590,873	1,684
		<b><u>44,591</u></b>
<b><u>Retailing</u></b>		
A P Eagers Limited	5,448,670	18,525
ARB Corporation Limited	744,741	6,777
Automotive Holdings Group Limited	1,039,260	2,567
David Jones Limited	356,090	922
Noni B Limited	867,396	577
Premier Investments Limited	385,250	1,791
		<b><u>31,159</u></b>
<b><u>Telecommunication</u></b>		
Telstra Corporation Limited	11,767,253	43,421
TPG Telecom Limited	3,731,553	6,513
		<b><u>49,934</u></b>
<b><u>Transport</u></b>		
Lindsay Australia Limited	1,600,000	272
Qube Logistics Holdings Limited	1,268,000	1,965
Sydney Airport (previously MAP Group)	432,301	1,254
Transurban Group	2,157,081	12,274
Toll Holdings Limited	1,098,679	4,372
		<b><u>20,138</u></b>
<b><u>Utilities</u></b>		
AGL Energy Limited	2,304,752	34,042
APA Group	1,083,833	5,408
		<b><u>39,450</u></b>
<b>Total Listed Investments by Sector</b>		<b><u>1,825,171</u></b>

## Directors' Report

### For the year ended 30 June 2012

The directors present their report together with the financial statements of the consolidated entity ("Milton") consisting of Milton Corporation Limited and its subsidiaries for the financial year ended 30 June 2012 and the independent auditor's report thereon.

#### Directors

The directors of Milton at any time during or since the end of the financial year are:

**Robert D. Millner** FAICD Independent non-executive chairman.

Director of Milton Corporation Limited since 1998 and appointed chairman in 2002.

Chairman of the Investment and Remuneration Committees. Extensive experience in the investment industry.

Other current directorships:

Director of Brickworks Limited since 1997 and appointed chairman in 1999. Director of New Hope Corporation Limited since 1995 and appointed chairman in 1998. Director of Washington H. Soul Pattinson & Company Limited since 1984 and appointed chairman in 1998. Chairman of BKI Investment Company Limited since 2003.

Director of Australian Pharmaceutical Industries Limited since 2000 and TPG Telecom Limited since 2000.

Former directorships in the last three years:

Choiseul Investments Limited from 1995 to 2010.

Souls Private Equity Limited from 2004 to 2012

Northern Energy Corporation Limited from February 2011 and the company was delisted in October 2011.

**John F. Church** FCSA, F Fin, FAICD Independent non-executive director.

Director of Milton Corporation Limited since 1986.

Member of the Investment Committee.

A Solicitor and Notary Public and over 39 years experience in the investment industry.

**Graeme L. Crampton** B.Ec, FCA, FAICD Independent non-executive director.

Director of Milton Corporation Limited since 2009.

Chairman of the Audit Committee and a member of the Remuneration Committee.

A Chartered Accountant and former partner of a major firm of Chartered Accountants for more than 29 years and has extensive experience in the investment industry.

Former directorships in the last three years:

Souls Private Equity Limited from 2011 to 2012.

**Kevin J. Eley** CA, F Fin Independent non-executive director.

Director of Milton Corporation Limited appointed 1 December 2011.

Member of the Investment and Audit Committees.

A Chartered Accountant and has extensive experience in the investment industry.

Other current directorships:

Director of Equity Trustees Limited since 2011, Kresta Holdings Limited since 2011, HGL Limited since 1985 and PO Valley Energy Limited since 2012.

**Francis G. Gooch** B.Bus, CPA Managing director.

Managing Director of Milton Corporation Limited since 2004 and chief executive since 1999.

Member of the Investment Committee.

A Certified Practising Accountant and over 27 years experience in the finance and investment industries.

**Ian A. Pollard** BA (Macq), MA (Oxon), D Phil (IMC), FIA, FIAA, FAICD Independent non-executive director.

Director of Milton Corporation Limited since 1998.

Member of the Audit and Remuneration Committees.

An Actuary and over 35 years of involvement in the investment industry.

Former directorships in the last three years:

Corporate Express Australia Limited from 2004 to 2010.

**John N. Aitken** CA, F Fin Independent non-executive director.

Director of Milton Corporation Limited since 2001.

Member of the Investment and Audit Committees.

Over 38 years experience in the investment management industry.

Retired as a director on 13 October 2011.

## Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of Milton during the financial year were:

Director	Directors' Meetings		Investment Committee Meetings		Audit Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
R.D. Millner	6	7	20	21	*	*	1	1	1	1
J.F. Church	7	7	20	21	*	*	*	*	*	*
G.L. Crampton	7	7	*	*	6	6	1	1	1	1
K.J. Eley <sup>(1)</sup>	3	3	8	8	3	3	*	*	*	*
F.G. Gooch	7	7	21	21	*	*	1	1	*	*
I.A. Pollard	7	7	*	*	6	6	1	1	1	1
J.N. Aitken <sup>(2)</sup>	2	2	10	11	2	2	1	1	*	*

**A** - Number of meetings attended.

**B** - Number of meetings held during the time the director held office or was a member of the committee during the year.

\* - Not a member of the relevant committee.

<sup>(1)</sup> Appointed 1 December 2011

<sup>(2)</sup> Retired on 13 October 2011

## Principal activities

The principal activity of Milton is investment. Milton invests in companies and trusts, real property development, fixed interest securities, and liquid assets such as cash and term deposits. There has been no significant change in the nature of this activity during the financial year.

## Operating and financial review

The consolidated profit after income tax of Milton for the year was \$103.4 million (2011: \$93.9 million). Milton is in a sound financial position with net assets at 30 June 2012 of \$1.9 billion (2011: \$2.0 billion) and no debt.

The operating and financial reviews are contained in the Chairman's Review on page 2.

## Significant changes in the state of affairs

There were no significant changes in the state of affairs of Milton during the past financial year other than as disclosed in the financial statements.

## Dividends

Dividends paid or declared by Milton to members since the end of the previous financial year were:

	Cents per share	Total amount \$'000	Date of payment
<i>Declared and paid during the year</i>			
- Final 2011 ordinary fully franked	39	47,434	20 September 2011
- Special 2011 fully franked	5	6,081	20 September 2011
- Interim 2012 ordinary fully franked	38	46,218	29 February 2012
<i>Declared after end of year and not provided for</i>			
- Final 2012 ordinary fully franked	40	48,650	4 September 2012

No LIC capital gain was included in the above dividends.

All the dividends paid by Milton since franking was introduced in 1987 have been fully franked.

## Events subsequent to reporting date

Apart from the information contained in note 24 to the financial statements, no matter or circumstance has arisen since the end of the financial year that has or may significantly affect the operations, results or state of affairs of Milton in subsequent financial years.

### **Likely developments**

Milton will continue its investment activities consistent with its objective of generating increasing revenue for distribution to its shareholders from its diversified portfolio of assets.

The performance of Milton's investments is subject to and influenced by many external factors and therefore it is not appropriate to predict the future results of the investments and Milton's performance.

The Chairman's Review commencing on page 2 of the Annual Report contains information relating to Milton's past performance, operations and outlook.

### **Environmental regulations**

There are no significant environmental regulations that apply directly to Milton.

### **Directors' relevant interests**

No director has or has had any interest in a contract entered into since the last Directors' Report or any contract or proposed contract with Milton or any subsidiary or any related entity other than as disclosed in note 22 to the financial statements.

The relevant interest of each director in the capital of Milton at the date of this report is as follows:

<b>Director</b>	<b>No. of Shares</b>
R.D. Millner	2,558,105
J.F. Church	5,726,492
G.L. Crampton	27,307
K.J. Eley	5,932
F.G. Gooch	130,013
I.A. Pollard	14,724

### **Indemnification and insurance of directors, officers and auditors**

Neither Milton nor any related entity has indemnified or agreed to indemnify, paid or agreed to pay any insurance premium which would be prohibited under Section 199A or Section 199B of the Corporations Act 2001 during or since the financial year ended 30 June 2012.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contracts.

### **Secretary**

Mr A.R. Davison, B.Bus, CA, FCSA was appointed secretary in August 1999. He previously held the role of group financial controller and secretary with a private group of companies for five years and prior to that worked in chartered accounting and corporate finance roles. He is a fellow of Chartered Secretaries Australia.

### **Non-audit services**

During the year, a related practice of Moore Stephens Sydney, Milton's auditor, has performed certain non-audit services. Details of the amounts paid to the auditors are disclosed in note 4 to the consolidated financial statements.

The board has considered the non-audit services provided during the year by the related practice of the auditor and is satisfied that the provision of those non-audit services during the year by the related practice of the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by Milton and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Milton, acting as an advocate for Milton or jointly sharing risks and rewards.

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 18.

## Remuneration Report

This report, which is audited, details the policy for determining the remuneration of directors and executives and provides specific detail of their remuneration.

### Remuneration of non-executive directors

Non-executive directors are paid base fees, committee fees and superannuation contributions.

Fees are not linked to Milton's performance and no bonuses are paid or options issued.

Each year the base fees and committee fees are determined by the board of directors who take into account the demands made on directors and the remuneration of non executive directors of comparable Australian companies.

### Base fees and committee fees (including superannuation contributions)

	2011	2012
Chairman base fee	113,000	118,650
Director base fee	56,500	59,325
Chairman of the Audit Committee fee	5,000	5,250
Member of the Audit Committee fee	2,825	2,975
Member of the Investment Committee fee	5,000	5,250

The total remuneration paid to non executive directors in 2012 was \$373,980 (2011: \$364,650).

In October 2011 shareholders approved the fixed maximum sum of \$700,000.

Non-executive directors, who were appointed before 30 June 2003, are entitled to retirement benefits in accordance with a shareholder approved scheme. In June 2003 the board resolved to cap retirement benefits for all directors at the amounts provided as at 30 June 2003. The total balance provided at 30 June 2012 is \$190,905 (2011: \$204,405).

### Remuneration of executives

Executive remuneration is a key element of Milton's staff retention strategy which is designed to attract and retain appropriately qualified and experienced professionals who share Milton's goals and values and will seek to deliver superior long term returns to Milton shareholders.

The remuneration of the managing director and senior executives is reviewed annually by the Remuneration Committee which then makes recommendations to the board for its consideration and approval.

In formulating its recommendations the Remuneration Committee considers:

- the short term and long term performance of the Company,
- the contribution of the managing director and the senior executives to this performance,
- market trends in remuneration in terms of both quantum and structure and
- the remuneration of key management personnel of other listed investment companies with similar long term investment philosophies and objectives.

Executive remuneration includes a component known as the Total Employment Cost Package (TECP), and it may include a cash bonus component and an equity component.

The TECP includes cash salary, company contributions to superannuation and it may include non monetary benefits such as the provision of a motor vehicle and car parking.

No executive is entitled to a guaranteed bonus however the board may award a cash bonus to reward an executive's outstanding contribution to the achievement of Milton's objectives. The board will consider qualitative measures such as contribution to the investment process, participation in board discussions, timeliness and accuracy of reports and staff development when assessing executive performance.

In determining the amount of any bonus the board has regard to quantitative measures such as underlying operating earnings per share, dividends per share and total returns relative to the market as a whole. The cash bonus is normally less than 10% of each executive's TECP.

The equity component of the remuneration package encourages executives to have an investment in Milton so that their interests are aligned with the shareholders' interests.

The equity component is delivered through participation in the Senior Staff Share Plan ("SSSP"), which was approved by shareholders at Milton's Annual General Meeting on 9 October 2001 (refer note 17b to the financial statements).

In accordance with the terms of the SSSP, the directors determine the maximum number of shares for which the executive may apply. All SSSP shares are acquired on the market and held on behalf of the executives by the trustee of the SSSP. The price offered to the executive shall be at a discount of one cent per share to the market value of the shares.



Executives are required to hold the SSSP shares for a minimum period of three years however the benefit to the executive is increased through long term ownership as dividends are paid and the Milton share price appreciates.

Milton provides an interest free loan to the executives to fund the acquisition of each parcel of SSSP shares. Each loan is repaid by the application of the after tax proceeds from the dividends paid on the SSSP shares. The opportunity cost to Milton of providing the loan is the notional interest. The Remuneration Committee includes this cost when it reviews each executive's TECP.

SSSP shares may not be sold, transferred, mortgaged or otherwise dealt with by the executive for a period of three years from the date of issue or until the executive ceases employment with Milton.

If the executive's employment ceases, the executive may within 30 days repay the loan and direct the trustee to transfer the shares to the executive or, provided the value of the shares is greater than the loan outstanding, direct the trustee to sell the shares, repay the loan and distribute the balance to the executive. Otherwise the trustee will sell the shares when so directed by Milton and apply the proceeds to the repayment of the loan.

The board considers that the SSSP is appropriately designed to encourage long term ownership of shares by executives, which then aligns their interests with that of Milton's predominantly long term shareholder base.

Executives, other than the managing director, may participate in the Employee Share Plan ("ESP") which provides for a bonus of up to \$1,000 to be paid in the form of Milton shares (refer note 17a to the financial statements).

Eligible executives are provided with life, total and permanent disablement and salary continuance insurance.

The overall level of executive reward takes into account the performance of Milton over a number of years. Key performance indicators for Milton over five years are tabled below.

### Key performance indicators

	2012	2011	2010	2009	2008
<u>Profitability</u>					
Underlying operating profit (\$million)	102.7	90.5	68.9	73.6	82.8
Growth in underlying operating profit (%)	13.5	31.3	(6.4)	(11.1)	17.4
Underlying earnings per share (cents)	84.4	80.8	73.7	85.0	98.5
Growth in underlying earnings per share (%)	4.5	9.6	(13.3)	(13.8)	8.2
<u>Dividend</u>					
Full year ordinary dividend (cents per share)	78.0	76.0	71.0	78.0	88.0
Growth in full year dividend (%)	2.6	7.0	(9.0)	(11.4)	8.6
Special dividend (cents per share)	-	5.0	-	-	8.0
<u>Capital</u>					
Net asset backing per share <sup>(1)</sup> at 30 June(\$)	16.42	17.36	16.51	15.04	19.03
(Decline) growth in net asset backing per share (%)	(5.4)	5.1	9.3	(20.6)	(18.7)
Net assets <sup>(1)</sup> at 30 June (\$million)	1,997	2,112	1,603	1,338	1,609
<u>Total Return</u>					
Ten year Total Shareholder Return	6.7	7.8	10.7	9.8	13.4
Ten year Total Portfolio Return	7.5	8.5	10.2	9.4	14.2
Ten year accumulation return of the All Ordinaries Index	7.1	7.4	7.1	7.3	11.5

<sup>(1)</sup> Before provision for tax on unrealised capital gains net of tax on realised capital losses and before providing for the ordinary final dividend.

## Details of remuneration

### Amounts of remuneration

Details of the remuneration of each non-executive director of Milton Corporation Limited, the managing director and specified executives of Milton for the years ended 30 June 2011 and 2012 are set out in the following tables.

#### Non-executive directors of Milton Corporation Limited

			Short Term	Post	Total	Retirement
			Benefits	Employment	paid	Provision <sup>(1)</sup>
			Fees	Superannuation		
			\$	\$	\$	\$
R.D. Millner	Chairman	2012	113,670	10,230	123,900	55,905
		2011	108,257	9,743	118,000	55,905
J.F. Church	Director	2012	59,243	5,332	64,575	90,000
		2011	56,422	5,078	61,500	90,000
G.L. Crampton	Director	2012	19,575	45,000	64,575	-
		2011	13,500	48,000	61,500	-
K.J. Eley <sup>(2)</sup>	Director	2012	27,574	11,830	39,404	-
		2011	-	-	-	-
I.A. Pollard	Director	2012	57,156	5,144	62,300	45,000
		2011	54,427	4,898	59,325	45,000
J.N. Aitken <sup>(3)</sup>	Director	2012	12,831	6,395	19,226	-
		2011	44,325	20,000	64,325	13,500
Total Remuneration		2012	290,049	83,931	373,980	190,905
		2011	276,931	87,719	364,650	204,405

(1) The directors' retirement benefits have been capped at the balance provided at 30 June 2003.

(2) Mr K. J. Eley's appointment as a director was effective from 1 December 2011.

(3) Mr J.N. Aitken retired as a director on 13 October 2011. In addition to the directors fees paid in 2012, he received a payment in respect of a retirement provision of \$13,500 previously provided.

#### Managing director and executives of Milton Corporation Limited and its subsidiaries

		Short Term Benefits			Post Employment Superannuation	Other long term benefits	Share based payments	Total	
		Salary	Cash bonus	Non monetary benefits					
			(1)	(2)	(3)	(4)			
		\$	\$	\$	\$	\$	\$		
F.G. Gooch	Managing director	2012	388,497	20,500	49,788	45,065	12,422	131,819	648,091
		2011	369,331	40,000	45,239	45,704	9,557	97,526	607,357
A.R. Davison	CFO, secretary	2012	181,999	5,000	3,552	46,000	4,626	52,369	293,546
		2011	187,081	5,000	3,552	32,919	5,541	41,228	275,321
Total remuneration		2012	570,496	25,500	53,340	91,065	17,048	184,188	941,637
		2011	556,412	45,000	48,791	78,623	15,098	138,754	882,678

(1) Represents 100% of cash bonus paid or payable which vested in the year.

(2) Non monetary benefits include the provision of a motor vehicle, parking, the cost of life, total & permanent disablement insurance and salary continuance insurance provided through the superannuation fund.

(3) Other long term benefits are comprised of long service leave provisions.

(4) Represents the notional value of interest on loans provided to acquire shares in Milton under the Senior Staff Share Plan.

There are no fixed term employment contracts between Milton and its employees. Employment may be terminated with four weeks notice by either Milton or the employee. There are no provisions for any termination payments other than for unpaid annual and long service leave.

## Share based compensation, Senior Staff Share Plan equity holdings and loans

The movements during the reporting period are as follows:

### Executives' shareholdings in relation to the Senior Staff Share Plan - Number of shares held

		Opening Balance	Received as Remuneration	Closing Balance
F.G. Gooch	<b>2012</b>	<b>105,000</b>	<b>20,000</b>	<b>125,000</b>
Managing director	2011	95,000	10,000	105,000
A.R. Davison	<b>2012</b>	<b>42,500</b>	<b>5,000</b>	<b>47,500</b>
CFO, secretary	2011	37,500	5,000	42,500

### Loans in relation to the Senior Staff Share Plan

Details regarding loans outstanding at the reporting date to specified directors and specified executives, where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period, are as follows:

		Opening Balance	Net change	Closing Balance	Highest balance in the period	Notional Interest (1)
		\$	\$	\$	\$	\$
F.G. Gooch	<b>2012</b>	<b>1,460,406</b>	<b>223,526</b>	<b>1,683,932</b>	<b>1,762,271</b>	<b>131,819</b>
Managing director	2011	1,360,242	100,164	1,460,406	1,516,238	97,526
A.R. Davison	<b>2012</b>	<b>620,126</b>	<b>45,698</b>	<b>665,824</b>	<b>695,593</b>	<b>52,369</b>
CFO, secretary	2011	564,465	55,661	620,126	642,463	41,228

(1) The notional interest has been included under "Share Based Payment" in the remuneration of the managing director and the executive disclosed on page 16.

Terms and conditions of the loans are referred to in note 17b to the financial statements.

### Rounding off

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission and in accordance with that Class Order, amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.



R. D. MILLNER  
Chairman

Sydney, 9 August 2012

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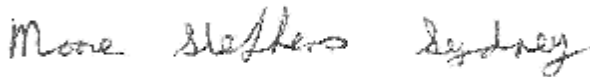
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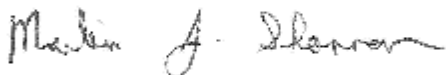
**Auditor's Independence Declaration  
to the Directors of Milton Corporation Limited**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Milton Corporation Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



**Moore Stephens Sydney**  
Chartered Accountants



**Martin J. (Joe) Shannon**  
Partner

Dated in Sydney this 9<sup>th</sup> day of August 2012.

## Corporate Governance Statement

This statement outlines Milton's main corporate governance practices which have been in place throughout the financial year.

The board considers it essential that directors and staff of Milton employ sound corporate governance practices in carrying out their duties and responsibilities. Accordingly a code of conduct has been issued to detail the expected behaviour required to ensure Milton acts with integrity and objectivity.

A number of committees, which operate in accordance with their respective charters, have been established to assist the board in carrying out its responsibilities.

Milton has placed its corporate governance statement on its website: [www.milton.com.au](http://www.milton.com.au). The board charter, code of conduct, audit, nomination and remuneration committee charters and share trading, communication, disclosure, performance evaluation and risk management policies are available on this website.

The ASX Corporate Governance Council released its "Principles of Good Corporate Governance and Best Practice Recommendations" ("Recommendations") in March 2003 and these were revised in August 2007 and in June 2010. The directors of Milton support the thrust of the Recommendations and, whilst the Recommendations are not prescriptive, the ASX Listing Rules require listed companies to identify those Recommendations that have not been followed and the reasons for not following them.

The directors consider that Milton's corporate governance practices do comply with the Recommendations.

### Board of directors

The board charter details the composition and the role and responsibilities of the board and their relationship with management to accomplish the board's primary role of promoting the long-term success of Milton.

The board is accountable to shareholders for the performance of Milton. It oversees the activities and performance of management and provides an independent and objective view of Milton's performance.

The board is comprised of a majority of independent non-executive directors and one executive director with a mix of skills and considerable experience in the investment industry.

The details of the directors, their experience, qualifications, term of office and independent status are set out in the Directors' Report.

The Recommendations state that to be considered independent, director must be "a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with) the independent exercise of their judgement."

All directors except Mr R. D. Millner would satisfy all the tests of the Recommendations and are considered as being independent.

The Recommendations state that the determination of the independence of a director is to be dealt with by the board of directors who are to consider all relevant facts and circumstances on a case by case basis.

Milton's chairman, Mr R. D. Millner, is also chairman of Washington H Soul Pattinson & Co Limited, a substantial shareholder of Milton. The Washington H Soul Pattinson holding of less than 6% of Milton's issued capital represents less than 5% of Washington H Soul Pattinson's assets and therefore the board considers it is unlikely to impact the chairman's independence.

The board is strongly of the opinion that the thinking and actions of Mr R. D. Millner and his commitment to represent the interests of all shareholders is not impaired, and he is considered by the board as a whole to be independent.

In accordance with the Corporations Act 2001, any director who has an interest of any kind in relation to any matter dealt with at a board or committee meeting is required to advise the meeting and abstain from participation in the decision process.

All non-executive directors are subject to re-election at least every three years.

Independent professional advice may be sought by a director at Milton's expense with the prior approval of the chairman. A copy of advice received by the director is made available to the chairman to be dealt with at his discretion.

The board meets regularly to review management reports on the investment portfolio and on the operational and financial performance of Milton.

The directors agreed in 2003 to phase out retirement benefits, with the amount to be paid to each director upon retirement limited to the provision in the financial statements as at 30 June 2003, details of which are disclosed on page 16.

### **Board committees**

The board has established committees to assist it in carrying out its responsibilities. The charters that identify the roles and responsibilities of the following committees have been approved by the board and are available on Milton's web site.

The Audit Committee, consisting of at least three independent non-executive directors, reviews the effectiveness of the risk management and internal controls, the reliability of financial information and the appointment and effectiveness of the external auditor. To assist in this function the committee may invite the external auditor and senior executives to report to meetings. Any significant non-audit services to be provided by the external auditors must be approved in advance by the Audit Committee. The Audit Committee considers that the provision of those non-audit services provided to date by the external auditor would not affect the auditor's independence.

The Investment Committee, consisting of three independent non-executive directors and the managing director, meets regularly to review the investment portfolio and to make investment decisions within defined limits. All directors may attend the Investment Committee meetings. The defined limits are reviewed by the board from time to time.

The Nomination Committee consists of those directors who are not seeking re-election. This committee reviews the composition of the board annually and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity. The committee having reviewed the performance of the directors recommended Messrs R.D. Millner, G.L. Crampton and K.J. Eley for election at the 2012 annual general meeting.

The Remuneration Committee, consisting of three independent non-executive directors, advises the board on remuneration policies and practices generally, and makes specific recommendations to the board annually on remuneration packages and other terms of employment for senior executives and directors.

### **Trading policy in relation to listed securities**

This trading policy is provided to all directors and employees so that they are aware of the restrictions that apply to them in relation to their dealing in securities.

The policy has been developed to ensure that directors and employees comply with insider trading provisions of the Corporations Act and to avoid the risk that they are perceived to have traded while in the possession of insider information.

Milton encourages directors and employees to have a personal financial interest in Milton by acquiring and holding shares on a long term basis.

Short term dealing in and short selling of Milton securities by its directors and employees is not permitted.

The buying or selling of shares is not permitted by any director or employee of Milton or their immediate family when that person is in possession of price sensitive information in relation to those shares that is not available to the market.

This trading restriction is a requirement of the Corporations Act and it applies to dealing in Milton securities and other listed securities.

Price sensitive information must be treated as confidential and must not be communicated to third parties who may use the information inappropriately.

The following trading restrictions apply regardless of whether the director or employee or their immediate family is in possession of price sensitive information.

Directors and employees of Milton or their immediate family may not purchase or sell Milton shares in the following blackout periods:-

- i) from the end of the month until the day after the announcement of the monthly net tangible asset backing per share (NTA) for that month and
- ii) from the end of the half year or full year until the day after the results for the half year or full year are announced to the market.

It is the responsibility of directors and employees to advise the secretary of any intention to deal in Milton's securities and the secretary must be advised when the dealing occurs.

Directors or employees or their immediate family who intend to deal in Milton shares during the closed periods must receive prior approval from the Chairman. Such requests, which must be made in writing, will only be approved in exceptional circumstances, which include severe financial hardship.

The restrictions on buying or selling Milton shares by directors or employees or their immediate family in the blackout periods do not apply in the following situations of passive trading in Milton shares:

- a. the transfer of securities already held by directors or employees or their immediate family into a superannuation fund or similar scheme where the above are a beneficiary;
- b. the acceptance of a takeover offer;
- c. trading under an offer or invitation made to all or most of the company's security holders, such as a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;
- d. accepting an offer to participate in an employee securities plan; and
- e. any such similar transaction determined by the directors to be a passive dealing.

### **Continuous disclosure and shareholder communication**

The secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules.

The board reviews and approves all announcements to the ASX, except for the monthly net asset backing announcements which are reviewed by the chief financial officer and the managing director.

Milton has established a website to enhance communication with its shareholders and potential investors. The website contains historical information, copies of all information disclosed to the ASX and a corporate governance section that includes details of the various committee charters and policies. Shareholders, who have advised Milton of their email addresses, are notified by email of all announcements to the ASX. The Milton communications policy is available on Milton's website.

### **Risk management**

The managing director and chief financial officer report annually to the Audit Committee on Milton's risk management system and provide written confirmation to the board that the integrity of the financial statements are founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting.

The board considers an internal audit function is not necessary due to the nature and size of Milton's operations. The external auditors report to the Audit Committee on risk management issues identified during the course of the audit. The risk management policy is available on Milton's website.

### **Diversity**

The board has established a diversity policy which is available on Milton's website.

The key element of the diversity policy is that Milton will seek the best person available for the position which will not be influenced by gender, age, ethnicity or cultural background.

In relation to the appointment of a new director, the board will seek male and female candidates with the appropriate skills and investment experience to complement the current directors.

At 30 June 2012 the proportion of women employed by Milton was: total Milton employees, 50%; board of directors, 0%; and senior positions, 12.5%.

**Milton Corporation Limited**  
**Consolidated income statement**  
**for the year ended 30 June 2012**

	Note	2012 \$'000	2011 \$'000
Ordinary dividends and distributions	2a	100,907	88,789
Interest		7,179	6,782
Net gains on trading portfolio		258	362
Other revenue		257	239
<b>Operating Revenue</b>		<b>108,601</b>	96,172
Share of net profits of joint ventures – equity accounted	19b	3,696	2,164
Special dividends and distributions	2b	772	3,628
Income from operating activities		<b>113,069</b>	101,964
Administration expenses		3,241	3,211
Acquisition related costs of subsidiaries		-	284
<b>Profit before income tax expense</b>		<b>109,828</b>	<b>98,469</b>
Income tax expense thereon	3	(6,411)	(4,585)
<b>Profit attributable to shareholders of Milton</b>		<b>103,417</b>	93,884
		<b>Cents</b>	Cents
Basic and diluted earnings per share	7	<b>85.0</b>	83.9

*The consolidated income statement is to be read in conjunction with the notes to the consolidated financial statements.*



**Milton Corporation Limited**  
**Consolidated statement of comprehensive income**  
**for the year ended 30 June 2012**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Profit</b>	<b>103,417</b>	93,884
Other comprehensive income		
(Devaluation) revaluation of investments	<b>(117,649)</b>	62,258
Provision for tax benefit (expense) on (devaluation) revaluation of investments	<b>34,818</b>	(18,478)
Reduction of deferred tax on Choiseul consolidation	-	10,323
	<hr/>	<hr/>
Other comprehensive income	<b>(82,831)</b>	54,103
	<hr/>	<hr/>
<b>Total comprehensive income attributable to shareholders of Milton</b>	<b>20,586</b>	147,987
	<hr/>	<hr/>

*The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements.*

**Milton Corporation Limited**  
**Consolidated statement of financial position**  
**as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Current assets</b>			
Cash	8	117,618	127,479
Receivables	9a	22,237	19,188
Other financial assets	10	14,951	15,889
<b>Total current assets</b>		<b>154,806</b>	<b>162,556</b>
<b>Non-current assets</b>			
Receivables	9b	3,433	2,947
Investments	11	1,825,344	1,928,404
Joint ventures – equity accounted	19c	18,341	18,277
Plant and equipment		66	113
Deferred tax assets	12	786	1,067
<b>Total non-current assets</b>		<b>1,847,970</b>	<b>1,950,808</b>
<b>Total assets</b>		<b>2,002,776</b>	<b>2,113,364</b>
<b>Current liabilities</b>			
Payables		2,938	188
Current tax liabilities		1,767	1,075
Provisions		163	89
<b>Total current liabilities</b>		<b>4,868</b>	<b>1,352</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	116,901	151,792
Provisions		334	400
<b>Total non-current liabilities</b>		<b>117,235</b>	<b>152,192</b>
<b>Total liabilities</b>		<b>122,103</b>	<b>153,544</b>
<b>Net assets</b>		<b>1,880,673</b>	<b>1,959,820</b>
<b>Shareholders' equity</b>			
Issued capital	14	1,373,857	1,373,857
Capital profits reserve		98,411	99,084
Asset revaluation reserve		259,373	341,531
Retained profits		149,032	145,348
<b>Total equity attributable to shareholders of Milton</b>		<b>1,880,673</b>	<b>1,959,820</b>

*The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements.*

**Milton Corporation Limited**  
**Consolidated statement of changes in equity**  
**for the year ended 30 June 2012**

	Issued capital	Capital profits reserve	Asset revaluation reserve	Retained profits	Total shareholders' equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	1,373,857	99,084	341,531	145,348	1,959,820
Profit	-	-	-	103,417	103,417
Other Comprehensive Income:					
Net revaluation of investments	-	-	(82,831)	-	(82,831)
Total comprehensive income	-	-	(82,831)	103,417	20,586
Net realised losses	-	(673)	673		-
Transactions with shareholders:					
Dividends paid	-	-	-	(99,733)	(99,733)
Balance at 30 June 2012	<u>1,373,857</u>	<u>98,411</u>	<u>259,373</u>	<u>149,032</u>	<u>1,880,673</u>
Balance at 1 July 2010	963,192	70,080	318,373	120,663	1,472,308
Profit	-	-	-	93,884	93,884
Other Comprehensive Income:					
Net revaluation of investments	-	-	43,780	-	43,780
Reduction of deferred tax on Choiseul consolidation	-	10,323	-	-	10,323
Total comprehensive income	-	10,323	43,780	93,884	147,987
Net realised losses	-	(8,058)	8,058		-
Gains on initial investment on Choiseul consolidation	-	28,680	(28,680)	-	-
Transactions with shareholders:					
Share issues	410,665	-	-	-	410,665
LIC dividends paid	-	(1,941)	-	-	(1,941)
Dividends paid	-	-	-	(69,199)	(69,199)
Balance at 30 June 2011	<u>1,373,857</u>	<u>99,084</u>	<u>341,531</u>	<u>145,348</u>	<u>1,959,820</u>

*The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements.*

**Milton Corporation Limited**  
**Consolidated statement of cash flows**  
**for the year ended 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Dividends and distributions received		99,833	90,450
Interest received		7,695	6,840
Distributions received from joint venture entities		4,237	2,350
Other receipts in the course of operations		257	587
Proceeds from sales of trading securities		4,540	1,146
Payments for trading securities		(4,077)	(500)
Other payments in the course of operations		(2,527)	(3,354)
Income taxes paid		(5,480)	(4,582)
<b>Net cash provided by operating activities</b>	18a	<b>104,478</b>	<b>92,937</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments		34,777	21,537
Payments for investments		(48,910)	(37,333)
Cash on acquisition of subsidiaries		-	47,078
Payments for acquisition of subsidiaries		-	(284)
Payments for pre acquisition liabilities of subsidiary		-	(26,522)
Proceeds from sales of plant and equipment		25	-
Payments for plant and equipment		(12)	(20)
Loans (advanced) repaid by other entities		(486)	753
<b>Net cash provided by (used in) investing activities</b>		<b>(14,606)</b>	<b>5,209</b>
<b>Cash flows from financing activities</b>			
Payments for issue of shares		-	(164)
Ordinary dividends paid		(93,652)	(71,140)
Special dividends paid		(6,081)	-
<b>Net cash used in financing activities</b>		<b>(99,733)</b>	<b>(71,304)</b>
<b>Net (decrease) increase in cash assets held</b>		<b>(9,861)</b>	<b>26,842</b>
<b>Cash assets at the beginning of the year</b>		<b>127,479</b>	<b>100,637</b>
<b>Cash assets at the end of the year</b>	8	<b>117,618</b>	<b>127,479</b>

*The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements.*

# **Milton Corporation Limited**

## **Notes to the consolidated financial statements for the year ended 30 June 2012**

### **1. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include the consolidated entity ("Milton") consisting of Milton Corporation Limited and its subsidiaries.

#### **a. Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian accounting interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

These financial statements have been prepared on an accruals basis and are based on the historical cost basis except as modified by the revaluation of certain financial assets and liabilities measured at fair value.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available in ASIC Class Order 98/100.

#### **b. Basis of consolidation**

The consolidated financial statements include the financial statements of Milton, being the parent entity and its subsidiaries. The balances and effects of transactions between subsidiaries included in the consolidated financial statements have been eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Where entities have come under the control of the parent entity during the year, their operating results have been included in the group from the date control was obtained. Entities cease to be consolidated from the date on which control is transferred out of the group and the consolidated financial statements include the result for the part of the reporting period during which the parent entity had control.

#### **c. Income tax**

The income tax expense is the tax payable on the current year's taxable income based on the current income tax rate applicable for the year adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax is recognised using the balance sheet method.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

## 1. Summary of significant accounting policies (continued)

### c. Income tax (continued)

Deferred tax balances attributable to revaluation amounts are recognised directly in equity through the asset revaluation reserve.

Milton Corporation Limited (the parent entity) and its wholly-owned subsidiaries have formed an income tax consolidated group. Each entity in the group recognises its own current and deferred tax, except for any deferred tax assets arising from unused tax losses from subsidiaries, which are immediately assumed by the parent entity. The current tax liability of each group entity is subsequently assumed by the parent entity. There is no tax funding agreement between Milton Corporation Limited and its subsidiaries.

### d. Cash

Cash includes cash at bank, deposits at call and term deposits, and is recognised at fair value.

Interest from deposits and bank accounts is brought to account on an accruals basis as it is earned.

### e. Trading securities

Trading securities are recognised initially at cost and subsequently measured at fair value.

Changes in fair value are taken directly through the income statement.

Dividends are brought to account on the date that the shares are traded "ex-dividend".

### f. Other liquid securities

Other liquid securities include listed securities such as reset preference shares which are classified as equity instruments and may be realised within 12 months.

Other liquid securities are recognised initially at cost and Milton has elected to present subsequent changes in fair value in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability.

On disposal, the cumulative gain or loss net of tax thereon, is transferred from the asset revaluation reserve to the capital profits reserve.

Distribution income from these securities is brought to account on the day that these securities trade "ex-dividend".

### g. Investments

#### *Subsidiaries*

Investments in subsidiaries are carried at net asset value which approximates fair value of the controlled entities.

Income from dividends is brought to account when they are declared.

#### *Other companies*

Investments are recognised initially at cost and Milton has elected to present subsequent changes in fair value of equity instruments in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long term holdings of equity instruments.

Quoted investments are valued continuously at fair value, which is the price quoted on the Australian Securities Exchange.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the asset revaluation reserve to the capital profits reserve.

Dividends and distributions are brought to account on the date that the investment trades "ex-dividend".

De-merger dividends arising from company de-consolidations are treated as a return of capital and not as a dividend.

## **1. Summary of significant accounting policies (continued)**

### **h. Employee benefits**

The provision for employee entitlements relates to amounts expected to be paid to employees for long service leave and annual leave (including on-costs) and is based on legal and contractual entitlements and assessments having regard to experience in relation to staff departures and leave utilisation. Employees are not paid on termination for untaken personal/carer's leave.

Under the Employee Share Plan, shares are acquired for employees as part of their remuneration and the cost of the shares is recorded in employee benefit expenses (refer note 17a).

Under the Senior Staff Share Plan, shares are acquired for eligible employees as part of their remuneration and held on their behalf by the trustee of the Plan. The purchase of the Plan Shares is financed by a loan from Milton (refer note 17b).

### **i. Operating segments**

The consolidated entity operates in Australia only and the principal activity is investment.

### **j. Business Combinations**

The acquisition method of accounting has been used to account for all business combinations, regardless of equity instruments or other assets acquired. The business combinations have been accounted from the date Milton attained control of the subsidiaries. The considerations transferred for the acquisitions comprise of the fair values of the identifiable assets transferred and the liabilities assumed.

Costs related to the acquisitions, other than those associated with the issue of equity securities, are expensed to the consolidated income statement as incurred.

### **k. Critical accounting estimates and judgments**

Judgements, estimates and assumptions are required to prepare financial statements.

Deferred tax liabilities have been recognised for capital gains tax on the unrealised gain in the investment portfolio at current tax rates.

As Milton does not intend to dispose of the investment portfolio this tax may not be payable at the amount disclosed in note 13. Any tax liability that may arise on disposal of investments is subject to tax legislation relating to the treatment of capital gains and the applicable tax rate at the time of disposal.

Deferred tax assets have been recognised relating to carried forward capital losses, based on current tax rates. Utilisation of the tax losses requires the realisation of capital gains in subsequent years and the ability to satisfy certain tests at the time the losses are recouped. The deferred tax assets related to carried forward capital losses have been offset against the related deferred tax liabilities as disclosed in note 13.

Apart from this, there are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **l. New standards and interpretations not yet adopted**

No new accounting standards and interpretations, that are available for early adoption at 30 June 2012, but not yet adopted, will result in any material change in relation to the financial statements.

	2012 \$'000	2011 \$'000
<b>2. Revenue</b>		
<b>a. Ordinary dividends and distributions</b>		
Investments held in portfolio at 30 June	99,227	87,995
Investments sold during the year	1,680	794
	<u>100,907</u>	<u>88,789</u>
<b>b. Special dividends and distributions</b>		
Investments held in portfolio at 30 June	326	2,899
Investments sold during the year	446	729
	<u>772</u>	<u>3,628</u>
<b>3. Income tax expense</b>		
Prima facie income tax expense calculated at 30% on the profit before income tax expense	32,948	29,540
Increase (decrease) in income tax expense due to:		
Tax offset for franked dividends	(26,502)	(24,260)
Non taxable distributions	(360)	(502)
Under (over) provision in prior year	320	(199)
Other differences	5	6
Income tax expense on profit	<u>6,411</u>	<u>4,585</u>
<b>4. Auditor's remuneration</b>		
Auditors of the company		
Audit and review services	111	115
Liquidation of non-operating subsidiaries	-	18
Due diligence for acquisition of subsidiaries	-	28
	<u>111</u>	<u>161</u>
Related practice of the auditor		
Liquidation of non-operating subsidiary	7	-
	<u>118</u>	<u>161</u>
<b>5. Ordinary and special fully franked dividends</b>		
<b>a. Recognised in the current year</b>		
A final dividend in respect of the 2011 year of 39 cents per share paid on 20 September 2011 (2011: a final dividend in respect of the 2010 year of 36 cents per share paid on 1 September 2010)	47,434	34,946
A special dividend of 5 cents per share paid on 20 September 2011 (2011: nil)	6,081	-
An interim dividend of 38 cents per share paid on 29 February 2012 (2011: 37 cents per share paid on 5 January 2011)	46,218	36,194
	<u>99,733</u>	<u>71,140</u>
<b>b. Not recognised in the current year</b>		
Since the end of the financial year, the directors declared a fully franked ordinary final dividend in respect of the 2012 year of 40 cents per share payable on 4 September 2012. (2011: final ordinary of 39 cents per share and a special dividend of 5 cents per share paid on 20 September 2011).	48,650	53,515



	2012 \$'000	2011 \$'000
<b>5. Ordinary and special fully franked dividends (continued)</b>		
<b>c. Dividend franking account</b>		
The amount of franking credits available to shareholders for the subsequent financial year, adjusted for franking credits that will arise from the payment of the current tax liability	<b>105,182</b>	103,859
Subsequent to year end, the franking account will be reduced by the proposed final ordinary dividend to be paid on 4 September 2012 (2011: final ordinary and special dividends)	<b>(20,850)</b>	(22,935)
	<b>84,332</b>	80,924

The franking account balance would allow Milton to frank additional dividend payments up to an amount of \$196,773,586 (2011:\$188,823,534) which represents 162 cents per share (2011: 155 cents per share).

**6. Listed Investment Company capital gain account**

Balance of the Listed Investment Company (LIC) capital gain account available to shareholders for the subsequent financial year

<b>1,179</b>	1,156
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Distributed LIC capital gains may entitle certain shareholders to a special deduction in their income tax return. LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains and the receipt of LIC capital gain distributions.

	cents	cents
<b>7. Earnings per share</b>		
Basic earnings per share	<b>85.0</b>	83.9
	<b>\$'000</b>	\$'000
Profit attributable to shareholders of the parent entity	<b>103,417</b>	93,884
	<b>No.</b>	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>121,625,655</b>	111,964,506
Diluted earnings per share figures are the same because there are no dilutive potential ordinary shares.		

	\$'000	\$'000
<b>8. Cash</b>		
Cash at bank	<b>1,510</b>	1,607
Deposits at call	<b>10,511</b>	16,266
Term deposits	<b>105,597</b>	109,606
	<b>117,618</b>	127,479

The weighted average interest rate for cash and deposits at call as at 30 June 2012 is 3.4% p.a. (2011: 5.7% p.a.). Term deposits have an average maturity date of August 2012 (2011: September 2011) and an average interest rate of 5.4% (2011: 5.9% pa).

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>9. Receivables</b>		
<b>a. Receivables – current</b>		
Income receivable	<b>20,481</b>	19,183
Sundry debtors	<b>1,756</b>	5
	<b>22,237</b>	19,188
<b>b. Receivables – non-current</b>		
Senior staff share plan loans (refer note 17b)	<b>3,433</b>	2,947
<b>c. Terms and conditions</b>		
Sundry debtors are due within 30 days and no interest is charged.		
<b>10. Other financial assets</b>		
Other liquid securities - at fair value	<b>14,535</b>	15,247
Trading securities - at fair value	<b>184</b>	389
Prepaid expenses	<b>232</b>	253
	<b>14,951</b>	15,889
<b>11. Investments – non-current</b>		
Quoted investments - at fair value	<b>1,825,171</b>	1,928,224
Unquoted investments - at fair value	<b>173</b>	180
	<b>1,825,344</b>	1,928,404
<b>a. Included in quoted investments are:</b>		
Shares in other corporations	<b>1,764,871</b>	1,867,718
Stapled securities in other corporations	<b>36,317</b>	36,178
Units in trusts	<b>23,983</b>	24,328
	<b>1,825,171</b>	1,928,224
<b>b. Included in unquoted investments are:</b>		
Securities in other corporations	<b>6</b>	6
Units in trusts	<b>167</b>	174
	<b>173</b>	180
<b>d. Investments disposed of during the year</b>		
Fair value at disposal date		
Equity investments	<b>36,181</b>	33,785
Loss on disposal after tax		
Equity investments	<b>(4,960)</b>	(7,129)

The disposals occurred in the normal course of Milton's operations as a listed investment company or as a result of takeovers or mergers.

	2012 \$'000	2011 \$'000
<b>12. Deferred tax assets</b>		
The balance comprises temporary differences attributable to :		
Revenue tax losses carried forward	22	38
Provisions	255	248
Retirement benefit obligations	57	61
Share issue expenses	140	281
Other	312	439
Total deferred tax assets	<u>786</u>	<u>1,067</u>
Movements:		
Balance at 1 July	1,067	908
(charged) credited to the income statement	(281)	208
(charged) to equity	-	(49)
Balance at 30 June	<u>786</u>	<u>1,067</u>
To be recovered within 12 months	265	86
To be recovered after more than 12 months	521	981
	<u>786</u>	<u>1,067</u>
<b>13. Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	115,316	147,365
Realised capital losses	(15,510)	(12,860)
Amounts recognised in profit:		
Realised capital gains	832	832
Income receivable which is not assessable for tax until receipt	16,263	16,455
	<u>116,901</u>	<u>151,792</u>
Movements:		
Balance at 1 July	151,792	130,757
Charged (credited) to income statement	49	30
Charged (credited) to other comprehensive income	(34,818)	18,478
Charged (credited) to equity	(122)	2,527
Balance at 30 June	<u>116,901</u>	<u>151,792</u>
To be settled within 12 months	-	-
To be settled beyond 12 months	116,901	151,792

	2012 \$'000	2011 \$'000
<b>14. Issued capital</b>		
<b>a. Movement in share capital</b>		
Balance at 1 July 2011: 121,625,655 shares (1 July 2010: 97,075,280 shares)	1,373,857	963,192
(2011: 26,250,375 shares issued as consideration for acquisitions)	-	439,341
(2011: Elimination of 1,700,000 shares in Milton held by Choiseul <sup>(1)</sup> )	-	(28,560)
Share issue costs net of tax	-	(116)
Balance at 30 June 2012: 121,625,655 shares (30 June 2011: 121,625,655 shares)	1,373,857	1,373,857

<sup>(1)</sup> 1,700,000 shares held by Choiseul Investments Limited (Choiseul) in Milton were cancelled through a selective capital reduction approved at Milton's annual general meeting held on 13 October 2011.

**b. Ordinary shares**

All capital consists of fully paid ordinary shares which are listed on the ASX and carry one vote per share and the right to receive dividends.

**15. Nature and purpose of reserves**

Changes in fair value of investments are presented in other comprehensive income through the asset revaluation reserve as referred to in note 1g.

Upon disposal of investments, the net gain or loss is transferred from the asset revaluation reserve to the capital profits reserve as referred to in note 1g.

**16. Management of financial risk**

The risks associated with the financial instruments, such as investments and cash include market risk, credit risk and liquidity risk.

The Audit Committee has approved policies and procedures established to manage these risks. The effectiveness of these policies and procedures is continually reviewed by management and annually by the Audit Committee.

**a. Financial instruments' terms, conditions and accounting policies**

Milton's significant accounting policies are included in note 1, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the reporting date, are included under the appropriate note for that instrument.

**b. Net fair values**

The carrying amounts of financial instruments in the consolidated statement of financial position approximate their net fair value.

## **16. Management of financial risk (continued)**

### **c. Credit risk exposures**

Milton's principal credit risk exposures arise from the investment in liquid assets, such as cash, bank term deposits and income receivable.

The risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk. The credit risk on Milton's financial assets, excluding investments, is the carrying amount of those assets.

Individual bank limits have been approved by the board for the investment of cash.

Income receivable is comprised of accrued interest and dividends and distributions which were brought to account on the date the shares or units traded ex-dividend.

There are no financial instruments overdue.

All financial assets and their recoverability are continuously monitored by management and reviewed by the board on a quarterly basis.

### **d. Market risk**

Market risk is the risk that changes in market prices will affect the fair value of the financial instrument.

Milton is exposed to market risk through the movement of the security prices of the companies and trusts in which it is invested.

The market value of individual companies fluctuates every day and the fair value of the portfolio changes continuously, with this change in the fair value recognised through the asset revaluation reserve.

Investments represent 91% (2011: 91%) of total assets. A 5% fall in movement in the market value of investments in each of the companies and trusts within the portfolio would result in a 4.6% (2011: 4.6%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2012 (2011: 30 June 2011). The net asset backing before provision for tax on unrealised capital gains would move by 75 cents per share at 30 June 2012 (2011: 79 cents at 30 June 2011).

Milton's management regularly monitor the performance of the companies within its portfolio and make portfolio recommendations which are considered by the Investment Committee. The Milton board reviews the portfolio on a quarterly basis.

Milton is not exposed to foreign currency risk as all its investments are quoted in Australian dollars.

The fair value of Milton's other financial instruments is unlikely to be materially affected by a movement in interest rates as they generally have short dated maturities and variable interest rates.

### **e. Liquidity risk**

Liquidity risk is the risk that Milton is unable to meet its financial obligations as they fall due.

Milton manages liquidity risk by monitoring forecast and actual cashflows.

### **f. Capital risk management**

The parent entity invests its equity in a diversified portfolio of assets that generates a growing income stream for distribution to shareholders in the form of fully franked dividends.

The capital base is managed to ensure there are funds available for investment as opportunities arise. Capital may be increased through the issue of shares under the Share Purchase Plan. Other means of increasing capital could include rights issues and acquisitions of unlisted investment companies.

### **g. Fair value measurement**

Financial instruments carried at fair value are comprised of investments and other financial assets. The fair value of these financial instruments is the quoted prices (unadjusted) in active markets for identical assets. The Australian Securities Exchange is the active market for all financial instruments.

## 17. Employee entitlements

### a. Employee Share Plan

The Employee Share Plan ("ESP") is available to all eligible employees to acquire ordinary shares in Milton in lieu of a cash bonus of up to \$1,000 per year as part of the employee's remuneration. The transaction and administration costs of acquiring the shares and administering the plan are paid by Milton.

During the year, 260 shares (2011: nil shares) were acquired by Milton on behalf of eligible employees under the ESP at a cost of \$3,955 with a total market value at 30 June 2012 of \$3,955.

Any shares acquired cannot be disposed of or transferred until the earlier of 3 years from the date of issue or acquisition or on the date that the employee's employment ceases with Milton.

### b. Senior Staff Share Plan

The Senior Staff Share Plan ("SSSP") was approved by shareholders at Milton's Annual General Meeting on 9 October 2001. Eligible employees are given the opportunity to apply for Plan Shares in Milton which are subscribed for or acquired and held on their behalf by the trustee of the plan. The purchase of these Plan Shares is financed by an interest-free limited recourse loan from Milton with recourse only to Plan Shares. The loan will be repaid partially from any dividends received. Milton administers the SSSP and meets the transactional and administration costs.

During the year, 42,500 shares (2011: 21,000 shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of \$641,464 (2011: \$327,590). The loans to eligible employees are as disclosed in note 10b. The shares acquired by the trustee during the year had a market value of \$646,425 at \$15.21 per share as at 30 June 2012.

Any shares acquired are held in the name of the trustee and classified as Restricted Shares which cannot become Unrestricted Shares until the earlier of 3 years from the date of issue to the trustee or acquisition by the trustee or on the date that the employee's employment ceases with Milton. The trustee may transfer Unrestricted Shares to the participant provided that any outstanding loan has been repaid in full.

	2012	2011
	\$'000	\$'000

## 18. Note to the cash flow statements

### a. Reconciliation of net profit to net cash provided by operating activities

Profit	103,417	93,884
Share of net profits of joint ventures – equity accounted	(3,696)	(2,164)
Distributions received from joint venture entities	4,237	2,350
Depreciation of non-current assets	35	32
Increase in receivables	(1,126)	(1,108)
Decrease (increase) in payables and provisions	679	(59)
Increase in income taxes payable	932	2
Net cash provided by operating activities	104,478	92,937

### b. Non-cash financing and investing activities

During the year ended 30 June 2012 there were no non-cash financing and investing activities. (2011: As described in note 21b, Milton acquired an unlisted investment company through the issue of 2,446,521 new Milton shares with a fair value of \$41,413,000 and acquired 88.1% of Choiseul through the issue of 23,803,854 new Milton shares with a fair value of \$397,928,000).

**19. Investment in joint venture entities**

**a. Details of joint venture entities**

Companies in the consolidated entity have entered into joint ventures to develop real property. These joint ventures which are held by subsidiaries have been accounted for using the equity accounting principles.

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>b. Contribution from joint venture entities</b>		
Milton has interests in the following joint venture entities:		
33.33% interest in the Ellenbrook Syndicate Joint Venture contribution to operating profit before tax	<b>3,451</b>	2,001
23.33% interest in the Mews Joint Venture contribution to operating profit before tax	<b>245</b>	163
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture	-	-
Share of net profits of joint ventures	<u><b>3,696</b></u>	<u>2,164</u>
<b>c. Consolidated interest in the assets and liabilities of the joint ventures</b>		
Current assets	<b>16,790</b>	17,413
Non-current assets	<b>13,538</b>	9,315
Current liabilities	<b>(1,741)</b>	(1,233)
Non-current liabilities	<b>(9,703)</b>	(6,675)
	<u><b>18,884</b></u>	<u>18,820</u>
Provision for diminution in value	<b>(543)</b>	(543)
Net assets	<u><b>18,341</b></u>	<u>18,277</u>

**d. Contingent liabilities and commitments**

Each venturer is liable for its share of the debts of the joint ventures. The finance facilities have recourse only to the assets of the joint ventures. The LWP Huntlee Syndicate No 2 Joint Venture was formed in June 2010 and Milton is committed to providing further capital of \$1.009 million over the next year (2011: \$1.484 million). Apart from this commitment there are no further financial commitments.

**20. Parent entity disclosures**

In accordance with the Corporations Amendment (Corporate Reporting Reform) Act 2010 and the Corporations Act 2001 the following summarised parent entity information is set out below.

As at, and throughout, the financial year ended 30 June 2012 the parent entity is Milton Corporation Limited.

**Profit of the parent entity**

Profit for the year	<b>100,822</b>	90,505
Total comprehensive income for the year	<b>17,991</b>	138,296

	2012 \$'000	2011 \$'000
<b>20. Parent entity disclosures (continued)</b>		
<b>Financial position (Balance Sheet) of the parent entity</b>		
Current assets	154,732	162,234
Total assets	2,075,651	2,636,901
Current liabilities	75,778	493,171
Total liabilities	194,978	658,843
Net assets	1,880,673	1,978,058
<b>Total equity of the parent entity comprising of</b>		
Issued capital	1,373,857	1,402,417
Capital profits reserves	106,989	69,407
Asset revaluation reserve	298,354	405,850
Retained profits	101,473	100,384
<b>Total equity attributable to shareholders of the parent entity</b>	1,880,673	1,978,058

**21. Particulars in relation to subsidiaries**

**a. Milton Corporation Limited's subsidiaries**

The following subsidiaries have been included in the consolidated accounts:

	Interest held %	
85 Spring Street Properties Pty Ltd	100	100
Chatham Investment Co. Pty Limited	100	100
Incorporated Nominees Pty Limited	100	100
Milhunt Pty Limited	100	100
Choiseul Investments Limited (Choiseul) (refer note 21b and c)	-	100

The parent entity and all subsidiaries are incorporated in Australia.

**b. Acquisition of subsidiaries**

During the year ended 30 June 2012 there were no acquisitions of subsidiaries.

**Previous comparative period – 30 June 2011**

In August 2010 Milton acquired 100% of the shares in an unlisted investment company with the consideration consisting of the issue of 2,446,521 new Milton shares with a fair value of \$41,413,000. In December 2010 Milton increased its ownership of Choiseul to 100% when it acquired 88.1% of the issued capital of Choiseul with the consideration consisting of 23,803,854 new Milton shares with a fair value of \$397,928,000.

The main activity of the companies is investing in listed securities.

The operating results of the companies from the date of acquisition have been included in the consolidated income statement, while the assets and liabilities have been included in the consolidated statement of financial position.

Choiseul contributed revenues of \$2,212,000 and net profit of \$1,571,000 to Milton for the period from 3 December 2010 to 30 June 2011. If the merger had occurred on 1 July 2010 consolidated revenue and consolidated profit for the year ended 30 June 2011 would have been \$108,975,000 and \$99,267,000 respectively.



## 21. Particulars in relation to subsidiaries (continued)

### b. Acquisition of subsidiaries (continued)

The results of the unlisted investment company from 1 July 2010 to the date of acquisition and subsequent to that are not considered material to warrant separate disclosure. The basis of fair value of the net assets acquired is the price quoted in an active market being the Australian Securities Exchange.

The assets and liabilities recognised as a result of the acquisitions are as follows:

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Choiseul</b>		
Fair value of the net assets acquired:		
Investments	-	439,661
Fair value of Milton's holding in Choiseul	-	(53,524)
Liquid and other assets	-	51,634
Liabilities	-	(39,843)
	<u>-</u>	<u>397,928</u>
 <b>Unlisted Investment company</b>		
Fair value of the net assets acquired:		
Investments	-	39,621
Liquid and other assets	-	2,781
Liabilities	-	(989)
	<u>-</u>	<u>41,413</u>

Total acquisition costs of \$284,000 are included in the consolidated income statement and share issue costs of \$165,000 have been included in issued capital.

### c. Disposal of subsidiaries

In November 2011, Choiseul was placed into voluntary liquidation.

(2011: In December 2010 the unlisted investment company that was acquired and referred to in note 21b was placed into voluntary liquidation).

## 22. Related parties

### a. Directors and Key Management Personnel compensation

Short-term benefits	<b>939</b>	927
Other long-term benefits	<b>17</b>	15
Post-employment benefits	<b>175</b>	166
Share-based payments	<b>184</b>	139
	<u><b>1,315</b></u>	<u>1,247</u>

Information regarding individual director's and executives' compensation and equity instruments disclosures, as permitted by Corporations Regulations 2M.3.03, are provided in the Remuneration Report section of the Directors' Report on pages 14 to 17.

## 22. Related parties (continued)

### b. Shareholdings of non-executive directors and their related parties – number of shares held

		Balance 1 July	Acquisition	Balance 30 June
R.D. Millner	<b>2012</b>	<b>9,581,822</b>	<b>103,721</b>	<b>9,685,543</b>
	2011	4,747,967	4,833,855	9,581,822
J.F. Church	<b>2012</b>	<b>5,901,400</b>	<b>7,383</b>	<b>5,908,783</b>
	2011	5,664,451	236,949	5,901,400
G.L. Crampton	<b>2012</b>	<b>27,307</b>	-	<b>27,307</b>
	2011	20,307	7,000	27,307
K.J. Eley <sup>(1)</sup>	<b>2012</b>	-	-	<b>5,932</b>
	2011	-	-	-
I.A. Pollard	<b>2012</b>	<b>27,437</b>	-	<b>27,437</b>
	2011	25,455	1,982	27,437
J.N. Aitken <sup>(2)</sup>	<b>2012</b>	<b>21,400</b>	-	-
	2011	21,400	-	21,400

<sup>(1)</sup> Appointed on 1 December 2011

<sup>(2)</sup> Retired on 13 October 2011

### c. Executives' and their related parties shareholdings – number of shares held

		Balance 1 July	Received as Remuneration	Other Acquisitions	Balance 30 June
F.G. Gooch	<b>2012</b>	<b>162,737</b>	<b>20,000</b>	<b>1,000</b>	<b>183,737</b>
Managing director	2011	128,967	10,000	23,770	162,737
A.R. Davison	<b>2012</b>	<b>43,012</b>	<b>5,000</b>	-	<b>48,012</b>
CFO, secretary	2011	38,012	5,000	-	43,012

### d. Loans to executives in relation to the Senior Staff Share Plan

Details regarding loans outstanding at the reporting date to specified directors and specified executives, where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period, are as follows:

		Balance 1 July	Net change	Balance 30 June	Highest balance in the period	Notional Interest
		\$	\$	\$	\$	\$
F.G. Gooch	<b>2012</b>	<b>1,460,406</b>	<b>223,526</b>	<b>1,683,932</b>	<b>1,762,271</b>	<b>131,819</b>
Managing director	2011	1,360,242	100,164	1,460,406	1,516,238	97,526
A.R. Davison	<b>2012</b>	<b>620,126</b>	<b>45,698</b>	<b>665,824</b>	<b>695,593</b>	<b>52,369</b>
CFO, secretary	2011	564,465	55,661	620,126	642,463	41,228

Terms and conditions of the loans are referred to in note 17b.

## **22. Related parties (continued)**

### **e. Other related party transactions**

All non-executive directors have entered into the Deed of Indemnity, Insurance and Access that was approved at the Annual General Meeting held on 10 October 2000. Milton has a Remuneration and Retirement Benefits Deed with each of the non-executive directors except Messrs G.L Crampton and K.J. Eley. During the 30 June 2004 year, Milton and the directors varied the Remuneration and Retirement Benefits Deed, whereby the maximum retirement benefit payable to a non-executive director on retirement will be the provision for the director as at 30 June 2003. Apart from the details disclosed in this note no director has entered into a material contract with the parent entity or Milton since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at the end of the year.

### **Loans to and from subsidiaries**

Loans have been made to and by the parent entity to wholly owned subsidiaries for capital transactions. The loans between the parent and its subsidiaries have no fixed date of repayment and are non-interest bearing.

During the year ended 30 June 2012, such loans to subsidiaries totalled \$424,943,333 (2011: \$76,392,021) and loans from subsidiaries totalled \$4,237,499 (2011: \$426,333,493).

### **Other arrangement with non executive director**

Mr J.F. Church rented office space from Milton at commercial rates from 1 July 2011 to 30 June 2012 and rental income received by Milton during the financial year was \$13,191 (2011: \$12,911).

## **23. Contingencies**

At the reporting date the directors are not aware of any material contingent liabilities.

## **24. Events subsequent to reporting date**

Since the end of the financial year, the directors declared a fully franked final dividend of 40 cents per share, payable on 4 September 2012.

This financial report was authorised for issue in accordance with a resolution of directors on 9 August 2012.

## 25. Holdings at Fair Value through Other Comprehensive Income at 30 June 2012

The following holdings are valued at fair value through Other Comprehensive Income.

	2012 \$'000	2011 \$'000
<b>Investments in equity instruments</b>		
Adelaide Brighton Limited	5,926	4,986
AGL Energy Limited	34,042	27,432
Alumina Limited	886	2,156
Amalgamated Holdings Limited	4,777	3,598
Amcor Limited	8,227	6,274
AMP Limited	7,781	9,658
A P Eagers Limited	18,525	10,839
APA Group	5,408	3,964
APN News & Media Limited	865	1,722
ARB Corporation Limited	6,777	5,374
Argo Investments Limited	4,167	4,539
Arrium Limited (previously OneSteel Limited)	3,456	6,901
ASX Limited	11,755	11,178
Austbrokers Holdings Limited	6,834	5,582
Australand Property Group	2,057	2,382
Australia & New Zealand Banking Group Limited		
- ordinary shares	62,353	61,168
- convertible preference shares	1,935	2,004
- CPS 1	199	202
Australian Foundation Investment Company Limited	5,426	5,765
Automotive Holdings Group Limited	2,567	1,019
Bank of Queensland Limited	43,363	47,797
Bendigo & Adelaide Bank Limited	42,309	50,588
BHP Billiton Limited	101,143	136,844
Billabong International Limited	-	575
BKI Investment Company Limited	1,325	1,388
Blackmores Limited	9,769	9,267
Bluescope Steel Limited	-	1,195
Boral Limited	4,801	7,161
Bradken Limited	3,656	4,460
Brambles Limited	7,195	8,433
Brickworks Limited	32,568	32,891
BWP Trust	2,543	2,495
Cabcharge Australia Limited	674	694
Caltex Australia Limited	645	561
Campbell Brothers Limited	117,623	99,215
Cardno Limited	5,678	1,792
Carlton Investments Limited	5,606	6,014
CFS Retail Property Trust	17,660	16,522
Charter Hall Office Trust	-	764
Charter Hall Retail REIT	2,030	1,963
Coal & Allied Industries Limited	-	4,436
Coca-Cola Amatil Limited	18,293	13,917
Cochlear Limited	2,094	2,290
Coffey International Limited	-	419
Commonwealth Bank of Australia		
- ordinary shares	159,941	157,532
- PERLS V	102	104
Commonwealth Property Office Fund	1,750	1,621
Consolidated Media Holdings Limited	901	698
Crown Limited	2,269	2,387
CSL Limited	23,142	19,408
CSR Limited	292	605
David Jones Limited	922	1,446
Diversified United Investment Limited	641	733
Equity Trustees Limited	2,605	3,273
Fletcher Building Limited	3,695	5,325

**25. Holdings at Fair Value through Other Comprehensive Income at 30 June 2012 (continued)**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Fairfax Media Limited	1,794	4,637
FKP Property Group	1,380	2,541
Fleetwood Corporation Limited	2,078	1,660
Foster's Group Limited	-	15,810
Goodman Fielder Limited	-	339
Goodman Group	678	651
Goldman Sachs JB Were Collateral Mezzanine Fund	97	104
Goldman Sachs JB Were Private Equity Fund	9	9
Graincorp Limited	2,946	2,558
Gresham Private Equity Co-Investment Fund	60	60
GWA International Limited	4,778	6,256
Hills Holdings Limited	1,115	3,012
Insurance Australia Group Limited		
- ordinary shares	12,728	11,579
- convertible preference shares	294	303
IAG Finance(NZ) Limited Perpetual Reset Exchangeable Notes	1,192	1,236
Incitec Pivot Limited	4,360	5,349
Infigen Energy	-	431
InvoCare Limited	13,666	12,508
IOOF Holdings Limited	974	495
Leighton Holdings Limited	12,330	17,209
Lend Lease Corporation Limited	3,227	3,653
Lindsay Australia Limited	272	288
Macarthur Coal Limited	-	3,860
Macquarie Group Limited	12,847	15,441
Metcash Limited	16,124	18,760
Mirvac Group	417	409
MyState Limited	1,357	1,562
National Australia Bank Limited	102,368	110,901
New Hope Corporation Limited	5,173	6,734
Noni B Limited	577	564
Orica Limited	4,370	4,350
Origin Energy Limited	4,723	5,101
Perpetual Limited	18,735	20,396
Plantation Land Limited	6	6
Premier Investments Limited	1,791	2,342
QBE Insurance Group Limited	36,203	46,674
Qube Logistics Holdings Limited	1,965	964
Reece Australia Limited	2,356	2,334
Ramsay Health Care Limited	2,373	1,362
Rio Tinto Limited	25,475	37,419
Santos Limited	14,985	19,052
Schaffer Corporation Limited	248	225
Sedgman Limited	2,115	1,515
Select Harvests Limited	210	461
Seven Group Holdings Limited - Transferable Equity Linked		
Yield Shares 4	546	630
Seven West Media Limited	2,825	6,557
Sims Metal Management Limited	7,621	13,997
Sonic Healthcare Limited	6,637	5,817
Stockland Group	6,625	7,335
Suncorp Group Limited		
- ordinary shares	22,918	23,060
- convertible preference shares	3,730	3,857
Sydney Airport (previously MAP Group)	1254	1,444
Tatts Group Limited	1,724	624
Telstra Corporation Limited	43,421	30,695
Ten Network Holdings Limited	636	1,336

**25. Holdings at Fair Value through Other Comprehensive Income at 30 June 2012 (continued)**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Toll Holdings Limited	4,373	4,824
TPG Telecom Limited	6,513	6,288
Transfield Services Limited	2,757	4,737
Transurban Group	12,274	11,282
The Trust Company Limited	13,202	16,172
Treasury Wine Estates Limited	4,451	3,479
UGL Limited	16,781	16,836
Washington H Soul Pattinson & Company Limited	125,418	119,142
Wesfarmers Limited		
- ordinary shares	74,806	77,837
- partially protected shares	10,752	10,987
Westfield Group	4,540	4,139
Westfield Retail Trust	1,684	1,601
Westpac Banking Corporation	220,126	231,898
Wide Bay Australia Limited	2,519	3,538
Woodside Petroleum Limited	24,511	32,192
Woolworths Limited	69,318	69,821
Worley Parsons Limited	5,788	5,603
	<b>1,825,344</b>	<b>1,928,404</b>
<b>Other liquid securities</b>		
Adelaide Managed Funds	-	375
AMP - notes	2,723	2,803
Bank of Queensland- perpetual equity preference 07	4,525	4,665
Colonial Group – subordinated notes	995	-
Commonwealth Bank of Australia		
- Perls III	893	929
- Perls IV	1,200	1,181
Goodman Funds Management – perpetual listed unsecured securities	985	855
Macquarie CPS Trust – convertible preference shares	1,025	1,045
Orica Limited – step-up preference shares	-	808
Suncorp convertible preference shares	982	1,015
Westpac Banking Corporation - preference shares (stapled preferred securities)	1,000	1,012
Woolworths Limited - notes	-	559
Woolworths notes II	207	-
	<b>14,535</b>	<b>15,247</b>

## DIRECTORS' DECLARATION

1. In the opinion of the directors of Milton Corporation Limited:
  - (a) the consolidated financial statements and notes that are set out on pages 22 to 44 and the Remuneration report, that is set out on pages 14 to 17 in the Directors' report are in accordance with the Corporations Act 2001, including:
    - (i) giving a true view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that Milton Corporation Limited will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'R. D. Millner', with a long horizontal line extending to the right.

R. D. MILLNER  
Chairman

Sydney, 9 August 2012

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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF MILTON CORPORATION LIMITED**

We have audited the accompanying financial report of Milton Corporation Limited and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising Milton Corporation Limited and the entities it controlled at the year ended or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of Milton Corporation Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



*Auditor's Opinion*

In our opinion the financial report of Milton Corporation Limited and its Controlled Entities is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of Milton Corporation Limited's consolidated financial position as at 30 June 2012 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

**Report on the Remuneration Report**

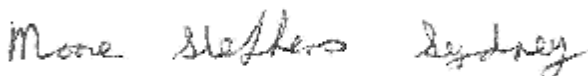
We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2012. The directors of Milton Corporation Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

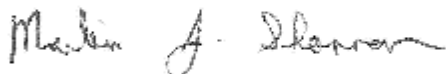
In our opinion the Remuneration Report of Milton Corporation Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the financial report of the consolidated entity for the year ended 30 June 2012 included on Milton Corporation Limited's website. The company's directors are responsible for the integrity of Milton Corporation Limited's website. We have not been engaged to report on the integrity of the Milton Corporation Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



**Moore Stephens Sydney**  
Chartered Accountants



Martin J. (Joe) Shannon  
Partner

Dated in Sydney this 9<sup>th</sup> day of August 2012.

## DIRECTORY

### DIRECTORS

R. D. MILLNER - Chairman  
J. F. CHURCH  
G.L. CRAMPTON  
K.J. ELEY  
F. G. GOOCH - Managing director  
I. A. POLLARD

### MANAGEMENT

F. G. GOOCH - Managing director  
A. R. DAVISON - CFO, secretary

### REGISTERED OFFICE

LEVEL 2, 50 PITT STREET  
SYDNEY NSW 2000  
PHONE: (02) 8006 5357  
FAX: (02) 9251 7033  
EMAIL: [general@milton.com.au](mailto:general@milton.com.au)  
INTERNET: [www.milton.com.au](http://www.milton.com.au)

### AUDITORS

MOORE STEPHENS SYDNEY  
CHARTERED ACCOUNTANTS  
LEVEL 7  
20 HUNTER STREET  
SYDNEY NSW 2000  
INTERNET: [www.moorestephens.com.au](http://www.moorestephens.com.au)

### SHARE REGISTRY

LINK MARKET SERVICES LIMITED  
LOCKED BAG A14  
SYDNEY SOUTH NSW 1235  
PHONE: (02) 8280 7111  
FAX: (02) 9261 8489  
TOLL FREE: 1800 641 024  
EMAIL: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
INTERNET: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## ASX INFORMATION

### TOP 20 SHAREHOLDERS AS AT 31 JULY 2012

<b>NAME</b>	<b>SHARES HELD</b>	<b>%</b>
Argo Investments Limited	8,260,028	6.79
Washington H. Soul Pattinson & Company Limited	6,717,060	5.52
Myora Pty Limited	4,554,622	3.74
Australian Foundation Investment Company Limited	2,880,585	2.37
Chickenfeed Pty Limited	1,390,280	1.14
Griffinna Pty Ltd <Wood Dragon a/c>	1,271,004	1.05
Danwer Investments Pty Limited	1,213,725	1.00
Bortre Pty Limited	1,213,725	1.00
Otterpaw Pty Ltd <Penguin a/c>	1,168,105	0.96
JBF Holdings Pty Ltd	1,050,000	0.86
HSBC Custody Nominees (Australia) Limited	1,022,594	0.84
National Nominees Limited	912,908	0.75
Jamama Nominees Pty Limited	838,353	0.69
Macdawley Proprietary Limited	695,923	0.57
J S Millner Holdings Pty Limited	686,527	0.56
Hexham Holdings Pty Limited	643,840	0.53
Gartfern Pty Limited	641,190	0.53
Chickenfeed Pty Ltd	635,834	0.52
Millane Pty Limited	630,878	0.52
A V L Investments Proprietary Limited	595,816	0.49
Djaldar Pty Ltd <Woodlands JG A/C>	584,946	0.48

On 31 July 2012, there were 18,981 holders of ordinary shares in the capital of Milton. Holders of ordinary shares are entitled to one vote per share.

Number of shares held	Number of shareholders
1-1,000	7,106
1,001 – 5,000	8,653
5,001 – 10,000	1,934
10,001 – 100,000	1,185
100,001 and over	103
The number of holders of less than a marketable parcel of 31 shares	614

**SUBSTANTIAL SHAREHOLDINGS** As at 31 July 2012 the names and holdings of substantial shareholders as disclosed in notices received by Milton are as follows:-

<b>Substantial shareholders</b>	<b>Date of Notice</b>	<b>No. of shares</b>
Argo Investments Limited	20 December 2010	8,260,028
Washington H Soul Pattinson & Company Limited	20 December 2010	6,717,060

### OTHER INFORMATION

Milton is taxed as a public company.

There is no current on-market buy-back.

The total number of transactions in securities undertaken by Milton was 350 and the total brokerage paid or accrued was \$211,772.

## **ISSUES TO SHAREHOLDERS SINCE 19TH SEPTEMBER, 1985 (Commencement of Capital Gains Tax)**

15.11.1985	1 for 10 Bonus Issue from Capital Profits Reserve
19.05.1986	Bonus in lieu of Dividend from Capital Profits Reserve
05.06.1987	1 for 10 Bonus Issue from Capital Profits Reserve
05.06.1987	Bonus in lieu of Dividend from Capital Profits Reserve
15.11.1988	1 for 20 Bonus from Share Premium Reserve
15.11.1988	1 for 20 Bonus from Capital Profits Reserve - a fully franked dividend
26.05.1989	1 for 20 Cash Issue at \$3 per share
10.11.1989	1 for 10 Bonus from Share Premium Reserve
08.06.1990	1 for 20 Cash Issue at \$3 per share
24.05.1991	1 for 20 Cash Issue at \$3 per share
23.04.1992	1 for 10 Bonus from Capital Profits Reserve - a fully franked dividend
11.05.1992	1 for 10 Cash Issue at \$4 per share
23.11.1994	1 for 10 Bonus from Share Premium Reserve
12.12.1994	1 for 10 Cash Issue at \$4.75 per share
15.11.1995	1 for 10 Bonus from Share Premium Reserve
06.07.1998	3 Milton shares for 10 Chatham shares at \$7.756022 per Milton share
06.07.1998	3 Milton shares for 10 Matine shares at \$7.756022 per Milton share
06.07.1998	9 Milton shares for 40 Milkirk shares at \$7.756022 per Milton share
21.06.1999	1 for 10 cash issue at \$8.20 per share
10.11.1999	Share Purchase Plan at \$8.75 per share
13.11.2000	Share Purchase Plan at \$8.86 per share
13.11.2001	Share Purchase Plan at \$10.79 per share
31.12.2001	Acquired Cambooya Investments Limited on the basis of 1.55 Milton shares for every 10 Cambooya shares - 8,273,502 Milton shares issued
28.06.2002	2,287,200 Milton shares for the acquisition of an unlisted investment company
08.11.2002	Share Purchase Plan at \$11.70 per share
31.12.2002	1,739,112 Milton shares for the acquisition of an unlisted investment company
31.10.2003	Share Purchase Plan at \$13.21 per share
11.03.2004	2,742,777 Milton shares for the acquisition of an unlisted investment company
01.04.2004	496,809 Milton shares for the acquisition of an unlisted investment company
29.10.2004	Share Purchase Plan at \$14.10 per share
21.10.2005	Share Purchase Plan at \$17.11 per share
17.08.2006	1,000,322 Milton shares for the acquisition of an unlisted investment company
23.08.2006	1,476,254 Milton shares for the acquisition of an unlisted investment company
28.08.2006	382,404 Milton shares issued for the acquisition of an unlisted investment company
21.09.2006	278,103 Milton shares issued for the acquisition of an unlisted investment company
16.10.2006	Share Purchase Plan at \$19.60 per share
10.11.2006	1,888,353 Milton shares issued for the acquisition of an unlisted investment company
23.03.2007	1,895,976 Milton shares issued for the acquisition of an unlisted investment company
14.05.2007	2,424,582 Milton shares issued for the acquisition of an unlisted investment company
20.06.2007	252,477 Milton shares issued for the acquisition of an unlisted investment company
24.09.2007	1,223,252 Milton shares issued for the acquisition of an unlisted investment company
19.10.2007	Share Purchase Plan at \$22.48 per share
03.10.2008	Share Purchase Plan at \$17.85 per share
19.02.2009	3,555,958 Milton shares issued for the acquisition of an unlisted investment company
09.10.2009	Share Purchase Plan at \$16.08 per share
26.02.2010	4,132,711 Milton shares issued for the acquisition of unlisted investment companies
16.12.2010	23,803,854 Milton shares issued for the acquisition of Choiseul Investments Limited

## "CPI" FOR CAPITAL GAINS TAX

	<b>March</b>	<b>June</b>	<b>September</b>	<b>December</b>
1985	-	-	71.3	72.7
1986	74.4	75.6	77.6	79.8
1987	81.4	82.6	84.0	85.5
1988	87.0	88.5	90.2	92.0
1989	92.9	95.2	97.4	99.2
1990	100.9	102.5	103.3	106.0
1991	105.8	106.0	106.6	107.6
1992	107.6	107.3	107.4	107.9
1993	108.9	109.3	109.8	110.0
1994	110.4	111.2	111.9	112.8
1995	114.7	116.2	117.6	118.5
1996	119.0	119.8	120.1	120.3
1997	120.5	120.2	119.7	120.0
1998	120.3	121.0	121.3	121.9
1999	121.8	122.3	123.4	