

MILTON CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

ANNUAL REPORT 2017

Profile

Milton was established as a private investment company 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 company for more than 24,000 shareholders and is listed on the Australian Securities Exchange under the code MLT.

Investment philosophy

Milton is predominantly a long term investor in companies and trusts listed on the ASX 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 holds liquid assets such as cash and term deposits and it may invest in hybrid securities as well as real property development through joint ventures.

Benefits of an investment in Milton Corporation Limited

Shareholders receive fully franked dividends semi-annually – normally March and September.

Ordinary fully franked dividends are paid out of profit after tax excluding special investment revenue and costs associated with the acquisition of subsidiaries. Dividends have been paid every year since listing and they have been fully franked since the introduction of franking. Special fully franked dividends may be paid out of special investment revenue.

The investment portfolio provides shareholders with exposure to diversified assets

Milton's \$2.8 billion equity investment portfolio comprises interests in companies and trusts which are listed on the Australian Securities Exchange and are expected to deliver increased investment revenue over the long term. Consistent application of this investment philosophy over many years has created a portfolio that is not aligned with any securities exchange index.

Shareholders have an investment in a low cost, efficiently managed company with total administration costs that represent 0.12% per annum of total assets.

Milton's directors oversee the performance of its executives who are employed by the company to manage the investments for the benefit of shareholders.

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* Corporate Governance Statement is available on the company website www.milton.com.au/governance and is lodged with ASX with this Annual Report.

Important dates

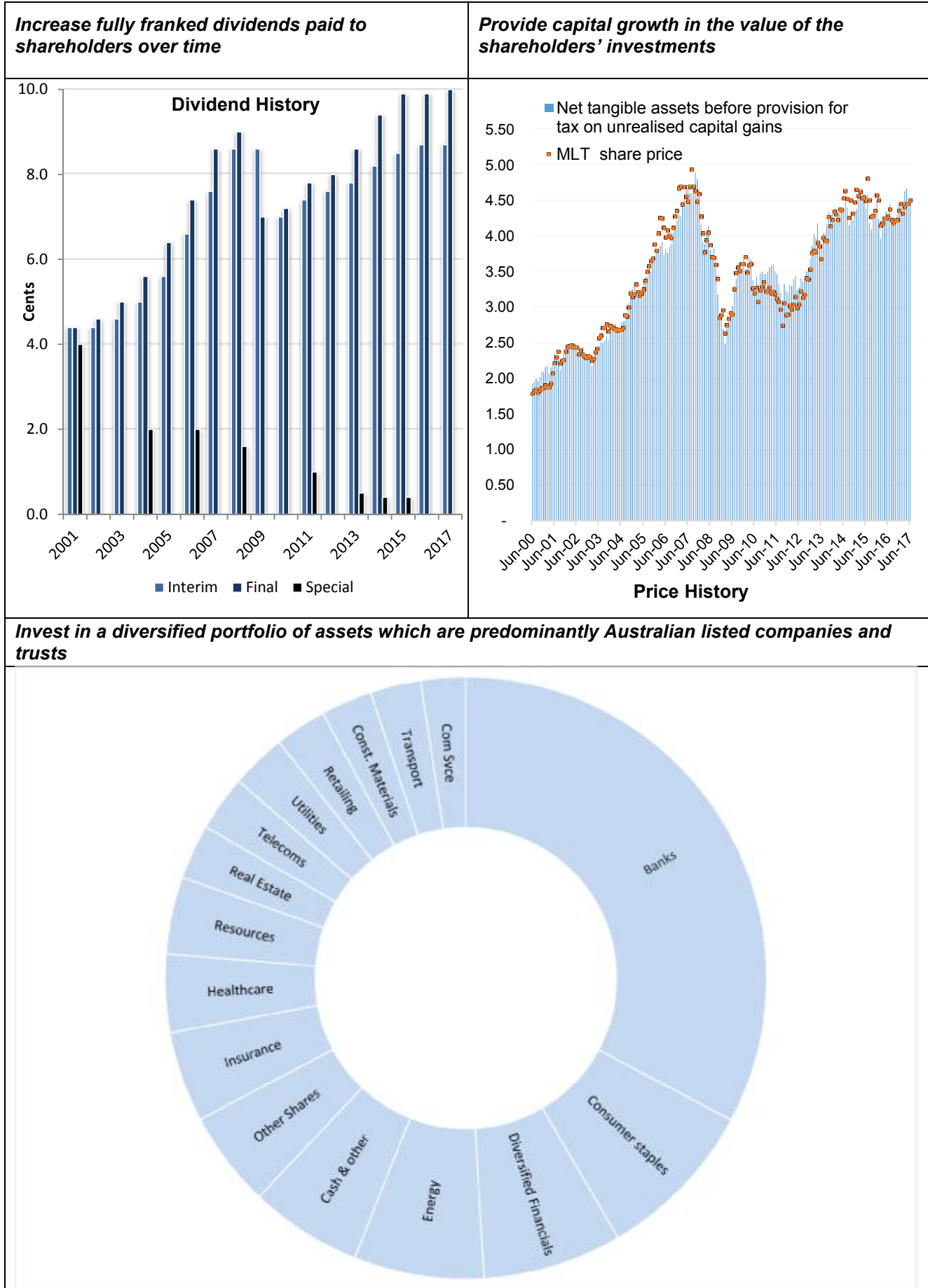
Final Dividend:

- | | | |
|--------------------------------|------------------|-------------------------------------|
| - Ex date | 10 August 2017 | Company Briefing - Melbourne |
| - Payment date | 5 September 2017 | on 16 October 2017 at 10.30am |
| - DRP application closing date | 14 August 2017 | at State Library of Victoria |

Annual General Meeting: **12 October 2017 at 3.00pm**

- | | | |
|-----------------|---|---|
| - To be held at | Sofitel Sydney Wentworth,
Level 4, Adelaide Room,
61-101 Phillip Street, Sydney | Company Briefing - Adelaide
on 17 October 2017 at 10.30am
at InterContinental Adelaide |
|-----------------|---|---|

Milton has three objectives:



Chairman's Review of the 2017 financial year

The net profit after tax for the 2017 financial year was \$122.4 million, including special investment revenue of \$0.4 million. Underlying profit was \$122 million and dividends declared for the year totalled \$121.8 million with the increased final dividend of 10 cents per share bringing full year dividends to 18.7 cents per share.

Underlying profit excludes special investment revenue which tends to fluctuate from year to year. In 2016, special investment revenue totalled \$1.5 million and the year before it was \$3 million. It is considered that underlying profit may provide a better guide to the ongoing performance of the company.

	1H17	1H16	Var.	2H17	2H16	Var.	FY 17	FY16	Var.
	\$ m	\$ m	%	\$ m	\$ m	%	\$ m	\$ m	%
Ordinary investment income	61.7	65.7	(6.1)	63.3	59.7	6.0	125.0	125.4	(0.3)
Underlying profit	60.6	67.9	(10.7)	61.4	58.5	5.0	122.0	126.4	(3.5)
Special dividends	0.2	0.7	(78.7)	0.2	0.8	(73.1)	0.4	1.5	(75.6)
Net profit	60.8	68.6	(11.4)	61.6	59.3	3.8	122.4	127.9	(4.3)

Underlying profit in the first half of the year was 10.7% lower than the previous corresponding half. This was largely due to a fall in investment income and trading profits. Investment income improved in the second half of the year and lifted the underlying profit to \$61.4 million, 5% higher than the previous corresponding half.

Over the full year, the ordinary investment income of \$125 million, which was derived from the portfolio of Australian listed equities, was marginally lower than the previous year's income. Dividend cuts, from Top 20 holdings such as BHP Billiton, Woolworths, ANZ Banking Corporation and Rio Tinto, were the main cause of the 6.1% fall in investment income in the first half of the year. In the second half there was an increase in the number of companies that paid higher dividends and the ordinary investment income increased by 6.0% to \$63.3 million.

Other income including interest, trading profits and joint venture profits amounted to \$4.9 million in 2017.

With administration expenses of \$3.6 million, representing 0.12% of average total assets for the year, the company is one of the lowest cost operators in the LIC sector. Milton is able to achieve this as it is internally managed and is not attempting to profit from the provision of fund management services. All executives are investors in Milton and their interests are aligned with shareholders.

The payment of increasing ordinary fully franked dividends over time is one of Milton's key objectives and this year the full year dividend was increased to 18.7 cents per share, even though the company's earnings per share were marginally lower than the previous year.

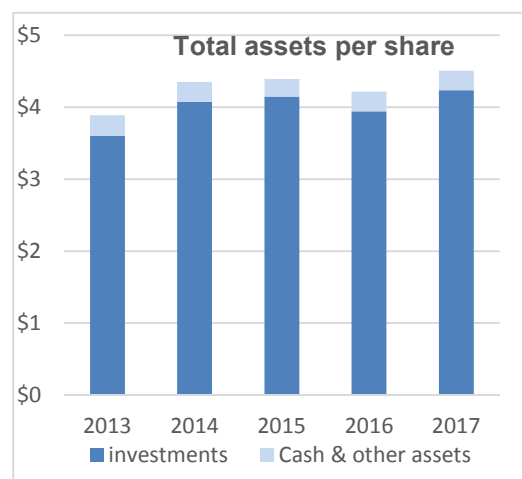
Before declaring the increased dividend, directors considered the results for the 2017 financial year as well as the company's prospects for increased dividend income in 2018 after taking into account internal earnings and dividend forecasts.

This demonstrates one of the advantages of Milton's corporate structure. Milton has a strong balance sheet and profit reserves to support the dividend should the need arise and it has sufficient franking credits to ensure all dividends will be fully franked, at least for the foreseeable future.

Ordinary fully franked full year dividends have been increased every year since 2010 with the 2017 dividend of 18.7 cents per share being 31.7% higher than the 2010 full year dividend of 14.2 cents per share.

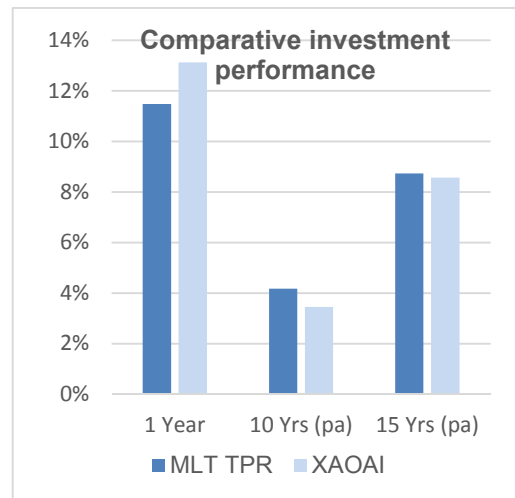
Another key objective is to provide growth in the value of the shareholders' investments. Over the 2017 financial year, Milton's Net Tangible Asset backing before provision for tax on unrealised capital gains (NTA), increased by 6.9% to \$2.9 billion. The resultant NTA per share increased to \$4.51 from \$4.22 and the share price also increased to \$4.51 from \$4.28

With Milton paying out more than 90% of its profits and with long term investments in Australian listed companies representing more than 90% of the total assets, the movement in the NTA largely reflects the change in the underlying market values of the investments. Over the last five years, cash and other assets have remained reasonably constant whilst the value of the investments has increased to \$2.8 billion from \$2.2 billion.



The composition of the equity portfolio reflects the emphasis Milton has always placed on investing in companies that pay dividends as Milton aims to fund its dividend payments from the dividend income that it receives. Consequently, the portfolio is not aligned with any index and its investment performance may differ from that of any index, particularly over short term periods. Milton's track record indicates that its investment returns, net of all administration expenses and tax, have exceeded the index returns, as measured by the Accumulation Return of the All Ordinaries Index (XAOAI), over the longer term periods.

One indicator of investment performance, net of expenses and tax, that is commonly used by LICs is the Total Portfolio Return (TPR), which combines the change in value of the NTA per share and dividends paid in the period. The TPR for 2017 was 11.5% which was marginally below Index return of 13.1%. Over the longer term periods of 10 and 15 years the TPR has exceeded that of the accumulation return of the Index. Milton's relative performance is actually better than shown in the graph here as its TPR is calculated after administration expenses and tax have been deducted whilst the XAOAI is not.



The company's third objective is to invest in a diversified portfolio of Australian listed companies and trusts. At 30 June 2017 the portfolio comprised investments in 91 companies and trusts with a combined value of \$2.8 billion, which represented 94% of its total assets.

Details of each investment held at 30 June 2017 are shown on pages 7 to 10 and the classification of investments by sector is shown in the table on page 5.

As the equity market as a whole continued to increase in value over the year there were limited opportunities to increase investments in the portfolio. Nevertheless, Milton's portfolio management team continued to monitor the performance of the companies currently held by Milton and they sought to identify opportunities to bring additional companies into the portfolio.

During the year Janus Henderson, Charter Hall Group, Charter Hall Long Wale REIT and Growthpoint Properties Australia were added to the portfolio and positions were increased in 26 other companies and trusts with a total of \$56 million being invested. This investment was partly funded by disposals amounting to \$44 million of which \$10 million was takeover related.

The rapid advancement in technologies is challenging the business models of many traditional companies and this will create both opportunities and threats for them. Many companies are already adopting new technologies to reduce costs and analyse available data more effectively to identify new revenue streams. Others are coming to terms with new competitors and adapting their business models to enable them to compete. One of the important roles of our portfolio managers is to visit companies, attend management briefings and meet with executives and directors of these companies to help them assess the potential winners and losers.

I am delighted that Justine Jarvinen joined the board and the investment committee in August 2017. As well as having a background in investment analysis, Justine has significant experience in identifying disruptive technologies and developing strategies to capitalise on new technologies.

Mr John Church, who has been a director of Milton since 1986, will retire at the conclusion of the annual general meeting in October 2017. John has made an outstanding contribution to the company and played a valuable role in guiding the company as it grew its asset base from \$70 million to nearly \$3 billion. Milton has benefitted from John's deep knowledge of Australian corporate history through his input at the Investment Committee of which he has been a member since its formation in 1999.

Milton entered into an agreement in July 2017 to acquire all of the shares of a private investment company with an investment portfolio valued at approximately \$18 million. The terms of the agreement are similar to those of previous similar transactions and will result in Milton issuing its shares on an ex-dividend basis as consideration in the latter half of August 2017.

As a long term investor, Milton attempts to look through the short term noise of the almost daily release of contradictory financial indicators and focus more on the expected performance of our investments through the cycle.

The upcoming reporting season, which commences in August, will provide further insights into the way in which the management teams of our investments are positioning their businesses in the current conditions and for the longer term.

At present the Australian equity market appears to be reasonably fully valued with many companies having modest earnings growth expectations but their shares are trading on historically high multiples. With its closed end corporate structure, Milton is not forced to invest in these conditions and can be patient. However, Milton is well positioned to make sound long term investments at more reasonable prices if opportunities arise.

A further update on market conditions will be provided at Milton's Annual General Meeting to be held on 12 October 2017.

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

R. D. MILLNER

Chairman

Sydney, 3 August 2017

Five Year Financial Summary

	2017	2016	2015	2014	2013
Underlying operating profit after tax ⁽¹⁾ (\$million)	122.0	126.4	125.0	117.4	108.5
Underlying earnings per share (cents)	18.7	19.5	19.6	18.8	17.8
Profit after tax (\$million)	122.4	127.9	128.0	120.3	111.2
Earnings per share (cents)	18.8	19.8	20.1	19.3	18.3
Administration costs as % of average total assets	0.12	0.13	0.12	0.13	0.14
Interim dividend (cents per share)	8.7	8.7	8.5	8.2	7.8
Final dividend (cents per share) ⁽²⁾	10.0	9.9	9.9	9.4	8.6
Full year ordinary dividend (cents per share)	18.7	18.6	18.4	17.6	16.4
Special dividend (cents per share)	-	-	0.4	0.4	0.5
Net assets ⁽²⁾ at 30 June (\$million)	2,939	2,746	2,811	2,746	2,375
Net asset backing per share pre-tax ⁽²⁾ at 30 June(\$)	4.51	4.22	4.39	4.35	3.89
Net asset backing per share post-tax ⁽³⁾ at 30 June(\$)	3.99	3.79	3.90	3.86	3.52
Last sale price at 30 June (\$)	4.51	4.28	4.50	4.54	3.68
All Ordinaries Index at 30 June	5764	5310	5451	5382	4775
Ten year Total Shareholder Return (% per annum)	4.7	5.3	8.0	10.2	8.3
Five year Total Shareholder Return (% per annum)	12.9	11.4	12.1	14.5	4.0
Shares on issue (million)	651.9	649.9	640.2	630.8	610.5
Number of shareholders	24,726	23,729	22,514	21,055	19,309

⁽¹⁾ Underlying operating profit after tax excludes special investment revenue and costs associated with the acquisition of subsidiaries.

⁽²⁾ Before provision for tax on unrealised capital gains and before providing for the ordinary final and special dividends.

⁽³⁾ After provision for tax on unrealised capital gains and before providing for the ordinary final and special dividends.

Classification of Investments by Sector

The following asset classification table shows the composition of Milton's assets by sector.

Classification ⁽¹⁾	Opening position \$ million	Additions \$ million	Disposals \$ million	Change in value \$ million	Closing position \$ million	Income \$ million	Weighting %
Banks	879.2	-	(2.0)	88.3	965.5	57.3	32.8
Consumer staples	249.9	-	-	6.7	256.6	9.9	8.7
Materials	217.5	4.0	(3.1)	36.4	254.8	8.7	8.6
Diversified financials	178.2	11.4	(15.1)	45.4	219.9	10.5	7.5
Energy	202.3	6.1	(1.8)	(0.8)	205.8	6.2	7.0
Insurance	122.5	3.3	(6.4)	24.9	144.3	6.5	4.9
Healthcare	101.5	3.3	-	17.5	122.3	2.0	4.2
Real estate	79.1	17.8	(2.2)	(6.9)	87.8	4.3	3.0
Telecommunications	127.6	1.8	-	(41.8)	87.6	5.2	3.0
Utilities	70.2	0.4	-	16.6	87.2	2.9	3.0
Retailing	104.6	1.4	-	(24.1)	81.9	3.4	2.8
Transport	77.8	1.3	-	1.1	80.2	3.2	2.7
Commercial services	55.8	2.1	(2.0)	11.8	67.7	1.6	2.3
Capital goods	40.2	-	(5.5)	5.0	39.7	1.1	1.3
Consumer services	36.3	0.8	(5.0)	4.5	36.6	1.3	1.2
Media	13.8	1.3	-	(1.1)	14.0	0.5	0.5
Other shares	11.9	0.8	-	(0.6)	12.1	0.4	0.4
Total listed investments	2,568.4	55.8	(43.1)	182.9	2,764.0	125	93.9
Liquids ⁽²⁾	153.6				149.0	2.7	5.1
Property joint ventures	20.6				22.9	1.2	0.8
Other assets	5.2				5.3	1.3	0.2
Total	2,747.8				2,941.2	130.2	100

⁽¹⁾ Investments are grouped according to their asset classes using the Global Industry Classification Standard ("GICS") codes.

⁽²⁾ Liquids include cash, term deposits, hybrid securities and dividends receivable.

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 is to create a vehicle with sufficient capital that can make regular meaningful donations from the earnings derived from its investments. Contributions from Milton, shareholders and others over the years have helped to grow the Foundation's total assets at 30 June 2017 to \$2.1 million.

The Foundation's assets can now support annual distributions of \$110,000 and in 2017 fourteen organisations received much needed support from the Milton Foundation.

The Foundation has provided \$2.1 million of assistance to the community since its establishment.

The Foundation is a deductible gift recipient registered with the Australian Charities and Not-for-profits Commission (ACNC) and donations of \$2 or more are tax deductible.

Shareholders can support the Foundation by either:

Forwarding a cheque to:

The Trustees

Milton Corporation Foundation

PO Box R1836

Royal Exchange NSW 1225.

or

Direct deposit into the bank account:

Account Name: Milton Corporation Foundation

BSB: 082-067

Account No: 038263869



Chairman of Trustees

Sydney, 3 August 2017

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2017

	Holding	Fair Value \$'000
<u>Banks</u>		
Australia & New Zealand Banking Group Limited		
- ordinary shares	3,369,647	96,776
- capital notes 2	2,000	203
Auswide Bank Limited	433,570	2,229
Bank of Queensland Limited	7,306,078	83,655
Bendigo and Adelaide Bank Limited	5,709,708	63,264
Commonwealth Bank of Australia	3,109,948	257,535
MyState Limited	444,992	2,158
National Australia Bank Limited	4,757,857	140,786
Westpac Banking Corporation	10,451,306	318,869
		<u>965,475</u>
<u>Materials</u>		
Adelaide Brighton Limited	2,835,886	15,966
Amcor Limited	1,321,512	21,422
BHP Billiton Limited	3,636,921	84,668
Boral Limited	2,041,793	14,190
Brickworks Limited	3,234,567	44,605
Dulux Group Limited	1,655,184	11,487
Fletcher Building Limited	803,229	6,113
Incitec Pivot Limited	1,610,689	5,492
Orica Limited	188,987	3,916
Orora Limited	1,094,512	3,130
Rio Tinto Limited	583,618	36,925
Sims Metal Management Limited	452,368	6,867
		<u>254,781</u>
<u>Consumer Staples</u>		
Blackmores Limited	367,014	35,175
Coca-Cola Amatil Limited	1,466,434	13,535
Graincorp Limited	362,290	3,431
Select Harvests Limited	161,862	793
Treasury Wine Estates Limited	1,194,085	15,714
Wesfarmers Limited	2,835,533	113,762
Woolworths Limited	2,903,973	74,167
		<u>256,577</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2017

	Holding	Fair Value \$'000
<u>Diversified Financials</u>		
Argo Investments Limited	985,766	7,561
ASX Limited	548,965	29,430
BKI Investment Company Limited	1,223,866	1,983
BT Investment Management Limited	658,643	7,495
Carlton Investments Limited	356,778	11,238
Challenger Limited	380,000	5,069
EQT Holdings Limited	500,697	8,867
IOOF Holdings Limited	1,716,464	16,821
Janus Henderson Group	111,500	4,839
Macquarie Group Limited	652,990	57,790
Perpetual Limited	1,231,982	68,831
		<u>219,924</u>
<u>Energy</u>		
Caltex Limited	330,000	10,431
New Hope Corporation Limited	1,290,107	1,974
Origin Energy Limited	702,174	4,817
Santos Limited	1,683,469	5,101
Washington H. Soul Pattinson & Company Limited	9,174,640	152,941
Woodside Petroleum Limited	930,842	27,804
Worley Parsons Limited	245,112	2,750
		<u>205,818</u>
<u>Insurance</u>		
AMP Limited	2,121,110	11,009
AUB Group Limited	1,044,795	13,572
Insurance Australia Group Limited	5,847,282	39,645
QBE Insurance Group Limited	2,618,375	30,920
Suncorp Group Limited	3,314,232	49,117
		<u>144,263</u>
<u>Telecommunication</u>		
Telstra Corporation Limited	14,971,253	64,376
TPG Telecom Limited	4,068,949	23,193
		<u>87,569</u>
<u>Retailing</u>		
A.P. Eagers Limited	5,833,107	48,765
ARB Corporation Limited	911,065	14,313
Automotive Holdings Group Limited	3,376,366	11,311
Premier Investments Limited	590,321	7,479
		<u>81,868</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2017

	Holding	Fair Value \$'000
<u>Commercial Services</u>		
ALS Limited	6,079,431	45,292
Brambles Limited	1,431,966	13,953
McMillan Shakespeare Limited	629,538	8,436
		<u>67,681</u>
<u>Healthcare</u>		
Cochlear Limited	33,800	5,254
CSL Limited	592,198	81,741
Ramsay Health Care Limited	189,783	13,968
Regis Healthcare Limited	1,576,076	6,194
Sonic Healthcare Limited	624,425	15,123
		<u>122,280</u>
<u>Real Estate</u>		
Aveo Group	858,282	2,386
BWP Trust	1,584,008	4,720
Charter Hall Group	1,247,000	6,859
Charter Hall Long WALE REIT	933,000	3,853
Finbar Group Limited	2,782,249	2,226
Goodman Group	1,291,376	10,163
Growthpoint Properties Australia	403,010	1,265
Lendlease Group	702,539	11,697
Scentre Group	1,799,474	7,288
Stockland Group	3,154,940	13,819
Vicinity Centres	6,453,335	16,585
Westfield Corporation	861,000	6,914
		<u>87,775</u>
<u>Utilities</u>		
AGL Energy Limited	2,697,869	68,796
APA Group	2,005,833	18,393
		<u>87,189</u>
<u>Transport</u>		
Lindsay Australia Limited	12,843,330	4,816
Qube Holdings Limited	5,794,164	15,239
Sydney Airport	2,609,629	18,502
Transurban Group	3,512,975	41,629
		<u>80,186</u>
<u>Capital Goods</u>		
CIMIC Group Limited	791,239	30,732
Reece Limited	214,124	8,993
		<u>39,725</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2017

	Holding	Fair Value \$'000
<u>Consumer Services</u>		
Flight Centre Travel Group Limited	80,300	3,075
InvoCare Limited	1,950,914	28,678
Tatts Group Limited	1,159,306	4,846
		<u>36,599</u>
<u>Media</u>		
Event Hospitality & Entertainment	1,010,921	13,516
Seven Group Holdings Limited – TELYS4 preference shares	7,000	525
		<u>14,041</u>
<u>Information Technology</u>		
Carsales.com Limited	995,000	11,462
		<u>11,462</u>
<u>Automobiles & Components</u>		
Schaffer Corporation Limited	68,999	483
		<u>483</u>
Total Listed Investments by Sector		<u>2,763,696</u>

Directors' Report

For the year ended 30 June 2017

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 2017 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 Australian Pharmaceutical Industries Limited since 2000, Chairman of BKI Investment Company Limited since 2003, 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 TPG Telecom Limited since 2000, Director of Washington H. Soul Pattinson & Company Limited since 1984 and appointed chairman in 1998.

Former directorships in the last three years:

Hunter Hall Global Value Limited from April to June 2017

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 44 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 & Risk Committee and a member of the Remuneration Committee.

A Chartered Accountant and former partner of a major firm of Chartered Accountants for more than 33 years and has extensive experience in the investment industry.

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

Director of Milton Corporation Limited since 2011.

Member of the Investment and Audit & Risk Committees.

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

Other current directorships:

Director of Equity Trustees Limited since 2011 and HGL Limited since 1985. Director of Pengana Capital Group Limited since 2017 (formerly Hunter Hall International Limited from 2015 to 2017).

Former directorships in the last three years:

PO Valley Energy Limited from 2012 to April 2016

Kresta Holdings Limited from 2011 to February 2014.

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 32 years' experience in the finance and investment industries.

Other current directorships:

Director of Hunter Hall Global Value Limited since June 2017

Ms. Justine E. Jarvinen BE(Chem), F Fin, GAICD Independent non-executive director.

Appointed a non-executive director of Milton effective from 3 August 2017.

Member of the Investment Committee.

An Engineer with experience in equity markets and strategy development

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

Director of Milton Corporation Limited since 1998.

Member of the Audit & Risk and Remuneration Committees.

An Actuary and over 40 years of involvement in the investment industry.

Other current directorships:

Director and Chairman of Billabong International Limited since 2012 and Director of SCA Property Group since 2012.

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 & Risk Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
R.D. Millner	7	7	17	19	*	*	2	2	1	1
J.F. Church	7	7	16	19	*	*	-	-	*	*
G.L. Crampton	7	7	*	*	4	4	2	2	1	1
K.J. Eley	7	7	18	19	4	4	2	2	*	*
F.G. Gooch	7	7	19	19	*	*	2	2	*	*
I.A. Pollard	7	7	*	*	4	4	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.

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 \$122.4 million (2016: \$127.9 million). Milton is in a sound financial position with net assets after provision for tax on unrealised capital gains at 30 June 2017 of \$2.6 billion (2016: \$2.5 billion) and no debt.

The operating and financial reviews are contained in the Chairman's Review which begins 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 2016 ordinary fully franked	9.9	64,342	2 September 2016
- Interim 2017 ordinary fully franked	8.7	56,638	2 March 2017
<i>Declared after end of year and not provided for</i>			
- Final 2017 ordinary fully franked	10.0	65,196	5 September 2017

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 25 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 18 to the financial statements.

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

Director	No. of Shares
R.D. Millner	12,977,632
J.F. Church	28,508,673
G.L. Crampton	169,172
K.J. Eley	110,879
F.G. Gooch	992,100
J.E. Jarvinen	Nil
I.A. Pollard	91,129

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 2017.

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 Nishantha Seneviratne MBA, ACMA, CGMA, CPA, AICM, AGIA, ACIS was appointed secretary and Chief Financial Officer in December 2012. Mr. Seneviratne joined Milton as the senior accountant in March 2010 and also held the position of assistant company secretary from March 2012. Prior to joining Milton, he has held a number of senior finance roles with private companies for over 6 years as Finance Controller/Manager and has over 4 years' experience in corporate finance and credit in the banking and financial services sector. He is also an associate member of the Governance Institute of Australia (GIA) and Institute of Chartered Secretaries and Administrators (ICSA).

Non-audit services

During the year, Pitcher Partners, Milton's auditor, has performed certain non-audit services in addition to its statutory duties. Details of the amounts paid to the auditors and related practices of the auditor are disclosed in note 20 to the consolidated financial statements.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by 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 & Risk 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 details 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)

	2017	2016
	\$	\$
Chairman base fee	137,507	134,811
Director base fee	68,753	67,405
Chairman of the Audit & Risk Committee fee	6,084	5,965
Member of the Audit & Risk Committee fee	3,449	3,381
Member of the Investment Committee fee	6084	5,965

The total remuneration paid to non-executive directors in 2017 was \$443,754 (2016: \$435,053).

In October 2011 shareholders approved an increase in the maximum non-executive directors' total remuneration to \$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 2017 is \$190,905 (2016: \$190,905).

Remuneration of executives

Executive remuneration is a key element of the 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 its 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 as measured by dividend growth and total returns.
- 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. Average cash bonus paid was 10.5% of TECP for 2017.

The equity component of the remuneration package encourages executives to have an investment in Milton to align their interests with shareholders.

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 19b 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 to the extent 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 19a 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

	2017	2016	2015	2014	2013
<u>Profitability</u>					
Underlying operating profit (\$million)	122.0	126.4	125.0	117.4	108.5
(Decline) growth in underlying operating profit (%)	(3.5)	1.1	6.5	8.2	5.7
Underlying earnings per share (cents)	18.7	19.5	19.6	18.8	17.8
(Decline) growth in underlying earnings per share (%)	(4.1)	(0.4)	4.3	5.5	5.5
<u>Dividend</u>					
Full year ordinary dividend (cents per share)	18.7	18.6	18.4	17.6	16.4
Growth in full year ordinary dividend (%)	0.5	1.1	4.6	7.3	5.1
Special dividend (cents per share)	-	-	0.4	0.4	0.5
<u>Capital</u>					
Net asset backing per share pre-tax ⁽¹⁾ at 30 June(\$)	4.51	4.22	4.39	4.35	3.89
Growth (decline) in net asset backing per share (%)	6.9	(3.8)	0.9	11.9	18.4
Net assets ⁽¹⁾ at 30 June (\$million)	2,939	2,746	2,811	2,746	2,375
<u>Total Return</u>					
Ten year Total Shareholder Return	4.7	5.3	8.0	10.2	8.3
Ten year Total Portfolio Return	4.2	5.6	7.3	9.2	9.3
Ten year accumulation return of the All Ordinaries Index	3.5	4.9	7.0	8.8	9.2

⁽¹⁾ Before provision for tax on unrealised capital gains and before providing for the ordinary final dividend.

At Milton's 2016 Annual General Meeting, shareholders supported the remuneration report for the 2016 financial year with 89.3% of the proxies in favour of the resolution to approve the report. The resolution to approve the remuneration report was passed by a show of hands at the Annual General Meeting held in October 2016.

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 2016 and 2017 are set out in the following tables.

Non-executive directors of Milton Corporation Limited

			Short Term Benefits Fees	Post Employment Superannuation	Total paid	Retirement Provision ⁽¹⁾
			\$	\$	\$	\$
R.D. Millner	Chairman	2017	131,133	12,458	143,591	55,905
		2016	128,563	12,213	140,776	55,905
J.F. Church	Director	2017	68,344	6,493	74,837	90,000
		2016	67,005	6,365	73,370	90,000
G.L. Crampton	Director	2017	50,837	24,000	74,837	-
		2016	49,370	24,000	73,370	-
K.J. Eley	Director	2017	71,494	6,792	78,286	-
		2016	70,092	6,659	76,751	-
I.A. Pollard	Director	2017	65,938	6,294	72,202	45,000
		2016	64,645	6,141	70,786	45,000
Total remuneration		2017	387,746	56,007	443,753	190,905
		2016	379,675	55,378	435,053	190,905

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

Managing director and executives of Milton Corporation Limited and its subsidiaries

		Short Term Benefits			Post Employment Super- annuation	Other long term benefits ⁽³⁾	Share based payments ⁽⁴⁾	Total	
		Salary	Cash bonus	Non monetary benefits					
		\$	\$ ⁽¹⁾	\$ ⁽²⁾					
F.G. Gooch	2017	536,805	65,000	4,508	30,020	13,525	134,814	784,672	
	2016	522,980	72,000	4,508	30,020	13,794	129,714	773,016	
D.N. Seneviratne	2017	169,863	20,179	-	16,958	3,298	25,533	235,831	
	2016	165,297	22,132	-	16,571	3,240	20,645	227,885	
Total remuneration		2017	706,668	85,179	4,508	46,978	16,823	160,347	1,020,503
		2016	688,277	94,132	4,508	46,591	17,034	150,359	1,000,901

(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 nominated superannuation funds.

(3) Other long term benefits comprise changes in 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.

The relative proportions of total remuneration of above key management personnel that are fixed or related to performance are as follows:

	Fixed remuneration		Performance-related - STI		Performance-related - LTI	
	2017	2016	2017	2016	2017	2016
F.G. Gooch	74.5%	73.9%	8.3%	9.3%	17.2%	16.8%
D.N. Seneviratne	80.6%	81.3%	8.6%	9.7%	10.8%	9.0%

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	2017	885,000	60,000	945,000
Managing director	2016	825,000	60,000	885,000
D.N. Seneviratne	2017	102,500	25,000	127,500
CFO, secretary	2016	77,500	25,000	102,500

Loans in relation to the Senior Staff Share Plan

Details regarding loans outstanding at the reporting date to specified directors and specified executives, are as follows:

		Opening Balance	Net change	Closing Balance	Highest balance in the period	Notional Interest ⁽¹⁾
		\$	\$	\$	\$	\$
F.G. Gooch	2017	2,296,561	132,581	2,429,142	2,552,875	134,814
Managing director	2016	2,155,246	141,315	2,296,561	2,352,657	129,714
D.N. Seneviratne	2017	380,645	91,323	471,968	487,442	25,533
CFO, secretary	2016	284,938	95,707	380,645	387,142	20,645

⁽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. Notional interest is based on the applicable FBT benchmark interest rate, which for the year averaged 5.52% (2016: 5.65%).

Apart from the loan balances shown above, there were no loans outstanding to key management personnel. Terms and conditions of the loans are referred to in note 19b to the financial statements.

Share holdings of key management personnel and their related parties – Number of shares held

		Opening Balance	Received as Remuneration	Other Acquisitions	Closing Balance
F.G. Gooch	2017	1,189,940	60,000	85	1,250,025
Managing director	2016	1,129,857	60,000	83	1,189,940
D.N. Seneviratne	2017	103,907	25,000	-	128,907
CFO, secretary	2016	78,907	25,000	-	103,907

Rounding off

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, and in accordance with that legislative instrument, 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, 3 August 2017

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MILTON CORPORATION LIMITED
ABN 18 000 041 421**

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been:

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

This declaration is in respect of Milton Corporation Limited and the entities it controlled during the year.



M A ALEXANDER
Partner

3 August 2017

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Milton Corporation Limited
Consolidated income statement
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Ordinary dividends and distributions	1a	125,026	125,450
Interest	1c	2,726	3,016
Net gains on trading portfolio	1d	346	3,748
Other revenue		577	520
Operating Revenue		128,675	132,734
Share of net profits of joint ventures – equity accounted	8a	1,204	1,789
Special dividends and distributions	1b	366	1,499
Income from operating activities		130,245	136,022
Administration expenses		(3,581)	(3,537)
Profit before income tax expense		126,664	132,485
Income tax expense thereon	2a	(4,287)	(4,580)
Profit attributable to shareholders of Milton		122,377	127,905
		Cents	Cents
Basic and diluted earnings per share	3	18.79	19.76

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 2017

	2017 \$'000	2016 \$'000
Profit	122,377	127,905
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss</i>		
Revaluation of investments	182,810	(111,359)
Provision for tax (expense) benefit on revaluation of investments	(55,059)	32,816
Other comprehensive income, net of tax	127,751	(78,543)
Total comprehensive income for the period attributable to the shareholders of Milton	250,128	49,362

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 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash	9	118,376	123,403
Receivables	10a	24,336	23,048
Current tax prepaid		-	148
Other financial assets	11	6,336	7,324
Total current assets		149,048	153,923
Non-current assets			
Receivables	10b	4,786	4,323
Investments	7	2,763,980	2,568,458
Joint ventures – equity accounted	8b	22,901	20,581
Plant and equipment		77	87
Deferred tax assets	2c	388	405
Total non-current assets		2,792,132	2,593,854
Total assets		2,941,180	2,747,777
Current liabilities			
Payables		1,142	993
Current tax liabilities		267	-
Provisions		128	50
Total current liabilities		1,537	1,043
Non-current liabilities			
Deferred tax liabilities	2d	335,148	280,099
Provisions		442	504
Total non-current liabilities		335,590	280,603
Total liabilities		337,127	281,646
Net assets		2,604,053	2,466,131
Shareholders' equity			
Issued capital	12	1,553,896	1,545,122
Capital profits reserve	13b	59,545	68,236
Asset revaluation reserve	13a	794,453	658,011
Retained profits		196,159	194,762
Total equity attributable to shareholders of Milton		2,604,053	2,466,131

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 2017

	Issued capital \$'000	Capital profits reserve \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2016	1,545,122	68,236	658,011	194,762	2,466,131
Profit	-	-	-	122,377	122,377
Other Comprehensive Income:	-	-	127,751	-	127,751
Total comprehensive income	-	-	127,751	122,377	250,128
Net realised losses		(8,691)	8,691	-	-
Transactions with shareholders:					
Share issues	8,774	-	-	-	8,774
Dividends paid	-	-	-	(120,980)	(120,980)
Balance at 30 June 2017	1,553,896	59,545	794,453	196,159	2,604,053
Balance at 1 July 2015	1,504,589	64,971	739,819	189,266	2,498,645
Profit	-	-	-	127,905	127,905
Other Comprehensive Income:	-	-	(78,543)	-	(78,543)
Total comprehensive income	-	-	(78,543)	127,905	49,362
Net realised gains	-	3,265	(3,265)	-	-
Transactions with shareholders:					
Share issues	40,533	-	-	-	40,533
Dividends paid	-	-	-	(122,409)	(122,409)
Balance at 30 June 2016	1,545,122	68,236	658,011	194,762	2,466,131

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 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Dividends and distributions received		123,703	126,010
Interest received		3,120	3,306
Distributions received from joint venture entities		1,683	5,066
Other receipts in the course of operations		548	520
Proceeds from sales of trading securities		346	7,681
Payments for trading securities		-	(3,933)
Other payments in the course of operations		(3,495)	(3,429)
Income taxes paid		(3,805)	(5,271)
Net cash provided by operating activities	23a	122,100	129,950
Cash flows from investing activities			
Proceeds from disposal of investments	7c	44,052	49,129
Payments for investments in equities and trusts		(55,775)	(69,550)
Payments for investments in joint ventures		(2,256)	(3,206)
Payments for plant and equipment		(17)	(64)
Loans repaid by other entities		302	278
Loans advanced to other entities		(1,221)	(675)
Net cash used in investing activities		(14,915)	(24,088)
Cash flows from financing activities			
Proceeds from issue of shares		8,793	40,621
Payments for issue of shares		(25)	(123)
Ordinary dividends paid		(120,980)	(122,409)
Net cash used in financing activities		(112,212)	(81,911)
Net (decrease) increase in cash assets held		(5,027)	23,951
Cash assets at the beginning of the year		123,403	99,452
Cash assets at the end of the year	9	118,376	123,403

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: Key Numbers
for the year ended 30 June 2017

1. Revenue

Milton's revenue is derived from dividends, distributions, interest income, profit from joint ventures and income arising from the trading.

	2017	2016
	\$'000	\$'000

a. Ordinary dividends and distributions

Milton receives ordinary dividend income and trust distributions from its long term investments in companies and trusts listed on the Australian Securities Exchange.

Investments held in portfolio at 30 June	124,118	124,450
Investments sold during the year	908	1,000
	125,026	125,450

b. Special dividends and distributions

This special investment revenue is received on an ad hoc basis and cannot be relied upon each year.

Investments held in portfolio at 30 June	251	1,277
Investments sold during the year	115	222
	366	1,499

Dividends and distributions are brought to account on the dates that the securities trade ex-dividend.

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

c. Interest

Milton earns interest on its cash, term deposits and other liquid assets.

Interest from deposits & cash	2,625	2,891
Interest income from other liquid securities	101	125
	2,726	3,016

Interest on cash and term deposits is brought to account on an accruals basis. Interest on other liquid securities is recognised on the date these securities trade ex-dividend.

d. Net gains from trading portfolio

Net gains from trading portfolio	346	3,748
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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 from trading securities are brought to account on the dates the securities trade ex-dividend.

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2017

2. Tax

This note provides analysis of Milton's income tax expense, shows amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. The note also details the deferred tax assets and liability balances and their movements.

	2017	2016
	\$'000	\$'000
a. Reconciliation of Income Tax Expense to prima facie tax payable		
Profit before income tax	126,664	132,485
Prima facie income tax expense calculated at 30% on the profit before income tax expense	37,999	39,746
Increase (decrease) in income tax expense due to:		
Tax offset for franked dividends	(33,601)	(34,815)
(Over) provision in prior year	(101)	(147)
Other differences	(10)	(204)
Income tax expense on profit	4,287	4,580
b. Tax expense composition		
Current tax on profits for the year	4,374	4,906
(Over) provision in prior year	(101)	(147)
Decrease in deferred tax assets (note 2c)	24	25
(Decrease) Increase in deferred tax liabilities (note 2d)	(10)	(204)
	4,287	4,580
c. Deferred tax assets		
The balance comprises temporary differences attributable to :		
Provisions	357	351
Share issue expenses	28	45
Other	3	9
Total deferred tax assets	388	405
Movements:		
Balance at 1 July	405	393
(Charged) to the income statement	(24)	(25)
Credited to equity	7	37
Balance at 30 June	388	405
To be recovered within 12 months	54	60
To be recovered after more than 12 months	334	345
	388	405

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
d. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	348,680	291,069
Realised capital losses	(29,813)	(27,379)
Amounts recognised in profit:		
Gains on scrip for scrip rollovers	16,043	16,043
Income receivable which is not assessable for tax until receipt	238	366
	335,148	280,099
Movements:		
Balance at 1 July	280,099	313,119
(Credited) to income statement	(10)	(204)
Charged (Credited) to other comprehensive income	55,059	(32,816)
Balance at 30 June	335,148	280,099
To be settled beyond 12 months	335,148	280,099

The income tax expense for the period 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 and any unused tax losses.

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 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.

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.

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

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2017

e. Offsetting deferred tax balances:

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

Deferred tax assets from realised capital losses are offset against deferred tax liabilities from unrealised capital gains.

Deferred tax liabilities have been recognised for capital gains tax on the unrealised gains 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 2d above. 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 relating to carried forward capital losses have been recognised 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 2d.

	2017	2016
	Cents	Cents
3. Earnings Per Share		
Basic earnings per share	18.79	19.76
	\$'000	\$'000
Profit attributable to shareholders of the parent entity	122,377	127,905
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	651,132,774	647,134,007
Diluted earnings per share and basic earnings per share are the same because there are no potential dilutive ordinary shares.		

	2017	2016
	\$'000	\$'000
4. Dividends Paid		
a. Recognised in the current year		
An ordinary final dividend of 9.9 cents per share in respect of the 2016 year paid on 2 September 2016 (2016: an ordinary final dividend in respect of the 2015 year of 9.9 cents per share paid on 3 September 2015)	64,342	63,385
Nil special dividend paid in respect of 2016 year (2016: 0.4 cents paid on 3 September 2015 in respect of the 2015 year)	-	2,561
An ordinary interim dividend of 8.7 cents per share paid on 2 March 2017 (2016: 8.7 cents per share paid on 3 March 2016)	56,638	56,463
	120,980	122,409

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
b. Not recognised in the current year		
Since the end of the financial year, the directors declared an ordinary final dividend in respect of the 2017 year of 10 cents per share payable on 5 September 2017 (2016: ordinary final dividend of 9.9 cents per share per share paid on 2 September 2016)	65,196	64,342
5. Dividend Franking Account		
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	122,616	122,631
Subsequent to year end, the franking account will be reduced by the proposed final dividend to be paid on 5 September 2017 (2016: final dividend paid on 2 September 2016)	(27,941)	(27,575)
	94,675	95,056
The franking account balance would allow Milton to frank additional dividend payments up to an amount of \$220,908,122 (2016:\$221,797,267) which represents 34 cents per share (2016: 34 cents per share).		
6. Listed Investment Company capital gains account		
Balance of the Listed Investment Company (LIC) capital gain account available to shareholders for the subsequent financial year	1,282	1,255

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.

Milton Corporation Limited
Notes to the consolidated financial statements: Assets
for the year ended 30 June 2017

7. Investment in equity instruments

Milton is predominantly a long term investor in companies and trusts listed on the Australian Securities Exchange.

	2017	2016
	\$'000	\$'000
Investments – non-current		
Quoted investments - at fair value	2,763,696	2,568,348
Unquoted investments - at fair value	284	110
	2,763,980	2,568,458
a. Included in quoted investments are:		
Shares in other corporations	2,611,319	2,418,631
Stapled securities in other corporations	129,806	122,526
Units in trusts	22,571	27,191
	2,763,696	2,568,348
b. Included in unquoted investments are:		
Units in trusts	284	110

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.

Listed investments are valued continuously at fair value, which is determined by the unadjusted last-sale price quoted on the Australian Securities Exchange at the measurement date. Use of unadjusted last sale price in an active market such as the Australian Securities Exchange falls within the Level 1 fair value hierarchy of measuring fair value under AASB 13.

c. Investments disposed of during the year

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

Fair value at disposal date

Equity investments	44,052	49,129
(Loss) Gain on disposal after tax		
Equity investments	(8,691)	3,265

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 as disclosed in note 13.

Milton Corporation Limited
Notes to the consolidated financial statements: Assets
for the year ended 30 June 2017

8. Investment in joint venture entities

Milton has a long history of investing in property development joint ventures. Wholly owned subsidiaries of Milton have investments in separate joint venture entities that have non-controlling interests in three property development joint venture partnerships.

	2017	2016
	\$'000	\$'000
a. Contribution from joint venture entities		
Milton has interests in the following joint venture entities:		
33.33% interest in the Ellenbrook Syndicate Joint Venture contribution to operating profit before tax (2016:33.33%)	1,647	2,285
23.33% interest in The Mews Joint Venture contribution to operating profit before tax (2016:23.33%)	137	267
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture (2016: 50%)	(580)	(763)
Share of net profits of joint ventures	1,204	1,789
b. Consolidated interest in the assets and liabilities of the joint venture entities		
Current assets	22,075	18,585
Non-current assets	16,237	15,471
Current liabilities	(5,923)	(3,572)
Non-current liabilities	(8,945)	(9,360)
	23,444	21,124
Provision for diminution in value	(543)	(543)
Net assets	22,901	20,581

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures based on rights and obligations arising from the joint arrangement rather than the legal structure of the joint arrangement.

Each joint venture partnership agreement provides that partners have rights to the net assets of the partnership. Accordingly, Milton has assessed the nature of its joint arrangements and determined that all current interests are joint ventures and thus accounted for using the 'Equity Method'.

Under the 'Equity Method', Milton's investments in joint ventures are valued initially at cost and periodically adjusted for changes in value due to Milton's share in the joint ventures' income or losses, distributions and any call payments.

c. Contingencies and capital commitments

Guarantee entered into by the parent company

Milton agreed to provide a financial guarantee facility totalling \$11 million to support prepayments received by a joint venture in which LWP Huntlee Syndicate No 2 has a 23.75% interest. This facility, which is on commercial terms, is secured by a second ranking mortgage over the real property of the joint venture as well as guarantees provided by other related entities of the joint venture. At 30 June 2017, total facility of \$11m had been utilised (2016: \$8M).

Other than the above, the directors are not aware of any material contingent liabilities, contingent assets or capital commitments as at 30 June 2017.

Milton Corporation Limited
Notes to the consolidated financial statements: Assets
for the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
9. Cash		
Cash at bank	4,614	3,351
Deposits at call	30,762	21,052
Term deposits	83,000	99,000
	118,376	123,403

The weighted average interest rate for cash and deposits at call as at 30 June 2017 is 1.7% p.a. (2016: 1.9% p.a.). Term deposits have an average maturity date of August 2017 (2016: August 2016) and an average interest rate of 2.6% (2016: 3.0% pa).

10. Receivables

a. Receivables – current

Dividends receivable	23,803	22,371
Interest receivable	526	661
Sundry debtors	7	16
	24,336	23,048

b. Receivables – non-current

Senior staff share plan loans (refer note 19b)	4,786	4,323
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c. Terms and conditions

Sundry debtors are due within 30 days and no interest is charged.

11. Other financial assets

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 at fair value	6,209	7,199
Prepaid expenses	127	125
	6,336	7,324

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.

Milton Corporation Limited
Notes to the consolidated financial statements: Capital Management
for the year ended 30 June 2017

Milton offers its shareholders the opportunity to increase their holdings by participation in the Share Purchase Plan and in the Dividend Reinvestment Plan. Milton may also increase its capital through renounceable rights issues and acquisition of investment companies with the consideration being the issue of Milton shares.

12. Share capital

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.

Movement in share capital	No. of shares	2017 \$'000	No of shares	2016 \$'000
Opening balance	649,922,937	1,545,122	640,255,655	1,504,589
Share Purchase Plan	-	-	7,746,892	32,373
Dividend Reinvestment Plan ⁽¹⁾	2,040,690	8,791	1,920,390	8,246
Less: Transaction costs (net of tax)	-	(17)	-	(86)
Closing balance	651,963,627	1,553,896	649,922,937	1,545,122

⁽¹⁾Milton's Dividend Reinvestment Plan (DRP) offers shareholders the option to reinvest all or part of their dividend in new ordinary shares. In the 2017 financial year, Milton issued 1,086,782 new shares in September 2016 and 953,908 new shares in March 2017 under the DRP (2016: 998,879 issued in September 2015 and 921,511 issued in March 2016).

13. Reserves

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 7b. Upon disposal of investments, the net gain or loss is transferred from the asset revaluation reserve to the capital profits reserve.

	2017 \$'000	2016 \$'000
a. Asset revaluation reserve		
Opening balance	658,011	739,819
Revaluation of investments net of provision for tax	127,751	(78,543)
Net realised losses (gains)	8,691	(3,265)
	794,453	658,011
b. Capital profits reserve		
Opening balance	68,236	64,971
Net realised (losses) gains	(8,691)	3,265
	59,545	68,236

Milton Corporation Limited

Notes to the consolidated financial statements: Risk for the year ended 30 June 2017

This section of the notes discusses Milton's exposure to various risks and shows how these could affect Milton's financial position and performance.

14. Critical accounting estimates, judgements and assumptions

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

Apart from the items mentioned below, 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.

- i) Deferred tax liabilities from unrealised capital gains are offset against deferred tax assets from realised capital losses as disclosed in Note 2e.
- ii) Classification of joint arrangements as joint ventures as disclosed in Note 8.

15. Management of financial risk

The risks associated with the financial instruments, such as investments and cash, include credit, markets and liquidity risks which could affect Milton's future financial performance.

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

a. 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 financial loss will occur because of 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 comprises 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.

Milton Corporation Limited

Notes to the consolidated financial statements: Risk

for the year ended 30 June 2017

b. Market risk

Market risk is the risk that changes in market prices will affect the fair value of the financial instrument. The fair value is determined by the unadjusted last sale price quoted on the Australian Securities Exchange at the measurement date.

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 daily and the fair value of the portfolio changes continuously, with this change in the fair value recognised through the asset revaluation reserve.

Investments represent 94% (2016: 93%) of total assets. A 5% movement in the market value of investments in each of the companies and trusts within the portfolio would result in a 4.7% (2016: 4.7%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2017 (2016: 30 June 2016). The net asset backing before provision for tax on unrealised capital gains would move by 21 cents per share at 30 June 2017 (2016: 20 cents at 30 June 2016).

Milton's management regularly monitors the performance of the companies within its portfolio and makes 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.

c. 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.

16. 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 and the Dividend Reinvestment Plan. Shares may also be issued through renounceable rights issues and as consideration for acquisition of unlisted companies.

Milton Corporation Limited

Notes to the consolidated financial statements: Group Structure

for the year ended 30 June 2017

The consolidated financial statements include the financial statements of Milton, being the parent entity and its subsidiaries. Details of subsidiaries are disclosed in Note 17b below. The balances and effects of transactions between subsidiaries included in the consolidated financial statements have been eliminated in full.

17. 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.

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

a. 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.

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.

b. Milton Corporation Limited's subsidiaries

The following subsidiaries have been included in the consolidated accounts. The parent entity and all subsidiaries are incorporated in Australia:

Percentage of Interest held	2017 %	2016 %
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

c. Acquisition of subsidiaries

No company acquisition was made by Milton during the year ended 30 June 2017 (2016: None).

d. Business Combinations

The acquisition method of accounting has been used to account for all business combinations. The business combinations have been accounted from the date Milton attained control of the subsidiaries. The considerations transferred for the acquisitions comprise 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.

Milton Corporation Limited
Notes to the consolidated financial statements: Other Information
for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
18. Related party transactions		
a. Directors and Key Management Personnel compensation		
Short-term benefits	1,184	1,166
Other long-term benefits	17	17
Post-employment benefits	103	102
Share-based payments	160	151
	1,464	1,436

Information regarding individual directors' 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.

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

Non-executive directors and their related parties held 11.5% (2016:12.1%) of the voting power of Milton as at year end. All shares acquired by non-executive directors and their related parties during the year were purchased on an arm's length basis. Movements in the number of shares held are given below. There were no amounts outstanding from or due to any non-executive director or their related parties as at 30 June 2017.

	No of shares	No of shares
Number of shares at beginning of the year	78,927,571	78,775,660
Acquired during the year	459,431	151,911
Disposed during the year	(4,296,494)	-
Number of shares held at end of year	75,090,508	78,927,571

c. Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management are as shown below. No loans were granted to related parties of any key management personnel.

	\$	\$
Balance at beginning of the year	2,677,206	2,440,184
Loans advanced	363,112	367,342
Loans repaid	(139,208)	(130,320)
Balance at end of the year	2,901,110	2,677,206
Notional interest	160,346	150,359

Notional interest is based on the applicable FBT benchmark interest rate for the year which averaged 5.52% (2016: 5.65%).

The loans are advanced to key management personnel in accordance with the Senior Staff Share Plan (SSSP) as disclosed in Note 19 b. Loans to individual key management personnel are disclosed on the remuneration report on page 17.

Milton Corporation Limited
Notes to the consolidated financial statements: Other Information
for the year ended 30 June 2017

d. Other related party transactions

All 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.

e. Transactions with subsidiaries

	2017 \$	2016 \$
Dividends paid to parent	-	81,811,084
Capital repaid to parent	-	27,251,635
	-	109,062,719

f. Loans to and from subsidiaries

Loans have been made between the parent entity and 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.

Amounts owed by/(to) subsidiaries at beginning of the year	26,658,200	(82,439,408)
Loans advanced from subsidiaries	(1,912,197)	(2,976,109)
Loan advanced to subsidiaries	3,566,162	112,073,717
Amounts owed by subsidiaries at end of the year	28,312,165	26,658,200

g. Other arrangement with non-executive director

Mr J.F. Church rented office space from Milton at commercial rates from 1 July 2016 to 30 June 2017 and rental income received by Milton during the financial year was \$13,377 (2016: \$12,800).

19. Share based payments

Under the Employee Share Plan, shares are acquired for employees as part of their remuneration and the cost of the shares is recorded under employment costs.

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.

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, 454 shares (2016:672 shares) were acquired by Milton on behalf of eligible employees under the ESP at a cost of \$2,086 (2016: \$3,083) with a total market value at 30 June 2017 of \$2,048. 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.

Milton Corporation Limited
Notes to the consolidated financial statements: Other Information
for the year ended 30 June 2017

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, 160,000 shares (2016: 152,000 shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of \$683,505 (2016: \$656,893). 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 \$721,600 at \$4.51 per share as at 30 June 2017.

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.

	2017	2016
	\$'000	\$'000
20. Auditors Remuneration		
Auditors of the company		
Audit and review services	113	109
Related practice of the auditor		
Agreed upon procedures	-	6
	113	115

21. 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 2017 the parent entity is Milton Corporation Limited.

Profit of the parent entity

Profit for the year	121,406	126,407
Total comprehensive income for the year	250,129	49,362

Milton Corporation Limited
Notes to the consolidated financial statements: Other Information
for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Financial position of the parent entity as at 30 June		
Current assets	177,437	181,105
Total assets	2,944,074	2,750,812
Current liabilities	(1,269)	(1,043)
Total liabilities	(340,021)	(284,681)
Net assets	2,604,053	2,466,131
Total equity of the parent entity comprising of		
Issued capital	1,553,896	1,545,122
Capital profits reserves	68,123	76,814
Asset revaluation reserve	848,071	710,657
Retained profits	133,963	133,538
Total equity attributable to shareholders of the parent entity	2,604,053	2,466,131

22. Summary of other accounting policies

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, the Corporations Act 2001 and complies with International Financial Reporting Standards (IFRS).

Accounting policies adopted in the preparation of these financial statements 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. Milton is a 'for-profit' entity.

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.

New and amended standards adopted:

AASB 2015-2 Amendments to AASB 101 (Presentation of Financial Statements) which applies to annual reporting periods commencing on or after 1 January 2016 was early adopted since the preparation of financial statements and notes for the 2015 financial year.

AASB-9 *Financial Instruments* Standard which applies to annual reporting periods commencing on or after 1 January 2018 was early adopted by Milton since the 2010 financial year.

New and amended standards not adopted:

AASB 15 Revenue from Contracts with Customers is applicable to annual reporting periods beginning on or after 1 January 2018 and is not expected to have any material impact on Milton's financial statements.

AASB 16 Leases is applicable to annual reporting periods beginning on or after 1 January 2019 replaces AASB 117 'Leases' for lessees will eliminate the classifications of operating leases and finance leases. Milton does not expect this standard to have any material impact on Milton's financial statements.

No other new accounting standards and interpretations that are available for early adoption but not yet adopted at 30 June 2017, will result in any material change in relation to the financial statements of Milton.

Milton Corporation Limited
Notes to the consolidated financial statements: Other Information
for the year ended 30 June 2017

b. Rounding of amounts

Unless otherwise stated under the option available in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, the financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

c. Operating segments

The consolidation entity operates in Australia and engages in investment as its principal activity. As such Milton considers the business to have a single operating segment.

	2017	2016
	\$'000	\$'000
23. Cash flow information		
a. Reconciliation of net profit to net cash provided by operating activities		
Net profit	122,377	127,905
Share of net profits of joint ventures – equity accounted	(1,204)	(1,789)
Distributions received from joint venture entities	1,683	5,066
Depreciation of non-current assets	28	13
(Increase) in receivables	(1,296)	(649)
Increase in payables and provisions	30	94
Increase (Decrease) in income taxes payable	482	(690)
Net cash provided by operating activities	122,100	129,950

b. Non-cash financing and investing activities

During the year ended 30 June 2017, Milton did not engage in any material non-cash investing or financing transaction (2016: None).

24. Contingent liabilities

Apart from the contingent liability relating to the Huntlee joint venture disclosed in Note 8c, the directors are not aware of any other material contingent liabilities

25. Events subsequent to reporting date

Since the end of the financial year, the directors declared a fully franked ordinary final dividend of 10 cents per share payable on 5 September 2017.

Milton entered into an agreement to acquire all of the shares of a private investment company with an investment portfolio valued at approximately \$18M. Consideration for the acquisition will comprise Milton shares which are expected to be issued on an ex-dividend basis by the 31 August 2017.

This financial report was authorised for issue in accordance with a resolution of directors on 3 August 2017. The directors have the power to amend and reissue the financial statements.

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2017
The following holdings are valued at fair value through Other Comprehensive Income.

	2017 Market value \$'000	2016 Market value \$'000
Investments in equity instruments		
Adelaide Brighton Limited	15,966	15,239
AGL Energy Limited	68,796	51,656
ALS Limited	45,292	31,587
Amcor Limited	21,422	18,207
AMP Limited	11,009	10,945
A.P. Eagers Limited	48,765	69,589
APA Group	18,393	18,534
ARB Corporation Limited	14,313	14,682
Argo Investments Limited	7,561	7,265
ASX Limited	29,430	25,121
AUB Group Limited	13,572	10,552
Australia & New Zealand Banking Group Limited		
- ordinary shares	96,776	81,276
- convertible preference shares	-	1,960
- capital notes 2	203	185
Australian Foundation Investment Company Limited	-	7,050
Auswide Bank Limited	2,229	2,203
Automotive Holdings Group Limited	11,311	11,943
Aveo Group	2,386	4,750
Bank of Queensland Limited	83,655	77,371
Bendigo & Adelaide Bank Limited	63,264	54,813
BHP Billiton Limited	84,668	67,829
BKI Investment Company Limited	1,983	1,934
Blackmores Limited	35,175	48,222
Boral Limited	14,190	10,365
Bradken Limited	-	827
Brambles Limited	13,953	17,742
Brickworks Limited	44,605	46,448
BT Investment Management Limited	7,495	4,150
BWP Trust	4,720	5,766
Caltex Australia Limited	10,431	5,997
Carlton Investments Limited	11,238	11,317
Carsales.Com Limited	11,462	11,334
Challenger Limited	5,069	1,122
Charter Hall Group	6,859	-
Charter Hall Long WALE REIT	3,853	-
CIMIC Group Limited	30,732	28,287
Coca-Cola Amatil Limited	13,535	12,069
Cochlear Limited	5,254	4,098
Commonwealth Bank of Australia	257,535	231,287
Cover-More Group Limited	-	2,591
CSL Limited	81,741	66,433
Diversified United Investment Limited	-	1,167
DuluxGroup Limited	11,487	10,461
EQT Holdings Limited	8,867	8,231
Event Hospitality & Entertainment Limited	13,516	13,381
Finbar Group Limited	2,226	2,309
Fletcher Building Limited	6,113	6,554
Flight Centre Travel Group Limited	3,075	1,841
Goodman Group	10,163	7,881
GrainCorp Limited	3,431	3,127
Gresham Private Equity Co-Investment Fund	18	21
Growthpoint Properties Australia	1,265	-
Insurance Australia Group Limited		
- ordinary shares	39,645	30,603
- convertible preference shares	-	305

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2017
The following holdings are valued at fair value through Other Comprehensive Income.

	2017 Market value \$'000	2016 Market value \$'000
IAG Finance(NZ) Limited Perpetual		
- Reset Exchangeable Notes	-	1,200
Incitec Pivot Limited	5,492	4,784
InvoCare Limited	28,678	25,635
IOOF Holdings Limited	16,821	10,177
Janus Henderson Group PLC	4,839	-
Lendlease Group	11,697	5,853
Lindsay Australia Limited	4,816	5,599
Macquarie Group Limited	57,790	44,795
McMillan Shakespeare Limited	8,436	6,509
MyState Limited	2,158	1,838
National Australia Bank Limited	140,786	120,992
New Hope Corporation Limited	1,974	1,832
Orica Limited	3,916	2,330
Origin Energy Limited	4,817	4,038
Orora Limited	3,130	3,021
Perpetual Limited	68,831	55,894
Premier Investments Limited	7,479	8,417
QBE Insurance Group Limited	30,920	27,310
Qube Holdings Limited	15,239	11,953
Ramsay Health Care Limited	13,968	13,332
Reece Limited	8,993	7,923
Regis Healthcare Limited	6,194	4,203
Rio Tinto Limited	36,925	26,555
Santos Limited	5,101	7,811
Scentre Group	7,288	8,853
Schaffer Corporation Limited	483	352
Select Harvests Limited	793	1,091
Seven Group Holdings Limited		
- TELYS4 preference shares	525	392
Sims Metal Management Limited	6,867	5,727
Sonic Healthcare Limited	15,123	13,456
Stockland Group	13,819	13,108
Suncorp Group Limited	49,117	39,003
Sydney Airport	18,502	18,111
Tank Stream Ventures	266	89
Tatts Group Limited	4,846	8,839
Telstra Corporation Limited	64,376	83,240
TPG Telecom Limited	23,193	44,405
Transurban Group	41,629	42,121
Treasury Wine Estates Limited	15,714	11,021
UGL Limited	-	3,120
Vicinity Centres	16,585	21,425
Washington H. Soul Pattinson & Company Limited	152,941	155,969
Wesfarmers Limited	113,762	113,705
Westfield Corporation	6,914	9,170
Westpac Banking Corporation	318,869	307,266
Woodside Petroleum Limited	27,804	23,642
Woolworths Limited	74,167	60,664
WorleyParsons Limited	2,750	3,061
	2,763,980	2,568,458

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2017
The following holdings are valued at fair value through Other Comprehensive Income.

	2017	2016
	Market value	Market value
	\$'000	\$'000
Other liquid securities		
APT Pipelines Limited	1,029	1,016
Bank of Queensland Limited - convertible preference shares	5,180	5,170
Colonial Group - subordinated notes	-	1,013
	6,209	7,199

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 19 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 2017 and of its performance for the financial year ended on that date;
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
 - (iii) complying with International Accounting Standards as issued by the International Accounting Standards Board as described in Note 22a to the financial statements; 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 2017.

Signed in accordance with a resolution of the directors.



R. D. MILLNER
Chairman
Sydney, 3 August 2017

**Independent Auditor's Report
to the Members of Milton Corporation Limited
A.B.N. 18 000 041 421**

REPORT ON THE FINANCIAL REPORT

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 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Opinion

In our opinion

- a) 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 the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 22 Basis of preparation.

Basis of Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the consolidated entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. We have communicated the key audit matters to the Audit Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<p><i>Ownership and accurate recording of investments in equity instruments and related movement in reserves</i></p> <p><i>Refer to Note 2(d): Deferred tax liabilities, Note 7 Investments in equity instruments and Note 13 Reserves</i></p>	
<p>At 30 June 2017, the consolidated entity's balance sheet includes investments in equity instruments of \$2,763,980,000, an asset revaluation reserve of \$794,453,000 and a deferred tax liability recognised in relation thereto of \$348,680,000.</p> <p>Listed investments are valued continuously at fair value, which is determined by the unadjusted last-sale price quoted on the Australian Securities Exchange. Changes in fair value of equity instruments are recognised in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability, as investments are long term holdings of equity instruments.</p> <p>Given the significance of the balances, the key audit matter for us was whether the consolidated entity has accurately recorded the above balances and the movement in the past 12 months and has ownership of the investments at year end.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ We documented our understanding of management's processes and related key controls. ▪ We performed testing of key controls to ensure that appropriate review and analysis by management is performed regularly. ▪ We confirmed the proper recording and ownership of a sample of investments and transactions during the year by agreeing the SRN/HIN numbers to share registry holding statements online and to the books and records of the consolidated entity. ▪ We analysed and tested the movement of investments in relation to purchases and disposals. ▪ We tested management's calculation of the revaluation of investments and the corresponding deferred income tax effect during the year.

Other information

The Directors are responsible for the other information. The other information comprises the information in the consolidated entity's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 control relevant to the Company'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 Company's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the consolidated entity audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

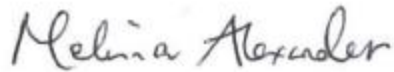
REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

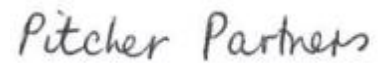
We have audited the Remuneration Report included in pages 14 to 17 of the Directors' Report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Milton Corporation Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



M A Alexander
Partner



Pitcher Partners
Sydney

3 August 2017

DIRECTORY

DIRECTORS

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

MANAGEMENT

F.G. GOOCH - Managing director
D.N. SENEVIRATNE - CFO, Secretary

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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SYDNEY NSW 2000
PHONE: (02) 8006 5357
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EMAIL: general@milton.com.au
WEBSITE: www.milton.com.au

AUDITORS

PITCHER PARTNERS
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19 MARTIN PLACE
SYDNEY NSW 2000
WEBSITE: www.pitcher.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: milton@linkmarketservices.com.au
WEBSITE: www.linkmarketservices.com.au

ASX INFORMATION

TOP 20 SHAREHOLDERS AS AT 30 JUNE 2017

NAME	SHARES HELD	%
Washington H Soul Pattinson & Company Limited	30,047,758	4.61
Higlett Pty Ltd	27,539,279	4.22
Argo Investments Limited	25,919,808	3.98
Australian Foundation Investment Company Limited	10,841,468	1.66
Griffinna Pty Ltd <Wood Dragon A/C>	6,355,020	0.97
Bortre Pty Limited	6,079,504	0.93
Danwer Investments Pty Ltd	6,079,504	0.93
JBF Holdings Pty Ltd	5,253,920	0.81
Chickenfeed Pty Ltd	4,218,449	0.65
Jamama Nominees Pty Limited	4,195,685	0.64
J S Millner Holdings Pty Limited	3,743,514	0.57
Redemptorists <Central Investment Fund>	3,577,000	0.55
Macdawley Proprietary Limited	3,479,615	0.53
Gartfern Pty Limited	3,313,584	0.51
Hexham Holdings Pty Limited	3,230,079	0.50
Millane Pty Limited	3,165,269	0.49
A V L Investments Proprietary Limited	2,979,080	0.46
T N Phillips Investments Pty Ltd	2,962,664	0.45
Ms Julia Jane Drew	2,875,000	0.44
Mr James David Oswald Burns	2,724,955	0.42

On 30 June 2017, there were 24,726 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	2,957
1,001 – 5,000	6,691
5,001 – 10,000	5,088
10,001 – 100,000	9,357
100,001 and over	633
The number of holders of less than a marketable parcel of \$500 (110 shares)	646

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 284 and the total brokerage paid or accrued was \$329,027.

SHARE ISSUES HISTORY

Share Purchase Plan history

Date	Issue price per share	Date	Issue price per share
10.11.1999	\$ 8.75	19.10.2007	\$22.48
13.11.2000	\$ 8.86	03.10.2008	\$17.85
13.11.2001	\$10.79	09.10.2009	\$16.08
08.11.2002	\$11.70	30.09.2013	\$19.12
31.10.2003	\$13.21	22.10.2013	5 for 1 share split
29.10.2004	\$14.10	01.10.2014	\$ 4.45
21.10.2005	\$17.11	02.10.2015	\$ 4.18
16.10.2006	\$19.60		

Acquisition of unlisted companies

Date	Shares issued	Date	Shares issued
21.06.2002	2,287,200	23.03.2007	1,895,976
31.12.2002	1,739,112	14.05.2007	2,424,582
11.03.2004	2,742,777	20.06.2007	252,477
01.04.2004	496,809	24.09.2007	1,223,252
17.08.2006	1,000,322	19.02.2009	3,555,958
23.08.2006	1,476,254	26.02.2010	4,132,711
28.08.2006	382,404	20.08.2010	2,446,521
21.09.2006	278,103	21.02.2013	521,464
10.11.2006	1,888,353	24.02.2014	3,280,382

Acquisition of listed investment companies

Date	Company	Shares issued
31.12.2001	Cambooya Investments Limited	8,273,505
16.12.2010	Choiseul Investments Limited	23,803,854

Dividend Reinvestment Plans

Date	Shares issued	Price
04.03.2014	187,207	\$4.27
03.09.2014	698,365	\$4.55
03.03.2015	712,273	\$4.56
03.09.2015	998,879	\$4.39
03.03.2016	921,511	\$4.19
02.09.2016	1,086,782	\$4.28
02.03.2017	953,908	\$4.34

Share Split

Date	Ratio	
22.10.2013	Five shares for one	The number of shares issued prior to this date have not been adjusted for the share split.

A full list of issues to shareholders since commencement of Capital Gains Tax in September 1985 can be found on the company's website at www.milton.com.au