

MILTON CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

ANNUAL REPORT 2016

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 23,700 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 \$2.6 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 0.13% 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

Ex date for
Final dividend
11 August 2016

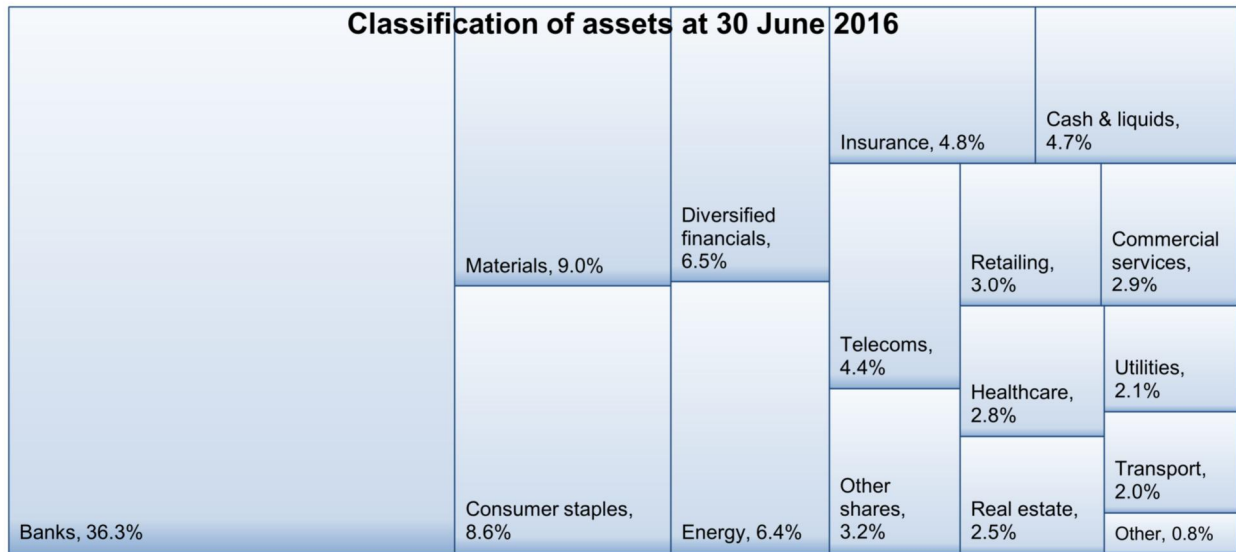
AGM date
13 October 2016



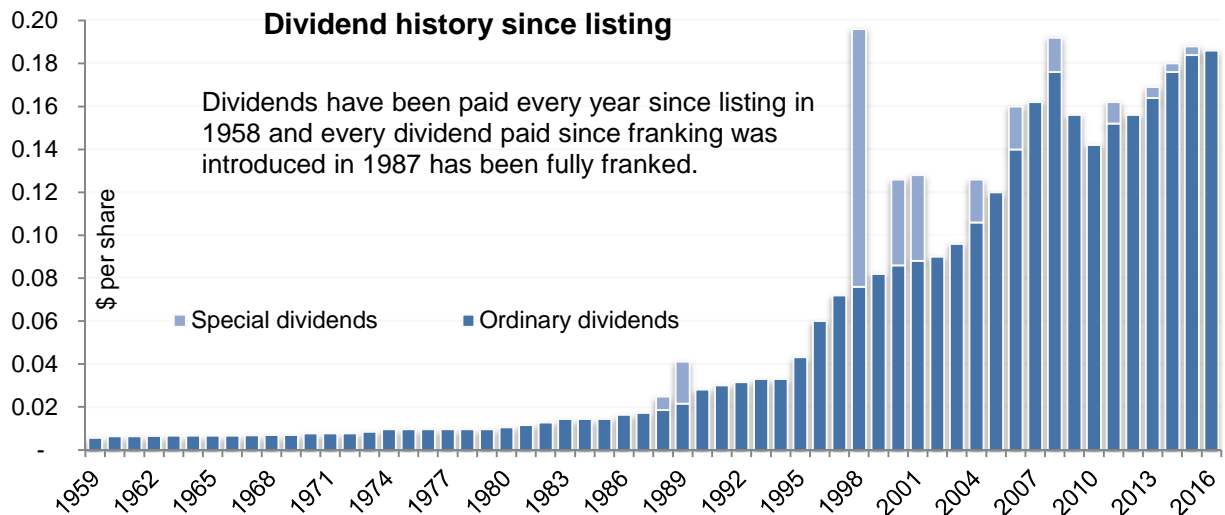
Payment date of final dividend
2 September 2016

Milton's objective is to:

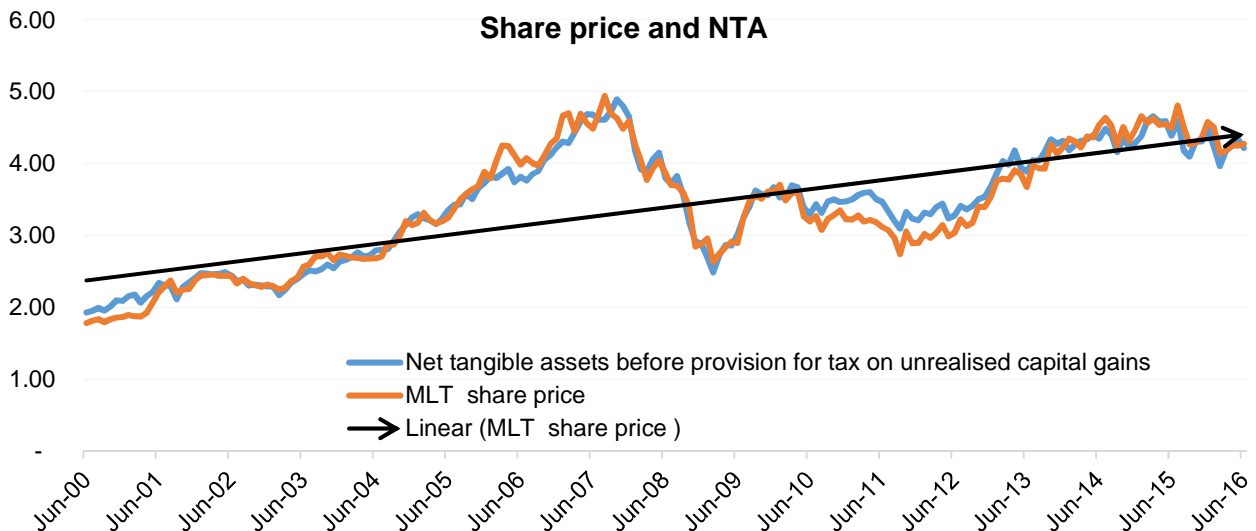
- **Invest in a diversified portfolio of assets which are predominantly Australian listed companies and trusts**



- **Increase fully franked dividends paid to shareholders over time**



- **Provide capital growth in the value of the shareholders' investments**



Chairman's Review of the 2016 financial year

Overview

The net profit after tax for the full year to 30 June 2016 was \$127.9 million, which was in line with the prior year.

However, this result included special investment revenue of \$1.5 million compared to \$3 million received last year. The underlying operating profit, which excludes special investment revenue as it fluctuates from year to year, was up 1.1% on the prior year.

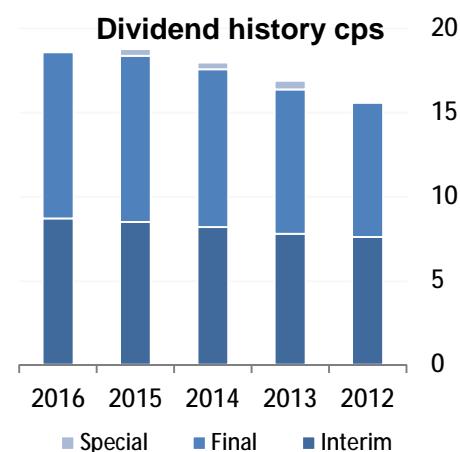
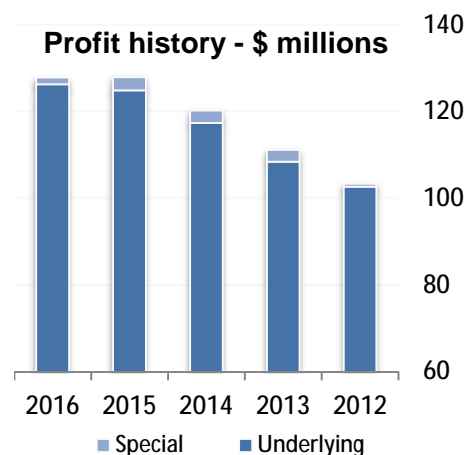
With an additional 9.7 million shares issued during the year under the DRP and Share Purchase Plan, the weighted average underlying earnings per share of 19.5 cents was marginally less than the 19.6 cents earned in 2015.

The interim dividend paid in March 2016 was increased by 2.4% to 8.7 cents per share following a reasonably strong first half result. The fully franked final dividend was maintained at 9.9 cents per share and the ordinary full year dividend of 18.6 cents per share was 1% higher than the ordinary dividends paid out of the 2015 underlying profit.

The payment of the ordinary full year dividend will amount to \$120.8 million which is 96% of underlying operating profit.

Special investment revenue received in 2016 was half of that received in the prior year and represented 0.2 cents per share so no special dividend was declared in 2016.

The dividend payout ratio based on net profit for the year was 94%.



Full year profit commentary

Investment income comprising franked and unfranked dividends as well as trust distributions increased by 2% to \$125.4 million. The majority of companies in the portfolio paid increased dividends with some notable increases coming from A.P. Eagers, Bank of Queensland, Blackmores, Macquarie Group, Perpetual and QBE.

Dividend income in the second half was adversely affected by the lower dividends from companies exposed to the energy and resource sectors.

Milton has exposure to many sectors through its investment in 93 companies and trusts and this diversification helped to maintain earnings even as some sectors suffered significant earnings reductions.

Amongst its Top 20 long term holdings are companies such as A. P. Eagers, Blackmores, Brickworks, TPG Telecom and W H Soul Pattinson, all of which provided dividend growth over the year and all of which are not well represented in the ASX indices.

Interest income of \$3.3 million was 25% lower than the prior year, due to a combination of lower interest rates and lower cash balances held throughout the year.

Milton's investments in unlisted real property development joint ventures, which represent less than 1% of total assets, provided sound returns of \$1.8 million pre-tax, however they were less than the record results achieved in 2015.

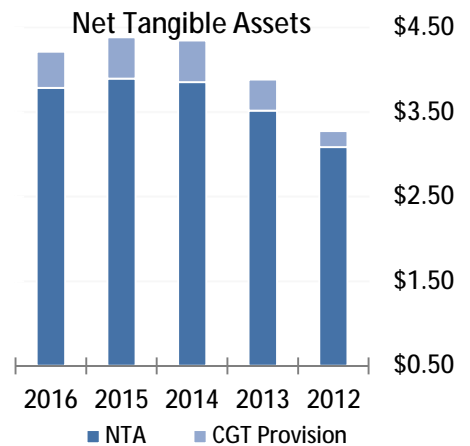
The company continued to operate efficiently with total administration costs for the year at 0.13% of average total assets.

Net assets

Net assets, before provision for tax on unrealised capital gains, were valued at \$2.7 billion at 30 June 2016. This equated to \$4.22 per share.

The assets are predominantly an investment portfolio of Australian listed equities with a total market value of \$2.6 billion as well as liquid assets, such as cash including term deposits of \$0.1 billion. Milton has no debt facilities.

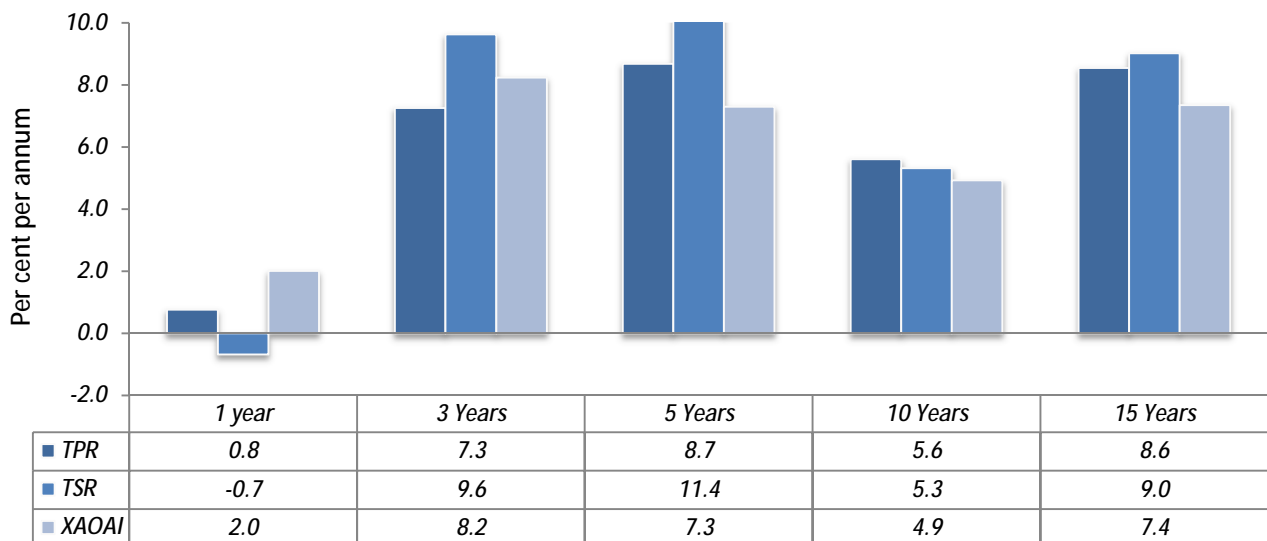
The companies and trusts in the investment portfolio are held for the long term and there is no intention to dispose of the investment portfolio however the accounting standards require a provision to be set aside to provide for the capital gains tax that may arise if the portfolio was realised. At 30 June 2016 this provision was \$0.3 billion or 43 cents per share.



Total returns

Through the receipt of regular dividends and an increase in the value of their investment, Milton's investors have received total returns in excess of the accumulation return of the All Ordinaries Index over the long term.

The following graph compares Milton's total returns over a range of periods with that of the accumulation return of the All Ordinaries index. Like the accumulation return, the total returns assume the dividends have been reinvested when the shares traded ex dividend.



The Total Portfolio Returns (TPR) are based on the movement in NTA and are therefore after expenses and tax liabilities and are not adjusted for the value of the franking credits attached to the dividends.

The Total shareholder returns (TSR) are based on share price movements and do not take into account the benefit of franking credits.

All Ordinaries accumulation returns (XAOAI) are before expenses and tax liabilities and do not take into account the benefit of franking credits

Portfolio

Milton remained substantially fully invested throughout the year with cash balances of less than 5% of total assets.

Disposals totalling \$47 million partially funded the investment of \$70 million across 36 companies. This included \$10 million invested in the ANZ placement in August 2015 and \$5.5 million in the CBA share issue in August 2015. Other larger investments included \$6.9 million in Macquarie Group, \$6.3 million in Caltex, \$3.2 million in Qube and \$3.1 million in McMillan Shakespeare.

The disposals included a reduction in the ALS holding and the complete sale of holdings in CYBG Plc, Cardno, Crown, GWA and South 32.

The investment portfolio consists of 93 companies and trusts. While many of the investments are well represented in the All Ordinaries Index their selection has been based on the assessed merits of each company and its ability to pay dividends and not based on any index weighting.

Details of each investment held at 30 June 2016 are shown on pages 7 to 10.

Classification of Investments

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

Classification ⁽¹⁾	Opening position	Additions	Disposals	Change in value	Closing position	Income	Weighting
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	%
Banks	1,020.6	15.5	(4.7)	(152.2)	879.2	57.6	32.0
Consumer staples	241.1	0.8	(1.4)	9.4	249.9	11.3	9.1
Materials	252.5	3.0	(6.5)	(31.5)	217.5	9.9	7.9
Energy	181.4	6.8	-	14.1	202.3	6.9	7.4
Diversified financials	183.6	14.2	(0.3)	(19.3)	178.2	9.4	6.5
Telecommunications	123.2	2.0	-	2.4	127.6	5.1	4.6
Insurance	133.7	4.7	-	(15.9)	122.5	6.2	4.5
Retailing	84.9	1.4	-	18.3	104.6	3.1	3.8
Healthcare	79.9	3.4	-	18.2	101.5	1.9	3.7
Real estate	69.1	1.6	-	8.4	79.1	3.7	2.9
Transport	56.4	6.8	-	14.6	77.8	2.8	2.8
Utilities	58.2	-	-	12.0	70.2	2.6	2.6
Commercial services	82.5	3.5	(23.6)	(6.6)	55.8	1.6	2.0
Capital goods	35.1	1.2	(7.1)	11.0	40.2	1.1	1.5
Consumer services	34.3	3.1	(3.2)	2.1	36.3	1.2	1.3
Media	11.4	0.8	-	1.6	13.8	0.5	0.5
Other shares	9.1	0.6	-	2.2	11.9	0.3	0.4
Total listed investments	2,657.0	69.4	(46.8)	(111.2)	2,568.4	125.2	93.5
Liquids ⁽²⁾	131.4				153.6	3.0	5.6
Property joint ventures	20.7				20.6	1.8	0.7
Other assets	4.5				5.2	6.0	0.2
Total	2,813.6				2747.8	136.0	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.

Capital issues

The Dividend Reinvestment Plan (DRP), which was introduced in 2014, will continue to operate for the final dividend. Shareholder interest in the DRP continues to grow with more than 3,500 shareholders participating and 1.9 million shares being issued in 2016.

The Share Purchase Plan (SPP) that was offered to shareholders in October 2015 raised \$32 million with fewer shareholders participating than in previous years. As Milton has sufficient funds available to invest at present the SPP will not be offered to shareholders in October 2016. This position will continue to be reviewed and an update will be provided at the annual general meeting on 13 October 2016.

Outlook

Increased investment income in the first half of the 2017 financial year from many of the companies in the portfolio is unlikely to offset further falls in dividends from companies operating in the energy and resource sectors while income in the second half is expected to show a slight improvement on the previous corresponding half.

Milton has sufficient franking credits and retained earnings to enable the full year ordinary dividend of 18.6 cents per share to be maintained in 2017 even if underlying earnings fall below the 2016 result.

Milton's dividend payout ratio is normally between 90% and 95% of underlying profit however this may be exceeded in exceptional circumstances. In 2017, directors will consider both the current year performance and the forecast results as they are aware of the importance of at least maintaining the 2016 dividend.



R. D. MILLNER

Chairman

Sydney, 4 August 2016

Five Year Financial Summary

	2016	2015	2014	2013	2012
Underlying operating profit after tax ⁽¹⁾ (\$million)	126.4	125.0	117.4	108.5	102.7
Underlying earnings per share (cents)	19.5	19.6	18.8	17.8	16.9
Profit after tax (\$million)	127.9	128.0	120.3	111.2	103.4
Earnings per share (cents)	19.8	20.1	19.3	18.3	17.0
Administration costs as % of average total assets	0.13	0.12	0.13	0.14	0.16
Interim dividend (cents per share)	8.7	8.5	8.2	7.8	7.6
Final dividend (cents per share) ⁽²⁾	9.9	9.9	9.4	8.6	8.0
Full year ordinary dividend (cents per share)	18.6	18.4	17.6	16.4	15.6
Special dividend (cents per share)	-	0.4	0.4	0.5	-
Net assets ⁽²⁾ at 30 June (\$million)	2,746	2,811	2,746	2,375	1,997
Net asset backing per share ⁽²⁾ at 30 June(\$)	4.22	4.39	4.35	3.89	3.28
Net asset backing per share ⁽³⁾ at 30 June(\$)	3.79	3.90	3.86	3.52	3.09
Last sale price at 30 June (\$)	4.28	4.50	4.54	3.68	3.04
All Ordinaries Index at 30 June	5310	5451	5382	4775	4135
Ten year Total Shareholder Return (% per annum)	5.3	8.0	10.2	8.3	6.7
Five year Total Shareholder Return (% per annum)	11.4	12.1	14.5	4.0	(3.0)
Shares on issue (million)	649.9	640.2	630.8	610.5	608.0
Number of shareholders	23,729	22,514	21,055	19,309	19,008

⁽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.

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 2016 to \$2 million.

The Foundation's assets can now support annual distributions of \$110,000 and in 2016 fourteen organisations received much needed support from the Milton Foundation.

The Foundation has provided \$2 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 forwarding a cheque to:

The Trustees
Milton Corporation Foundation
PO Box R1836
Royal Exchange NSW 1225.



Chairman of Trustees
Sydney, 4 August 2016

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2016

	Holding	Fair Value \$'000
<u>Banks</u>		
Australia & New Zealand Banking Group Limited		
- ordinary shares	3,369,647	81,276
- convertible preference shares	19,500	1,960
- capital notes 2	2,000	185
Auswide Bank Limited (formerly Wide Bay Australia)	433,570	2,203
Bank of Queensland Limited	7,306,078	77,371
Bendigo and Adelaide Bank Limited	5,709,708	54,813
Commonwealth Bank of Australia	3,109,948	231,287
MyState Limited	444,992	1,838
National Australia Bank Limited	4,757,857	120,992
Westpac Banking Corporation	10,451,306	307,266
		879,191
<u>Materials</u>		
Adelaide Brighton Limited	2,735,886	15,239
Amcor Limited	1,219,512	18,207
BHP Billiton Limited	3,636,921	67,829
Boral Limited	1,666,463	10,365
Brickworks Limited	3,234,567	46,448
Dulux Group Limited	1,655,184	10,461
Fletcher Building Limited	803,229	6,554
Incitec Pivot Limited	1,610,689	4,784
Orica Limited	188,897	2,330
Orora Limited	1,094,512	3,021
Rio Tinto Limited	583,618	26,555
Sims Metal Management Limited	732,368	5,727
		217,520
<u>Consumer Staples</u>		
Blackmores Limited	367,014	48,222
Coca-Cola Amatil Limited	1,466,434	12,069
Graincorp Limited	362,290	3,127
Select Harvests Limited	161,862	1,091
Treasury Wine Estates Limited	1,194,085	11,021
Wesfarmers Limited	2,835,533	113,705
Woolworths Limited	2,903,973	60,664
		249,899

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2016

	Holding	Fair Value \$'000
<u>Diversified Financials</u>		
Argo Investments Limited	985,766	7,265
ASX Limited	548,965	25,121
Australian Foundation Investment Company Limited	1,256,772	7,050
BKI Investment Company Limited	1,223,866	1,934
BT Investment Management Limited	526,643	4,150
Carlton Investments Limited	356,778	11,317
Challenger Limited	130,000	1,122
Diversified United Investment Limited	356,847	1,167
EQT Holdings Limited (formerly Equity Trustees Limited)	500,697	8,231
IOOF Holdings Limited	1,299,729	10,177
Macquarie Group Limited	650,149	44,795
Perpetual Limited	1,359,278	55,894
		<u>178,223</u>
<u>Energy</u>		
Caltex Limited	188,000	5,997
New Hope Corporation Limited	1,290,107	1,832
Origin Energy Limited	702,174	4,038
Santos Limited	1,683,469	7,811
Washington H. Soul Pattinson & Company Limited	9,174,640	155,969
Woodside Petroleum Limited	880,842	23,642
Worley Parsons Limited	425,112	3,061
		<u>202,350</u>
<u>Insurance</u>		
AMP Limited	2,121,110	10,945
AUB Group Limited (formerly Austbrokers Limited)	1,044,795	10,552
Cover-More Group Limited	2,140,944	2,591
Insurance Australia Group Limited		
- ordinary shares	5,615,282	30,603
- convertible preference shares	3,000	305
IAG Finance (NZ) Limited perpetual reset exchangeable notes	12,000	1,200
QBE Insurance Group Limited	2,618,375	27,310
Suncorp Group Limited	3,202,232	39,003
		<u>122,509</u>
<u>Telecommunication</u>		
Telstra Corporation Limited	14,971,253	83,240
TPG Telecom Limited	3,731,553	44,405
		<u>127,645</u>
<u>Retailing</u>		
A.P. Eagers Limited	5,833,107	69,589
ARB Corporation Limited	877,065	14,682
Automotive Holdings Group Limited	3,176,366	11,943
Premier Investments Limited	590,250	8,417
		<u>104,631</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2016

	Holding	Fair Value \$'000
<u>Commercial Services</u>		
ALS Limited	6,459,431	31,587
Brambles Limited	1,431,966	17,742
McMillan Shakespeare Limited	475,821	6,509
		<u>55,838</u>
<u>Healthcare</u>		
Cochlear Limited	33,800	4,098
CSL Limited	592,198	66,433
Ramsay Health Care Limited	185,783	13,332
Regis Healthcare Limited	896,076	4,203
Sonic Healthcare Limited	624,425	13,456
		<u>101,522</u>
<u>Real Estate</u>		
Aveo Group	1,498,282	4,750
BWP Trust	1,584,008	5,766
Finbar Group Limited	2,782,249	2,309
Goodman Group	1,108,376	7,881
Lendlease Group	464,539	5,853
Scentre Group	1,799,474	8,853
Stockland Group	2,782,940	13,108
Vicinity Centres (formerly Federation Centres)	6,453,335	21,425
Westfield Corporation	861,000	9,170
		<u>79,115</u>
<u>Utilities</u>		
AGL Energy Limited	2,677,869	51,656
APA Group	2,005,833	18,534
		<u>70,190</u>
<u>Transport</u>		
Lindsay Australia Limited	11,787,000	5,599
Qube Holdings Limited	5,408,591	11,953
Sydney Airport	2,609,629	18,111
Transurban Group	3,512,975	42,121
		<u>77,784</u>
<u>Capital Goods</u>		
Bradken Limited	826,514	827
CIMIC Group Limited	791,239	28,287
Reece Limited	214,124	7,923
UGL Limited	1,451,191	3,120
		<u>40,157</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2016

	Holding	Fair Value \$'000
<u>Consumer Services</u>		
Flight Centre Travel Group Limited	58,300	1,841
InvoCare Limited	1,950,914	25,635
Tatts Group Limited	2,313,955	8,839
		<u>36,315</u>
<u>Media</u>		
Event Hospitality & Entertainment (formerly Amalgamated Holdings Limited)	920,921	13,381
Seven Group Holdings Limited – TELYS4 preference shares	7,000	392
		<u>13,773</u>
<u>Information Technology</u>		
Carsales.com Limited	920,000	11,334
		<u>11,334</u>
<u>Automobiles & Components</u>		
Schaffer Corporation Limited	68,999	352
		<u>352</u>
Total Listed Investments by Sector		<u>2,568,348</u>

Directors' Report

For the year ended 30 June 2016

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 2016 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:

Exco Resources Limited from November 2012 to January 2013 (company delisted in January 2013).

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 43 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 32 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 Hunter Hall International Limited since 2015 and appointed chairman in 2016.

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 31 years' experience in the finance and investment industries.

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 39 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	6	6	16	17	*	*	1	1	2	2
J.F. Church	6	6	13	17	*	*	1	1	*	*
G.L. Crampton	6	6	*	*	4	4	1	1	2	2
K.J. Eley	6	6	17	17	4	4	1	1	*	*
F.G. Gooch	6	6	17	17	*	*	1	1	*	*
I.A. Pollard	6	6	*	*	4	4	*	*	2	2

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 \$127.9 million (2015: \$128.0 million). Milton is in a sound financial position with net assets after provision for tax on unrealised capital gains at 30 June 2016 of \$2.5 billion (2015: \$2.5 billion) and no debt.

The operating and financial reviews are contained in the Chairman's Review which begins on page 3.

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 2015 ordinary fully franked	9.9	63,385	3 September 2015
- Special 2015 fully franked	0.4	2,561	3 September 2015
- Interim 2016 ordinary fully franked	8.7	56,463	3 March 2016
<i>Declared after end of year and not provided for</i>			
- Final 2016 ordinary fully franked	9.9	64,342	2 September 2016

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	13,266,274
J.F. Church	28,508,673
G.L. Crampton	169,172
K.J. Eley	110,879
F.G. Gooch	932,100
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 2016.

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)

	2016	2015
	\$	\$
Chairman base fee	134,811	130,884
Director base fee	67,405	65,442
Chairman of the Audit & Risk Committee fee	5,965	5,791
Member of the Audit & Risk Committee fee	3,381	3,283
Member of the Investment Committee fee	5,965	5,791

The total remuneration paid to non-executive directors in 2016 was \$435,053 (2015: \$422,382).

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 2016 is \$190,905 (2015: \$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. In 2016, the cash bonus was less than 12% of each executive's TECP.

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

	2016	2015	2014	2013	2012
<u>Profitability</u>					
Underlying operating profit (\$million)	126.4	125.0	117.4	108.5	102.7
Growth in underlying operating profit (%)	1.1	6.5	8.2	5.7	13.5
Underlying earnings per share (cents)	19.5	19.6	18.8	17.8	16.9
(Decline) growth in underlying earnings per share (%)	(0.4)	4.3	5.5	5.5	4.5
<u>Dividend</u>					
Full year ordinary dividend (cents per share)	18.6	18.4	17.6	16.4	15.6
Growth in full year ordinary dividend (%)	1.1	4.6	7.3	5.1	2.6
Special dividend (cents per share)	-	0.4	0.4	0.5	-
<u>Capital</u>					
Net asset backing per share ⁽¹⁾ at 30 June(\$)	4.22	4.39	4.35	3.89	3.28
(Decline) growth in net asset backing per share (%)	(3.8)	0.9	11.9	18.4	(5.4)
Net assets ⁽¹⁾ at 30 June (\$million)	2,746	2,811	2,746	2,375	1,997
<u>Total Return</u>					
Ten year Total Shareholder Return	5.3	8.0	10.2	8.3	6.7
Ten year Total Portfolio Return	5.6	7.3	9.2	9.3	7.5
Ten year accumulation return of the All Ordinaries Index	4.9	7.0	8.8	9.2	7.1

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

At Milton's 2015 Annual General Meeting, shareholders supported the remuneration report for the 2015 financial year with 84.5% 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 2015.

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 2015 and 2016 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	2016	128,563	12,213	140,776	55,905
		2015	124,817	11,858	136,675	55,905
J.F. Church	Director	2016	67,005	6,365	73,370	90,000
		2015	65,053	6,180	71,233	90,000
G.L. Crampton	Director	2016	49,370	24,000	73,370	-
		2015	47,233	24,000	71,233	-
K.J. Eley	Director	2016	70,092	6,659	76,751	-
		2015	68,051	6,465	74,516	-
I.A. Pollard	Director	2016	64,645	6,141	70,786	45,000
		2015	62,763	5,962	68,725	45,000
Total remuneration		2016	379,675	55,378	435,053	190,905
		2015	367,917	54,465	422,382	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 Superannuation	Other long term benefits ⁽³⁾	Share based payments ⁽⁴⁾	Total
		Salary	Cash bonus	Non monetary benefits				
		\$	(1) \$	(2) \$				
F.G. Gooch	2016	522,980	72,000	4,508	30,020	13,794	129,714	773,016
	2015	498,972	70,500	12,536	30,004	11,954	126,211	750,177
D.N. Seneviratne	2016	165,297	9,132	-	29,571	3,240	20,645	227,885
	2015	159,817	14,000	-	24,683	13,943	15,631	228,074
Total remuneration	2016	688,277	81,132	4,508	59,591	17,034	150,359	1,000,901
	2015	658,789	84,500	12,536	54,687	25,897	141,842	978,251

(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.

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	2016	825,000	60,000	885,000
Managing director	2015	775,000	50,000	825,000
D.N. Seneviratne	2016	77,500	25,000	102,500
CFO, secretary	2015	52,500	25,000	77,500

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	2016	2,155,246	141,315	2,296,561	2,352,657	129,714
Managing director	2015	2,037,926	117,320	2,155,246	2,261,672	126,211
D.N. Seneviratne	2016	284,938	95,707	380,645	387,142	20,645
CFO, secretary	2015	181,612	103,326	284,938	293,486	15,631

(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 5.65% (2015: 5.85%).

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	2016	1,129,857	60,000	83	1,189,940
Managing director	2015	1,072,605	50,000	7,252	1,129,857
D.N. Seneviratne	2016	78,907	25,000	-	103,907
CFO, secretary	2015	53,690	25,217	-	78,907

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, 4 August 2016

**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 2016, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) 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

PITCHER PARTNERS
Sydney

4 August 2016

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Milton Corporation Limited
Consolidated income statement
for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Ordinary dividends and distributions	1a	125,450	122,894
Interest	1c	3,016	4,095
Net gains on trading portfolio	1d	3,748	900
Other revenue		520	366
Operating Revenue		132,734	128,255
Share of net profits of joint ventures – equity accounted	8a	1,789	6,310
Special dividends and distributions	1b	1,499	3,006
Income from operating activities		136,022	137,571
Administration expenses		(3,537)	(3,376)
Profit before income tax expense		132,485	134,195
Income tax expense thereon	2a	(4,580)	(6,186)
Profit attributable to shareholders of Milton		127,905	128,009
		Cents	Cents
Basic and diluted earnings per share	3	19.76	20.08

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 2016

	2016	2015
	\$'000	\$'000
Profit	127,905	128,009
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss</i>		
Revaluation of investments	(111,359)	11,504
Provision for tax benefit (expense) on revaluation of investments	32,816	(3,573)
Other comprehensive income, net of tax	(78,543)	7,931
Total comprehensive income for the period attributable to the shareholders of Milton	49,362	135,940

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 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash	9	123,403	99,452
Receivables	10a	23,048	22,390
Current tax prepaid		148	-
Other financial assets	11	7,324	9,761
Total current assets		153,923	131,603
Non-current assets			
Receivables	10b	4,323	3,869
Investments	7	2,568,458	2,656,998
Joint ventures – equity accounted	8b	20,581	20,652
Plant and equipment		87	36
Deferred tax assets	2c	405	393
Total non-current assets		2,593,854	2,681,948
Total assets		2,747,777	2,813,551
Current liabilities			
Payables		993	875
Current tax liabilities		-	388
Provisions		50	47
Total current liabilities		1,043	1,310
Non-current liabilities			
Deferred tax liabilities	2d	280,099	313,119
Provisions		504	477
Total non-current liabilities		280,603	313,596
Total liabilities		281,646	314,906
Net assets		2,466,131	2,498,645
Shareholders' equity			
Issued capital	12	1,545,122	1,504,589
Capital profits reserve	13b	68,236	64,971
Asset revaluation reserve	13a	658,011	739,819
Retained profits		194,762	189,266
Total equity attributable to shareholders of Milton		2,466,131	2,498,645

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 2016

	Issued capital	Capital profits reserve	Asset revaluation reserve	Retained profits	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
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
Balance at 1 July 2014	1,462,552	78,815	718,044	177,439	2,436,850
Profit	-	-	-	128,009	128,009
Other Comprehensive Income:	-	-	7,931	-	7,931
Total comprehensive income	-	-	7,931	128,009	135,940
Net realised losses	-	(13,844)	13,844	-	-
Transactions with shareholders:					
Share issues	42,037	-	-	-	42,037
Dividends paid	-	-	-	(116,182)	(116,182)
Balance at 30 June 2015	1,504,589	64,971	739,819	189,266	2,498,645

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 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Dividends and distributions received		126,010	126,021
Interest received		3,306	4,345
Distributions received from joint venture entities		5,066	7,133
Other receipts in the course of operations		520	318
Proceeds from sales of trading securities		7,681	4,019
Payments for trading securities		(3,933)	(3,119)
Other payments in the course of operations		(3,429)	(3,321)
Income taxes paid		(5,271)	(6,402)
Net cash provided by operating activities	23a	129,950	128,994
Cash flows from investing activities			
Proceeds from disposal of investments	7c	49,129	38,311
Proceeds from repayment of capital		-	6,568
Payments for investments in equities and trusts		(69,550)	(115,147)
Payments for investments in joint ventures		(3,206)	(831)
Payments for plant and equipment		(64)	-
Loans repaid by other entities		278	209
Loans advanced to other entities		(675)	(671)
Net cash used in investing activities		(24,088)	(71,561)
Cash flows from financing activities			
Proceeds from issue of shares		40,621	42,117
Payments for issue of shares		(123)	(109)
Ordinary dividends paid		(122,409)	(116,182)
Net cash used in financing activities		(81,911)	(74,174)
Net increase (decrease) in cash assets held		23,951	(16,741)
Cash assets at the beginning of the year		99,452	116,193
Cash assets at the end of the year	9	123,403	99,452

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 2016

1. Revenue

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

	2016	2015
	\$'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	124,450	119,504
Investments sold during the year	1,000	3,390
	125,450	122,894

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	1,277	2,915
Investments sold during the year	222	91
	1,499	3,006

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	2,891	3,883
Interest income from other liquid securities	125	212
	3,016	4,095

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	3,748	900
----------------------------------	--------------	-----

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 2016

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.

	2016	2015
	\$'000	\$'000
a. Reconciliation of Income Tax Expense to prima facie tax payable		
Profit before income tax	132,485	134,195
Prima facie income tax expense calculated at 30% on the profit before income tax expense	39,746	40,259
Increase (decrease) in income tax expense due to:		
Tax offset for franked dividends	(34,815)	(34,305)
(Over) provision in prior year	(147)	(285)
Other differences	(204)	517
Income tax expense on profit	4,580	6,186
b. Tax expense composition		
Current tax on profits for the year	4,906	5,997
(Over) provision in prior year	(147)	(285)
Decrease in deferred tax assets (note 2c)	25	105
(Decrease) Increase in deferred tax liabilities (note 2d)	(204)	369
	4,580	6,186
c. Deferred tax assets		
The balance comprises temporary differences attributable to :		
Provisions	351	336
Share issue expenses	45	42
Other	9	15
Total deferred tax assets	405	393
Movements:		
Balance at 1 July	393	466
(Charged) to the income statement	(25)	(105)
Credited to equity	37	32
Balance at 30 June	405	393
To be recovered within 12 months	60	126
To be recovered after more than 12 months	345	267
	405	393

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
d. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	291,069	320,445
Realised capital losses	(27,379)	(23,978)
Amounts recognised in profit:		
Gains on scrip for scrip rollovers	16,043	16,043
Income receivable which is not assessable for tax until receipt	366	609
	280,099	313,119
Movements:		
Balance at 1 July	313,119	309,177
(Credited) Charged to income statement	(204)	369
(Credited) Charged to other comprehensive income	(32,816)	3,573
Balance at 30 June	280,099	313,119
To be settled beyond 12 months	280,099	313,119

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 2016

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.

	2016	2015
	Cents	Cents
3. Earnings Per Share		
Basic earnings per share	19.76	20.08
	\$'000	\$'000
Profit attributable to shareholders of the parent entity	127,905	128,009
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	647,134,007	637,607,867
Diluted earnings per share and basic earnings per share are the same because there are no potential dilutive ordinary shares.		
	2016	2015
	\$'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 2015 year paid on 3 September 2015 (2015: an ordinary final dividend in respect of the 2014 year of 9.4 cents per share paid on 3 September 2014)	63,385	59,298
A special dividend of 0.4 cents per share in respect of 2015 year paid on 3 September 2015 (2015: 0.4 cents paid on 3 September 2014)	2,561	2,523
An ordinary interim dividend of 8.7 cents per share paid on 3 March 2016 (2015: 8.5 cents per share paid on 3 March 2015)	56,463	54,361
	122,409	116,182

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2016

	2016	2015
	\$'000	\$'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 2016 year of 9.9 cents per share payable on 2 September 2016 (2015: ordinary final dividend of 9.9 cents per share and special dividend of 0.4 cents per share paid on 3 September 2015)	64,342	65,946
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	122,631	121,237
Subsequent to year end, the franking account will be reduced by the proposed dividend to be paid on 2 September 2016 (2015: final and special dividends)	(27,575)	(28,263)
	95,056	92,974
The franking account balance would allow Milton to frank additional dividend payments up to an amount of \$221,797,267 (2015:\$216,940,197) which represents 34 cents per share (2015: 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	1,255	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 2016

7. Investment in equity instruments

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

	2016	2015
	\$'000	\$'000
Investments – non-current		
Quoted investments - at fair value	2,568,348	2,656,876
Unquoted investments - at fair value	110	122
	2,568,458	2,656,998
a. Included in quoted investments are:		
Shares in other corporations	2,418,631	2,537,519
Stapled securities in other corporations	122,526	95,666
Units in trusts	27,191	23,691
	2,568,348	2,656,876
b. Included in unquoted investments are:		
Units in trusts	110	122

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	49,129	38,311
Gain (Loss) on disposal after tax		
Equity investments	3,265	(13,844)

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 2016

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.

	2016	2015
	\$'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 (2015:33.33%)	2,285	6,319
23.33% interest in The Mews Joint Venture contribution to operating profit before tax (2015:23.33%)	267	648
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture (2015: 50%)	(763)	(657)
Share of net profits of joint ventures	1,789	6,310
b. Consolidated interest in the assets and liabilities of the joint venture entities		
Current assets	18,585	20,902
Non-current assets	15,471	15,083
Current liabilities	(3,572)	(4,537)
Non-current liabilities	(9,360)	(10,253)
	21,124	21,195
Provision for diminution in value	(543)	(543)
Net assets	20,581	20,652

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 has 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 2016, \$8 million of this facility had been utilised (2015: \$3.1M).

Other than the above, the directors are not aware of any material contingent liabilities, contingent assets or capital commitments as at 30 June 2016.

Milton Corporation Limited
Notes to the consolidated financial statements: Assets
for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
9. Cash		
Cash at bank	3,351	2,535
Deposits at call	21,052	9,662
Term deposits	99,000	87,255
	123,403	99,452

The weighted average interest rate for cash and deposits at call as at 30 June 2016 is 1.9% p.a. (2015: 2.1% p.a.). Term deposits have an average maturity date of August 2016 (2015: September 2015) and an average interest rate of 3.0% (2015: 2.8% pa).

10. Receivables

a. Receivables – current

Dividends receivable	22,371	21,707
Interest receivable	661	676
Sundry debtors	16	7
	23,048	22,390

b. Receivables – non-current

Senior staff share plan loans (refer note 19b)	4,323	3,869
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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	7,199	9,597
Prepaid expenses	125	164
	7,324	9,761

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 2016

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	2016 \$'000	No of shares	2015 \$'000
Opening balance	640,255,655	1,504,589	630,825,344	1,462,552
Share Purchase Plan	7,746,892	32,373	8,019,673	35,687
Dividend Reinvestment Plan ⁽¹⁾	1,920,390	8,246	1,410,638	6,426
Less: Transaction costs (net of tax)	-	(86)	-	(76)
Closing balance	649,922,937	1,545,122	640,255,655	1,504,589

⁽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 2016 financial year, Milton issued 998,879 new shares in September 2015 and 921,511 new shares in March 2016 under the DRP (2015: 698,365 issued in September 2014 and 712,273 issued in March 2015).

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.

	2016 \$'000	2015 \$'000
a. Asset revaluation reserve		
Opening balance	739,819	718,044
Revaluation of investments net of provision for tax	(78,543)	7,931
Net realised (gains) losses	(3,265)	13,844
	658,011	739,819
b. Capital profits reserve		
Opening balance	64,971	78,815
Net realised gains (losses)	3,265	(13,844)
	68,236	64,971

Milton Corporation Limited

Notes to the consolidated financial statements: Risk for the year ended 30 June 2016

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 2016

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 93% (2015: 94%) 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% (2015: 4.7%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2016 (2015: 30 June 2015). The net asset backing before provision for tax on unrealised capital gains would move by 20 cents per share at 30 June 2016 (2015: 21 cents at 30 June 2015).

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 2016

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	2016 %	2015 %
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 2016 (2015: 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 2016

	2016 \$'000	2015 \$'000
18. Related party transactions		
a. Directors and Key Management Personnel compensation		
Short-term benefits	1,153	1,124
Other long-term benefits	17	26
Post-employment benefits	115	109
Share-based payments	151	142
	1,436	1,401

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 12.1% (2015:12.3%) 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 2016.

	No of shares	No of shares
Number of shares at beginning of the year	78,775,660	78,581,300
Acquired during the year	151,911	194,360
Number of shares held at end of year	78,927,571	78,775,660

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	2,440,184	2,219,538
Loans advanced	367,342	335,620
Loans repaid	(130,320)	(114,974)
Balance at end of the year	2,677,206	2,440,184
Notional interest	150,359	141,842

Notional interest is based on the applicable FBT benchmark interest rate for the year which averaged 5.65% (2015: 5.85%).

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 2016

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 2016 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 2015. 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

	2016 \$	2015 \$
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 to) subsidiaries at beginning of the year	(82,439,408)	(79,444,127)
Loans advanced from subsidiaries	(2,976,109)	(3,636,766)
Loan advanced to subsidiaries	112,073,717	641,485
Amounts owed by (owed to) subsidiaries at end of the year	26,658,200	(82,439,408)

g. Other arrangement with non-executive director

Mr J.F. Church rented office space from Milton at commercial rates from 1 July 2015 to 30 June 2016 and rental income received by Milton during the financial year was \$12,800 (2015: \$12,763).

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, 672 shares (2015: 1,085 shares) were acquired by Milton on behalf of eligible employees under the ESP at a cost of \$3,083 (2015: \$4,980) with a total market value at 30 June 2016 of \$2,876.

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 2016

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, 152,000 shares (2015: 142,000 shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of \$656,893 (2015: \$635,441). 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 \$650,560 at \$4.28 per share as at 30 June 2016.

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.

	2016	2015
	\$'000	\$'000
20. Auditors Remuneration		
Auditors of the company		
Audit and review services	109	109
Related practice of the auditor		
Liquidation of non-operating subsidiary	-	1
Agreed upon procedures	6	-
	115	110

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 2016 the parent entity is Milton Corporation Limited.

Profit of the parent entity

Profit for the year	126,407	123,837
Total comprehensive income for the year	49,362	135,940

Milton Corporation Limited
Notes to the consolidated financial statements: Other Information
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Financial position of the parent entity as at 30 June		
Current assets	181,105	131,591
Total assets	2,750,812	2,898,393
Current liabilities	(1,043)	(83,904)
Total liabilities	(284,681)	(399,748)
Net assets	2,466,131	2,498,645
Total equity of the parent entity comprising of		
Issued capital	1,545,122	1,504,589
Capital profits reserves	76,814	73,549
Asset revaluation reserve	710,657	790,967
Retained profits	133,538	129,540
Total equity attributable to shareholders of the parent entity	2,466,131	2,498,645

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 previous 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 2016, 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 2016

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.

	2016	2015
	\$'000	\$'000
23. Cash flow information		
a. Reconciliation of net profit to net cash provided by operating activities		
Net profit	127,905	128,009
Share of net profits of joint ventures – equity accounted	(1,789)	(6,310)
Distributions received from joint venture entities	5,066	7,133
Depreciation of non-current assets	13	14
(Increase) decrease in receivables	(649)	369
Increase (Decrease) in payables and provisions	94	(6)
(Decrease) in income taxes payable	(690)	(215)
Net cash provided by operating activities	129,950	128,994

b. Non-cash financing and investing activities

During the year ended 30 June 2016, Milton did not engage in any material non-cash investing or financing transaction (2015: 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 9.9 cents per share payable on 2 September 2016.

This financial report was authorised for issue in accordance with a resolution of directors on 4 August 2016. The directors have the power to amend and reissue the financial statements.

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2016
The following holdings are valued at fair value through Other Comprehensive Income.

	2016 Market value \$'000	2015 Market value \$'000
Investments in equity instruments		
Adelaide Brighton Limited	15,239	11,792
AGL Energy Limited	51,656	41,641
ALS Limited	31,587	62,777
Amcor Limited	18,207	16,389
AMP Limited	10,945	12,769
A.P. Eagers Limited	69,589	54,539
APA Group	18,534	16,528
ARB Corporation Limited	14,682	10,594
Argo Investments Limited	7,265	7,857
ASX Limited	25,121	21,265
AUB Group Limited (formerly Austbrokers Holdings Limited)	10,552	9,403
Australia & New Zealand Banking Group Limited		
- ordinary shares	81,276	98,099
- convertible preference shares	1,960	1,960
- capital notes 2	185	191
Australian Foundation Investment Company Limited	7,050	7,924
Auswide Bank Limited	2,203	2,190
Automotive Holdings Group Limited	11,943	12,203
Aveo Group	4,750	3,866
Bank of Queensland Limited	77,371	93,299
Bendigo & Adelaide Bank Limited	54,813	70,001
BHP Billiton Limited	67,829	98,378
BKI Investment Company Limited	1,934	2,038
Blackmores Limited	48,222	28,453
Boral Limited	10,365	9,749
Bradken Limited	827	1,186
Brambles Limited	17,742	14,840
Brickworks Limited	46,448	44,637
BT Investment Management Limited	4,150	2,114
Broadspectrum Limited (formerly Transfield Services Limited)	-	2,001
BWP Trust	5,766	4,847
Caltex Australia Limited	5,997	-
Cardno Limited	-	3,891
Carlton Investments Limited	11,317	11,306
Carsales.Com Limited	11,334	8,835
Challenger Limited	1,122	-
CIMIC Group Limited	28,287	17,209
Coca-Cola Amatil Limited	12,069	13,418
Cochlear Limited	4,098	2,709
Commonwealth Bank of Australia	231,287	258,205
Cover-More Group Limited	2,591	4,359
Crown Resorts Limited	-	3,261
CSL Limited	66,433	51,207
Diversified United Investment Limited	1,167	1,330
DuluxGroup Limited	10,461	6,880
EQT Holdings Limited (formerly Equity Trustees Limited)	8,231	9,995
Event Hospitality & Entertainment Limited (formerly Amalgamated Holdings Limited)	13,381	10,884
Finbar Group Limited	2,309	3,311
Fletcher Building Limited	6,554	5,791
Flight Centre Travel Group Limited	1,841	-
Goodman Group	7,881	6,950
GrainCorp Limited	3,127	3,094
Gresham Private Equity Co-Investment Fund	21	21
GWA Group Limited	-	1,863

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2016
The following holdings are valued at fair value through Other Comprehensive Income.

	2016 Market value \$'000	2015 Market value \$'000
Insurance Australia Group Limited		
- ordinary shares	30,603	28,605
- convertible preference shares	305	305
IAG Finance(NZ) Limited Perpetual		
- Reset Exchangeable Notes	1,200	1,237
Incitec Pivot Limited	4,784	6,201
InvoCare Limited	25,635	22,577
IOOF Holdings Limited	10,177	8,766
Lendlease Group	5,853	6,982
Lindsay Australia Limited	5,599	3,377
Macquarie Group Limited	44,795	45,246
McMillan Shakespeare Limited	6,509	2,797
MyState Limited	1,838	2,149
National Australia Bank Limited	120,992	158,483
New Hope Corporation Limited	1,832	2,438
Orica Limited	2,330	4,022
Origin Energy Limited	4,038	8,405
Orora Limited	3,021	2,497
Perpetual Limited	55,894	65,735
Premier Investments Limited	8,417	7,526
QBE Insurance Group Limited	27,310	35,793
Qube Holdings Limited	11,953	9,064
Ramsay Health Care Limited	13,332	10,422
Reece Limited	7,923	6,426
Regis Healthcare Limited	4,203	2,353
Rio Tinto Limited	26,555	31,369
Santos Limited	7,811	13,182
Scentre Group	8,853	6,501
Schaffer Corporation Limited	352	335
Sedgman Limited	-	1,385
Select Harvests Limited	1,091	1,780
Seven Group Holdings Limited		
- TELYS4 preference shares	392	537
Sims Metal Management Limited	5,727	8,263
Sonic Healthcare Limited	13,456	13,162
South32 Limited	-	6,496
Stockland Group	13,108	10,943
Suncorp Group Limited	39,003	41,294
Sydney Airport	18,111	12,996
Tank Stream Ventures	89	101
Tatts Group Limited	8,839	8,608
Telstra Corporation Limited	83,240	89,737
TPG Telecom Limited	44,405	33,472
Transurban Group	42,121	30,951
Treasury Wine Estates Limited	11,021	5,257
UGL Limited	3,120	3,077
Vicinity Centres (formerly Federation Centres)	21,425	18,844
Washington H. Soul Pattinson & Company Limited	155,969	123,306
Wesfarmers Limited	113,705	110,670
Westfield Corporation	9,170	6,931
Westpac Banking Corporation	307,266	336,009
Woodside Petroleum Limited	23,642	29,621
Woolworths Limited	60,664	78,291
WorleyParsons Limited	3,061	4,425
	2,568,458	2,656,998

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2016
The following holdings are valued at fair value through Other Comprehensive Income.

	2016 Market value \$'000	2015 Market value \$'000
Other liquid securities		
APT Pipelines Limited	1,016	1,039
Bank of Queensland Limited - convertible preference shares	5,170	5,250
Colonial Group - subordinated notes	1,013	1,010
Commonwealth Bank of Australia - Perls III	-	986
Goodman Funds Management - perpetual listed unsecured securities	-	1,108
Woolworths Limited notes II	-	204
	7,199	9,597

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 2016 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 2016.

Signed in accordance with a resolution of the directors.



R. D. MILLNER
Chairman
Sydney, 4 August 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MILTON CORPORATION LIMITED
ABN 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 2016, 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Milton Corporation Limited are responsible for the preparation 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 22, the directors also state that, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MILTON CORPORATION LIMITED
ABN 18 000 041 421

Independence

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

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 consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 22.

Report on the Remuneration Report

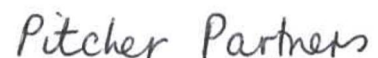
We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Milton Corporation Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



M A ALEXANDER
Partner



PITCHER PARTNERS
Sydney

4 August 2016

DIRECTORY

DIRECTORS

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

MANAGEMENT

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

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

LEVEL 4, 50 PITT STREET
SYDNEY NSW 2000
PHONE: (02) 8006 5357
FAX: (02) 9251 7033
EMAIL: general@milton.com.au
WEBSITE: www.milton.com.au

AUDITORS

PITCHER PARTNERS
LEVEL 22, MLC CENTRE
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 2016

NAME	SHARES HELD	%
Washington H Soul Pattinson & Company Limited	33,596,179	5.17
Argo Investments Limited	28,483,552	4.38
Higlett Pty Ltd	27,539,279	4.24
Australian Foundation Investment Company Limited	11,841,468	1.82
Griffinna Pty Ltd <Wood Dragon A/C>	6,355,020	0.98
Danwer Investments Pty Ltd	6,079,504	0.94
Bortre Pty Limited	6,079,504	0.94
Otterpaw Pty Ltd <Penguin A/C>	5,777,235	0.89
JBF Holdings Pty Ltd	5,253,920	0.81
Chickenfeed Pty Ltd	4,218,449	0.65
Jamama Nominees Pty Limited	4,195,685	0.65
J S Millner Holdings Pty Limited	3,743,514	0.58
Macdawley Proprietary Limited	3,479,615	0.54
Gartfern Pty Limited	3,313,584	0.51
Redemptorists <Central Investment Fund>	3,280,000	0.50
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	2,919,487	0.45
Ms Julia Jane Drew	2,875,000	0.44
IIOF Investment Management Limited <IPS Super A/C>	2,768,085	0.43

On 30 June 2016, there were 23,729 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	2,789
1,001 – 5,000	6,324
5,001 – 10,000	4,918
10,001 – 100,000	9,079
100,001 and over	619
The number of holders of less than a marketable parcel of 25 shares	655

SUBSTANTIAL SHAREHOLDINGS as at 30 June 2016 the names and holdings of substantial shareholders as disclosed in notices received by Milton are as follows:-

<i>Substantial shareholders</i>	<i>Date of Notice</i>	<i>No. of shares</i>
Washington H. Soul Pattinson & Company Limited	20 December 2010	33,585,300
Brickworks Limited ⁽¹⁾	7 January 2014	33,589,220

⁽¹⁾(Technical relevant interest as a result of its holding in Washington H. Soul Pattinson & Company Limited)

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 345 and the total brokerage paid or accrued was \$395,323.

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

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

"CPI" FOR CAPITAL GAINS TAX

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

NOTES