

MILTON CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

ANNUAL REPORT 2018

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 25,800 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 also 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 \$2.9 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 0.14% per annum of total assets.

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

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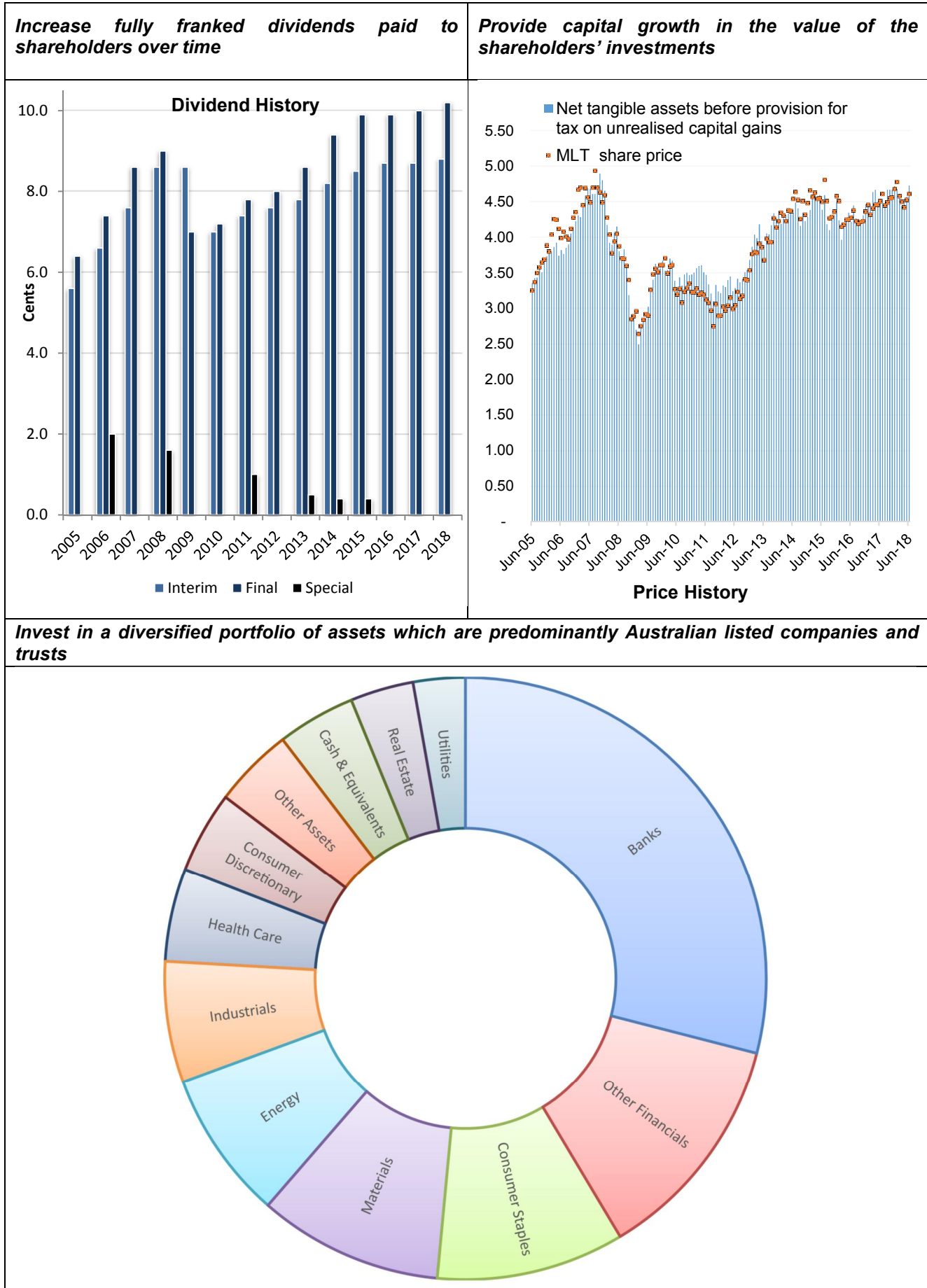
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*Corporate Governance Statement is available on the company website:
www.milton.com.au/shareholders.html and is lodged with ASX with this Annual Report.

Important dates

Final Dividend:		
Ex date	9 August 2018	Company Briefing - Melbourne on 16 October 2018 at 10.30am at State Library of Victoria
Payment date	4 September 2018	
DRP application closing date	13 August 2018	
Annual General Meeting:	11 October 2018 at 3.00pm	Company Briefing – Adelaide on 17 October 2018 at 10.30am at Intercontinental Adelaide
To be held at	Sofitel Sydney Wentworth, Level 4, Adelaide Room, 61-101 Phillip Street, Sydney	

Milton has three objectives:



Chairman's Review of the 2018 financial year

Dear Shareholders

I am pleased to enclose the 2018 Annual Report for Milton Corporation, which is celebrating its 80th anniversary of incorporation and its 60th year of listing.

Financial Highlights

2018 was a year of uncertainty for investors both domestically and globally, with many regulatory and geopolitical concerns affecting markets. Volatility returned after an extended period of calm and global interest rates have begun to rise as central banks reduce their balance sheets. Domestically, the banking Royal Commission has had a material effect on certain companies resulting in a market with strong divergence between sector valuations. The total return from the Australian stock market, however, was strong with coordinated global economic growth producing a robust corporate earnings environment.

Milton aims to look through market noise and invest in quality companies with growing earnings and dividends over the long term. Milton's portfolio is not aligned to any index, with earnings generated from dividend income received from the portfolio, rather than through trading.

Net profit after tax for the 2018 financial year was \$130.0 million, including special investment revenue of \$1.3 million, an increase of 6.2% on the prior year.

Underlying profit after tax, which excludes special investment revenue and acquisition costs for the 2018 financial year was \$128.8 million, an increase of 5.6% on the prior year. To enhance the reliability of our dividend payments the Board primarily uses underlying profit as a measure of core earnings.

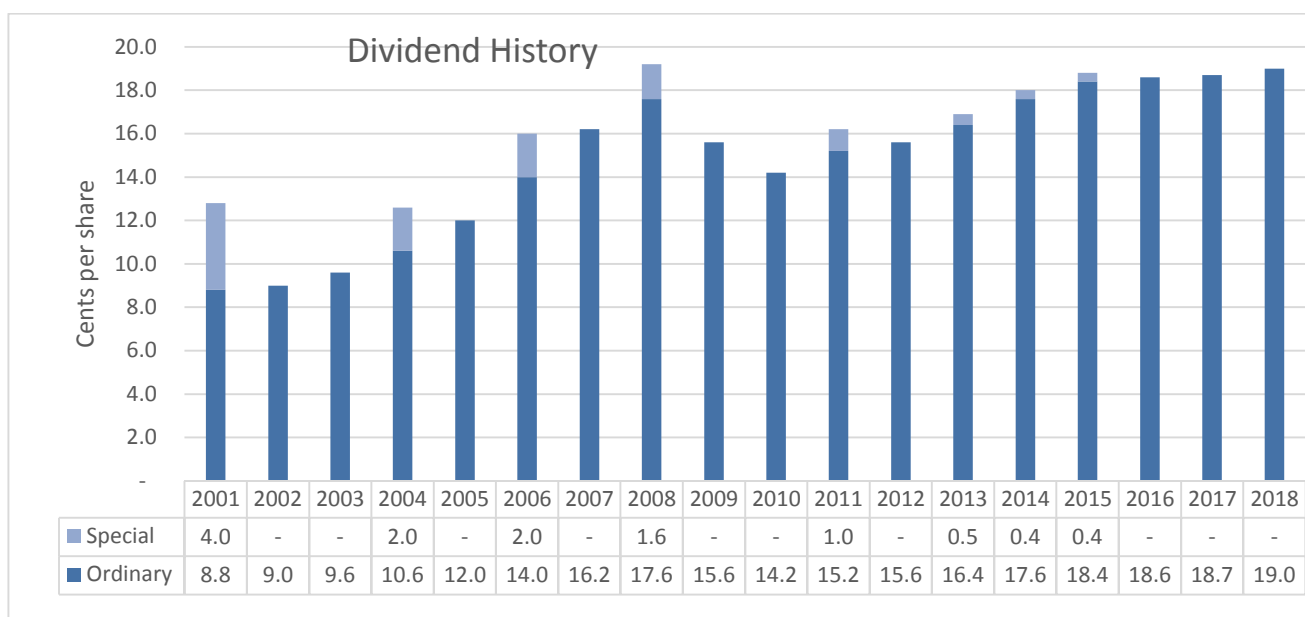
Ordinary investment revenue for 2018 was \$132.5 million, an increase of 6.0% on the prior year, and was received from Milton's portfolio of Australian listed equities. Increased dividends were received from over two thirds of Milton's portfolio, offsetting disappointing declines from investments in the telecommunications sector. Larger increases were seen from BHP, RIO, Woolworths, Wesfarmers and AGL.

Dividends

A large part of the long term return from investing in the Australian stock market is due to tax effective dividend income. Milton aims to pay increasing, fully franked, dividends to shareholders.

The full year ordinary dividend for 2018 has been increased to 19.0 cents per share, from 18.7 cents in 2017, and represents the 8th consecutive increase. In determining the dividend for the year the board considered Milton's strong financial position and expectations for further underlying profit growth in 2019.

Milton's profit reserves, strong balance sheet with no debt, and available franking credit balances provides confidence that this level of fully franked dividend is well supported.



Dividend Reinvestment Plan (DRP)

Milton's DRP will be in operation for the final dividend. The last day for receipt of an election to participate is 13 August 2018. We have been pleased to see continued growth in participation as investors take advantage of the opportunity to add to their Milton holdings in a cost effective manner.

Management Expense Ratio (MER)

Milton is internally managed, with no performance or management fees paid. This structure ensures that investment staff are focused on maximising net returns to shareholders. Milton's MER for the 2018 year was 0.14%, an increase from 0.12% in 2017. The primary reason for the increase is costs associated with the recruitment and succession of the Managing Director. Milton remains one of the lowest cost professional managers of Australian equities available to investors.

Investments

Milton's portfolio reflects the emphasis placed on investing in companies that pay increasing dividends over the long term from quality earnings streams. Milton's portfolio is not aligned to any index so it may underperform broad market indices over the short term. Milton's long term returns are shown below, the returns are not adjusted for franking credits, which may be utilised by some shareholders.

	1 Year	5 Years	10 Years	15 Years	20 Years
Total Portfolio Return %	9.3	8.5	6.9	9.0	10.2
Total Shareholder Return %	6.5	9.1	6.5	8.6	9.5

In 2018 Milton's diverse, \$2.9 billion, portfolio of 86 companies benefited from the strong performance of the resource, energy and consumer staples sectors. Details of Milton's portfolio are shown on pages 7-10.

During the year the portfolio was fine-tuned with positions in 26 companies and trusts increased by a total of \$70 million. Investments were made in AGL, Woodside Petroleum, Technology One and Janus Henderson. Investments were partially funded by the complete disposal of positions in AMP, Origin Energy and Fletcher Building.

The 25 largest investments at 30 June 2018 are set out below.

	MARKET VALUE \$ million		MARKET VALUE \$ million
Westpac Banking Corporation	307.4	Perpetual Limited	51.3
Commonwealth Bank of Australia	227.2	Brickworks Limited	50.6
Washington H. Soul Pattinson	189.8	IAG Limited	49.9
Wesfarmers Limited	140.0	A P Eagers Limited	49.8
National Australia Bank	132.2	RIO Tinto Limited	48.7
BHP Billiton	123.8	Suncorp Group	48.4
CSL Limited	114.1	ALS Limited	45.8
ANZ Banking Group	96.3	Transurban Group	45.5
Woolworths Group	88.6	Woodside Petroleum Limited	43.4
Macquarie Group	81.6	Telstra Corporation	39.5
Bank of Queensland	74.4	ASX Limited	35.3
AGL Energy	68.8	Total market value of Top 25	2,266.6
Bendigo and Adelaide Bank	61.9		
Blackmores Limited	52.3	Total Listed Investments	2,931.5

Executive Changes

Milton's Board notes the retirement of Mr Frank Gooch, who retired on 31 July 2018 after 22 years with Milton. Mr Gooch contributed greatly to the success of Milton in his time as Managing Director overseeing growth in assets from \$0.2 billion to \$3.1 billion. Mr Gooch provided strong leadership throughout that time and contributed to the overall LIC industry through his involvement in industry bodies. Mr Gooch has been succeeded by Mr Brendan O'Dea who worked with Mr Gooch since January 2018 as part of an orderly transition. I am confident Mr O'Dea will be an outstanding leader of the company and a valuable contributor to the Board.

Outlook

Synchronised global growth currently provides a solid underlying economic backdrop for equity investors. 2018 was a strong year globally for equity returns with price growth providing a large part of the total return. Equity valuations, however, now have a high degree of divergence with Australian listed companies exposed to global growth trading at high valuations and dividend paying companies at cycle lows.

The impact of technology and the rate of change in the business environment presents challenges for all companies. Milton's investment team will continue to review our portfolio for disruption to business models and to ensure that long term earnings and dividend growth are present.

The Australian stock market remains a strong choice for investors seeking growing, tax effective dividends with valuations, in most cases, reasonable and positive underlying investor flows. Companies are well positioned to deliver earnings growth in 2019.

Milton has the resources to invest, when opportunities arise, given our balance sheet strength and cash position. As a long term investor Milton can take advantage of market volatility.

A further update on the portfolio and underlying market conditions will be provided at Milton's Annual General Meeting to be held on 11 October 2018.

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

R. D. MILLNER
Chairman

Sydney, 2 August 2018

Five Year Financial Summary

	2018	2017	2016	2015	2014
Underlying operating profit after tax ⁽¹⁾ (\$million)	128.8	122.0	126.4	125.0	117.4
Underlying earnings per share (cents)	19.6	18.7	19.5	19.6	18.8
Profit after tax (\$million)	130.0	122.4	127.9	128.0	120.3
Earnings per share (cents)	19.8	18.8	19.8	20.1	19.3
Administration costs as % of average total assets	0.14	0.12	0.13	0.12	0.13
Interim dividend (cents per share)	8.8	8.7	8.7	8.5	8.2
Final dividend (cents per share) ⁽²⁾	10.2	10.0	9.9	9.9	9.4
Full year ordinary dividend (cents per share)	19.0	18.7	18.6	18.4	17.6
Special dividend (cents per share)	-	-	-	0.4	0.4
Net assets ⁽²⁾ at 30 June (\$million)	3,114	2,939	2,746	2,811	2,746
Net asset backing per share pre-tax ⁽²⁾ at 30 June(\$)	4.73	4.51	4.22	4.39	4.35
Net asset backing per share post-tax ⁽³⁾ at 30 June(\$)	4.16	3.99	3.79	3.90	3.86
Last sale price at 30 June (\$)	4.61	4.51	4.28	4.50	4.54
All Ordinaries Index at 30 June	6290	5764	5310	5451	5382
Ten year Total Shareholder Return (% per annum)	6.5	4.7	5.3	8.0	10.2
Five year Total Shareholder Return (% per annum)	9.1	12.9	11.4	12.1	14.5
Shares on issue (million)	658.2	651.9	649.9	640.2	630.8
Number of shareholders	25,864	24,726	23,729	22,514	21,055

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

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

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

Classification of Investments by Sector

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

Classification ⁽¹⁾	Opening position	Additions ⁽³⁾	Disposals	Change in value	Closing position	Income	Position Weighting
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	%
Banks	965.5	5.4	(0.4)	66.3	904.2	58.1	29.0
Consumer staples	256.6	-	(4.8)	61.9	313.7	11.2	10.1
Materials	254.8	1.3	(4.9)	58.1	309.3	11.3	9.9
Diversified financials	219.9	25.8	-	9.6	255.3	11.5	8.2
Energy	205.8	11.6	(15.7)	48.2	249.9	7.2	8.0
Insurance	144.3	0.1	(15.4)	2.5	131.5	6.1	4.2
Healthcare	122.3	4.1	-	28.9	155.3	2.4	5.0
Real estate	87.8	18.6	(10.6)	8.8	104.6	5.0	3.4
Telecommunications	87.6	0.4	(3.3)	27.0	57.7	3.6	1.9
Utilities	87.2	7.9	-	6.6	88.5	3.7	2.8
Retailing	81.9	0.3	-	8.2	90.4	3.4	2.9
Transport	80.2	6.0	-	0.3	85.9	3.6	2.8
Commercial services	67.7	0.5	-	1.0	69.2	1.9	2.2
Capital goods	39.7	0.9	-	7.6	48.2	1.3	1.5
Consumer services	36.6	-	(4.6)	0.1	31.9	1.1	1.0
Media	14.0	-	-	0.1	14.1	0.6	0.5
Other shares	12.1	6.5	-	3.6	22.2	0.5	0.0
Total equity investments	2,764.0	89.4	(59.7)	138.2	2,931.9	132.5	94.1
Liquids ⁽²⁾	149.0				159.8	2.7	5.1
Property joint ventures	22.9				21.3	0.4	0.7
Other assets	5.3				3.1	2.9	0.1
Total	2,941.2				3,116.1	138.5	100.0

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

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

⁽³⁾ Includes acquisition of an unlisted investment company.

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 2018 to \$2.1 million.

Milton Foundation's assets can now support annual distributions of over \$100,000. In 2018, a total of \$114,000 was distributed to seventeen organisations which provide much needed support for the disadvantaged in society in Australia.

The Foundation has provided \$2.21 million of assistance to the community since its establishment.

Shareholders can support the Foundation by either:

Forwarding a cheque to:

The Trustees

Milton Corporation Foundation

PO Box R1836

Royal Exchange NSW 1225.

or

Direct deposit into the bank account:

Account Name: Milton Corporation Foundation

BSB: 082-067

Account No: 038263869

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.



Chairman of Trustees

Sydney, 2 August 2018

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2018

	Holding	Fair Value \$'000
<u>Banks</u>		
Australia & New Zealand Banking Group Limited		
- ordinary shares	3,408,473	96,255
- capital notes 2	2,000	201
Auswide Bank Limited	433,570	2,441
Bank of Queensland Limited	7,306,078	74,449
Bendigo and Adelaide Bank Limited	5,709,708	61,893
Commonwealth Bank of Australia	3,118,305	227,231
MyState Limited	444,992	2,229
National Australia Bank Limited	4,821,472	132,157
Westpac Banking Corporation	10,490,827	307,381
		<u>904,237</u>
<u>Consumer Staples</u>		
Blackmores Limited	367,014	52,299
Coca-Cola Amatil Limited	1,011,434	9,305
Graincorp Limited	362,290	2,782
Treasury Wine Estates Limited	1,194,085	20,765
Wesfarmers Limited	2,835,533	139,962
Woolworths Limited	2,903,973	88,629
		<u>313,742</u>
<u>Materials</u>		
Adelaide Brighton Limited	2,947,554	20,486
Amcor Limited	1,321,512	19,043
BHP Billiton Limited	3,650,921	123,803
Boral Limited	2,089,293	13,643
Brickworks Limited	3,234,567	50,589
Dulux Group Limited	1,655,184	12,662
Incitec Pivot Limited	1,610,689	5,847
Orica Limited	188,987	3,355
Orora Limited	1,094,512	3,907
Rio Tinto Limited	583,618	48,697
Sims Metal Management Limited	452,368	7,274
		<u>309,306</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2018

	Holding	Fair Value \$'000
<u>Diversified Financials</u>		
Argo Investments Limited	1,809,575	14,422
ASX Limited	548,965	35,348
Australian Foundation Investment Co	762,192	4,695
BKI Investment Company Limited	1,223,866	1,866
Carlton Investments Limited	356,778	11,802
Challenger Limited	544,000	6,436
EQT Holdings Limited	500,697	10,414
IOOF Holdings Limited	2,009,086	18,062
Janus Henderson Group	217,500	9,057
Macquarie Group Limited	659,990	81,608
Pendal Group Limited (formerly BT Investment Management)	1,046,643	10,372
Perpetual Limited	1,231,982	51,250
		255,332
<u>Energy</u>		
Caltex Limited	394,000	12,821
New Hope Corporation Limited	1,290,107	3,857
Washington H. Soul Pattinson & Company Limited	9,174,640	189,823
Woodside Petroleum Limited	1,222,911	43,364
		249,865
<u>Healthcare</u>		
Cochlear Limited	33,800	6,766
CSL Limited	592,198	114,069
Ramsay Health Care Limited	225,283	12,161
Regis Healthcare Limited	1,856,076	6,088
Sonic Healthcare Limited	659,425	16,176
		155,260
<u>Insurance</u>		
AUB Group Limited	1,049,153	14,247
Insurance Australia Group Limited	5,847,282	49,877
QBE Insurance Group Limited	1,949,375	18,987
Suncorp Group Limited	3,314,232	48,355
		131,466
<u>Real Estate</u>		
Charter Hall Group	1,751,000	11,417
Charter Hall Long WALE REIT	1,866,997	8,215
Finbar Group Limited	3,642,464	3,497
Goodman Group	1,475,376	14,193
Growthpoint Properties Australia	403,010	1,455
Lendlease Group	969,539	19,207
Scentre Group	2,669,474	11,719
Stockland Group	3,589,940	14,252
Unibail-Rodamco-Westfield	317,520	4,658
Vicinity Centres	6,168,335	15,976
		104,589

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2018

	Holding	Fair Value \$'000
<u>Retailing</u>		
A.P. Eagers Limited	5,833,107	49,756
ARB Corporation Limited	911,065	20,800
Automotive Holdings Group Limited	3,466,366	9,879
Premier Investments Limited	590,321	9,965
		90,400
<u>Utilities</u>		
AGL Energy Limited	3,060,000	68,789
APA Group	2,005,833	19,757
		88,546
<u>Transport</u>		
Lindsay Australia Limited	12,843,330	4,880
Qube Holdings Limited	5,994,164	14,446
Sydney Airport	2,944,629	21,084
Transurban Group	3,797,811	45,460
		85,870
<u>Commercial Services</u>		
ALS Limited	6,079,431	45,839
Brambles Limited	1,431,966	12,716
McMillan Shakespeare Limited	662,538	10,601
		69,156
<u>Telecommunication</u>		
Telstra Corporation Limited	15,065,253	39,471
TPG Telecom Limited	3,530,984	18,255
		57,726
<u>Capital Goods</u>		
CIMIC Group Limited	791,239	33,469
Reece Limited	1,167,950	14,775
		48,244
<u>Consumer Services</u>		
Flight Centre Travel Group Limited	80,300	5,111
InvoCare Limited	1,950,914	26,806
		31,917
<u>Information Technology</u>		
Carsales.com Limited	995,000	15,044
Technology One Limited	1,370,000	5,823
		20,867

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2018

	Holding	Fair Value \$'000
<u>Media</u>		
Event Hospitality & Entertainment	1,010,921	13,536
Seven Group Holdings Limited – TELYS4 preference shares	7,000	556
		14,092
<u>Automobiles & Components</u>		
Schaffer Corporation Limited	68,999	914
		914
Total Listed Investments by Sector		2,931,529

Directors' Report

For the year ended 30 June 2018

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 2018 and the independent auditor's report thereon.

Directors

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

Robert D. Millner FAICD Independent non-executive chairman.

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

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

Other current directorships:

Director of Australian Pharmaceutical Industries Limited since 2000, Chairman of BKI Investment Company Limited since 2003, Director of Brickworks Limited since 1997 and appointed chairman in 1999, Director of New Hope Corporation Limited since 1995 and appointed chairman in 1998, Director of TPG Telecom Limited since 2000, Director of Washington H. Soul Pattinson & Company Limited since 1984 and appointed chairman in 1998.

Former directorships in the last three years:

Hunter Hall Global Value Limited from April to June 2017

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

Director of Milton Corporation Limited since 1986 and retired on 12 Oct 2017 after 31 years of dedicated service.

He was a member of the Investment Committee.

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

Former directorships in the last three years:

PO Valley Energy Limited from 2012 to April 2016.

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 33 years' experience in the finance and investment industries.

Other current directorships:

Director of Pengana International Equities Limited since June 2017 and appointed Chairman in December 2017.

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

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

Member of the Investment Committee.

An Engineer with experience in equity markets and strategy development

Brendan J. O'Dea, B. Ec, M. Bus, CA, MAICD

Managing Director of Milton Corporation Limited with effect from 1 August 2018

Member of the Investment Committee.

A Chartered Accountant and has extensive investing and business management experience with over 22 years at a global investment bank as a Managing Director.

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 41 years of involvement in the investment industry.

Former directorships in the last three years:

Billabong International Limited from 2012 to 2018

SCA Property Group from 2012 to 2018.

Directors' meetings

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

Director	Directors' Meetings		Investment Committee Meetings		Audit & Risk Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
R.D. Millner	7	7	20	21	*	*	*	*	1	1
J.F. Church ⁽¹⁾	3	3	8	8	*	*	*	*	*	*
G.L. Crampton	7	7	*	*	5	5	*	*	1	1
K.J. Eley	7	7	19	21	5	5	*	*	*	*
F.G. Gooch	7	7	21	21	*	*	1	1	*	*
I.A. Pollard	7	7	*	*	5	5	1	1	1	1
J.E. Jarvinen ⁽²⁾	6	6	21	21	*	*	1	1	*	*

A - Number of meetings attended.

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

* - Not a member of the relevant committee.

⁽¹⁾J.F. Church retired 12 October 2017

⁽²⁾J.E. Jarvinen appointed 3 August 2017

B.J. O'Dea appointed as director after 30 June 2018

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 \$130.0 million (2017: \$122.4 million). Milton is in a sound financial position with net assets after provision for tax on unrealised capital gains at 30 June 2018 of \$2.7 billion (2017: \$2.6 billion) and no debt.

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

Significant changes in the state of affairs

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

Dividends

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

	Cents per share	Total amount \$'000	Date of payment
<i>Declared and paid during the year</i>			
- Final 2017 ordinary fully franked	10.0	65,196	5 September 2017
- Interim 2018 ordinary fully franked	8.8	57,833	1 March 2018
<i>Declared after end of year and not provided for</i>			
- Final 2018 ordinary fully franked	10.2	67,133	4 September 2018

No LIC capital gain was included in the above dividends.

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

Events subsequent to reporting date

Apart from the information contained in note 25 to the financial statements, no matter or circumstance has arisen since the end of the financial year that has or may significantly affect the operations, results or state of affairs of Milton in subsequent financial years.

Likely developments

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

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

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

Environmental regulations

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

Directors' relevant interests

No director has or has had any interest in a contract entered into since the last Directors' Report or any contract or proposed contract with Milton or any subsidiary or any related entity other than as disclosed in note 18 to the financial statements.

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

Director	No. of Shares
R.D. Millner	12,617,096
G.L. Crampton	169,172
K.J. Eley	110,879
F.G. Gooch ⁽¹⁾	1,052,100
B.J. O'Dea ⁽²⁾	50,000
J.E. Jarvinen	12,000
I.A. Pollard	91,129

⁽¹⁾Mr F.G. Gooch retired with effect from 31 July 2018 ⁽²⁾Mr B.J. O'Dea was appointed a director on 1 August 2018

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 2018.

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 managerial roles with private companies as Finance Controller for over 6 years and prior to that in the banking and financial services sector for over 4 years. He is an associate member of the Governance Institute of Australia and Institute of Chartered Secretaries and Administrators.

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)

	2018	2017
	\$	\$
Chairman base fee	140,257	137,507
Director base fee	70,128	68,753
Chairman of the Audit & Risk Committee fee	6,206	6,084
Member of the Audit & Risk Committee fee	3,518	3,449
Member of the Investment Committee fee	6,206	6,084

The total remuneration paid to non-executive directors in 2018 was \$557,993 (2017: \$443,754).

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. During the year, retirement benefits of \$90,000 was paid to Mr. John Church who retired in October 2017. The total balance provided at 30 June 2018 is \$100,905 (2017: \$190,905).

Remuneration of executives

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

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

In formulating its recommendations, the Remuneration Committee considers:

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

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

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

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

In determining the amount of any bonus the board has regard to quantitative measures such as underlying operating earnings per share, dividends per share and total returns relative to the market as a whole. Average cash bonus paid was 13% of TECP for 2018.

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

	2018	2017	2016	2015	2014
<u>Profitability</u>					
Underlying operating profit (\$million)	128.8	122.0	126.4	125.0	117.4
Growth (Decline) in underlying operating profit (%)	5.6	(3.5)	1.1	6.5	8.2
Underlying earnings per share (cents)	19.6	18.7	19.5	19.6	18.8
Growth (Decline) in underlying earnings per share (%)	4.7	(4.1)	(0.4)	4.3	5.5
<u>Dividend</u>					
Full year ordinary dividend (cents per share)	19.0	18.7	18.6	18.4	17.6
Growth in full year ordinary dividend (%)	1.6	0.5	1.1	4.6	7.3
Special dividend (cents per share)	-	-	-	0.4	0.4
<u>Capital</u>					
Net asset backing per share pre-tax ⁽¹⁾ at 30 June(\$)	4.73	4.51	4.22	4.39	4.35
Growth (decline) in net asset backing per share (%)	4.9	6.9	(3.8)	0.9	11.9
Net assets ⁽¹⁾ at 30 June (\$million)	3,114	2,939	2,746	2,811	2,746
<u>Total Return</u>					
Ten year Total Shareholder Return	6.5	4.7	5.3	8.0	10.2
Ten year Total Portfolio Return	6.9	4.2	5.6	7.3	9.2
Ten year accumulation return of the All Ordinaries Index	6.2	3.5	4.9	7.0	8.8

⁽¹⁾ Before provision for tax on unrealised capital gains

At Milton's 2017 Annual General Meeting, shareholders supported the remuneration report for the 2017 financial year with 83.7% 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 2017.

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 2017 and 2018 are set out in the following tables.

Non-executive directors of Milton Corporation Limited

			Short Term Benefits Fees \$	Post Employment Superannuation \$	Retirement Benefits paid \$	Total paid \$	Retirement Provision ⁽¹⁾ \$
R.D. Millner	Chairman	2018	133,756	12,707	-	146,463	55,905
		2017	131,133	12,458	-	143,591	55,905
J.F. Church ⁽²⁾	Director	2018	19,841	1,885	90,000	111,726	-
		2017	68,344	6,493	-	74,837	90,000
G.L. Crampton	Director	2018	52,334	24,000	-	76,334	-
		2017	50,837	24,000	-	74,837	-
K.J. Eley	Director	2018	72,924	6,928	-	79,852	-
		2017	71,494	6,792	-	78,286	-
I.A. Pollard	Director	2018	67,257	6,389	-	73,646	45,000
		2017	65,938	6,294	-	72,202	45,000
J.E. Jarvinen ⁽³⁾	Director	2018	63,902	6,070	-	69,972	-
		2017	-	-	-	-	-
Total remuneration		2018	410,014	57,979	90,000	557,993	100,905
		2017	387,746	56,007	-	443,753	190,905

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

(2) J.F. Church retired 12 October 2017

(3) J.E. Jarvinen appointed 3 August 2017

Managing director and executives of Milton Corporation Limited and its subsidiaries

		Short Term Benefits			Post Employment Super- annuation \$	Other long term benefits (3) \$	Share based payments (4) \$	Total \$	
		Salary \$	Cash bonus (1) \$	Non monetary benefits (2) \$					
F.G. Gooch	Managing director	2018	560,287	70,000	4,508	19,008	19,196	134,924	807,923
		2017	536,805	65,000	4,508	30,020	13,525	134,814	784,672
B.J. O'Dea ⁽⁵⁾	Deputy CEO	2018	241,885	35,000	-	17,317	-	-	294,202
		2017	-	-	-	-	-	-	-
D.N. Seneviratne	CFO, secretary	2018	174,141	29,000	-	15,859	3,333	29,115	251,448
		2017	169,863	20,179	-	16,958	3,298	25,533	235,831
Total remuneration		2018	976,313	134,000	4,508	52,184	22,529	164,039	1,353,573
		2017	706,668	85,179	4,508	46,978	16,823	160,347	1,020,503

(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 Milton shares under the Senior Staff Share Plan.

(5) B.J. O'Dea appointed Deputy CEO on 22 January 2018 and appointed the CEO and Managing Director on 1 August 2018 upon retirement of Mr. F.G. Gooch.

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

	Fixed remuneration		Performance-related - STI		Performance-related - LTI	
	2018	2017	2018	2017	2018	2017
F.G. Gooch	74.6%	74.5%	8.7%	8.3%	16.7%	17.2%
B.J. O'Dea	88.1%	-	11.9%	-	-	-
D.N. Seneviratne	76.9%	80.6%	11.5%	8.6%	11.6%	10.8%

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	2018	945,000	60,000	1,005,000
Managing director	2017	885,000	60,000	945,000
D.N. Seneviratne	2018	127,500	25,000	152,500
CFO, secretary	2017	102,500	25,000	127,500

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	2018	2,429,142	127,450	2,556,592	2,695,104	134,924
Managing director	2017	2,296,561	132,581	2,429,142	2,552,875	134,814
D.N. Seneviratne	2018	471,968	91,003	562,971	582,785	29,115
CFO, secretary	2017	380,645	91,323	471,968	487,442	25,533

⁽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 5.23% (2017: 5.52%).

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	2018	1,250,025	60,000	85	1,310,110
Managing director	2017	1,189,940	60,000	85	1,250,025
B.J. O'Dea	2018	-	-	50,000	50,000
Deputy CEO	2017	-	-	-	-
D.N. Seneviratne	2018	128,907	25,000	-	153,907
CFO, secretary	2017	103,907	25,000	-	128,907

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, 2 August 2018

**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 2018, to the best of my knowledge and belief there have been:

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

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



M A ALEXANDER
Partner

2 August 2018

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Milton Corporation Limited
Consolidated income statement
for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Ordinary dividends and distributions	1a	132,540	125,026
Interest	1c	2,677	2,726
Net gains on trading portfolio	1d	807	346
Other revenue		847	577
Operating Revenue		136,871	128,675
Share of net profits of joint ventures – equity accounted	8a	388	1,204
Special dividends and distributions	1b	1,275	366
Income from operating activities		138,534	130,245
Administration expenses		(4,116)	(3,581)
Acquisition related costs of subsidiaries		(90)	-
Profit before income tax expense		134,328	126,664
Income tax expense thereon	2a	(4,321)	(4,287)
Profit attributable to shareholders of Milton		130,007	122,377
		Cents	Cents
Basic and diluted earnings per share	3	19.80	18.79

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 2018

	2018	2017
	\$'000	\$'000
Profit	130,007	122,377
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss</i>		
Revaluation of investments	139,282	182,810
Provision for tax (expense) benefit on revaluation of investments	(43,518)	(55,059)
Other comprehensive income, net of tax	95,764	127,751
Total comprehensive income for the period attributable to the shareholders of Milton	225,771	250,128

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 2018

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash	9	131,815	118,376
Receivables	10a	27,829	24,336
Other financial assets	11	144	6,336
Total current assets		159,788	149,048
Non-current assets			
Receivables	10b	2,605	4,786
Investments	7	2,931,879	2,763,980
Joint ventures – equity accounted	8b	21,389	22,901
Plant and equipment		68	77
Deferred tax assets	2c	360	388
Total non-current assets		2,956,301	2,792,132
Total assets		3,116,089	2,941,180
Current liabilities			
Payables		1,135	1,142
Current tax liabilities		349	267
Provisions		248	128
Total current liabilities		1,732	1,537
Non-current liabilities			
Deferred tax liabilities	2d	378,769	335,148
Provisions		258	442
Total non-current liabilities		379,027	335,590
Total liabilities		380,759	337,127
Net assets		2,735,330	2,604,053
Shareholders' equity			
Issued capital	12	1,582,431	1,553,896
Capital profits reserve	13b	51,651	59,545
Asset revaluation reserve	13a	898,111	794,453
Retained profits		203,137	196,159
Total equity attributable to shareholders of Milton		2,735,330	2,604,053

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 2018

	Issued capital \$'000	Capital profits reserve \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2017	1,553,896	59,545	794,453	196,159	2,604,053
Profit	-	-	-	130,007	130,007
Other Comprehensive Income:	-	-	95,764	-	95,764
Total comprehensive income	-	-	95,764	130,007	225,771
Net realised losses	-	(7,894)	7,894	-	-
Transactions with shareholders:					
Share issues	28,535	-	-	-	28,535
Dividends paid	-	-	-	(123,029)	(123,029)
Balance at 30 June 2018	1,582,431	51,651	898,111	203,137	2,735,330

Balance at 1 July 2016	1,545,122	68,236	658,011	194,762	2,466,131
Profit	-	-	-	122,377	122,377
Other Comprehensive Income:	-	-	127,751	-	127,751
Total comprehensive income	-	-	127,751	122,377	250,128
Net realised losses		(8,691)	8,691	-	-
Transactions with shareholders:					
Share issues	8,774	-	-	-	8,774
Dividends paid	-	-	-	(120,980)	(120,980)
Balance at 30 June 2017	1,553,896	59,545	794,453	196,159	2,604,053

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 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Dividends and distributions received		132,644	123,703
Interest received		2,923	3,120
Distributions received from joint venture entities		3,086	1,683
Other receipts in the course of operations		732	548
Proceeds from sales of trading securities		1,018	346
Payments for trading securities		(211)	-
Other payments in the course of operations		(4,078)	(3,495)
Income taxes paid		(2,853)	(3,805)
Net cash provided by operating activities	23a	133,261	122,100
Cash flows from investing activities			
Proceeds from disposal of investments	7c	59,719	44,052
Proceeds from redemption of other financial assets		6,011	-
Payments for investments in equities and trusts		(70,184)	(55,775)
Payments for investments in joint ventures		(1,188)	(2,256)
Payments for acquisition related costs of subsidiaries		(90)	-
Payments for plant and equipment		(25)	(17)
Loans repaid by other entities		415	302
Loans advanced to other entities		(862)	(1,221)
Net cash used in investing activities		(6,204)	(14,915)
Cash flows from financing activities			
Payments for issue of shares		(28)	(25)
Ordinary dividends paid		(113,590)	(112,187)
Net cash used in financing activities		(113,618)	(112,212)
Net (decrease) increase in cash assets held		13,439	(5,027)
Cash assets at the beginning of the year		118,376	123,403
Cash assets at the end of the year	9	131,815	118,376

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 2018

1. Revenue

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

	2018	2017
	\$'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	130,860	124,118
Investments sold during the year	1,680	908
	132,540	125,026

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	1,275	251
Investments sold during the year	-	115
	1,275	366

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	2,630	2,625
Interest income from other liquid securities	47	101
	2,677	2,726

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	807	346
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Trading securities are recognised initially at cost and subsequently measured at fair value. Changes in fair value are taken directly through the income statement.

Dividends from trading securities are brought to account on the dates the securities trade ex-dividend.

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2018

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.

	2018	2017
	\$'000	\$'000
a. Reconciliation of Income Tax Expense to prima facie tax payable		
Profit before income tax	134,328	126,664
Prima facie income tax expense calculated at 30% on the profit before income tax expense	40,298	37,999
Increase (decrease) in income tax expense due to:		
Tax offset for franked dividends	(35,527)	(33,601)
(Over) provision in prior year	(553)	(101)
Other differences	103	(10)
Income tax expense on profit	4,321	4,287
b. Tax expense composition		
Current tax on profits for the year	4,735	4,374
(Over) provision in prior year	(553)	(101)
Decrease in deferred tax assets (note 2c)	36	24
(Decrease) Increase in deferred tax liabilities (note 2d)	103	(10)
	4,321	4,287
c. Deferred tax assets		
The balance comprises temporary differences attributable to :		
Provisions	338	357
Share issue expenses	12	28
Other	10	3
Total deferred tax assets	360	388
Movements:		
Balance at 1 July	388	405
(Charged) to the income statement	(36)	(24)
Credited to equity	8	7
Balance at 30 June	360	388
To be recovered within 12 months	108	54
To be recovered after more than 12 months	252	334
	360	388

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
d. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	392,620	348,680
Realised capital losses	(30,156)	(29,813)
Amounts recognised in profit:		
Gains on scrip for scrip rollovers	16,043	16,043
Income receivable which is not assessable for tax until receipt	262	238
	378,769	335,148
Movements:		
Balance at 1 July	335,148	280,099
(Credited) to income statement	103	(10)
Charged (Credited) to other comprehensive income	43,518	55,059
Balance at 30 June	378,769	335,148
To be settled beyond 12 months	378,769	335,148

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 2018

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.

	2018	2017
	Cents	Cents
3. Earnings Per Share		
Basic earnings per share	19.80	18.79
	\$'000	\$'000
Profit attributable to shareholders of the parent entity	130,007	122,377
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	656,714,660	651,132,774
Diluted earnings per share and basic earnings per share are the same because there are no potential dilutive ordinary shares.		
	2018	2017
	\$'000	\$'000
4. Dividends Paid		
a. Recognised in the current year		
An ordinary final dividend of 10 cents per share in respect of the 2017 year paid on 5 September 2017 (2017: an ordinary final dividend in respect of the 2016 year of 9.9 cents per share paid on 2 September 2016)	65,196	64,342
An ordinary interim dividend of 8.8 cents per share paid on 1 March 2018 (2017: 8.7 cents per share paid on 2 March 2017)	57,833	56,638
	123,029	120,980
	113,590	112,187
Dividends paid in cash	9,439	8,793
Dividends reinvested in shares	123,029	120,980

Milton Corporation Limited
Notes to the consolidated financial statements: Key Numbers
for the year ended 30 June 2018

	2018	2017
	\$'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 2018 year of 10.2 cents per share payable on 4 September 2018 (2017: ordinary final dividend of 10 cents per share per share paid on 5 September 2017)	67,133	65,196
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	125,101	122,616
Subsequent to year end, the franking account will be reduced by the proposed final dividend to be paid on 4 September 2018 (2017: final dividend paid on 5 September 2017)	(28,771)	(27,941)
	96,330	94,675

The franking account balance would allow Milton to frank additional dividend payments up to an amount of \$224,770,224 (2017: \$220,908,122) which represents 34 cents per share (2017: 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	1,352	1,282

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 2018

7. Investment in equity instruments

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

	2018	2017
	\$'000	\$'000
Investments – non-current		
Quoted investments - at fair value	2,931,539	2,763,696
Unquoted investments - at fair value	350	284
	2,931,879	2,763,980
a. Included in quoted investments are:		
Shares in other corporations	2,763,344	2,611,319
Stapled securities in other corporations	146,096	129,806
Units in trusts	22,089	22,571
	2,931,529	2,763,696
b. Included in unquoted investments are:		
Units in trusts	350	284

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	59,719	44,052
(Loss) on disposal after tax		
Equity investments	(7,894)	(8,691)

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 2018

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.

	2018	2017
	\$'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 (2017:33.33%)	808	1,647
23.33% interest in The Mews Joint Venture contribution to operating profit before tax (2017:23.33%)	113	137
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture (2017: 50%)	(533)	(580)
Share of net profits of joint ventures	388	1,204
b. Consolidated interest in the assets and liabilities of the joint venture entities		
Current assets	16,984	22,075
Non-current assets	17,055	16,237
Current liabilities	(2,906)	(5,923)
Non-current liabilities	(9,201)	(8,945)
	21,932	23,444
Provision for diminution in value	(543)	(543)
Net assets	21,389	22,901

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

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

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

c. Contingencies and capital commitments

Guarantee entered into by the parent company

Milton agreed to provide a financial guarantee facility totalling \$11 million to support prepayments received by a joint venture in which LWP Huntlee Syndicate No 2 has a 23.75% interest. This facility, which is on commercial terms, is secured by a second ranking mortgage over the real property of the joint venture as well as guarantees provided by other related entities of the joint venture. At 30 June 2018, total facility of \$11m had been utilised (2017: \$11M).

Other than the above, the directors are not aware of any material contingent liabilities, contingent assets or capital commitments as at 30 June 2018.

Milton Corporation Limited
Notes to the consolidated financial statements: Assets
for the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
9. Cash		
Cash at bank	6,092	4,614
Deposits at call	21,723	30,762
Term deposits	104,000	83,000
	131,815	118,376

The weighted average interest rate for cash and deposits at call as at 30 June 2018 is 1.7% p.a. (2017: 1.7% p.a.). Term deposits have an average maturity date of August 2018 (2017: August 2017) and an average interest rate of [2.6%] (2017: 2.6% pa).

10. Receivables

a. Receivables – current

Dividends receivable	24,729	23,803
Interest receivable	525	526
Senior staff share plan loans (refer note 19b)	2,557	-
Sundry debtors	18	7
	27,829	24,336

b. Receivables – non-current

Senior staff share plan loans (refer note 19b)	2,605	4,786
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c. Terms and conditions

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

11. Other financial assets

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

Other liquid securities at fair value	-	6,209
Prepaid expenses	144	127
	144	6,336

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. All hybrid securities were redeemed during the year at face value.

Milton Corporation Limited
Notes to the consolidated financial statements: Capital Management
for the year ended 30 June 2018

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	2018 \$'000	No of shares	2017 \$'000
Opening balance	651,963,627	1,553,896	649,922,937	1,545,122
Acquisition of unlisted investment company	4,114,776	19,117	-	-
Dividend Reinvestment Plan ⁽¹⁾	2,092,412	9,437	2,040,690	8,791
Less: Transaction costs (net of tax)	-	(19)	-	(17)
Closing balance	658,170,815	1,582,431	651,963,627	1,553,896

⁽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 2018 financial year, Milton issued 1,113,757 new shares in September 2017 and 978,655 new shares in March 2018 under the DRP (2017: 1,086,782 issued in September 2016 and 953,908 issued in March 2017).

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.

	2018 \$'000	2017 \$'000
a. Asset revaluation reserve		
Opening balance	794,453	658,011
Revaluation of investments net of provision for tax	95,764	127,751
Net realised losses	7,894	8,691
	898,111	794,453
b. Capital profits reserve		
Opening balance	59,545	68,236
Net realised (losses)	(7,894)	(8,691)
	51,651	59,545

Milton Corporation Limited

Notes to the consolidated financial statements: Risk for the year ended 30 June 2018

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, market 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 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 2018

b. Market risk

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

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

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

Investments represent 94% (2017: 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% (2017: 4.7%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2018. The net asset backing before provision for tax on unrealised capital gains would move by 22 cents per share at 30 June 2018 (2017: 21 cents at 30 June 2017).

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 2018

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	2018 %	2017 %
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 and disposal of subsidiaries

During the year ended 30 June 2018, Milton acquired 100% of the shares of an unlisted investment company for a consideration of 4,114,776 new Milton shares with a fair value of \$19,117,239 (2017: None).

This unlisted investment company was placed into voluntary liquidation in May 2018 (2017: 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 2018

	2018 \$'000	2017 \$'000
18. Related party transactions		
a. Directors and Key Management Personnel compensation		
Short-term benefits	1,526	1,184
Other long-term benefits	112	17
Post-employment benefits	110	103
Share-based payments	164	160
	1,912	1,464

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 6% (2017:11.5%) 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 2018.

	No of shares	No of shares
Number of shares at beginning of the year	75,090,508	78,927,571
Acquired during the year	12,000	459,431
Disposed during the year	(5,192,116)	(4,296,494)
Retiring director holdings	(29,522,813)	-
Number of shares held at end of year	40,387,579	75,090,508

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	2,901,110	2,677,206
Loans advanced	376,779	363,112
Loans repaid	(158,326)	(139,208)
Balance at end of the year	3,119,563	2,901,110
Notional interest	164,039	160,346

Notional interest is based on the applicable FBT benchmark interest rate for the year which averaged 5.23% (2017: 5.52%).

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 2018

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 Mr. R.D. Millner and Dr. I.A. Pollard. During the 30 June 2004 year, Milton and the directors varied the Remuneration and Retirement Benefits Deed, whereby the maximum retirement benefit payable to a non-executive director on retirement will be the provision for the director as at 30 June 2003. Apart from the details disclosed in this note no director has entered into a material contract with the parent entity or Milton since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at the end of the year.

e. Transactions with subsidiaries

	2018 \$	2017 \$
Dividends paid to parent	282,758	-
	282,758	-

f. Loans to and from subsidiaries

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

Amounts owed by subsidiaries at beginning of the year	28,312,165	26,658,200
Loans advanced from subsidiaries	(3,263,224)	(1,912,197)
Loan advanced to subsidiaries	1,985,098	3,566,162
Amounts owed by subsidiaries at end of the year	27,034,039	28,312,165

g. Other arrangement with non-executive director

Mr J.F. Church, who was a non-executive director till October 2017, rented office space from Milton at commercial rates from 1 July 2017 to 31 December 2017 and rental income received by Milton during the financial year was \$6,786 (2017: \$13,377).

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, 216 shares (2017:454 shares) were acquired by Milton on behalf of eligible employees under the ESP at a cost of \$1,039 (2017: \$2,086) with a total market value at 30 June 2018 of \$996. 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 2018

b. Senior Staff Share Plan

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

During the year, 160,000 shares (2017: 160,000 shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of \$708,232 (2017: \$683,505). 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 \$737,600 at \$4.61 per share as at 30 June 2018.

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.

	2018	2017
	\$'000	\$'000
20. Auditors Remuneration		
Auditors of the company		
Audit and review services	113	113
Related practice of the auditor		
Agreed upon procedures	15	-
	128	113

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 2018 the parent entity is Milton Corporation Limited.

Profit of the parent entity

Profit for the year	129,734	121,406
Total comprehensive income for the year	225,770	250,129

Milton Corporation Limited
Notes to the consolidated financial statements: Other Information
for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Financial position of the parent entity as at 30 June		
Current assets	186,802	177,437
Total assets	3,119,111	2,944,074
Current liabilities	(1,616)	(1,269)
Total liabilities	(383,781)	(340,021)
Net assets	2,735,330	2,604,053
Total equity of the parent entity comprising of		
Issued capital	1,582,431	1,553,896
Capital profits reserves	60,229	68,123
Asset revaluation reserve	952,001	848,071
Retained profits	140,669	133,963
Total equity attributable to shareholders of the parent entity	2,735,330	2,604,053

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-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 does not 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 2018, 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 2018

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.

	2018	2017
	\$'000	\$'000
23. Cash flow information		
a. Reconciliation of net profit to net cash provided by operating activities		
Net profit	130,007	122,377
Share of net profits of joint ventures – equity accounted	(388)	(1,204)
Distributions received from joint venture entities	3,086	1,683
Acquisition related costs of subsidiaries	90	-
Depreciation of non-current assets	34	28
(Increase) in receivables	(925)	(1,296)
Decrease in payables and provisions	(111)	30
Increase in income taxes payable	1,468	482
Net cash provided by operating activities	133,261	122,100

b. Non-cash financing and investing activities

As described in Note 17c, Milton acquired an unlisted investment company through the issue of 4,114,776 new Milton shares with a fair value of \$19,117,239 (2017:None). Milton did not engage in any other material non-cash investing or financing transactions.

24. Contingent liabilities

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

25. Events subsequent to reporting date

Since the end of the financial year, the directors declared a fully franked ordinary final dividend of 10.2 cents per share payable on 4 September 2018.

Milton entered into an agreement to acquire all of the shares of an unlisted investment company with total assets of approximately \$27M. Consideration for the acquisition will comprise Milton shares which are expected to be issued ex-dividend basis on or about the 17 August 2018.

This financial report was authorised for issue in accordance with a resolution of directors on 2 August 2018. The directors have the power to amend and reissue the financial statements.

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2018
The following holdings are valued at fair value through Other Comprehensive Income.

	2018 Market value \$'000	2017 Market value \$'000
Investments in equity instruments		
Adelaide Brighton Limited	20,486	15,966
AGL Energy Limited	68,789	68,796
ALS Limited	45,839	45,292
Amcor Limited	19,043	21,422
AMP Limited	-	11,009
A.P. Eagers Limited	49,756	48,765
APA Group	19,757	18,393
ARB Corporation Limited	20,800	14,313
Argo Investments Limited	14,422	7,561
ASX Limited	35,348	29,430
AUB Group Limited	14,247	13,572
Australia & New Zealand Banking Group Limited		
- ordinary shares	96,255	96,776
- capital notes 2	201	203
Australian Foundation Investment Company Limited	4,695	-
Auswide Bank Limited	2,441	2,229
Automotive Holdings Group Limited	9,879	11,311
Aveo Group	-	2,386
Bank of Queensland Limited	74,449	83,655
Bendigo & Adelaide Bank Limited	61,893	63,264
BHP Billiton Limited	123,803	84,668
BKI Investment Company Limited	1,866	1,983
Blackmores Limited	52,299	35,175
Boral Limited	13,643	14,190
Brambles Limited	12,716	13,953
Brickworks Limited	50,589	44,605
BWP Trust	-	4,720
Caltex Australia Limited	12,821	10,431
Carlton Investments Limited	11,802	11,238
Carsales.Com Limited	15,044	11,462
Challenger Limited	6,436	5,069
Charter Hall Group	11,417	6,859
Charter Hall Long WALE REIT	8,215	3,853
CIMIC Group Limited	33,469	30,732
Coca-Cola Amatil Limited	9,305	13,535
Cochlear Limited	6,766	5,254
Commonwealth Bank of Australia	227,231	257,535
CSL Limited	114,069	81,741
DuluxGroup Limited	12,662	11,487
EQT Holdings Limited	10,414	8,867
Event Hospitality & Entertainment Limited	13,536	13,516
Finbar Group Limited	3,497	2,226
Fletcher Building Limited	-	6,113
Flight Centre Travel Group Limited	5,111	3,075
Goodman Group	14,193	10,163
GrainCorp Limited	2,782	3,431
Gresham Private Equity Co-Investment Fund	18	18
Growthpoint Properties Australia	1,455	1,265
Insurance Australia Group Limited	49,877	39,645
Incitec Pivot Limited	5,847	5,492
InvoCare Limited	26,806	28,678
IOOF Holdings Limited	18,062	16,821
Janus Henderson Group PLC	9,057	4,839

26. Holdings at Fair Value through Other Comprehensive Income at 30 June 2018
The following holdings are valued at fair value through Other Comprehensive Income.

	2018 Market value \$'000	2017 Market value \$'000
Lendlease Group	19,207	11,697
Lindsay Australia Limited	4,880	4,816
Macquarie Group Limited	81,608	57,790
McMillan Shakespeare Limited	10,601	8,436
MyState Limited	2,229	2,158
National Australia Bank Limited	132,157	140,786
New Hope Corporation Limited	3,857	1,974
Orica Limited	3,355	3,916
Origin Energy Limited	-	4,817
Orora Limited	3,907	3,130
Pendal Group Limited	10,372	7,495
Perpetual Limited	51,250	68,831
Premier Investments Limited	9,965	7,479
QBE Insurance Group Limited	18,987	30,920
Qube Holdings Limited	14,446	15,239
Ramsay Health Care Limited	12,161	13,968
Reece Limited	14,775	8,993
Regis Healthcare Limited	6,088	6,194
Rio Tinto Limited	48,697	36,925
Santos Limited	-	5,101
Scentre Group	11,719	7,288
Schaffer Corporation Limited	914	483
Select Harvests Limited	-	793
Seven Group Holdings Limited		
- TELYS4 preference shares	556	525
Sims Metal Management Limited	7,274	6,867
Sonic Healthcare Limited	16,176	15,123
Stockland Group	14,252	13,819
Suncorp Group Limited	48,355	49,117
Sydney Airport	21,084	18,502
Tank Stream Ventures	332	266
Tatts Group Limited	-	4,846
Technology One Limited	5,823	-
Telstra Corporation Limited	39,471	64,376
TPG Telecom Limited	18,255	23,193
Transurban Group	45,460	41,629
Treasury Wine Estates Limited	20,765	15,714
Unibail-Rodamco	4,658	-
Vicinity Centres	15,976	16,585
Washington H. Soul Pattinson & Company Limited	189,823	152,941
Wesfarmers Limited	139,962	113,762
Westpac Banking Corporation	307,381	318,869
Westfield Corporation	-	6,914
Woodside Petroleum Limited	43,364	27,804
Woolworths Limited	88,629	74,167
WorleyParsons Limited	-	2,750
	2,931,879	2,763,980

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 43 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 2018 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 2018.

Signed in accordance with a resolution of the directors.



R. D. MILLNER
Chairman
Sydney, 2 August 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Milton Corporation Limited “the Company” and its controlled entities “the Group”, which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion,

the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group’s financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* “the Code” that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><i>Ownership and accurate recording of investments in equity instruments and related movement in reserves</i></p> <p><i>Refer to Note 2(d): Deferred tax liabilities, Note 7 Investments in equity instruments and Note 13 Reserves</i></p>	
<p>At 30 June 2018, the Group balance sheet includes investments in equity instruments of \$2,931,879,000, an asset revaluation reserve of \$898,111,000 and a deferred tax liability recognised in relation thereto of \$392,620,000.</p> <p>Listed investments are valued continuously at fair value, which is determined by the unadjusted last-sale price quoted on the Australian Securities Exchange. Changes in fair value of equity instruments are recognised in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability, as investments are long term holdings of equity instruments.</p> <p>Given the significance of the balances, the key audit matter for us was whether the Group has accurately recorded the above balances and the movement in the past 12 months and has ownership of the investments at year end.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Documenting our understanding of management's processes and relevant controls. ▪ Testing relevant controls to ensure that review and analysis by management is performed regularly. ▪ Confirming the recording and ownership of a sample of investments and transactions during the year by agreeing the SRN/HIN numbers to share registry holding statements online and to the books and records of the Group. ▪ Analysing and testing the movement in investments. ▪ Testing management's calculation of the revaluation of investments and the corresponding deferred income tax effect.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Milton Corporation Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

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

Responsibilities

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.

Melina Alexander

M A ALEXANDER
Partner

2 August 2018

Pitcher Partners

PITCHER PARTNERS
Sydney

DIRECTORY

DIRECTORS

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

MANAGEMENT

F.G. GOOCH - Managing director
B.J. O'DEA - Deputy CEO
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 2018

NAME	SHARES HELD	%
Washington H Soul Pattinson & Company Limited	25,216,178	3.83
Higlett Pty Ltd	25,000,000	3.80
Argo Investments Limited	20,919,808	3.18
Australian Foundation Investment Company Limited	10,841,468	1.65
Griffinna Pty Ltd <Wood Dragon A/C>	6,355,020	0.97
Bortre Pty Limited	6,079,504	0.92
Danwer Investments Pty Ltd	6,079,504	0.92
JBF Holdings Pty Ltd	5,253,920	0.80
Chickenfeed Pty Ltd	4,218,449	0.64
Jamama Nominees Pty Limited	4,195,685	0.64
J S Millner Holdings Pty Limited	3,743,514	0.57
Redemptorists <Central Investment Fund>	3,577,000	0.54
Maddawley Proprietary Limited	3,479,615	0.53
Gartfern Pty Limited	3,313,584	0.50
Hexham Holdings Pty Limited	3,230,079	0.49
Millane Pty Limited	3,165,269	0.48
T N Phillips Investments Pty Ltd	3,004,359	0.46
A V L Investments Proprietary Limited	2,979,080	0.45
Ms Julia Jane Drew	2,815,000	0.43
John E Gill Trading Pty Ltd	2,754,074	0.42

On 30 June 2018, there were 25,864 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	3,217
1,001 – 5,000	7,026
5,001 – 10,000	5,298
10,001 – 100,000	9,665
100,001 and over	658
The number of holders of less than a marketable parcel of \$500 (108 shares)	653

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 278 and the total brokerage paid or accrued was \$480,026.

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	14.05.2007	2,424,582
31.12.2002	1,739,112	20.06.2007	252,477
11.03.2004	2,742,777	24.09.2007	1,223,252
01.04.2004	496,809	19.02.2009	3,555,958
17.08.2006	1,000,322	26.02.2010	4,132,711
23.08.2006	1,476,254	20.08.2010	2,446,521
28.08.2006	382,404	21.02.2013	521,464
21.09.2006	278,103	24.02.2014	3,280,382
10.11.2006	1,888,353	22.08.2017	4,114,776
23.03.2007	1,895,976		

Acquisition of listed investment companies

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

Dividend Reinvestment Plans

Date	Shares issued	Price
04.03.2014	187,207	\$4.27
03.09.2014	698,365	\$4.55
03.03.2015	712,273	\$4.56
03.09.2015	998,879	\$4.39
03.03.2016	921,511	\$4.19
02.09.2016	1,086,782	\$4.28
02.03.2017	953,908	\$4.34
05.09.2017	1,113,757	\$4.44
01.03.2018	978,655	\$4.59

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