



# Milton

CORPORATION LIMITED

Annual Report 2019

# Company Profile

## Milton Corporation Limited

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 27,000 shareholders and is listed on the ASX 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 as well as real property development through joint ventures.

Milton aims to pay increasing fully franked dividends to shareholders over time.

### Benefits of investing

Shareholders receive fully franked dividends semi-annually.

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 \$3.1 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.

## Important Dates

### Final Dividend

Ex date:	8 August 2019
Payment date:	3 September 2019
DRP application closing date:	12 August 2019

### Annual General Meeting

Meeting date:	10 October 2019
<i>Sofitel Sydney Wentworth</i> Level 4, Adelaide Room, 61-101 Phillip Street, Sydney	at 3.00pm

### Company Briefing

Melbourne:	16 October 2019
<i>State Library of Victoria</i>	at 10.30am
Adelaide:	17 October 2019
<i>Intercontinental Adelaide</i>	at 10.30am

## Key Highlights

### Net Profit after tax

A\$

**147.7m**

▲ up 13.6%

### Underlying Operating Profit\*

A\$

**133.6m**

▲ up 3.7%

### Basic Earnings Per Share

cents per share

**22.2**

▲ up 12.1%

### Underlying Earnings Per Share

cents per share

**20.1**

▲ up 2.4%

### Fully Franked Total Dividends

cents per share

**21.9**

▲ up 15.3%

### Fully Franked Ordinary Dividends

cents per share

**19.4**

▲ up 2.1%

### Total Assets

A\$

**3.3Bn**

▲ up 6.2%

### Management Expense Ratio

**0.14%**

Same as 2018

## Contents

Directors Report	2
Operating and Financial Review	2
Dividends	2
Five Year Financial Summary	4
Portfolio Performance	5
Review of Investments	6
Top 25 Investments	6
Classification of Investments	7
Management Expense Ratio (MER)	8
Premium and Discount to NTA	8
Acquisitions of Unlisted Investment Companies	8
2020 Financial Year Outlook	8
Board of Directors and Company Secretary	9
Remuneration Report	12
Auditor's Independence Declaration	19
Milton Corporation Foundation	20
Financial Statements	21
Directors' Declaration	48
Independent Auditor's Report	49
Corporate Directory	53
ASX Information	54

### Corporate Governance Statement

Our Corporate Governance Statement is available on the company website at [milton.com.au/corporate-governance.html](http://milton.com.au/corporate-governance.html) and is lodged with ASX with this Report.

\* Underlying operating profit excludes special investment revenue and acquisition costs net of tax.

# Directors Report

## for the year ended 30 June 2019

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 2019 and the independent auditor's report thereon.

### 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

#### Financial Highlights

2019 was a strong year for Milton Corporation with record net profit after tax of \$147.7 million, including special dividends received of \$14.1 million, an increase of 13.6% on the prior year and representing 22.19 cents per share.

Underlying profit after tax for 2019, which excludes special dividends received, was \$133.6 million, an increase of 3.7% on the prior year. Milton's Board primarily uses underlying profit when determining ordinary dividends to enhance their reliability. Underlying earnings per share increased by 2.4% to 20.08 cents per share.

Dividend income received by Milton on its diversified \$3.1 billion portfolio of Australian listed companies increased by 13.7% in 2019, led by sharply increased special dividend income.

Special dividends were received from companies including BHP, RIO, Telstra, Wesfarmers and Dulux. The large resource companies are enjoying favourable trading conditions and elected to return the capital generated to shareholders. Wesfarmers and Dulux paid special dividends due to corporate restructuring. Telstra continues to treat NBN revenue as non-recurring with the income returned to shareholders as special dividends.

Ordinary dividend income received in 2019 increased by 4.2% to \$138.1 million. Increased dividends were received from 60% of Milton's portfolio including material increases from BHP, RIO, Woodside Petroleum and Macquarie Group. Reduced dividends were received from AMP and Vicinity Centres as the positions were sold during the period. NAB and Telstra reduced their ordinary dividends due to earnings pressure.

The Australian market continues to have a relatively high dividend payout ratio with Boards and company management teams aware of the importance of dividends to investors. Dividends have traditionally formed a large part of the total returns of Australian equity investors and it is our expectation that this will continue.

#### Dividends

Milton's Board of Directors have declared a final dividend of 10.4 cents per share increasing full year ordinary dividends to 19.4 cents per share, up 2.1% from 19.0 cents per share in 2018. Additionally Milton paid a special dividend of 2.5 cents per share in the second half of 2019.

Total dividends declared in relation to the 2019 earnings are a record 21.9 cents per share, an increase of 15.3% on 2018. All 2019 dividends were fully franked and Milton has \$98.9 million of remaining franking credits after the payment of the final dividend.

Dividends paid or declared by Milton to members since the end of the previous financial year are shown in the table opposite.

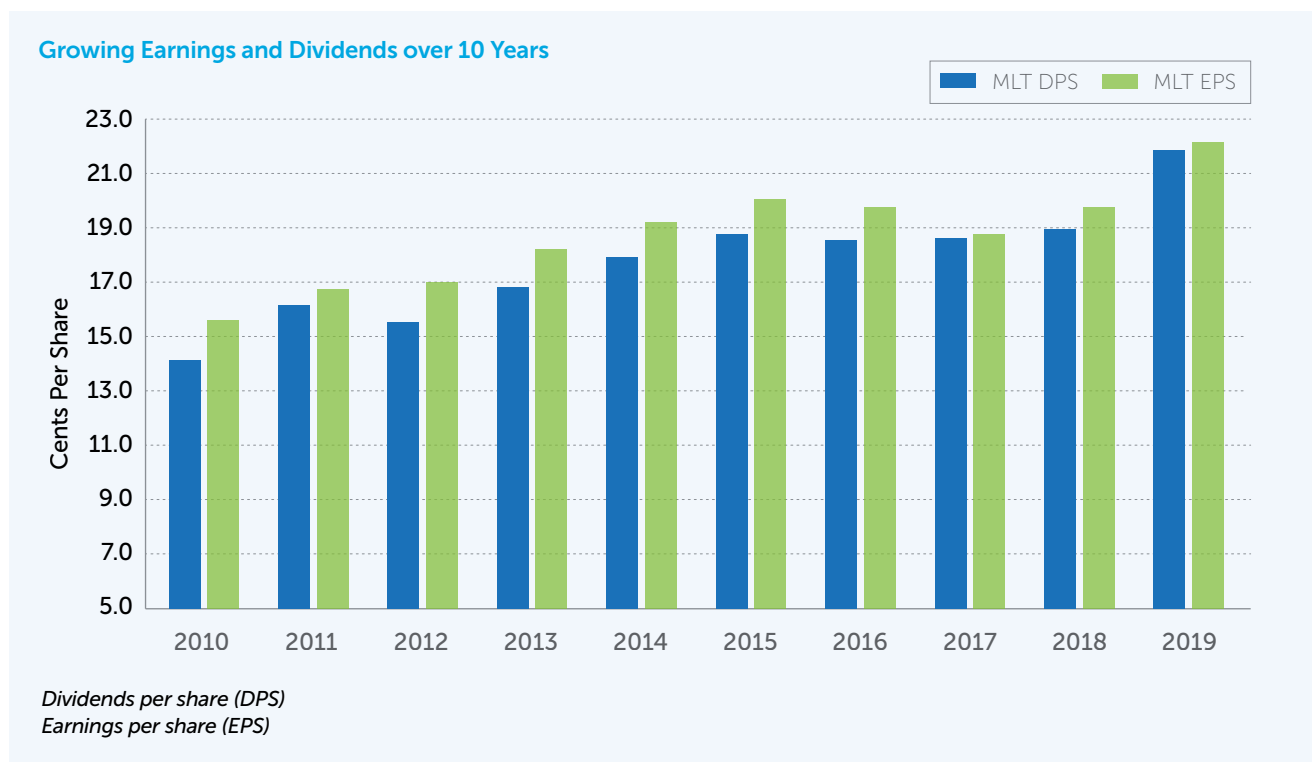
#### Dividend Reinvestment Plan (DRP)

The Board is encouraged by the increased participation rate in Milton's successful DRP program. The DRP will be available for the final dividend. The last day for receipt of an election to participate is 12 August 2019.

## Dividends

	Cents per share ¢	Total amount \$'000	Date of payment
<b>Declared and paid during the year</b>			
Final 2018 ordinary fully franked	10.2	67,133	4 September 2018
Interim 2019 ordinary fully franked	9.0	59,844	5 March 2019
Special 2019 ordinary fully franked	2.5	16,724	30 April 2019
<b>Declared after end of year and not provided for at 30 June 2019</b>			
Final 2019 ordinary fully franked	10.4	69,572	3 September 2019

No LIC capital gain was included in the above dividends.



# Five Year Financial Summary

	2019	2018	2017	2016	2015
Underlying operating profit after tax <sup>1</sup> (\$m)	<b>133.6</b>	128.8	122.0	126.4	125.0
Underlying earnings per share (cents)	<b>20.1</b>	19.6	18.7	19.5	19.6
Profit after tax (\$m)	<b>147.7</b>	130.0	122.4	127.9	128.0
Earnings per share (cents)	<b>22.2</b>	19.8	18.8	19.8	20.1
Management Expense Ratio (%)	<b>0.14</b>	0.14	0.12	0.13	0.12
Interim dividend (cps)	<b>9.0</b>	8.8	8.7	8.7	8.5
Final dividend (cps)	<b>10.4</b>	10.2	10.0	9.9	9.9
Full year ordinary dividend (cps)	<b>19.4</b>	19.0	18.7	18.6	18.4
Special dividend (cps)	<b>2.5</b>	–	–	–	0.4
Net assets <sup>2</sup> at 30 June (\$m)	<b>3,292</b>	3,114	2,939	2,746	2,811
NTA per share pre-tax <sup>2</sup> at 30 June (\$)	<b>4.92</b>	4.73	4.51	4.22	4.39
NTA per share post-tax <sup>3</sup> at 30 June (\$)	<b>4.30</b>	4.16	3.99	3.79	3.90
Last sale price at 30 June (\$)	<b>4.71</b>	4.61	4.51	4.28	4.50
All Ordinaries Index at 30 June	<b>6,699</b>	6,290	5,764	5,310	5,451
Ten year TSR (% per annum)	<b>9.7</b>	6.5	4.7	5.3	8.0
Five year TSR (% per annum)	<b>5.2</b>	9.1	12.9	11.4	12.1
Shares on issue (million)	<b>669.0</b>	658.2	651.9	649.9	640.2
Number of shareholders	<b>26,995</b>	25,864	24,726	23,729	22,514

## Notes

- Underlying operating profit after tax excludes special investment revenue and costs associated with the acquisition of subsidiaries.
- Before provision for tax on unrealised capital gains and before providing for the ordinary final dividend.
- After provision for tax on unrealised capital gains and before providing for the ordinary final dividend.

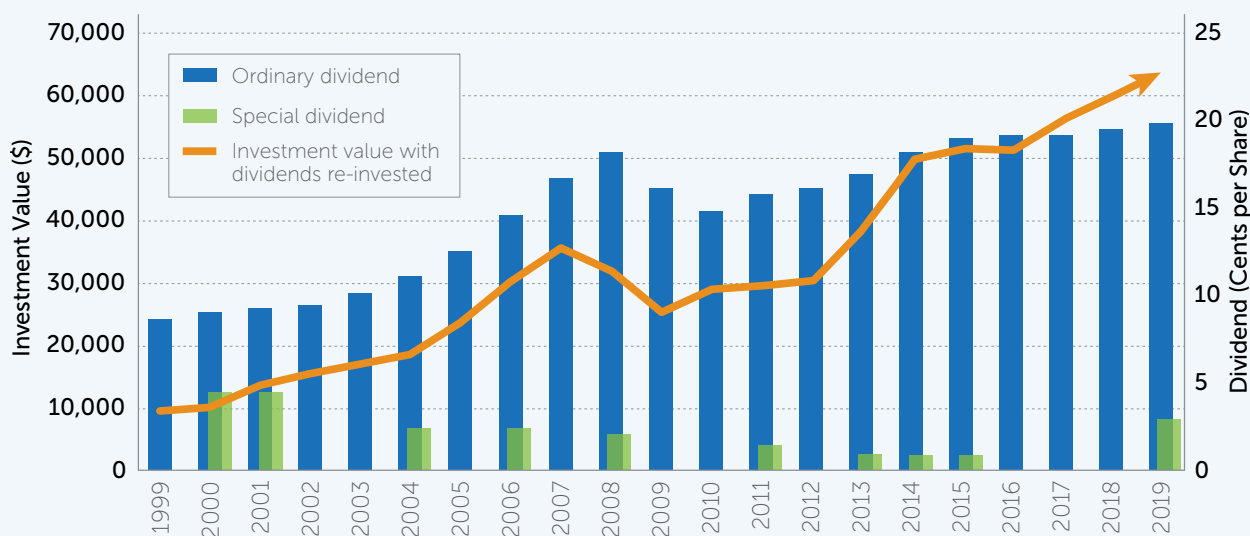
# Directors Report

## continued

### Portfolio Performance

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 do not take into account the benefit of franking credits which may be utilised by some shareholders.

#### Dividend and Investment Growth over 20 years



If \$10,000 invested in MLT in June 1999, and if dividends were re-invested over the 20 years, the value of the investment in June 2019 would be worth \$63,718. Ordinary dividends increased from 8.20c in FY1999 (adjusted for 5:1 split in Oct 2013) to 19.4c in FY2019.

#### Total Returns over Periods Up to 20 Years



**Total portfolio return (TPR)** is the percentage change in Milton's NTA per share plus dividends received by shareholders.  
**Total shareholder return (TSR)** is the percentage change in Milton's share price plus dividends received by shareholders.  
 TPR and TSR above do not take into account franking credits which may be of benefit to certain shareholders.

# Directors Report

## continued

### Review of Investments

Milton's total assets increased to \$3.3 billion from \$3.1 billion over the 2019 financial year. Net Tangible Assets (NTA) per share before deferred tax liability increased by 4.0% to \$4.92 per share.

Milton's portfolio of 85 listed companies benefited from the strong performance of the resources and telecommunications sectors. The banking sector was a drag on full year performance however performed well post the May 2019 federal election.

Total portfolio return, combining Milton's NTA per share movement and dividends received by shareholders was 8.81% for the year.

It was another volatile year for the Australian equity market, with market weakness in the middle of the financial year giving way to a strong rise as central banks indicated a renewed willingness to lower official rates. Australia's RBA cut official cash rates to 1% after a long period of stability and the market forecasts further decreases in the 2020 financial year.

Company earnings and resultant dividend payments have remained robust for most of Milton's portfolio in 2019. The resources sector is benefiting from high prices and supply tightness for many key commodities. The infrastructure sector remains active and is expected to be supported by the returned NSW state and federal governments. Property stocks exposed to office and industrial have seen prices continue to rise for their underlying assets.

In the banking and financial sector the earnings environment remains challenging, revenue pressures and increased compliance costs lowering bank profitability. Milton sees increased risk of reduced bank earnings and dividends as evidenced by the NAB and Bank of Queensland dividend cuts in 2019.

The Milton portfolio management team, with the support of the Investment Committee, continue to review and modify our portfolio on an ongoing basis. Milton's portfolio reflects the emphasis we place on companies that pay increasing dividends over the long term from quality earnings streams.

During the year \$96.6 million of combined investments were made. Investments were increased in Macquarie Group, BHP, AGL and Transurban with new investments in Cleanaway, Altium and REA.

Investments in Vicinity Centres and Unibail-Rodamco were completely sold due to revenue risks associated with the movement of retail spending online. Challenger Limited was exited as we expect annuity flows to be negatively impacted by a lower interest rate environment. Total portfolio sales over the 2019 financial year were \$43.4 million.

**Table B. Top 25 investments at 30 June 2019**

	Market Value
	\$m
Westpac Banking Corporation	299.1
Commonwealth Bank	260.0
W H Soul Pattinson	201.8
BHP Group Limited	168.7
National Australia Bank	130.1
CSL Limited	129.3
Wesfarmers Limited	104.0
Woolworths Limited	97.6
ANZ Banking Group	97.4
Macquarie Group Limited	93.4
AGL Energy Limited	71.4
Bank of Queensland Limited	69.6
Rio Tinto Limited	69.4
Transurban Group	67.7
Bendigo and Adelaide Bank	66.1
Telstra Corporation	58.7
A P Eagers Limited	57.2
Brickworks Limited	52.7
Perpetual Limited	52.0
Insurance Australia Group Ltd	48.7
Woodside Petroleum Limited	46.9
ASX Limited	45.2
Suncorp Group	44.6
ALS Limited	44.6
Coles Group Limited	38.4
Total market value of Top 25	2,414.6
<b>Total Assets</b>	<b>3,293.9</b>



## Classification of Investments by Sector

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

Classification <sup>1</sup>	Closing position \$m	Additions <sup>3</sup> \$m	Disposals \$m	Change in value \$m	Opening position \$m	2019 Income \$m	Closing position weighting %
Bank	923.5	5.9	(3.3)	16.7	904.2	57.2	28.0
Materials	368.8	26.3	(3.6)	36.8	309.3	23.4	11.2
Consumer Staples	302.0	3.8	(2.9)	(12.6)	313.7	14.3	9.2
Diversified Financials	269.4	20.9	(7.2)	0.4	255.3	12.9	8.2
Energy	263.3	4.2	(0.3)	9.5	249.9	8.5	8.0
Healthcare	176.7	3.6	(0.9)	18.7	155.3	2.8	5.4
Insurance	129.9	4.6	(1.3)	(4.9)	131.5	6.4	3.9
Transport	116.5	11.3	(0.4)	19.7	85.9	4.7	3.5
Real estate	113.3	19.6	(21.5)	10.6	104.6	4.7	3.4
Utilities	93.9	11.6	–	(6.2)	88.5	5.0	2.9
Retailing	92.4	–	–	2.0	90.4	3.1	2.8
Commercial services	84.0	10.3	(0.1)	4.6	69.2	2.4	2.5
Telecommunications	78.9	0.5	(2.2)	22.9	57.7	3.0	2.4
Capital goods	46.8	–	(0.6)	(1.4)	48.8	1.5	1.4
Consumer services	34.5	–	–	2.6	31.9	1.0	1.0
Media	27.6	1.4	–	(2.4)	28.6	1.0	0.8
Other shares	19.7	7.1	(0.2)	5.7	7.1	0.3	0.6
<b>Total equity investments</b>	<b>3,141.2</b>	<b>131.1</b>	<b>(44.5)</b>	<b>122.7</b>	<b>2931.9</b>	<b>152.2</b>	<b>95.2</b>
Liquids <sup>2</sup>	125.5				159.8	2.6	3.8
Property joint ventures	23.1				21.3	1.5	0.7
Other assets	4.1				3.1	0.7	0.3
<b>Total</b>	<b>3,293.9</b>				<b>3,116.1</b>	<b>157.0</b>	<b>100.0</b>

### Notes

- Investments are grouped according to their asset classes using the Global Industry Classification ("GICS") codes.
- Liquids include cash, term deposits, hybrid securities and dividends receivable.
- Includes acquisitions of two unlisted investment companies.

# Directors Report

## continued

### Management Expense Ratio (MER)

Milton is fully internally managed, with no performance or management fees paid. Investment staff are focused on maximising net returns to shareholders. Milton's MER for the 2019 year was 0.14% which is unchanged from 2018.

### Premium and Discount to NTA

The Board notes that during the 2019 financial year the discount to NTA widened for an extended period. Milton traded at an average discount to NTA of 3.6% in 2019 compared to an average discount in 2018 of 0.4%.

Movements in the discount to NTA primarily reflected investor concerns about proposed changes to franking credit policy. Milton, as a reliable distributor of fully franked dividends, is exposed to shifts in investor preferences.

### Acquisitions of Unlisted Investment Companies

In August 2018 and February 2019 Milton acquired private investment companies with a combined net asset value of \$40.1 million. These companies represent Milton's 21st and 22nd acquisitions over our 81 year history.

The companies were professionally managed with an income focused long-term investment approach taken with strong similarities to Milton. The underlying portfolios were highly complementary to Milton's existing portfolio of Australian equities.

Consideration for these accretive acquisitions was 8.4 million Milton shares.

We welcome the vendors and their families to the Milton share register and thank them for their ongoing support.

### 2020 Financial Year Outlook

After a strong period for corporate profitability, Milton's expectations for earnings and dividends are more modest for 2020.

We remain particularly concerned about pressure on bank earnings and dividends due to compliance costs, slow loan growth and the impact of lower interest rates on bank margins.

Milton expects that special dividends of the magnitude received in 2019 are unlikely to recur in the 2020 financial year.

We note that stimulative Australian fiscal and monetary policy, and a relaxation of some of the more restrictive lending settings, may provide a boost to the domestic economy. Central banks globally have displayed a willingness to use monetary policy as a tool to stabilise markets.

Australian equity valuations remain elevated against historical norms, with large dispersion between sectors. Declining official interest rates, however, are supporting share prices as investors search for alternate sources of income.

We expect a strong earnings environment for businesses that benefit from lower funding costs, have highly predictable revenue streams and good visibility of a pipeline of future projects. The infrastructure sector, and parts of the real estate sector, fall into this category.

Whilst more cyclical in nature, resource company earnings are expected to be supported over the long term by firm commodity prices. The resource companies have strong balance sheets, low leverage and historically high dividend yields.

The impact of technology, climate policy and the rate of change in the business cycle continues to be a major factor for all companies. Milton's investment team will continue to review our portfolio for structural disruption to existing business models.

Milton's strong balance sheet with no debt, available profit reserves and franking credits provides confidence that the fully franked dividend is well supported.

A further update on the portfolio and underlying market conditions will be provided at Milton's Annual General Meeting to be held on 10 October 2019.

## Board of Directors and Company Secretary

### 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

#### 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).

#### Justine E. Jarvinen BE(Chem), F Fin, GAICD

Independent non-executive director

Appointed a non-executive director of Milton since 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

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 42 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.

#### Francis G. Gooch B.Bus, CPA

Managing director (Retired 1 August 2018).

Managing Director of Milton Corporation Limited from 2004 to 2018 and chief executive from 1999 to 2018.

Member of the Investment Committee till 1 August 2018.

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.

# Directors Report

## continued

### Company Secretary

**Nishantha Seneviratne** MBA, ACMA, CGMA, CPA, AICM, AGIA, ACIS

Appointed Company 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 six years and prior to that in the banking and financial services sector for over four years. He is an associate member of the Governance Institute of Australia (GIA) and Institute of Chartered Secretaries and Administrators (ICSA).

### 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 are shown in Table D below.

### 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 17 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	Number of Shares
R.D. Millner	13,037,096
G.L. Crampton	169,172
K.J. Eley	120,879
B.J. O'Dea	335,475
J.E. Jarvinen	15,000
I.A. Pollard	91,129

**Table D. Directors' Meetings**

Director	Directors' Meetings		Investment Committee Meetings		Audit & Risk Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
R.D. Millner	6	8	19	20	*	*	1	1	1	1
G.L. Crampton	8	8	*	*	5	5	1	1	1	1
K.J. Eley	8	8	20	20	5	5	1	1	*	*
F.G. Gooch <sup>(1)</sup>	1	1	1	1	*	*	-	-	-	-
B. O'Dea <sup>(2)</sup>	7	7	20	20	*	*	1	1	*	*
I.A. Pollard	7	8	*	*	5	5	*	*	1	1
J.E. Jarvinen	8	8	20	20	*	*	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 F.G. Gooch retired on 1 August 2018

2 B.J. O'Dea appointed as 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 2019.

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.

### **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.

### **Events subsequent to reporting date**

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

### **Likely developments**

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

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

Directors report contains information relating to Milton's past performance, review of operations and outlook.

### **Environmental regulations**

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

### **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 19 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 19.

### **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.

# Remuneration Report

## for the year ended 30 June 2019

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)

	2019	2018
	\$	\$
Chairman base fee	<b>143,764</b>	140,257
Director base fee	<b>71,882</b>	70,128
Chairman of the Audit & Risk Committee fee	<b>6,361</b>	6,206
Member of the Audit & Risk Committee fee	<b>3,606</b>	3,518
Member of the Investment Committee fee	<b>6,361</b>	6,206

The total remuneration paid to non-executive directors in 2019 was \$463,946 (2018: \$557,993).

In October 2011 shareholders approved an increase in the maximum non-executive directors' total remuneration to \$700,000.

Non-executive directors, who were appointed before 30 June 2003, are entitled to retirement benefits in accordance with a shareholder approved scheme. In June 2003 the board resolved to cap retirement benefits for all directors at the amounts provided as at 30 June 2003. The total balance provided at 30 June 2019 is \$100,905 (2018: \$100,905).

### 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 17% of TECP for 2019.

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 18b 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 18a 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 on the following page.

At Milton's 2018 Annual General Meeting, shareholders supported the remuneration report for the 2018 financial year with 83.9% 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 2018.

# Remuneration Report

## continued

### Key performance indicators

	2019	2018	2017	2016	2015
<b>Profitability</b>					
Underlying operating profit (\$ million)	133.6	128.8	122.0	126.4	125.0
Growth (Decline) in underlying operating profit (%)	3.7	5.6	(3.5)	1.1	6.5
Underlying earnings per share (cents)	20.1	19.6	18.7	19.5	19.6
Growth (Decline) in underlying earnings per share (%)	2.4	4.7	(4.1)	(0.4)	4.3
<b>Dividend</b>					
Full year ordinary dividend (cents per share)	19.4	19.0	18.7	18.6	18.4
Growth in full year ordinary dividend (%)	2.1	1.6	0.5	1.1	4.5
Special dividend (cents per share)	2.5	-	-	-	0.4
<b>Capital</b>					
Net asset backing per share pre-tax <sup>(1)</sup> at 30 June (\$)	4.92	4.73	4.51	4.22	4.39
Growth (decline) in net asset backing per share (%)	4.0	4.9	6.9	(3.9)	0.9
Net assets <sup>(1)</sup> at 30 June (\$ million)	3,292	3,114	2,939	2,746	2,811
<b>Total Return</b>					
Ten year Total Shareholder Return (TSR)	9.7	6.5	4.7	5.3	8.0
Ten year Total Portfolio Return (TPR)	9.6	6.9	4.2	5.6	7.3
Ten year accumulation return of the All Ordinaries Index (XAOAI)	10.0	6.2	3.5	4.9	7.0

1 Before provision for tax on unrealised capital gains



## 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 2018 and 2019 are set out in the following tables.

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

Non-executive directors			Short Term	Post Employment	Retirement	Total	Retirement
			Benefits – Fees	Super-annuation	Benefits paid	Paid	Provision <sup>(1)</sup>
			\$	\$	\$	\$	\$
R.D. Millner	Chairman	2019	137,100	13,025	–	150,125	55,905
		2018	133,756	12,707	–	146,463	55,905
J.F. Church <sup>(2)</sup>	Director	2019	–	–	–	–	–
		2018	19,841	1,885	90,000	111,726	–
G.L. Crampton	Director	2019	54,242	24,000	–	78,242	–
		2018	52,334	24,000	–	76,334	–
K.J. Eley	Director	2019	74,747	7,101	–	81,848	–
		2018	72,924	6,928	–	79,852	–
I.A. Pollard	Director	2019	68,938	6,549	–	75,487	45,000
		2018	67,257	6,389	–	73,646	45,000
J.E. Jarvinen	Director	2019	71,453	6,788	–	78,241	–
		2018	63,902	6,070	–	69,972	–
<b>Total remuneration</b>		<b>2019</b>	<b>406,480</b>	<b>57,463</b>	<b>–</b>	<b>463,943</b>	<b>100,905</b>
		2018	410,014	57,979	90,000	557,993	100,905

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

2 J.F. Church retired 12 October 2017

# Remuneration Report

continued

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

Managing director and executives		Short Term Benefits					Share based payments <sup>(4)</sup>	Total
		Salary	Cash Bonus <sup>(1)</sup>	Non-monetary benefits <sup>(2)</sup>	Post Employment Super-annuation	Other long term benefits <sup>(3)</sup>		
		\$	\$	\$	\$	\$		
B.J. O'Dea <sup>(5)</sup> Managing Director	2019	572,672	125,000	–	23,995	–	42,490	764,157
	2018	241,885	35,000	–	17,317	–	–	294,202
F.G. Gooch Former MD	2019	62,897	49,723	–	18,795	219,357	11,291	362,063
	2018	560,287	70,000	4,508	19,008	19,196	134,924	807,923
D.N. Seneviratne CFO, secretary	2019	190,062	30,000	–	17,438	7,317	34,180	278,997
	2018	174,141	29,000	–	15,859	3,333	29,115	251,448
Total remuneration	2019	825,631	204,723	–	60,228	226,674	87,961	1,405,217
	2018	976,313	134,000	4,508	52,184	22,529	164,039	1,353,573

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 and long service leave paid.  
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	
	2019	2018	2019	2018	2019	2018
B.J. O'Dea	78.1%	88.1%	16.4%	11.9%	5.5%	–
F.G. Gooch	83.1%	74.6%	13.7%	8.7%	3.2%	16.7%
D.N. Seneviratne	77.0%	76.9%	10.8%	11.5%	12.2%	11.6%

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 Shares	Received as Remuneration Shares	Closing Balance Shares
<b>B.J. O'Dea</b> Managing Director	<b>2019</b>	–	200,000	200,000
	2018	–	–	–
<b>F.G. Gooch</b> Former Managing Director	<b>2019</b>	1,005,000	–	–
	2018	945,000	60,000	1,005,000
<b>D.N. Seneviratne</b> CFO, secretary	<b>2019</b>	152,500	25,000	177,500
	2018	127,500	25,000	152,500

### 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 year \$	Notional Interest <sup>(1)</sup> \$
<b>B.J. O'Dea</b> Managing Director	<b>2019</b>	–	915,186	915,186	932,600	42,490
	2018	–	–	–	–	–
<b>F.G. Gooch</b> Former Managing Director	<b>2019</b>	2,556,592	(2,556,592)	–	2,556,592	11,291
	2018	2,429,142	127,450	2,556,592	2,695,104	134,924
<b>D.N. Seneviratne</b> CFO, secretary	<b>2019</b>	562,971	89,342	652,313	679,546	34,180
	2018	471,968	91,003	562,971	582,785	29,115

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 5.24% (2018: 5.23%).

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 18b to the financial statements.

# Remuneration Report

## continued

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

		Opening Balance	Received as Remuneration	Other Acquisitions	Closing Balance
		Shares	Shares	Shares	Shares
<b>B.J. O'Dea</b> Managing Director	<b>2019</b>	<b>50,000</b>	<b>200,000</b>	<b>2,141</b>	<b>252,141</b>
	2018	–	–	50,000	50,000
<b>F.G. Gooch</b> Former Managing Director	<b>2019</b>	<b>1,310,110</b>	–	–	–
	2018	1,250,025	60,000	85	1,310,110
<b>D.N. Seneviratne</b> CFO, secretary	<b>2019</b>	<b>153,907</b>	<b>25,000</b>	–	<b>178,907</b>
	2018	128,907	25,000	–	153,907

Signed in accordance with a resolution of the directors.

**R.D. MILLNER**

Chairman

Sydney, 1 August 2019

# Auditor's Independence Declaration



Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

Postal Address  
GPO Box 1615  
Sydney NSW 2001

p. +61 2 9221 2099  
e. [sydneypartners@pitcher.com.au](mailto:sydneypartners@pitcher.com.au)

## Auditor's Independence Declaration to the Directors of Milton Corporation Limited ABN 18 000 041 421

I declare that to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

- i) the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii) any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in blue ink that reads 'Melina Alexander'.

**M.A. ALEXANDER**  
Partner

1 August 2019

Adelaide Brisbane Melbourne Newcastle Perth Sydney

**Pitcher Partners is an association of independent firms.**

An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.



[pitcher.com.au](http://pitcher.com.au)

# 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 2019 to \$2.3 million.

Milton Foundation's assets can now support annual distributions of over \$100,000. In 2019, a total of \$118,000 was distributed to eighteen organisations, which provide much needed support for the disadvantaged in society in Australia.

The Foundation has provided \$2.36 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.

**J.F. CHURCH**  
Chairman of Trustees

Sydney, 1 August 2019

# Financial Statements

## Contents

### Financial Statements

Consolidated Income Statement	22
Consolidated Statement of Comprehensive Income	23
Consolidated Statement of Financial Position	24
Consolidated Statement of Changes in Equity	25
Consolidated Statement of Cash flows	26

### Notes to the financial statements

#### Key Numbers

1.	Revenue	27
2.	Tax	28
3.	Earnings Per Share	30
4.	Dividends Paid	30
5.	Dividend Franking Account	31
6.	Listed Investment Company capital gain account	31

#### Assets

7.	Investments in equity instruments	32
8.	Investment in joint venture entities	33
9.	Cash	34
10.	Receivables	35

#### Capital Management:

11.	Share Capital	36
12.	Reserves	36

#### Risk

13.	Critical accounting estimates, judgements and assumptions	37
14.	Management of financial risk	37
15.	Capital risk management	38

#### Group Structure

16.	Subsidiaries	39
-----	--------------	----

#### Other Information

17.	Related party transactions	40
18.	Share Based Payments	42
19.	Auditor's Remuneration	42
20.	Parent entity disclosures	43
21.	Summary of other accounting policies	44
22.	Cash flow information	45
23.	Contingent liabilities	45
24.	Events subsequent to reporting date	45
25.	Holdings at Fair Value through Other Comprehensive Income at 30 June 2019	46

# Consolidated Income Statement

## for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Ordinary dividends and distributions	1a	138,070	132,540
Interest	1c	2,629	2,677
Net gains on trading portfolio	1d	169	807
Other revenue		551	847
<b>Operating Revenue</b>		<b>141,419</b>	136,871
Share of net profits of joint ventures – equity accounted	8a	1,504	388
Special dividends and distributions	1b	14,115	1,275
Income from operating activities		157,038	138,534
Administration expenses		(4,220)	(4,116)
Acquisition related costs of subsidiaries		(124)	(90)
<b>Profit before income tax expense</b>		<b>152,694</b>	134,328
Income tax expense thereon	2a	(5,042)	(4,321)
<b>Profit attributable to shareholders of Milton</b>		<b>147,652</b>	130,007

	Note	2019 Cents	2018 Cents
Basic and diluted earnings per share	3	22.19	19.80

The Consolidated Income Statement is to be read in conjunction with the Notes to the Consolidated Financial Statements.



# Consolidated Statement of Comprehensive Income

## for the year ended 30 June 2019

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>Profit</b>	<b>147,652</b>	130,007
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit and loss		
Revaluation of investments	<b>123,000</b>	139,282
Provision for tax (expense) benefit on revaluation of investments	<b>(37,458)</b>	(43,518)
Other comprehensive income, net of tax	<b>85,542</b>	95,764
<b>Total comprehensive income for the year attributable to the shareholders of Milton</b>	<b>233,194</b>	225,771

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements.

# Consolidated Statement of Financial Position

as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash	9	110,306	131,815
Receivables	10a	15,187	27,829
Prepayments		275	144
<b>Total current assets</b>		<b>125,768</b>	159,788
<b>Non-current assets</b>			
Investments	7	3,141,236	2,931,879
Joint ventures – equity accounted	8b	23,125	21,389
Receivables	10b	3,431	2,605
Plant and equipment		37	68
Deferred tax assets	2c	294	360
<b>Total non-current assets</b>		<b>3,168,123</b>	2,956,301
<b>Total assets</b>		<b>3,293,891</b>	3,116,089
<b>Current liabilities</b>			
Payables		1,182	1,135
Current tax liabilities		280	349
Provisions		68	248
<b>Total current liabilities</b>		<b>1,530</b>	1,732
<b>Non-current liabilities</b>			
Deferred tax liabilities	2d	416,657	378,769
Provisions		258	258
<b>Total non-current liabilities</b>		<b>416,915</b>	379,027
<b>Total liabilities</b>		<b>418,445</b>	380,759
<b>Net assets</b>		<b>2,875,446</b>	2,735,330
<b>Shareholders' equity</b>			
Issued capital	11	1,633,055	1,582,431
Capital profits reserve	12b	66,148	51,651
Asset revaluation reserve	12a	969,156	898,111
Retained profits		207,087	203,137
<b>Total equity attributable to shareholders of Milton</b>		<b>2,875,446</b>	2,735,330

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	Issued capital \$'000	Capital profits reserve \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 July 2018</b>	1,582,431	51,651	898,111	203,137	2,735,330
Profit	–	–	–	147,652	147,652
Other comprehensive income	–	–	85,542	–	85,542
<b>Total comprehensive income</b>	–	–	85,542	147,652	233,194
Net realised gains	–	14,497	(14,497)	–	–
Transactions with shareholders:					
Share issues	50,624	–	–	–	50,624
Dividends paid	–	–	–	(143,702)	(143,702)
<b>Balance at 30 June 2019</b>	1,633,055	66,148	969,156	207,087	2,875,446

	Issued capital \$'000	Capital profits reserve \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 July 2017</b>	1,553,896	59,545	794,453	196,159	2,604,053
Profit	–	–	–	130,007	130,007
Other comprehensive income	–	–	95,764	–	95,764
<b>Total comprehensive income</b>	–	–	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)
<b>Balance at 30 June 2018</b>	1,582,431	51,651	898,111	203,137	2,735,330

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

## for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Dividends and distributions received		162,171	132,644
Interest received		2,818	2,923
Distributions received from joint venture entities		2,500	3,086
Other receipts in the course of operations		465	732
Proceeds from sales of trading securities		169	1,018
Payments for trading securities		–	(211)
Other payments in the course of operations		(4,557)	(4,078)
Income taxes paid		(4,637)	(2,853)
<b>Net cash provided by operating activities</b>	22a	<b>158,929</b>	133,261
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments	7c	44,168	59,719
Proceeds from redemption of other financial assets		1,153	6,011
Payments for investments in equities and trusts		(96,674)	(70,184)
Payments for investments in joint ventures		(2,731)	(1,188)
Payments for acquisition related costs of subsidiaries		(124)	(90)
Cash on acquisition of subsidiaries		5,016	–
Payments for plant and equipment		(2)	(25)
Loans repaid by other entities		3,177	415
Loans advanced to other entities		(1,258)	(862)
<b>Net cash used in investing activities</b>		<b>(47,275)</b>	(6,204)
<b>Cash flows from financing activities</b>			
Payments for issue of shares		(90)	(28)
Ordinary dividends paid		(133,073)	(113,590)
<b>Net cash used in financing activities</b>		<b>(133,163)</b>	(113,618)
<b>Net (decrease) increase in cash assets held</b>		<b>(21,509)</b>	13,439
<b>Cash assets at the beginning of the year</b>		<b>131,815</b>	118,376
<b>Cash assets at the end of the year</b>	9	<b>110,306</b>	131,815

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

## for the year ended 30 June 2019

### Key Numbers

#### 1. Revenue

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

	2019	2018
	\$'000	\$'000
<b>a. Ordinary dividends and distributions</b>		
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	137,059	130,860
Investments sold during the year	1,011	1,680
	<b>138,070</b>	<b>132,540</b>
<b>b. Special dividends and distributions</b>		
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	14,111	1,275
Investments sold during the year	4	–
	<b>14,115</b>	<b>1,275</b>
<b>c. Interest</b>		
Milton earns interest on its cash, term deposits and other liquid assets.		
Interest from deposits and cash	2,629	2,630
Interest income from other liquid securities	–	47
	<b>2,629</b>	<b>2,677</b>
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.		
<b>d. Net gains from trading portfolio</b>		
Net gains from trading portfolio	169	807

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.

# Notes to the Consolidated Financial Statements

continued

## Key Numbers

### 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.

	2019	2018
	\$'000	\$'000
<b>a. Reconciliation of Income Tax Expense to prima facie tax payable</b>		
Profit before income tax	152,694	134,328
Prima facie income tax expense calculated at 30% on the profit before income tax expense	45,808	40,298
Increase (decrease) in income tax expense due to:		
Tax offset for franked dividends	(40,392)	(35,527)
(Over) provision in prior year	(804)	(553)
Other differences	430	103
<b>Income tax expense on profit</b>	<b>5,042</b>	<b>4,321</b>
<b>b. Tax expense composition</b>		
Current tax on profits for the year	5,358	4,735
(Over) provision in prior year	(804)	(553)
Decrease in deferred tax assets (note 2c)	58	36
Increase in deferred tax liabilities (note 2d)	430	103
	<b>5,042</b>	<b>4,321</b>
<b>c. Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Provisions	274	338
Share issue expenses	4	12
Other	16	10
<b>Total deferred tax assets</b>	<b>294</b>	<b>360</b>
Movements:		
Balance at 1 July	360	388
(Charged) credited to the income statement	(58)	(36)
(Charged) to equity	(8)	8
<b>Balance at 30 June</b>	<b>294</b>	<b>360</b>
To be recovered within 12 months	42	108
To be recovered after more than 12 months	252	252
	<b>294</b>	<b>360</b>

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>d. Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	<b>423,999</b>	392,620
Realised capital losses	<b>(23,800)</b>	(30,156)
Amounts recognised in profit:		
Gains on scrip for scrip rollovers	<b>16,043</b>	16,043
Income receivable which is not assessable for tax until receipt	<b>415</b>	262
	<b>416,657</b>	378,769
Movements:		
Balance at 1 July	<b>378,769</b>	335,148
Charged to income statement	<b>430</b>	103
Charged to other comprehensive income	<b>37,458</b>	43,518
<b>Balance at 30 June</b>	<b>416,657</b>	378,769
<b>To be settled beyond 12 months</b>	<b>416,657</b>	378,769

The income tax expense for the year 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.

**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.

# Notes to the Consolidated Financial Statements

continued

## Key Numbers

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.

### 3. Earnings Per Share

	<b>2019</b>	<b>2018</b>
	Cents	Cents
Basic earnings per share	<b>22.19</b>	19.80
	\$'000	\$'000
Profit attributable to shareholders of the parent entity	<b>147,652</b>	130,007
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>665,320,270</b>	656,714,660

Diluted earnings per share and basic earnings per share are the same because there are no potential dilutive ordinary shares.

### 4. Dividends Paid

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>a. Recognised in the current year</b>		
An ordinary final dividend of 10.2 cents per share in respect of the 2018 financial year paid on 4 September 2018 (2018: Ordinary final dividend of 10 cents per share paid on 5 September 2017)	<b>67,133</b>	65,196
An ordinary interim dividend of 9.0 cents per share paid on 5 March 2019 (2018: 8.8 cents per share paid on 1 March 2018)	<b>59,844</b>	57,833
A special dividend of 2.5 cents per share paid on 30 April 2019 (2018: No special dividend paid)	<b>16,725</b>	–
	<b>143,702</b>	123,029
Dividends paid in cash	<b>133,073</b>	113,590
Dividends reinvested in shares	<b>10,629</b>	9,439
	<b>143,702</b>	123,029



	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>b. Not recognised in the current year</b>		
Since the end of the financial year, the directors declared an ordinary final dividend in respect of the 2019 year of 10.4 cents per share payable on 3 September 2019 (2018: ordinary final dividend of 10.2 cents per share per share paid on 4 September 2018)	<b>69,572</b>	67,133

## 5. Dividend Franking Account

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
The amount of franking credits available to shareholders for the subsequent financial year, adjusted for franking credits that will arise from the payment of the current tax liability	<b>128,692</b>	125,101
Subsequent to year end, the franking account will be reduced by the proposed final dividend to be paid on 3 September 2019 (2018: final dividend paid on 4 September 2018)	<b>(29,817)</b>	(28,771)
	<b>98,875</b>	96,330

The franking account balance would allow Milton to frank additional dividend payments up to an amount of \$230,709,861 (2018: \$224,770,224) which represents 34 cents per share (2018: 34 cents per share).

## 6. Listed Investment Company capital gains account

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Balance of the Listed Investment Company (LIC) capital gain account available to shareholders for the subsequent financial year	<b>1,481</b>	1,352

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.

# Notes to the Consolidated Financial Statements

## continued

### Assets

#### 7. Investment in equity instruments

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

	2019	2018
	\$'000	\$'000
<b>Investments – non-current</b>		
Quoted investments – at fair value	3,140,850	2,931,529
Unquoted investments – at fair value	386	350
	<b>3,141,236</b>	2,931,879
<b>a. Included in quoted investments are:</b>		
Shares in other corporations	2,927,525	2,763,344
Stapled securities in other corporations	213,325	146,096
Units in trusts	–	22,089
	<b>3,140,850</b>	2,931,529
<b>b. Included in unquoted investments are:</b>		
Units in trusts	386	350

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.

	2019	2018
	\$'000	\$'000
<b>c. Investments disposed of during the year</b>		
The disposals occurred in the normal course of Milton's operations as a listed investment company or as a result of takeovers or mergers.		
<b>Fair value at disposal date</b>		
Equity investments	44,168	59,719
<b>Gain (Loss) on disposal after tax</b>		
Equity investments	14,497	(7,894)

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 12.

## 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.

	2019	2018
	\$'000	\$'000
<b>a. Contribution from joint venture entities</b>		
Milton has interests in the following joint venture entities:		
33.33% interest in the Ellenbrook Syndicate Joint Venture contribution to operating profit before tax (2018: 33.33%)	1,561	808
23.33% interest in The Mews Joint Venture contribution to operating profit before tax (2018: 23.33%)	74	113
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture (2018: 50%)	(131)	(533)
<b>Share of net profits of joint ventures</b>	<b>1,504</b>	<b>388</b>
<b>b. Consolidated interest in the assets and liabilities of the joint venture entities</b>		
Current assets	14,741	16,984
Non-current assets	19,968	17,055
Current liabilities	(3,333)	(2,906)
Non-current liabilities	(7,708)	(9,201)
	<b>23,668</b>	<b>21,932</b>
Provision for diminution in value	(543)	(543)
<b>Net assets</b>	<b>23,125</b>	<b>21,389</b>

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.

# Notes to the Consolidated Financial Statements

## continued

### Assets

#### c. Contingencies and capital commitments

##### i) Guarantee facility by parent company to support prepayments of joint venture

\$11 million guarantee facility provided by Milton to support prepayments received by a joint venture in which LWP Syndicate No 2 has a 23.75% interest was cancelled during the year and hence no contingent liability remaining as at 30 June 2019 (30 June 2018: \$11 million).

##### ii) Interest servicing guarantee facility by parent company

Milton agreed to provide an interest servicing guarantee facility capped at a total of \$10 million to cover interest outstanding on a loan obtained by a joint venture in which LWP Huntlee Syndicate No 2 has a 23.75% interest. The guarantee is for a period of four years commencing from 12 March 2019; and Milton's maximum liability will reduce to \$3.66 million at the end of eighth quarter by the amount of interest paid by Huntlee. At the end of each of the ninth to sixteenth quarters, Milton's maximum liability will reduce by the amount (if any) of interest paid by Milton.

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 2019, Milton's maximum liability amounted to \$10 million (30 June 2018: \$nil).

Other than the above, the directors are not aware of any material contingent liabilities, contingent assets or capital commitments as at 30 June 2019.

## 9. Cash

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
Cash at bank	<b>3,612</b>	6,092
Deposits at call	<b>24,694</b>	21,723
Term deposits	<b>82,000</b>	104,000
	<b>110,306</b>	131,815

The weighted average interest rate for cash and deposits at call as at 30 June 2019 is 1.4% p.a. (2018: 1.7% p.a.). Term deposits have an average maturity date of September 2019 (2018: August 2018) and an average interest rate of 2.1% (2018: 2.6% pa).

## Capital Management

### 10. Receivables

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>a. Receivables – current</b>		
Dividends receivable	<b>14,822</b>	24,729
Interest receivable	<b>344</b>	525
Senior staff share plan loans (refer note 18b)	–	2,557
Sundry debtors	<b>21</b>	18
	<b>15,187</b>	27,829
<b>b. Receivables – non-current</b>		
Senior staff share plan loans (refer note 18b)	<b>3,431</b>	2,605
<b>c. Terms and conditions</b>		
Sundry debtors are due within 30 days and no interest is charged.		

# Notes to the Consolidated Financial Statements

## continued

### Capital Management

Milton may offer 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.

#### 11. 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	2019	2019	2018	2018
	No. of Shares	\$'000	No. of Shares	\$'000
Opening balance	658,170,815	1,582,431	651,963,627	1,553,896
Acquisition of unlisted investment companies	8,444,554	40,060	4,114,776	19,117
Dividend Reinvestment Plan <sup>(1)</sup>	2,347,723	10,627	2,092,412	9,437
Less: Transaction costs (net of tax)	–	(63)	–	(19)
Closing balance	668,963,092	1,633,055	658,170,815	1,582,431

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 2019 financial year, Milton issued 1,188,729 new shares in September 2018 and 1,158,994 new shares in March 2019 under the DRP (2018: 1,113,757 issued in September 2017 and 978,655 issued in March 2018).

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

	2019	2018
	\$'000	\$'000
<b>a. Asset revaluation reserve</b>		
Opening balance	898,111	794,453
Revaluation of investments net of provision for tax	85,542	95,764
Net realised (gains) losses	(14,497)	7,894
	969,156	898,111
<b>b. Capital profits reserve</b>		
Opening balance	51,651	59,545
Net realised gains (losses)	14,497	(7,894)
	66,148	51,651

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

## 13. 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.

## 14. 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 Board 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.

### 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 of the quoted investments 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.

# Notes to the Consolidated Financial Statements

## continued

### Risk

Investments represent 95% (2018: 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 4.8% (2018: 4.7%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2019. The net asset backing before provision for tax on unrealised capital gains would move by 23 cents per share at 30 June 2019 (2018: 22 cents at 30 June 2018).

Milton's management continuously 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 directly exposed to foreign currency risk as all its investments are quoted in Australian dollars.

The fair value of Milton's other financial instruments are 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.

## 15. 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 other investment companies.



# Group Structure

## 16. 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	2019 %	2018 %
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
ACN007531240 Pty Limited	100	–
Kembar Pty Limited	100	–

### c. Acquisition of subsidiaries

During the year ended 30 June 2019, Milton acquired 100% of the shares of two unlisted investment companies with a total fair value of \$40,059,628. New Milton shares were issued as consideration.

Acquisition of ACN007531240 Pty Ltd completed on 17 August 2018:

- 5,575,148 new Milton shares issued as consideration with a fair value of \$26,677,282.

Acquisition of Kembar Pty Ltd completed on 28 February 2019:

- 2,869,406 new Milton shares issued as consideration with a fair value of \$13,382,346.

(2018: An unlisted investment company acquired in August 2017 for a consideration of 4,114,776 new Milton shares with a fair value of \$19,117,239).

### 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.

# Notes to the Consolidated Financial Statements

continued

## Other Information

### 17. Related party transactions

	2019	2018
	\$'000	\$'000
<b>a. Directors and Key Management Personnel compensation</b>		
Short-term benefits	1,436	1,526
Other long-term benefits	227	112
Post-employment benefits	118	110
Share-based payments	88	164
	<b>1,869</b>	1,912

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 12 to 18.

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

Non-executive directors and their related parties held 5.6% (2018: 6.1%) of the voting power of Milton as at year end. All shares acquired by non-executive directors and their related parties during the year were purchased on an arm's length basis. Movements in the number of shares held are given below. There were no amounts outstanding from or due to any non-executive director or their related parties as at 30 June 2019.

	2019	2018
	No of shares	No of shares
Number of shares at beginning of the year	40,387,579	75,090,508
Acquired during the year	10,000	12,000
Disposed of during the year	(3,000,000)	(5,192,116)
Retiring director holdings	–	(29,522,813)
<b>Number of shares held at end of year</b>	<b>37,397,579</b>	40,387,579

#### 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.

	2019	2018
	\$	\$
Balance at beginning of the year	3,119,563	2,901,110
Loans advanced	1,049,175	376,779
Loans repaid	(2,601,239)	(158,326)
<b>Balance at end of the year</b>	<b>1,567,499</b>	3,119,563
Notional interest	87,961	164,039

Notional interest is based on the applicable FBT benchmark interest rate for the year which averaged 5.24% (2018: 5.23%).

The loans are advanced to key management personnel in accordance with the Senior Staff Share Plan (SSSP) as disclosed in Note 18b. Loans to individual key management personnel are disclosed in the remuneration report on page 17.

**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.

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>e. Transactions with subsidiaries</b>		
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.

	<b>2019</b>	<b>2018</b>
	\$	\$
Amounts owed by subsidiaries at beginning of the year	<b>27,034,039</b>	28,312,165
Loans advanced from subsidiaries	<b>(43,002,055)</b>	(3,263,224)
Loan advanced to subsidiaries	<b>3,008,513</b>	1,985,098
<b>Amounts owed (to) by subsidiaries at end of the year</b>	<b>(12,959,503)</b>	27,034,039

**g. Other arrangement with non-executive director**

There were no existing or new arrangements with non-executive directors during the year ended 30 June 2019 (2018: Mr J.F. Church, who was a non-executive director until October 2017, rented office space from Milton at commercial rates from 1 July 2017 to 31 December 2017 and rent received by Milton amounted to \$6,786.)

# Notes to the Consolidated Financial Statements

continued

## Other Information

### 18. 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 422 shares (2018:216 shares) were acquired by Milton on behalf of eligible employees under the ESP at a cost of \$2,084 (2018: \$1,039) with a total market value at 30 June 2019 of \$1,988. Any shares acquired cannot be disposed of or transferred until the earlier of 3 years from the date of issue or acquisition or on the date that the employee's employment ceases with Milton.

#### b. Senior Staff Share Plan

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

During the year 310,000 shares (2018: 160,000 shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of \$1,445,530 (2018: \$708,232). 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 \$1,460,100 at \$4.71 per share as at 30 June 2019.

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.

### 19. Auditors Remuneration

	2019	2018
	\$'000	\$'000
Auditors of the company		
Audit and review services	115	113
Related practice of the auditor		
Agreed upon procedures	43	15
Other services	9	-
	167	128

## 20. Parent entity disclosures

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

As at, and throughout, the financial year ended 30 June 2019 the parent entity is Milton Corporation Limited.

	<b>2019</b>	<b>2018</b>
	\$'000	\$'000
<b>Profit of the parent entity</b>		
Profit for the year	<b>146,560</b>	129,734
Total comprehensive income for the year	<b>232,741</b>	225,770
<b>Financial position of the parent entity as at 30 June</b>		
Current assets	<b>126,015</b>	186,802
Total assets	<b>3,309,553</b>	3,119,111
Current liabilities	<b>(1,251)</b>	(1,616)
Total liabilities	<b>(434,107)</b>	(383,781)
Net assets	<b>2,875,446</b>	2,735,330
<b>Total equity of the parent entity comprising</b>		
Issued capital	<b>1,633,055</b>	1,582,431
Capital profits reserves	<b>74,733</b>	60,229
Asset revaluation reserve	<b>1,024,131</b>	952,001
Retained profits	<b>143,527</b>	140,669
<b>Total equity attributable to shareholders of the parent entity</b>	<b>2,875,446</b>	2,735,330

# Notes to the Consolidated Financial Statements

continued

## Other Information

### 21. 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 in the 2010 financial year.

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

#### *New and amended standards not adopted:*

AASB 16 *Leases* is applicable to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 *Leases*. For lessees it will eliminate the classifications of operating leases and finance leases. Milton does not expect this standard to have a material impact on Milton's 2020 financial statements.

No other new accounting standards and interpretations that are available for early adoption but not yet adopted at 30 June 2019, will result in any material change in relation to the financial statements of Milton.

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

## 22. Cash flow information

	2019	2018
	\$'000	\$'000
<b>a. Reconciliation of net profit to net cash provided by operating activities</b>		
Net profit	147,652	130,007
Share of net profits of joint ventures – equity accounted	(1,504)	(388)
Distributions received from joint venture entities	2,500	3,086
Acquisition related costs of subsidiaries	124	90
Depreciation of non-current assets	35	34
Decrease (Increase) in receivables	10,176	(925)
(Decrease) increase in payables and provisions	(287)	(111)
Increase in income taxes payable	405	1,468
Decrease in provisions	(172)	–
<b>Net cash provided by operating activities</b>	<b>158,929</b>	<b>133,261</b>

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

As described in Note 16c, Milton acquired two unlisted investment companies through the issue of 8,444,554 new Milton shares with a total fair value of \$40,059,629 (2018: Milton acquired unlisted investment company through the issue of 4,114,776 new Milton shares with a fair value of \$19,117,239).

## 23. Contingent liabilities

Apart from the contingent liability relating to the interest servicing guarantee facility of \$10 million provided on behalf of LWP Huntlee Syndicate No.2 joint venture as disclosed in Note 8c (ii), the directors are not aware of any other material contingent liabilities.

## 24. Events subsequent to reporting date

Since the end of the financial year, the directors declared a fully franked ordinary final dividend of 10.4 cents per share payable on 3 September 2019.

This financial report was authorised for issue in accordance with a resolution of directors on 1 August 2019. The directors have the power to amend and reissue the financial statements.

# Notes to the Consolidated Financial Statements

## continued

### Holdings

#### 25. Holdings at Fair Value through Other Comprehensive Income at 30 June 2019

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

Investments in equity instruments	2019		2018	
	Holding Shares	Market value \$'000	Holding Shares	Market value \$'000
Adelaide Brighton Ltd.	2,978,554	12,033	2,947,554	20,486
AGL Energy Ltd.	3,570,141	71,439	3,060,000	68,789
ALS Ltd.	6,079,431	44,623	6,079,431	45,839
Altium Ltd.	178,500	6,105	–	–
Amcor Ltd.	1,566,512	25,362	1,321,512	19,043
A.P. Eagers Ltd.	5,833,107	57,164	5,833,107	49,756
APA Group	2,077,766	22,440	2,005,833	19,757
ARB Corporation Ltd.	911,065	16,581	911,065	20,800
Argo Investments Ltd.	1,880,841	15,272	1,809,575	14,422
ASX Ltd.	548,965	45,218	548,965	35,348
AUB Group Ltd.	1,292,991	13,499	1,049,153	14,247
Australia & New Zealand Banking Group Ltd.				
– ordinary shares	3,452,751	97,402	3,408,473	96,255
– capital notes 2	–	–	2,000	201
Australian Foundation Investment Company Ltd.	922,398	5,765	762,192	4,695
Auswide Bank Ltd.	228,557	1,172	433,570	2,441
Automotive Holdings Group Ltd.	3,466,366	9,706	3,466,366	9,879
Bank of Queensland Ltd.	7,306,078	69,627	7,306,078	74,449
Bendigo & Adelaide Bank Ltd.	5,709,708	66,118	5,709,708	61,893
BHP Billiton Ltd.	4,098,921	168,712	3,650,921	123,803
BKI Investment Company Ltd.	1,223,866	1,921	1,223,866	1,866
Blackmores Ltd.	368,664	33,147	367,014	52,299
Boral Ltd.	2,089,293	10,697	2,089,293	13,643
Brambles Ltd.	1,431,966	18,444	1,431,966	12,716
Brickworks Ltd.	3,234,567	52,691	3,234,567	50,589
Caltex Australia Ltd.	394,000	9,752	394,000	12,821
Carlton Investments Ltd.	356,778	11,274	356,778	11,802
Carsales.Com Ltd.	1,042,000	14,098	995,000	15,044
Challenger Ltd.	–	–	544,000	6,436
Charter Hall Group	2,126,000	23,025	1,751,000	11,417
Charter Hall Long WALE REIT	3,364,212	16,855	1,866,997	8,215
CIMIC Group Ltd.	791,239	35,424	791,239	33,469
Cleanaway Waste Management	5,500,000	12,815	–	–
Coca-Cola Amatil Ltd.	1,061,584	10,849	1,011,434	9,305
Cochlear Ltd.	33,800	6,991	33,800	6,766
Coles Group Ltd.	2,877,375	38,413	–	–
Commonwealth Bank of Australia	3,140,470	259,968	3,118,305	227,231
Computershare Ltd.	23,000	373	–	–
CSL Ltd.	601,198	129,258	592,198	114,069
Diversified United Investment Ltd.	130,607	569	–	–
Dulux Group Ltd.	1,655,184	15,426	1,655,184	12,662
EQT Holdings Ltd.	500,697	14,821	500,697	10,414
Event Hospitality & Entertainment Ltd.	1,010,921	12,637	1,010,921	13,536
Finbar Group Ltd.	3,642,464	3,060	3,642,464	3,497
Flight Centre Travel Group Ltd.	80,300	3,336	80,300	5,111



	2019		2018	
	Holding	Market value	Holding	Market value
Investments in equity instruments	Shares	\$'000	Shares	\$'000
Goodman Group	1,475,376	22,175	1,475,376	14,193
GrainCorp Ltd.	–	–	362,290	2,782
Gresham Private Equity Co–Investment Fund	100,000	23	100,000	18
Growthpoint Properties Australia	–	–	403,010	1,455
Insurance Australia Group Ltd.	5,896,948	48,709	5,847,282	49,877
Incitec Pivot Ltd.	1,663,689	5,673	1,610,689	5,847
InvoCare Ltd.	1,950,914	31,195	1,950,914	26,806
IOOF Holdings Ltd.	2,009,086	10,387	2,009,086	18,062
Janus Henderson Group PLC	229,500	6,952	217,500	9,057
Lendlease Group	972,539	12,643	969,539	19,207
Lindsay Australia Ltd.	13,341,599	4,603	12,843,330	4,880
Link Administration Holdings Ltd.	27,907	140	–	–
Macquarie Group Ltd.	744,490	93,352	659,990	81,608
McMillan Shakespeare Ltd.	662,538	8,090	662,538	10,601
MyState Ltd.	–	–	444,992	2,229
National Australia Bank Ltd.	4,868,831	130,095	4,821,472	132,157
New Hope Corporation Ltd.	1,290,107	3,496	1,290,107	3,857
Orica Ltd.	188,987	3,831	188,987	3,355
Origin Energy Ltd.	190,301	1,391	–	–
Orora Ltd.	–	–	1,094,512	3,907
Pendal Group Ltd.	1,546,643	11,058	1,046,643	10,372
Perpetual Ltd.	1,231,982	52,039	1,231,982	51,250
Premier Investments Ltd.	590,321	8,955	590,321	9,965
QBE Insurance Group Ltd.	1,949,375	23,061	1,949,375	18,987
Qube Holdings Ltd.	6,113,243	18,585	5,994,164	14,446
Ramsay Health Care Ltd.	225,283	16,274	225,283	12,161
REA Group Ltd.	8,769	842	–	–
Reece Ltd.	1,167,950	11,399	1,167,950	14,775
Regis Healthcare Ltd.	1,856,076	4,881	1,856,076	6,088
Rio Tinto Ltd.	669,120	69,428	583,618	48,697
Scentre Group	5,079,474	19,505	2,669,474	11,719
Schaffer Corporation Ltd.	68,999	941	68,999	914
Seven Group Holdings Ltd.				
– TELYS4 preference shares	–	–	7,000	556
Sims Metal Management Ltd.	452,368	4,913	452,368	7,274
Sonic Healthcare Ltd.	710,707	19,260	659,425	16,176
Stockland Group	3,844,940	16,033	3,589,940	14,252
Suncorp Group Ltd.	3,314,232	44,643	3,314,232	48,355
Sydney Airport	3,184,629	25,605	2,944,629	21,084
Tank Stream Ventures	50,341	363	50,341	332
Technology One Ltd.	1,515,000	11,938	1,370,000	5,823
Telstra Corporation Ltd.	15,236,961	58,662	15,065,253	39,471
TPG Telecom Ltd.	3,148,725	20,278	3,530,984	18,255
Transurban Group	4,592,153	67,688	3,797,811	45,460
Treasury Wine Estates Ltd.	1,206,363	17,999	1,194,085	20,765
Unibail–Rodamco–Westfield	–	–	317,520	4,658
Vicinity Centres	–	–	6,168,335	15,976
Washington H. Soul Pattinson & Company Ltd.	9,174,640	201,750	9,174,640	189,823
Wesfarmers Ltd.	2,877,375	104,046	2,835,533	139,962
Westpac Banking Corporation	10,545,458	299,069	10,490,827	307,381
Whitefield Ltd.	149,373	726	–	–
Woodside Petroleum Ltd.	1,288,838	46,862	1,222,911	43,364
Woolworths Group	2,936,973	97,596	2,903,973	88,629
		<b>3,141,236</b>		<b>2,931,879</b>

# Directors' Declaration

## for the year ended 30 June 2019

1. In the opinion of the directors of Milton Corporation Limited:
  - (a) the consolidated financial statements and notes that are set out on pages 22 to 47 and the Remuneration report, that is set out on pages 12 to 18 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 2019 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 21a 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 2019.

Signed in accordance with a resolution of the directors.



**R. D. MILLNER**  
Chairman

Sydney, 1 August 2019

# Independent Auditor's Report



Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

Postal Address  
GPO Box 1615  
Sydney NSW 2001

p. +61 2 9221 2099  
e. [sydneypartners@pitcher.com.au](mailto:sydneypartners@pitcher.com.au)

## 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 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 2019 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.

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

Adelaide Brisbane Melbourne Newcastle Perth Sydney

Pitcher Partners is an association of independent firms.

An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.



[pitcher.com.au](http://pitcher.com.au)

# Independent Auditor's Report

## continued

### 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.

Key audit matter	How our audit addressed the matter
<p><b><i>Ownership and accurate recording of investments in equity instruments and related movement in reserves</i></b>  <b><i>Refer to Note 2(d): Deferred tax liabilities, Note 7 Investments in equity instruments and Note 12 Reserves</i></b></p>	
<p>At 30 June 2019, the Group's statement of financial position includes investments in equity instruments of \$3,141,236,000, an asset revaluation reserve of \$969,156,000 and a deferred tax liability recognised in relation thereto of \$416,657,000.</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"> <li>■ Documenting our understanding of management's processes and relevant controls.</li> <li>■ Testing relevant controls to ensure that review and analysis by management is performed regularly.</li> <li>■ 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.</li> <li>■ Analysing and testing the movement in investments.</li> <li>■ Testing management's calculation of the revaluation of investments and the corresponding deferred income tax effect.</li> </ul>

### 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 2019, 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.
- 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.

# Independent Auditor's Report

## continued

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 12 to 18 of the Directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Milton Corporation Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

#### 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.



**M. A. ALEXANDER**

Partner

1 August 2019



**PITCHER PARTNERS**

Sydney

Adelaide Brisbane Melbourne Newcastle Perth Sydney

**Pitcher Partners is an association of independent firms.**

An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

 **bakertilly**  
NETWORK MEMBER

[pitcher.com.au](http://pitcher.com.au)

# Corporate Directory

## Milton Corporation Limited

### Directors

**R. D. MILLNER**

Chairman

**G. L. CRAMPTON**

**K. J. ELEY**

**J. E. JARVINEN**

**I. A. POLLARD**

### Management

**B. J. O'DEA**

CEO and Managing Director

**D.N. SENEVIRATNE**

CFO and 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](mailto:general@milton.com.au)

Website: [www.milton.com.au](http://www.milton.com.au)

### Auditors

**Pitcher Partners**

Level 16, Tower 2  
201 Sussex Street  
Sydney NSW 2000

Website: [www.pitcher.com.au](http://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](mailto:milton@linkmarketservices.com.au)

Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

# ASX Information

ASX Code: MLT

## Top 20 shareholders as at 30 June 2019

Name	Shares Held	%
Higlett Pty Ltd	25,000,000	3.74
Washington H Soul Pattinson & Company Limited	22,216,178	3.32
HSBC Custody Nominees (Australia) Limited	19,864,192	2.97
Argo Investments Limited	17,108,251	2.56
Australian Foundation Investment Company Limited	10,841,468	1.62
Griffinna Pty Ltd	6,230,000	0.93
Bortre Pty Limited	6,079,504	0.91
Danwer Investments Pty Ltd	6,079,504	0.91
JBF Holdings Pty Ltd	5,253,920	0.79
Jamama Nominees Pty Limited	4,195,685	0.63
J S Millner Holdings Pty Ltd	3,743,514	0.56
Macdawley Proprietary Limited	3,479,615	0.52
Hexham Holdings Pty Limited	3,230,079	0.48
Millane Pty Limited	3,165,269	0.47
T N Phillips Investments Pty Ltd	3,046,748	0.46
A V L Investments Proprietary Limited	2,979,080	0.45
Chickenfeed Pty Ltd	2,828,449	0.42
John E Gill Trading Pty Ltd	2,814,074	0.42
David Burns Pty Limited	2,724,955	0.41
Isomet Pty Ltd	2,683,615	0.40
Djaldar Pty Ltd	2,545,000	0.38

On 30 June 2019, there were 26,995 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	3,650
1,001 – 5,000	7,567
5,001 – 10,000	5,448
10,001 – 100,000	9,642
100,001 and over	688
The number of holders of less than a marketable parcel of \$500 (106 shares)	636

## 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 248 and the total brokerage paid or accrued was \$448,229.



## Share Issues History

### Share Purchase Plan history

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

### Acquisition of unlisted companies

Date	Shares issued
21.06.2002	2,287,200
31.12.2002	1,739,112
11.03.2004	2,742,777
01.04.2004	496,809
17.08.2006	1,000,322
23.08.2006	1,476,254
28.08.2006	382,404
21.09.2006	278,103
10.11.2006	1,888,353
23.03.2007	1,895,976
14.05.2007	2,424,582
20.06.2007	252,477
24.09.2007	1,223,252
19.02.2009	3,555,958
26.02.2010	1,016,370
26.02.2010	3,116,341
20.08.2010	2,446,521
21.02.2013	521,464
24.02.2014	3,280,382
22.08.2017	4,114,776
17.08.2018	5,575,148
28.02.2019	2,869,406

### 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
04.09.2018	1,188,729	4.66
05.03.2019	1,158,994	4.39

### Share Split

Date	Ratio	Notes
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](http://www.milton.com.au)



An Australian Listed  
Investment Company  
since 1958

# Milton

CORPORATION LIMITED

ABN: 18 000 041 421

Level 4, 50 Pitt Street, Sydney NSW 2000  
T: (02) 8006 5357 F: (02) 9251 7033 E: [general@milton.com.au](mailto:general@milton.com.au)

[www.milton.com.au](http://www.milton.com.au)