

MILTON CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

ANNUAL REPORT 2013

Profile

Milton was established as a private investment vehicle for four shareholders in 1938. It became a public company in 1950 and listed on the Sydney Stock Exchange in 1958. Milton is now an investment vehicle for more than 19,300 shareholders and it is listed on the Australian Securities Exchange under the code MLT.

Objective

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

Investment philosophy

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

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

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

Equity Investment portfolio

Milton's \$2.2 billion equity investment portfolio, which represents 93% of total assets, comprises companies and trusts which are expected to provide an increase in investment revenue over the long term. Consistent application of Milton's investment philosophy over many years has created a portfolio that is not aligned with any securities exchange index. A list of investments by sector commences on page 7 and the classification of investments is detailed in the Chairman's Review on page 4.

Dividend policy

Ordinary fully franked dividends are paid out of profit after tax excluding special investment revenue and acquisition related costs of subsidiaries. Milton has paid a dividend every year since listing and all dividends have been fully franked since the introduction of franking. Refer to the dividend history graph on page 6.

Special fully franked dividends may be paid out of special investment revenue when this revenue has accumulated to a material amount.

Internal management

Milton's directors oversee the performance of its executives who are employed by the company to manage its investments. All employees are focussed on operating efficiently and maximising returns to shareholders. This internal management structure also helps to maintain low operating costs which in the 2013 financial year represented 0.14% of average total assets.

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Calendar

Final dividend:

- Ex dividend date 15 August 2013
- Payment date 4 September 2013

Share Purchase Plan closes 20 September 2013

Annual General Meeting: 10 October 2013 at 3 pm

- To be held at Australian Institute of Company Directors
Level 1, 10 Bond Street, Sydney

Key performance indicators

	2013	2012
Profit after tax (\$ million)	111.2	103.4
This includes the underlying operating profit from the investments as well as special investment revenue and acquisition related costs of subsidiaries.		
Weighted average earnings per share (cents)	91.3	85.0
Profit after tax expressed on a per share basis after taking into account additional shares issued during the year.		
Underlying operating profit after tax (\$ million)	108.5	102.7
This represents the ordinary profit from the investments and excludes special investment revenue and acquisition related costs of subsidiary.		
Weighted average underlying operating earnings per share (cents)	89.1	84.4
The underlying operating profit after tax expressed on a per share basis after taking into account additional shares issued during the year.		
Fully franked ordinary dividends per share (cents)		
Ordinary fully franked dividends are paid out of underlying operating profit after tax.		
Interim dividend per share	39.0	38.0
Final dividend per share	<u>43.0</u>	<u>40.0</u>
Full year dividend per share	82.0	78.0
Full year ordinary dividend as a percentage of underlying operating profit after tax.	92.1	92.4
Fully franked special dividend per share (cents)	2.5	-
Special fully franked dividends are paid out of receipts of special investment income		
Net tangible asset value at 30 June (\$ million)	2,375.1	1,997.4
The net tangible asset value before providing for tax on unrealised capital gains.		
Net tangible asset backing per share at 30 June (\$)	19.45	16.42
The net tangible asset value before providing for tax on unrealised capital gains expressed on a per share basis.		
Management expense ratio (%)	0.14	0.16
The management expense ratio is the total cost of running Milton expressed as a percentage of the average Total Assets for the year.		
Total Shareholder Return (TSR) over 10 years (% per annum)	8.3	6.7
This compound annual return measures the change in the value of an investment in Milton by considering the movement in the market price and assuming dividends are reinvested in Milton shares.		

Chairman's Review of the 2013 financial year

Profit review

Milton's net profit after tax for the year ended 30 June 2013 was \$111.2 million. This result, which included special investment revenue of \$2.7 million, was 7.5% higher than that of the 2012 financial year.

Whilst Milton usually receives special investment revenue each year, the amount received can vary significantly. In the year under review Milton received special dividends from eight companies with the larger dividends being \$1 million from Westpac, \$0.5 million from Woodside Petroleum and \$0.4 million from Suncorp Group.

Underlying operating profit after tax (UOP) excludes this irregular income stream and therefore may provide a better view of the ongoing performance of the company.

UOP in 2013 was \$108.5 million with the most significant factor contributing to the 5.7% increase being a lift in ordinary franked dividend income.

Milton's share of net profits from its investments in property joint ventures also provided a boost to the result with a contribution of \$5 million.

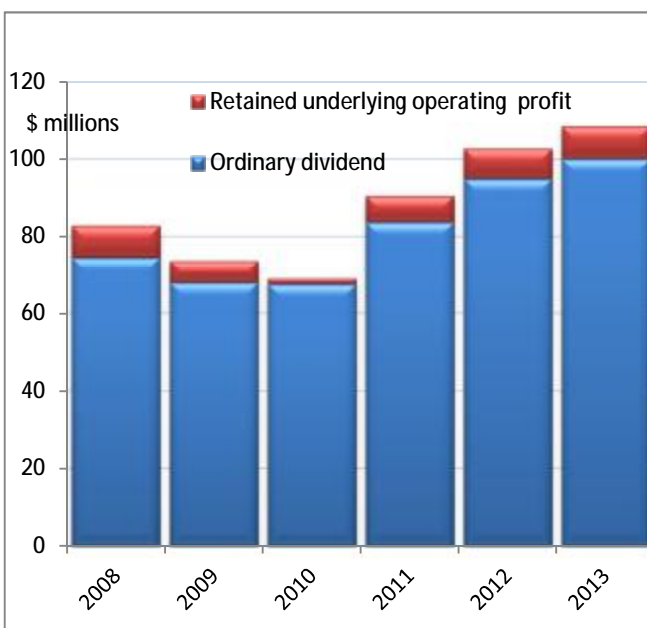
Lower interest rates available during the year adversely affected UOP even though Milton's cash and term deposits represented less than 5% of total assets. Total interest earned on these liquid assets held during the year was \$5.6 million some 21.5% lower than in the 2012 year.

Milton's total administration expenses remained at \$3.2 million and represented 0.14% of average total assets.

The weighted average earnings per share, based on UOP, increased by 5.5% to 89.1 cents.

	\$ million	Change
Dividends and distributions	105.8	Up 4.8%
Interest income	5.6	Down 21.5%
Joint venture profits	5.0	Up 35.6%
Other income	0.8	
Administration expenses	(3.2)	flat
Underlying operating profit	114.0	
Income tax expense	(5.5)	
Underlying operating profit after tax (UOP)	108.5	Up 5.7%
Special investment revenue	2.7	Up 255.4%
Net profit after tax	111.2	Up 7.5%
	Cents	
Weighted average eps ⁽¹⁾	89.1	Up 5.5%
Ordinary dividends per share	82.0	Up 5.1%
Special dividends per share	2.5	

⁽¹⁾ Based on underlying operating profit and weighted averages shares on issue of 121.8 million.



Dividends

Ordinary

Milton's dividend policy, which is designed to provide shareholders with a reliable fully franked income stream, is to pay a high percentage of UOP to shareholders as ordinary dividends.

Growth in earnings per share based on UOP has led to an increase in Milton's ordinary fully franked dividends paid to its shareholders. Milton's ordinary fully franked interim dividend was 39 cents per share and the ordinary fully franked final dividend was 43 cents per share. The full year dividend was 5.1% higher than the 2012 full year dividend.

Special

Milton has a policy to pass on the benefit of the irregular special dividend receipts once the revenue has accumulated to a material amount.

A special fully franked dividend of 2.5 cents per share was also declared to be paid with the final dividend in September 2013. The special dividend was effectively sourced from the special investment revenue received in 2012 and 2013 which totaled \$3.4 million.

Chairman's Review of the 2013 financial year (continued)

Net assets

Milton's net assets, before provision for tax on unrealised capital gains, were valued at \$2.4 billion at 30 June 2013. The assets included an investment portfolio of Australian listed equities valued at \$2.2 billion and cash including term deposits of \$0.1 billion.

Milton invests for the long term and does not intend to dispose of its investment portfolio however the accounting standards require Milton to provide for the capital gains tax that may arise if the portfolio was realised. At 30 June 2013 that provision was \$0.2 billion.

Milton's net tangible assets per share, before provision for tax on unrealised capital gains (NTA) were \$19.45 at 30 June 2013. This is 18.5% higher than the NTA a year earlier. The main factor affecting the NTA in 2013 was the significant increase in value of the long term investment portfolio.

The asset classification table on page 4 identifies each sector's contribution to this increase in value.

Total returns

Milton's Total Portfolio Return (TPR), which is the combination of the movement in NTA with the dividends paid during the year, was 23.6%. The TPR for the ten years ended 30 June 2013 was 9.3% per annum compounded. These returns are net of all operating costs and realised tax liabilities and are not adjusted for the value of franking credits attached to Milton's dividends, which have all been fully franked.

The accumulation returns of the All Ordinaries Index do not include any costs or tax nor are they adjusted for the partially franked dividends paid. For the year ended 30 June 2013 the accumulation return was 20.7% and for the ten years it was 9.2% per annum.

Milton's Total Shareholder Return (TSR) is the combination of the movement in share price and dividends paid during the year and for the 2013 year it was 26.6%. The TSR for the ten years ended 30 June 2013 was 8.3% per annum compounded. TSR does not take into account the value of franking credits attached to Milton's dividends.

Portfolio

Consistent application of Milton's investment philosophy over many years has resulted in a portfolio of investments that can be expected to produce a reliable source of dividends for payment on to shareholders. The portfolio is not aligned with any index however many of its investments are well represented in the All Ordinaries Index.

The investment portfolio comprises companies and trusts which are listed on the Australian Securities Exchange. A full list of the investments is disclosed on pages 7 to 10. These details are also available on Milton's website www.milton.com.au and can be downloaded on to a spreadsheet.

During the year Milton invested a further \$34 million of which \$18 million was funded by disposals. The acquisition of an unlisted investment company in February 2013 lifted total investments by an additional \$11 million.

The larger purchases included ASX, AP Eagers, Automotive Holdings Group, IOOF Holdings, McMillan Shakespeare, Tatts Group, Telstra and Westfield Group.

McMillan Shakespeare, which is a well managed, profitable business with a history of paying increasing dividends was purchased early in the financial year and was performing soundly until the federal government announced proposed changes to the fringe benefit tax on motor vehicles. These proposals, if enacted, are likely to have a significant impact on the company's operations. Milton is monitoring this position carefully.

Movement in Net Assets ⁽¹⁾ for the year ended 30 June 2013	\$ millions
Income before provision for tax	119.9
Expenses	(3.2)
Tax expense	(5.5)
Change in value of investments	352.0
Total return⁽¹⁾	463.2
Net assets 30 June 12 (\$16.42 per share)	1,997.4
Share issues	10.6
Dividends paid during the year	(96.1)
Net assets⁽¹⁾ 30 June 13 (\$19.45 per share)	2,375.1

⁽¹⁾ before provision for tax on unrealised capital gains

Chairman's Review of the 2013 financial year (continued)

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

Classification ⁽¹⁾	Opening position \$ million	Additions ⁽⁴⁾ \$ million	Disposals \$ million	Change in value \$ million	Closing position \$ million	Income \$ million
Banks	636.6	4.7	-	203.7	845.0	48.3
Consumer staples	206.7	5.6	(3.6)	46.0	254.7	11.9
Materials	202.5	3.5	(0.8)	12.1	217.3	7.4
Energy	181.2	2.2	(0.7)	(1.8)	180.9	6.1
Commercial services	128.3	1.2	(0.5)	(11.5)	117.5	5.8
Insurance	91.7	1.9	(3.8)	27.7	117.5	4.6
Diversified financials	77.3	4.0	-	28.7	110.0	4.6
Telecommunications	49.9	6.3	-	20.3	76.5	3.8
Capital goods	49.1	3.4	(1.6)	(11.3)	39.6	2.8
Real estate	44.6	5.3	(5.5)	4.4	48.8	2.8
Other shares	40.2	2.4	(0.3)	9.4	51.7	2.1
Utilities	39.4	-	-	0.5	39.9	1.8
Healthcare	34.2	1.1	-	15.6	50.9	1.0
Retailing	31.2	2.8	(0.3)	6.8	40.5	1.8
Media	12.3	-	(1.3)	0.7	11.7	0.6
Total listed investments	1,825.2	44.5	(18.4)	351.2	2,202.5	105.4
Cash & liquids ⁽²⁾	132.2				129.0	5.6
Other assets ⁽³⁾	45.4				46.6	8.9
Total	2002.8				2,378.1	119.9

⁽¹⁾ Investments are grouped according to their asset classes using the Global Industry Classification Standard ("GICS") codes. Full details of the investments at 30 June 2013 are reported on pages 7 to 10.

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

⁽³⁾ Other assets include receivables and investments in real property development through joint ventures.

⁽⁴⁾ Additions include investments that were held by the unlisted investment company that was acquired on 21 February 2013.

Share Purchase Plan

Directors announced on 25 July 2013 the reintroduction of the Share Purchase Plan (SPP) with participation to be offered to shareholders on the register on 24 July 2013. The SPP enables shareholders to apply for new shares with a total market value of up to \$15,000. The new shares will be issued at a discount of 2.5% to the volume weighted average share price for the three days immediately after the shares trade ex dividend.

Share split proposal

With Milton's share price and NTA approaching \$20 per share a proposal to split the shares in the ratio of five new shares for each existing share will be put to shareholders at the company's annual general meeting. It is anticipated that the share split will improve the liquidity in the trading of Milton's shares and will make Milton shares more attractive to a greater number of investors.

Chairman's Review of the 2013 financial year (continued)

Outlook

Many Australian corporates faced with challenging business conditions have taken steps to restructure their businesses and lower their cost bases so that they should be in a sound position as the economy improves over time.

It is expected that the benefits of a lower currency and continuing low interest rates will eventually provide the stimulus required to strengthen the economy.

In the meantime Milton will continue to actively seek opportunities to add to its portfolio.

In the absence of unforeseen circumstances directors expect to be able to at least maintain the ordinary annual dividend rate of 82 cents per share. (Should the share split proceed the equivalent dividend would be 16.4 cents per share on the expanded number of shares on issue.)



R. D. MILLNER

Chairman

Sydney, 8 August 2013

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 2013 to \$1.9 million.

In 2013 the Foundation distributed \$100,000 to support 13 organisations. The Foundation has provided \$1.7 million of assistance to the community since its establishment.

The Foundation is a deductible gift recipient and donations of \$2 or more are tax deductible.

If you are interested in supporting the Foundation donations and can be made by forwarding a cheque to:
The Trustees, Milton Corporation Foundation, PO Box R1836, Royal Exchange NSW 1225.



J F Church

Chairman of Trustees

Sydney, 8 August 2013

Five Year Financial Summary

	2013	2012	2011	2010	2009
Underlying operating profit after tax ⁽¹⁾ (\$million)	108.5	102.7	90.5	68.9	73.6
Underlying earnings per share (cents)	89.1	84.4	80.8	73.7	85.0
Profit after tax (\$million)	111.2	103.4	93.9	73.1	69.4
Earnings per share (cents)	91.3	85.0	83.9	78.2	80.1
Administration costs as % of average total assets	0.14	0.16	0.17	0.17	0.19
Interim dividend (cents per share)	39.0	38.0	37.0	35.0	43.0
Final dividend (cents per share)*	43.0	40.0	39.0	36.0	35.0
Full year ordinary dividend (cents per share)	82.0	78.0	76.0	71.0	78.0
Special dividend (cents per share)	2.5	-	5.0	-	-
*LIC Capital Gain paid as part of final dividend (cents per share)	-	-	-	2.0	-
Net assets ⁽²⁾ at 30 June (\$million)	2,375	1,997	2,112	1,603	1,338
Net asset backing per share ⁽²⁾ at 30 June(\$)	19.45	16.42	17.36	16.51	15.04
Net asset backing per share ⁽³⁾ at 30 June(\$)	17.62	15.46	16.11	15.17	13.98
Last sale price at 30 June (\$)	18.40	15.21	15.60	15.98	14.50
All Ordinaries Index at 30 June	4775	4135	4660	4325	3948
Ten year Total Shareholder Return (% per annum)	8.3	6.7	7.8	10.7	9.8
Five year Total Shareholder Return (% per annum)	4.0	(3.0)	(0.4)	4.0	6.0
Shares on issue (million)	122.1	121.6	123.3	97.1	88.9
Number of shareholders	19,309	19,008	19,490	15,890	14,578

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

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

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

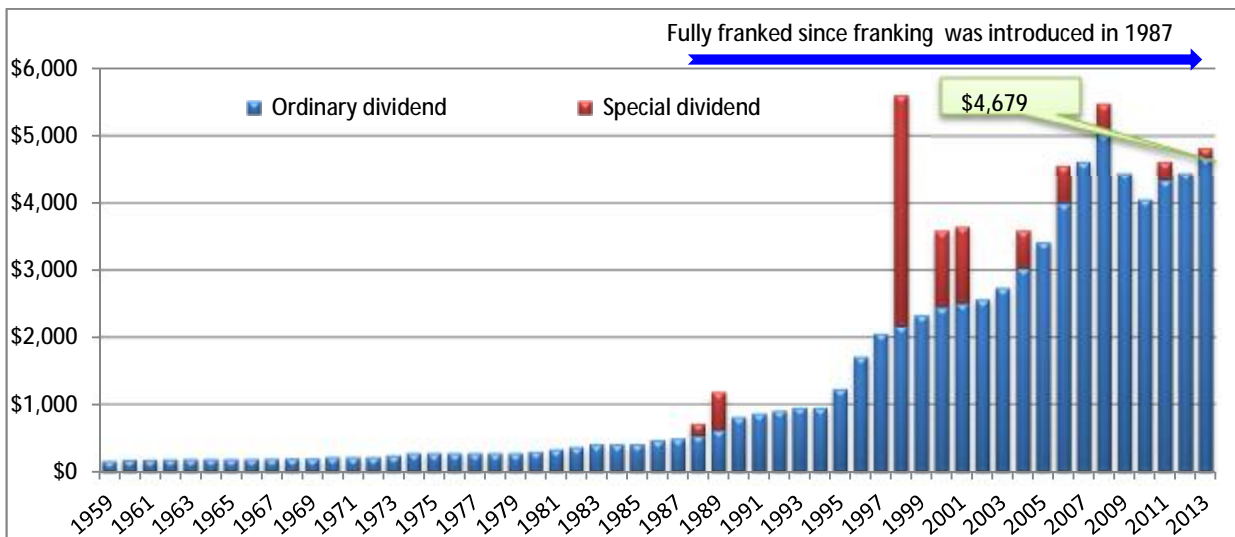
Milton dividend history

The growth in Milton's dividends since the company was listed in 1958 is shown in the chart below.

The dividends are based on the following assumptions:

- 1,000 shares were purchased for £1,000 (\$2,000) in 1958
- Dividends were NOT reinvested and
- NO further shares have been purchased.

Through the sub-division of shares on the introduction of decimal currency and bonus share issues, the number of shares held would have increased to 5,706 and would have been valued at \$104,990 at 30 June 2013. The annual dividend on these shares would have increased to \$4,679 in 2013 from \$160 in 1959.



LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2013

	Holding	Fair Value \$'000
<u>Banks</u>		
Australia & New Zealand Banking Group Limited		
- ordinary shares	2,890,035	82,597
- convertible preference shares	19,500	1,975
- CPS 1	2,000	199
Bendigo and Adelaide Bank Limited	5,709,709	57,497
Bank of Queensland Limited	6,550,276	57,053
Commonwealth Bank of Australia		
- ordinary shares	3,028,075	209,482
- PERLS V	500	101
National Australia Bank Limited	4,386,788	130,200
MyState Limited	444,992	1,887
Wide Bay Australia Limited	433,570	2,276
Westpac Banking Corporation	10,447,684	301,729
		<u>844,997</u>
<u>Consumer Staples</u>		
Blackmores Limited	378,014	10,184
Coca-Cola Amatil Limited	1,367,184	17,377
Graincorp Limited	338,290	4,235
Metcash Limited	4,657,560	16,395
Select Harvests Limited	161,862	529
Treasury Wine Estates Limited	1,023,271	5,955
Wesfarmers Limited	2,606,937	103,235
Wesfarmers Limited Partially Protected	260,685	10,516
Woolworths Limited	2,630,973	86,322
		<u>254,748</u>
<u>Materials</u>		
Adelaide Brighton Limited	2,098,440	6,925
Alumina Limited	491,919	485
Amcor Limited	1,173,322	11,897
Arrium Limited	3,995,301	3,116
BHP Billiton Limited	3,258,296	102,213
Boral Limited	1,627,463	6,852
Brickworks Limited	3,234,567	41,079
DuluxGroup Limited	74,000	312
Fletcher Building Limited	803,229	5,735
Incitec Pivot Limited	1,529,770	4,375
Orica Limited	188,987	3,903
Rio Tinto Limited	454,888	23,822
Sims Metal Management Limited	793,037	6,550
		<u>217,264</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2013

	Holding	Fair Value \$ 000
<u>Energy</u>		
New Hope Corporation Limited	1,290,107	4,606
Origin Energy Limited	387,106	4,866
Santos Limited	1,407,056	17,630
Woodside Petroleum Limited	821,175	28,749
Washington H Soul Pattinson & Company Limited	9,134,840	120,123
Worley Parsons Limited	252,612	4,923
		180,898
<u>Commercial Services</u>		
ALS Limited (formerly Campbell Brothers)	10,840,825	103,855
Brambles Limited	1,167,966	10,909
McMillan Shakespeare Limited	100,000	1,618
Transfield Services Limited	1,519,032	1,170
		117,552
<u>Insurance</u>		
AMP Limited	2,121,110	9,015
Austbrokers Limited	1,024,795	11,170
Insurance Australia Group Limited		
- ordinary shares	3,782,575	20,577
- convertible preference shares	3,000	306
IAG Finance (NZ) Limited perpetual reset exchangeable notes	12,000	1,234
QBE Insurance Group Limited	2,743,375	41,398
Suncorp Group Limited	2,832,882	33,768
		117,467
<u>Diversified Financials</u>		
Argo Investments Limited	809,094	5,227
ASX Limited	451,724	14,939
Australian Foundation Investment Company Limited	1,304,250	7,095
BKI Investment Company Limited	1,147,375	1,629
Carlton Investments Limited	354,809	7,486
Diversified United Investment Limited	270,400	811
Equity Trustees Limited	235,503	3,509
IOOF Holdings Limited	448,067	3,298
Macquarie Group Limited	494,118	20,689
Perpetual Limited	824,126	29,174
The Trust Company Limited	2,940,394	16,143
		110,000
<u>Telecommunication</u>		
Telstra Corporation Limited	13,280,253	63,347
TPG Telecom Limited	3,731,553	13,135
		76,482

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2013

	Holding	Fair Value \$ 000
<u>Healthcare</u>		
Cochlear Limited	31,800	1,962
CSL Limited	587,062	36,151
Ramsay Health Care Limited	104,942	3,758
Sonic Healthcare Limited	608,494	9,012
		<u>50,883</u>
<u>Real Estate</u>		
Australand Property Group	832,732	2,898
BWP Trust	1,363,394	3,068
CFS Retail Property Trust	7,971,000	15,942
Commonwealth Property Office Fund	1,724,537	1,897
Finbar Group Limited	1,180,000	1,481
FKP Property Group	963,181	1,223
Goodman Group	184,756	902
Lend Lease Corporation Limited	448,216	3,743
Stockland Group	2,150,940	7,485
Westfield Group	672,000	7,688
Westfield Retail Trust	784,873	2,433
		<u>48,759</u>
<u>Capital Goods</u>		
Bradken Limited	806,184	3,475
Cardno Limited	896,890	4,646
GWA International Limited	2,275,000	5,460
Leighton Holdings Limited	757,865	11,709
Reece Australia Limited	133,085	3,167
Sedgman Limited	2,021,674	1,071
UGL Limited	1,451,191	10,042
		<u>39,571</u>
<u>Retailing</u>		
AP Eagers Limited	5,833,107	23,741
ARB Corporation Limited	744,741	8,490
Automotive Holdings Group Limited	1,334,260	4,270
David Jones Limited	356,090	908
Noni B Limited	867,396	520
Premier Investments Limited	385,250	2,573
		<u>40,502</u>
<u>Utilities</u>		
AGL Energy Limited	2,304,752	33,373
APA Group	1,083,833	6,492
		<u>39,865</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2013

	Holding	Fair Value \$ 000
<u>Consumer Services</u>		
Crown Limited	267,301	3,237
InvoCare Limited	1,695,526	19,295
Tatts Group Limited	1,112,918	3,528
		<u>26,060</u>
<u>Transport</u>		
Lindsay Australia Limited	1,600,000	280
Qube Logistics Holdings Limited	1,368,000	2,278
Sydney Airport	432,301	1,461
Transurban Group	2,157,081	14,582
Toll Holdings Limited	1,130,679	6,015
		<u>24,616</u>
<u>Media</u>		
Amalgamated Holdings Ltd	740,667	6,125
APN News & Media Limited	1,309,855	327
Fairfax Media Limited	3,231,643	1,600
Seven Group Holdings Limited – TELYS4 preference shares	7,000	593
Seven West Media Limited	1,619,110	3,076
		<u>11,722</u>
<u>Automobiles & Components</u>		
Fleetwood Corporation Limited	228,000	821
Schaffer Corporation Limited	68,999	298
		<u>1,119</u>
Total Listed Investments by Sector		<u>2,202,504</u>

Directors' Report

For the year ended 30 June 2013

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 2013 and the independent auditor's report thereon.

Directors

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

Robert D. Millner FAICD Independent non-executive chairman.
Director of Milton Corporation Limited since 1998 and appointed chairman in 2002.
Chairman of the Investment and Remuneration Committees. Extensive experience in the investment industry.

Other current directorships:

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

Former directorships in the last three years:

Souls Private Equity Limited from 2004 to 2012

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

John F. Church FCSA, F Fin, FAICD Independent non-executive director.
Director of Milton Corporation Limited since 1986.
Member of the Investment Committee.
A Solicitor and Notary Public and over 40 years experience in the investment industry.

Graeme L. Crampton B.Ec, FCA, FAICD Independent non-executive director.
Director of Milton Corporation Limited since 2009.
Chairman of the Audit Committee and a member of the Remuneration Committee.
A Chartered Accountant and former partner of a major firm of Chartered Accountants for more than 30 years and has extensive experience in the investment industry.

Former directorships in the last three years:

Souls Private Equity Limited from 2011 to 2012.

Kevin J. Eley CA, F Fin Independent non-executive director.
Director of Milton Corporation Limited since 2011.
Member of the Investment and Audit Committees.
A Chartered Accountant and has extensive experience in the investment industry.

Other current directorships:

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

Francis G. Gooch B.Bus, CPA Managing director.
Managing Director of Milton Corporation Limited since 2004 and chief executive since 1999.
Member of the Investment Committee.
A Certified Practising Accountant and over 28 years experience in the finance and investment industries.

Ian A. Pollard BA (Macq), MA (Oxon), D Phil (IMC), FIAA, FAICD Independent non-executive director.
Director of Milton Corporation Limited since 1998.
Member of the Audit and Remuneration Committees.
An Actuary and over 36 years of involvement in the investment industry.

Other current directorships:

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

Directors' meetings

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

Director	Directors' Meetings		Investment Committee Meetings		Audit Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
R.D. Millner	6	6	18	19	*	*	*	*	1	1
J.F. Church	6	6	17	19	*	*	1	1	*	*
G.L. Crampton	6	6	*	*	5	5	*	*	1	1
K.J. Eley	6	6	19	19	5	5	*	*	*	*
F.G. Gooch	6	6	19	19	*	*	1	1	*	*
I.A. Pollard	6	6	*	*	4	5	1	1	1	1

A - Number of meetings attended.

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

* - Not a member of the relevant committee.

Principal activities

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

Operating and financial review

The consolidated profit after income tax of Milton for the year was \$111.2 million (2012: \$103.4 million). Milton is in a sound financial position with net assets at 30 June 2013 of \$2.2 billion (2012: \$1.9 billion) and no debt.

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

Significant changes in the state of affairs

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

Dividends

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

	Cents per share	Total amount \$'000	Date of payment
<i>Declared and paid during the year</i>			
- Final 2012 ordinary fully franked	40.0	48,650	4 September 2012
- Interim 2013 ordinary fully franked	39.0	47,434	6 March 2013
<i>Declared after end of year and not provided for</i>			
- Final 2013 ordinary fully franked	43.0	52,523	4 September 2013
- Special 2013 fully franked	2.5	3,054	4 September 2013

No LIC capital gain was included in the above dividends.

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

Events subsequent to reporting date

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

Likely developments

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

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

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

Environmental regulations

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

Directors' relevant interests

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

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

Director	No. of Shares
R.D. Millner	2,558,105
J.F. Church	5,693,009
G.L. Crampton	27,307
K.J. Eley	20,000
F.G. Gooch	145,013
I.A. Pollard	16,724

Indemnification and insurance of directors, officers and auditors

Neither Milton nor any related entity has indemnified or agreed to indemnify, paid or agreed to pay any insurance premium which would be prohibited under Section 199A or Section 199B of the Corporations Act 2001 during or since the financial year ended 30 June 2013.

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

Secretary

Mr D.N. Seneviratne MBA, ACMA, CPA, AICM was appointed secretary in December 2012. He held the role of senior accountant at Milton since March 2010 and was appointed assistant company secretary in March 2012. Previously he has held the roles of finance controller and finance manager in private companies for over 6 years and prior to that worked in areas of corporate finance for over 4 years. He is a member of CIMA, CPA and a graduate diploma student of Chartered Secretaries of Australia.

Mr. A.R. Davison, B.Bus, CA, FCSA who served as secretary from August 1999 to December 2012 retired from Milton with effect from 15 April 2013.

Non-audit services

During the year, Moore Stephens Sydney, 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 4 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 Committee to ensure they do not impact on the integrity and objectivity of the auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Milton, acting as an advocate for Milton or jointly sharing risks and rewards.

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

Remuneration Report

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

Remuneration of non-executive directors

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

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

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

Base fees and committee fees (including superannuation contributions)

	2012	2013
Chairman base fee	118,650	124,580
Director base fee	59,325	62,290
Chairman of the Audit Committee fee	5,250	5,512
Member of the Audit Committee fee	2,975	3,125
Member of the Investment Committee fee	5,250	5,512

The total remuneration paid to non executive directors in 2013 was \$402,038 (2012: \$373,980).

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

Non-executive directors, who were appointed before 30 June 2003, are entitled to retirement benefits in accordance with a shareholder approved scheme. In June 2003 the board resolved to cap retirement benefits for all directors at the amounts provided as at 30 June 2003. The total balance provided at 30 June 2013 is \$190,905 (2012: \$190,905).

Remuneration of executives

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

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

In formulating its recommendations the Remuneration Committee considers:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key performance indicators

	2013	2012	2011	2010	2009
<u>Profitability</u>					
Underlying operating profit (\$million)	108.5	102.7	90.5	68.9	73.6
Growth in underlying operating profit (%)	5.7	13.5	31.3	(6.4)	(11.1)
Underlying earnings per share (cents)	89.1	84.4	80.8	73.7	85.0
Growth in underlying earnings per share (%)	5.5	4.5	9.6	(13.3)	(13.8)
<u>Dividend</u>					
Full year ordinary dividend (cents per share)	82.0	78.0	76.0	71.0	78.0
Growth in full year ordinary dividend (%)	5.1	2.6	7.0	(9.0)	(11.4)
Special dividend (cents per share)	2.5	-	5.0	-	-
<u>Capital</u>					
Net asset backing per share ⁽¹⁾ at 30 June(\$)	19.45	16.42	17.36	16.51	15.04
Growth (decline) in net asset backing per share (%)	18.4	(5.4)	5.1	9.3	(20.6)
Net assets ⁽¹⁾ at 30 June (\$million)	2,375	1,997	2,112	1,603	1,338
<u>Total Return</u>					
Ten year Total Shareholder Return	8.3	6.7	7.8	10.7	9.8
Ten year Total Portfolio Return	9.3	7.5	8.5	10.2	9.4
Ten year accumulation return of the All Ordinaries Index	9.2	7.1	7.4	7.1	7.3

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

Details of remuneration

Amounts of remuneration

Details of the remuneration of each non-executive director of Milton Corporation Limited, the managing director and specified executives of Milton for the years ended 30 June 2012 and 2013 are set out in the following tables.

Non-executive directors of Milton Corporation Limited

			Short Term Benefits Fees	Post Employment Superannuation	Total paid	Retirement Provision ⁽¹⁾
			\$	\$	\$	\$
R.D. Millner	Chairman	2013	119,350	10,742	130,092	55,905
		2012	113,670	10,230	123,900	55,905
J.F. Church	Director	2013	62,204	5,598	67,802	90,000
		2012	59,243	5,332	64,575	90,000
G.L. Crampton	Director	2013	43,802	24,000	67,802	-
		2012	19,575	45,000	64,575	-
K.J. Eley (appointed 1/12/11)	Director	2013	65,071	5,856	70,927	-
		2012	27,574	11,830	39,404	-
I.A. Pollard	Director	2013	60,014	5,401	65,415	45,000
		2012	57,156	5,144	62,300	45,000
J.N. Aitken ⁽²⁾ (retired 13/10/11)	Director	2013	-	-	-	-
		2012	12,831	6,395	19,226	-
Total remuneration		2013	350,441	51,597	402,038	190,995
		2012	290,049	83,931	373,980	190,995

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

(2) Mr J.N. Aitken retired as a director on 13 October 2011.

Managing director and executives of Milton Corporation Limited and its subsidiaries

		Short Term Benefits			Post Employment Super- annuation	Other long term benefits ⁽³⁾	Share based payments ⁽⁴⁾	Total
		Salary	Cash bonus ⁽¹⁾	Non monetary benefits ⁽²⁾				
		\$	\$	\$	\$	\$	\$	\$
F.G. Gooch Managing director	2013	443,741	25,000	41,910	20,008	18,325	132,885	681,869
	2012	388,497	20,500	49,788	45,065	12,422	131,819	648,091
D.N. Seneviratne ⁽⁵⁾ CFO, secretary (appointed 21/12/12)	2013	122,340	13,761	-	12,249	-	4,540	152,890
	2012	-	-	-	-	-	-	-
A.R. Davison CFO, secretary (resigned 15/04/13)	2013	140,004	-	2,812	15,308	4,025	25,583	187,732
	2012	181,999	5,000	3,552	46,000	4,626	52,369	293,546
Total remuneration	2013	706,085	38,761	44,722	47,565	22,350	163,008	1,022,491
	2012	570,496	25,500	53,340	91,065	17,048	184,188	941,637

(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 are comprised of long service leave provisions.

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

(5) Mr Seneviratne joined Milton in March 2010 and was appointed CFO/Secretary on 21/12/12. His remuneration includes the total remuneration for the reporting period from 01/07/12 to 30/06/13.

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

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

The movements during the reporting period are as follows:

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

		Opening Balance	Received as Remuneration	Closing Balance
F.G. Gooch	2013	125,000	15,000	140,000
Managing director	2012	105,000	10,000	125,000
D.N. Seneviratne	2013	3,500	-	3,500
CFO, secretary (appointed 21/12/12)	2012	-	-	-
A.R. Davison	2013	47,500	-	-
CFO, secretary (resigned 15/04/13)	2012	42,500	5,000	47,500

Loans in relation to the Senior Staff Share Plan

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

		Opening Balance	Net change	Closing Balance	Highest balance in the period	Notional Interest ⁽¹⁾
		\$	\$	\$	\$	\$
F.G. Gooch	2013	1,683,932	156,388	1,840,320	1,920,264	132,885
Managing director	2012	1,460,406	223,526	1,683,932	1,762,271	131,819
D.N. Seneviratne	2013	50,635	2,114	48,521	50,635	3,540
CFO, secretary (appointed 21/12/12)	2012	-	-	-	-	-
A.R. Davison	2013	665,824	(665,824)	-	665,824	25,583
CFO, secretary (resigned 15/04/13)	2012	620,126	45,698	665,824	695,593	52,369

⁽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 7.18% (2012: 7.8%).

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

Rounding off

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

Signed in accordance with a resolution of the directors.



R. D. MILLNER
Chairman

Sydney, 8 August 2013

Level 15, 135 King Street
Sydney NSW 2000

T +61 (0)2 8236 7700
F +61 (0)2 9233 4636

www.moorestephens.com.au

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Milton Corporation Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

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



Moore Stephens Sydney
Chartered Accountants



Martin J. (Joe) Shannon
Partner

Dated in Sydney this 8th day of August 2013.

Corporate Governance Statement

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

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

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

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

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

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

Board of directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Board committees

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

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

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

The Nomination Committee consists of those directors who are not seeking re-election. This committee reviews the composition of the board annually and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity. The committee having reviewed the performance of the directors recommended Dr I. A. Pollard for election at the 2013 annual general meeting.

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

Trading policy in relation to listed securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Continuous disclosure and shareholder communication

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

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

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

Risk management

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

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

Diversity

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

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

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

At 30 June 2013 the proportion of women employed by Milton was: total Milton employees, 57%; board of directors, 0%; and senior positions, 14%.

Milton Corporation Limited
Consolidated income statement
for the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Ordinary dividends and distributions	2a	105,839	100,907
Interest		5,637	7,179
Net gains on trading portfolio		293	258
Other revenue		412	257
Operating Revenue		112,181	108,601
Share of net profits of joint ventures – equity accounted	19b	5,013	3,696
Special dividends and distributions	2b	2,744	772
Income from operating activities		119,938	113,069
Administration expenses		(3,214)	(3,241)
Acquisition related costs of subsidiaries		(46)	-
Profit before income tax expense		116,678	109,828
Income tax expense thereon	3	(5,461)	(6,411)
Profit attributable to shareholders of Milton		111,217	103,417
		Cents	Cents
Basic and diluted earnings per share	7	91.3	85.0

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

Milton Corporation Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2013

	2013 \$'000	2012 \$'000
Profit	111,217	103,417
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss</i>		
Revaluation of investments	351,997	(117,649)
Provision for tax (expense) benefit on revaluation of investments	(105,991)	34,818
	<hr/>	<hr/>
Other comprehensive income, net of tax	246,006	(82,831)
	<hr/>	<hr/>
Total comprehensive income for the period attributable to the shareholders of Milton	<u>357,223</u>	<u>20,586</u>

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

Milton Corporation Limited
Consolidated statement of financial position
as at 30 June 2013

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash	8	114,804	117,618
Receivables	9a	23,170	22,237
Other financial assets	10	14,410	14,951
Total current assets		152,384	154,806
Non-current assets			
Receivables	9b	2,925	3,433
Investments	11	2,202,530	1,825,344
Joint ventures – equity accounted	19c	19,664	18,341
Plant and equipment		52	66
Deferred tax assets	12	538	786
Total non-current assets		2,225,709	1,847,970
Total assets		2,378,093	2,002,776
Current liabilities			
Payables		834	2,938
Current tax liabilities		1,112	1,767
Provisions		60	163
Total current liabilities		2,006	4,868
Non-current liabilities			
Deferred tax liabilities	13	223,282	116,901
Provisions		412	334
Total non-current liabilities		223,694	117,235
Total liabilities		225,700	122,103
Net assets		2,152,393	1,880,673
Shareholders' equity			
Issued capital	14	1,384,438	1,373,857
Capital profits reserve		91,332	98,411
Asset revaluation reserve		512,458	259,373
Retained profits		164,165	149,032
Total equity attributable to shareholders of Milton		2,152,393	1,880,673

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

Milton Corporation Limited
Consolidated statement of changes in equity
for the year ended 30 June 2013

	Issued capital	Capital profits reserve	Asset revaluation reserve	Retained profits	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	1,373,857	98,411	259,373	149,032	1,880,673
Profit	-	-	-	111,217	111,217
Other Comprehensive Income:	-	-	246,006	-	246,006
Total comprehensive income	-	-	246,006	111,217	357,223
Net realised losses	-	(7,079)	7,079	-	-
Transactions with shareholders:					
Share issues	10,581	-	-	-	10,581
Dividends paid	-	-	-	(96,084)	(96,084)
Balance at 30 June 2013	1,384,438	91,332	512,458	164,165	2,152,393
Balance at 1 July 2011	1,373,857	99,084	341,531	145,348	1,959,820
Profit	-	-	-	103,417	103,417
Other Comprehensive Income:	-	-	(82,831)	-	(82,831)
Total comprehensive income	-	-	(82,831)	103,417	20,586
Net realised losses	-	(673)	673	-	-
Transactions with shareholders:					
Dividends paid	-	-	-	(99,733)	(99,733)
Balance at 30 June 2012	1,373,857	98,411	259,373	149,032	1,880,673

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

Milton Corporation Limited
Consolidated statement of cash flows
for the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Dividends and distributions received		105,553	99,833
Interest received		5,782	7,695
Distributions received from joint venture entities		4,700	4,237
Other receipts in the course of operations		412	257
Proceeds from sales of trading securities		583	4,540
Payments for trading securities		(202)	(4,077)
Other payments in the course of operations		(3,149)	(2,527)
Income taxes paid		(5,496)	(5,480)
Net cash provided by operating activities	18a	<u>108,183</u>	<u>104,478</u>
Cash flows from investing activities			
Proceeds from disposal of investments		22,062	34,777
Payments for investments		(37,479)	(48,910)
Cash on acquisition of subsidiaries		67	-
Payments for acquisition of subsidiaries		(46)	-
Proceeds from sales of plant and equipment		-	25
Payments for plant and equipment		(5)	(12)
Loans repaid by other entities		790	155
Loans advanced to other entities		(284)	(641)
Net cash provided by (used in) investing activities		<u>(14,895)</u>	<u>(14,606)</u>
Cash flows from financing activities			
Payments for issue of shares		(18)	-
Ordinary dividends paid		(96,084)	(93,652)
Special dividends paid		-	(6,081)
Net cash used in financing activities		<u>(96,102)</u>	<u>(99,733)</u>
Net (decrease) increase in cash assets held		(2,814)	(9,861)
Cash assets at the beginning of the year		<u>117,618</u>	<u>127,479</u>
Cash assets at the end of the year	8	<u>114,804</u>	<u>117,618</u>

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

Milton Corporation Limited

Notes to the consolidated financial statements for the year ended 30 June 2013

1. Summary of significant accounting policies

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

a. Basis of preparation

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

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

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

i) New and amended standards adopted:

Milton adopted the amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 which now require the statement of comprehensive income to show the items of comprehensive income grouped into those that will not be reclassified subsequently to profit or loss and those that will be reclassified if certain conditions are met. In the current and comparative financial years, Milton only has items recognised in comprehensive income that will not be reclassified into profit and loss in future periods.

ii) Early adoption of standards:

Milton has elected to early adopt AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interest in Other Entities, AASB 128 Investments in Associates and Joint Ventures and AASB 127 Separate Financial Statements. Accordingly, disclosures have been made in relation to Milton's judgement in determining the use of equity method for all its joint ventures (refer note 1(k)) and the nature and risks associated with Milton's investments in joint ventures (refer note 19). There have been no changes to the financial statements as a result of the early adoption. No other new accounting standards and interpretations that are available for early adoption at 30 June 2013, but not yet adopted, will result in any material change in relation to the financial statements of Milton.

b. Basis of consolidation

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

i) Subsidiaries

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

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

1. Summary of significant accounting policies (continued)

ii) Joint arrangements

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. 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.

iii) Change in accounting policy

AASB 10 Consolidated Financial Statements which was issued in August 2011 replaces the guidance on control and consolidation under AASB 127 Consolidated and Separate Financial Statements and under Interpretation 112 Consolidations - Special Purpose Entities. Milton has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

c. Income tax

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

Deferred tax is recognised using the balance sheet method.

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

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

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

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

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

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

d. Cash

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

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

e. Trading securities

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

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

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

1. Summary of significant accounting policies (continued)

f. Other liquid securities

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

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

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

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

g. Investments

Subsidiaries

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

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

Other companies

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

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

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

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

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

h. Employee benefits

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

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

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

i. Operating segments

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

j. Business Combinations

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

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

1. Summary of significant accounting policies (continued)

k. Critical accounting estimates and judgments

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

- (i) Offset deferred tax assets from realised capital losses against deferred tax liabilities from unrealised capital gains:

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

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

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

- (ii) Classification of joint arrangements as joint ventures:

Milton has non controlling interests in three property development joint venture partnerships through separate joint venture entities.

Each joint venture partnership agreement provides that partners have rights to the net assets of the partnership.

Accordingly, the directors have determined that each joint venture partnership is to be classified as a joint venture and accounted for using the equity method.

Apart from (i) and (ii) above, 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.

	2013 \$'000	2012 \$'000
2. Revenue		
a. Ordinary dividends and distributions from		
Investments held in portfolio at 30 June	105,620	99,227
Investments sold during the year	219	1,680
	<u>105,839</u>	<u>100,907</u>
b. Special dividends and distributions from		
Investments held in portfolio at 30 June	2,744	326
Investments sold during the year	-	446
	<u>2,744</u>	<u>772</u>
3. Income tax expense		
Prima facie income tax expense calculated at 30% on the profit before income tax expense	35,003	32,948
Increase (decrease) in income tax expense due to:		
Tax offset for franked dividends	(29,148)	(26,502)
Non taxable distributions	(412)	(360)
Under provision in prior year	10	320
Other differences	8	5
Income tax expense on profit	<u>5,461</u>	<u>6,411</u>
4. Auditor's remuneration		
Auditors of the company		
Audit and review services	104	111
Due diligence	10	-
	<u>114</u>	<u>111</u>
Related practice of the auditor		
Liquidation of non-operating subsidiary	-	7
	<u>114</u>	<u>118</u>
5. Ordinary and special fully franked dividends		
a. Recognised in the current year		
An ordinary final dividend in respect of the 2012 year of 40 cents per share paid on 4 September 2012 (2012: an ordinary final dividend in respect of the 2011 year of 39 cents per share paid on 20 September 2011)	48,650	47,434
(2012: a special dividend of 5 cents per share paid on 20 September 2011)	-	6,081
An ordinary interim dividend of 39 cents per share paid on 6 March 2013 (2012: 38 cents per share paid on 29 February 2012)	47,434	46,218
	<u>96,084</u>	<u>99,733</u>
b. Not recognised in the current year		
Since the end of the financial year, the directors declared an ordinary final dividend in respect of the 2013 year of 43 cents per share and a special dividend of 2.5 cents per share payable on 4 September 2013. (2012: ordinary final dividend of 40 cents per share and special dividend nil paid on 4 September 2012)	55,577	48,650

	2013 \$'000	2012 \$'000
5. Ordinary and special fully franked dividends (continued)		
c. Dividend franking account		
The amount of franking credits available to shareholders for the subsequent financial year, adjusted for franking credits that will arise from the payment of the current tax liability	111,550	105,182
Subsequent to year end, the franking account will be reduced by the proposed ordinary final and special dividends to be paid on 4 September 2013 (2012: ordinary final dividend)	<u>(23,819)</u>	<u>(20,850)</u>
	<u>87,731</u>	<u>84,332</u>

The franking account balance would allow Milton to frank additional dividend payments up to an amount of \$204,705,527 (2012:\$196,773,586) which represents 168 cents per share (2012: 162 cents per share).

6. Listed Investment Company capital gain account

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

<u>1,190</u>	<u>1,179</u>
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Distributed LIC capital gains may entitle certain shareholders to a special deduction in their income tax return. LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains and the receipt of LIC capital gain distributions.

	cents	cents
7. Earnings per share		
Basic earnings per share	<u>91.3</u>	<u>85.0</u>
	\$'000	\$'000
Profit attributable to shareholders of the parent entity	<u>111,217</u>	<u>103,417</u>
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>121,804,239</u>	<u>121,625,655</u>
Diluted earnings per share figures are the same because there are no dilutive potential ordinary shares.		

	\$'000	\$'000
8. Cash		
Cash at bank	2,782	1,510
Deposits at call	16,224	10,511
Term deposits	95,798	105,597
	<u>114,804</u>	<u>117,618</u>

The weighted average interest rate for cash and deposits at call as at 30 June 2013 is 3.3% p.a. (2012: 3.4% p.a.). Term deposits have an average maturity date of August 2013 (2012: August 2012) and an average interest rate of 4.2% (2012: 5.4% pa).

	2013	2012
	\$'000	\$'000
9. Receivables		
a. Receivables – current		
Income receivable	23,166	20,481
Sundry debtors	4	1,756
	<u>23,170</u>	<u>22,237</u>
b. Receivables – non-current		
Senior staff share plan loans (refer note 17b)	<u>2,925</u>	<u>3,433</u>
c. Terms and conditions		
Sundry debtors are due within 30 days and no interest is charged.		
10. Other financial assets		
Other liquid securities - at fair value	14,205	14,535
Trading securities - at fair value	-	184
Prepaid expenses	205	232
	<u>14,410</u>	<u>14,951</u>
11. Investments – non-current		
Quoted investments - at fair value	2,202,504	1,825,171
Unquoted investments - at fair value	26	173
	<u>2,202,530</u>	<u>1,825,344</u>
a. Included in quoted investments are:		
Shares in other corporations	2,136,433	1,764,871
Stapled securities in other corporations	45,164	36,317
Units in trusts	20,907	23,983
	<u>2,202,504</u>	<u>1,825,171</u>
b. Included in unquoted investments are:		
Securities in other corporations	-	6
Units in trusts	26	167
	<u>26</u>	<u>173</u>
c. Investments disposed of during the year		
Fair value at disposal date		
Equity investments	<u>20,306</u>	36,181
Loss on disposal after tax		
Equity investments	<u>(7,179)</u>	(4,960)

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

	2013 \$'000	2012 \$'000
12. Deferred tax assets		
The balance comprises temporary differences attributable to :		
Revenue tax losses carried forward	12	22
Provisions	247	255
Retirement benefit obligations	57	57
Share issue expenses	6	140
Other	216	312
Total deferred tax assets	<u>538</u>	<u>786</u>
Movements:		
Balance at 1 July	786	1,067
(charged) to the income statement	(253)	(281)
(charged) to equity	5	-
Balance at 30 June	<u>538</u>	<u>786</u>
To be recovered within 12 months	128	265
To be recovered after more than 12 months	410	521
	<u>538</u>	<u>786</u>
13. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	223,521	115,316
Realised capital losses	(17,348)	(15,510)
Amounts recognised in profit:		
Realised capital gains	832	832
Income receivable which is not assessable for tax until receipt	16,277	16,263
	<u>223,282</u>	<u>116,901</u>
Movements:		
Balance at 1 July	116,901	151,792
Charged to income statement	459	49
Charged (credited) to other comprehensive income	105,991	(34,818)
(Credited) to equity	(69)	(122)
Balance at 30 June	<u>223,282</u>	<u>116,901</u>
To be settled within 12 months	-	-
To be settled beyond 12 months	223,282	116,901

	2013 \$'000	2012 \$'000
14. Issued capital		
a. Movement in share capital		
Balance at 1 July 2012	1,373,857	1,373,857
521,464 shares issued as consideration for acquisitions	<u>10,581</u>	<u>-</u>
Balance at 1 July 2013 : 122,147,119 shares (30 June 2012: 121,625,655 shares)	<u>1,384,438</u>	<u>1,373,857</u>

b. Ordinary shares

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

15. Nature and purpose of reserves

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

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

16. Management of financial risk

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

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

a. Financial instruments' terms, conditions and accounting policies

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

b. Net fair values

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

c. Credit risk exposures

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

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

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

Income receivable 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.

16. Management of financial risk (continued)

d. Market risk

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

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

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

Investments represent 93% (2012: 91%) of total assets. A 5% fall in movement in the market value of investments in each of the companies and trusts within the portfolio would result in a 4.6% (2012: 4.6%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2013 (2012: 30 June 2012). The net asset backing before provision for tax on unrealised capital gains would move by 90 cents per share at 30 June 2013 (2012: 75 cents at 30 June 2012).

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

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

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

e. Liquidity risk

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

Milton manages liquidity risk by monitoring forecast and actual cashflows.

f. Capital risk management

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

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

g. Fair value measurement

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

17. Employee entitlements

a. Employee Share Plan

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

During the year, 252 shares (2012: 260 shares) were acquired by Milton on behalf of eligible employees under the ESP at a cost of \$3,999 (2012: \$3,955) with a total market value at 30 June 2013 of \$3,955.

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

b. Senior Staff Share Plan

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

During the year, 18,000 shares (2012: 42,500 shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of \$283,583 (2012: \$641,464). The loans to eligible employees are as disclosed in note 9b. The shares acquired by the trustee during the year had a market value of \$331,200 at \$18.40 per share as at 30 June 2013.

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.

During the year, 47,500 shares (2012: Nil) were disposed by the trustee and proceeds of \$646,086 were applied to fully repay loans of the retiring executive.

	2013	2012
	\$'000	\$'000

18. Note to the cash flow statements

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

Profit	111,217	103,417
Share of net profits of joint ventures – equity accounted	(5,013)	(3,696)
Distributions received from joint venture entities	4,700	4,237
Depreciation of non-current assets	19	35
Acquisition related costs of subsidiaries	46	-
Increase in receivables	(2,798)	(1,126)
Decrease in payables and provisions	46	679
Increase in income taxes payable	(34)	932
Net cash provided by operating activities	<u>108,183</u>	<u>104,478</u>

b. Non-cash financing and investing activities

As described in note 21.b Milton acquired an unlisted investment company through the issue of 521,464 new Milton shares with a fair value of \$9,913,031. (2012: no non-cash financing and investing activities)

19. Investment in joint venture entities

a. Details of joint venture entities

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

	2013 \$'000	2012 \$'000
b. Contribution from joint venture entities		
Milton has interests in the following joint venture entities:		
33.33% interest in the Ellenbrook Syndicate Joint Venture contribution to operating profit before tax	4,610	3,451
23.33% interest in the Mews Joint Venture contribution to operating profit before tax	415	245
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture	(12)	-
Share of net profits of joint ventures	<u>5,013</u>	<u>3,696</u>
c. Consolidated interest in the assets and liabilities of the joint ventures		
Current assets	19,060	16,790
Non-current assets	13,106	13,538
Current liabilities	(1,866)	(1,741)
Non-current liabilities	(10,093)	(9,703)
	<u>20,207</u>	<u>18,884</u>
Provision for diminution in value	(543)	(543)
Net assets	<u>19,664</u>	<u>18,341</u>

d. Contingent liabilities and commitments

Each venturer is liable for its share of the debts of the joint ventures. The finance facilities have recourse only to the assets of the joint ventures. The LWP Huntlee Syndicate No 2 Joint Venture was formed in June 2010 and Milton is committed to providing further capital of \$1.188 million over the next year (2012: \$1.009 million). Apart from this commitment there are no further financial commitments.

20. Parent entity disclosures

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

As at, and throughout, the financial year ended 30 June 2013 the parent entity is Milton Corporation Limited.

Profit of the parent entity	\$'000	\$'000
Profit for the year	107,715	100,822
Total comprehensive income for the year	353,720	17,991

	2013 \$'000	2012 \$'000
20. Parent entity disclosures (continued)		
Financial position of the parent entity as at 30 June		
Current assets	152,301	154,732
Total assets	2,463,731	2,075,651
Current liabilities	85,020	75,778
Total liabilities	311,338	194,978
Net assets	<u>2,152,393</u>	<u>1,880,673</u>
Total equity of the parent entity comprising of		
Issued capital	1,384,438	1,373,857
Capital profits reserves	99,911	106,989
Asset revaluation reserve	554,940	298,354
Retained profits	113,104	101,473
Total equity attributable to shareholders of the parent entity	<u>2,152,393</u>	<u>1,880,673</u>

21. Particulars in relation to subsidiaries

a. Milton Corporation Limited's subsidiaries

The following subsidiaries have been included in the consolidated accounts:

	Interest held %
85 Spring Street Properties Pty Ltd	100
Chatham Investment Co. Pty Limited	100
Incorporated Nominees Pty Limited	100
Milhunt Pty Limited	100

The parent entity and all subsidiaries are incorporated in Australia.

b. Acquisition of subsidiaries

During the year ended 30 June 2013, Milton acquired 100% of the shares of an unlisted investments company for a consideration of 521,464 new Milton shares with a fair value of \$9,913,031.

c. Disposal of subsidiaries

The unlisted investment company acquired during the year was placed into voluntary liquidation in June 2013. (2012: Choiseul Investments Limited was placed into voluntary liquidation).

22. Related parties	\$'000	\$'000
a. Directors and Key Management Personnel compensation		
Short-term benefits	1,140	939
Other long-term benefits	23	17
Post-employment benefits	99	175
Share-based payments	163	184
	<u>1,425</u>	<u>1,315</u>

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

22. Related parties (continued)

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

		Balance 1 July	Acquisition	Disposals	Balance 30 June
R.D. Millner	2013	9,685,543	-	-	9,685,543
	2012	9,581,822	103,721	-	9,685,543
J.F. Church	2013	5,908,783	4,301	(35,715)	5,877,369
	2012	5,901,400	7,383	-	5,908,783
G.L. Crampton	2013	27,307	-	-	27,307
	2012	27,307	-	-	27,307
K.J. Eley	2013	5,932	14,068	-	20,000
	2012	-	-	-	5,932
I.A. Pollard	2013	27,437	2,000	-	29,437
	2012	27,437	-	-	27,437

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

		Balance 1 July	Received as Remuneration	Other Acquisitions	Balance 30 June
F.G. Gooch	2013	183,737	15,000	-	198,737
Managing director	2012	162,737	20,000	1,000	183,737
D.N. Seneviratne	2013	3,625	63	-	3,688
CFO, secretary (appointed 21/12/12)	2012	-	-	-	-
A.R. Davison	2013	48,012	-	-	-
CFO, secretary (retired 15/04/13)	2012	43,012	5,000	-	48,012

d. Loans to key management personnel

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

		Balance 1 July	Net change	Balance 30 June	Highest balance in the period	Notional Interest
		\$	\$	\$	\$	\$
F.G. Gooch	2013	1,683,932	156,388	1,840,320	1,920,264	132,885
Managing director	2012	1,460,406	223,526	1,683,932	1,762,271	131,819
A.R. Davison ⁽¹⁾	2013	665,824	(665,824)	-	665,824	25,583
CFO, secretary ⁽¹⁾ (retired 15/04/13)	2012	620,126	45,698	665,824	695,593	52,369

⁽¹⁾The loans to Mr. Davison were repaid in full upon his retirement.

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

22. Related parties (continued)

e. Other related party transactions

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

Loans to and from subsidiaries

Loans have been made 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.

	2013	2012
	\$	\$
Balance at beginning of the year	72,149,885	492,855,719
Loans advanced from subsidiaries	13,387,148	4,237,499
Loan advanced to subsidiaries	(1,015,450)	(424,943,333)
Balance at end of the year	<u>84,521,583</u>	<u>72,149,885</u>

Other arrangement with non executive director

Mr J.F. Church rented office space from Milton at commercial rates from 1 July 2012 to 30 June 2013 and rental income received by Milton during the financial year was \$13,726 (2012: \$13,191).

23. Contingencies

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

24. Events subsequent to reporting date

Since the end of the financial year, the directors declared an ordinary fully franked final dividend of 43 cents per share and a special dividend of 2.5 cents per share payable on 4 September 2013.

This financial report was authorised for issue in accordance with a resolution of directors on 8 August 2013.

25. Holdings at Fair Value through Other Comprehensive Income at 30 June 2013

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

	2013 \$'000	2012 \$'000
Investments in equity instruments		
Adelaide Brighton Limited	6,925	5,926
AGL Energy Limited	33,373	34,042
ALS Limited (formerly Campbell Brothers)	103,855	117,623
Alumina Limited	485	886
Amalgamated Holdings Limited	6,125	4,777
Amcor Limited	11,897	8,227
AMP Limited	9,015	7,781
A P Eagers Limited	23,741	18,525
APA Group	6,492	5,408
APN News & Media Limited	327	865
ARB Corporation Limited	8,490	6,777
Argo Investments Limited	5,227	4,167
Arrium Limited	3,116	3,456
ASX Limited	14,939	11,755
Austbrokers Holdings Limited	11,170	6,834
Australand Property Group	2,898	2,057
Australia & New Zealand Banking Group Limited		
- ordinary shares	82,597	62,353
- convertible preference shares	1,975	1,935
- CPS 1	199	199
Australian Foundation Investment Company Limited	7,095	5,426
Automotive Holdings Group Limited	4,270	2,567
Bank of Queensland Limited	57,053	43,363
Bendigo & Adelaide Bank Limited	57,497	42,309
BHP Billiton Limited	102,213	101,143
BKI Investment Company Limited	1,629	1,325
Blackmores Limited	10,184	9,769
Boral Limited	6,852	4,801
Bradken Limited	3,475	3,656
Brambles Limited	10,909	7,195
Brickworks Limited	41,079	32,568
BWP Trust	3,068	2,543
Cabcharge Australia Limited	-	674
Caltex Australia Limited	-	645
Cardno Limited	4,646	5,678
Carlton Investments Limited	7,486	5,606
CFS Retail Property Trust	15,942	17,660
Charter Hall Retail REIT	-	2,030
Coca-Cola Amatil Limited	17,377	18,293
Cochlear Limited	1,962	2,094
Commonwealth Bank of Australia		
- ordinary shares	209,482	159,941
- PERLS V	101	102
Commonwealth Property Office Fund	1,897	1,750
Consolidated Media Holdings Limited	-	901
Crown Limited	3,237	2,269
CSL Limited	36,151	23,142
CSR Limited	-	292
David Jones Limited	908	922
Diversified United Investment Limited	811	641
Dulux Group Limited	312	-
Equity Trustees Limited	3,509	2,605
Finbar Group	1,481	-
Fletcher Building Limited	5,735	3,695
Fairfax Media Limited	1,600	1,794
FKP Property Group	1,223	1,380
Fleetwood Corporation Limited	821	2,078

25. Holdings at Fair Value through Other Comprehensive Income at 30 June 2013 (continued)

	2013	2012
	\$'000	\$'000
Goodman Group	902	678
Goldman Sachs JB Were Collateral Mezzanine Fund	5	97
Goldman Sachs JB Were Private Equity Fund	-	9
Graincorp Limited	4,235	2,946
Gresham Private Equity Co-Investment Fund	21	60
GWA International Limited	5,460	4,778
Hills Holdings Limited	-	1,115
Insurance Australia Group Limited		
- ordinary shares	20,577	12,728
- convertible preference shares	306	294
IAG Finance(NZ) Limited Perpetual Reset Exchangeable Notes	1,234	1,192
Incitec Pivot Limited	4,375	4,360
InvoCare Limited	19,295	13,666
IOOF Holdings Limited	3,298	974
Leighton Holdings Limited	11,709	12,330
Lend Lease Corporation Limited	3,743	3,227
Lindsay Australia Limited	280	272
Macquarie Group Limited	20,689	12,847
McMillan Shakespeare Limited	1,618	-
Metcash Limited	16,395	16,124
Mirvac Group	-	417
MyState Limited	1,887	1,357
National Australia Bank Limited	130,200	102,368
New Hope Corporation Limited	4,606	5,173
Noni B Limited	520	577
Orica Limited	3,903	4,370
Origin Energy Limited	4,866	4,723
Perpetual Limited	29,174	18,735
Plantation Land Limited	-	6
Premier Investments Limited	2,573	1,791
QBE Insurance Group Limited	41,398	36,203
Qube Logistics Holdings Limited	2,278	1,965
Ramsay Health Care Limited	3,758	2,373
Reece Australia Limited	3,167	2,356
Rio Tinto Limited	23,822	25,475
Santos Limited	17,630	14,985
Schaffer Corporation Limited	298	248
Sedgman Limited	1,071	2,115
Select Harvests Limited	529	210
Seven Group Holdings Limited – TELYS4 preference shares	593	546
Seven West Media Limited	3,076	2,825
Sims Metal Management Limited	6,550	7,621
Sonic Healthcare Limited	9,012	6,637
Stockland Group	7,485	6,625
Suncorp Group Limited		
- ordinary shares	33,768	22,918
- convertible preference shares	-	3,730
Sydney Airport	1,461	1,254
Tatts Group Limited	3,528	1,724
Telstra Corporation Limited	63,347	43,421
Ten Network Holdings Limited	-	636
Toll Holdings Limited	6,015	4,373
TPG Telecom Limited	13,135	6,513
Transfield Services Limited	1,170	2,757
Transurban Group	14,582	12,274

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

	2013 \$'000	2012 \$'000
Treasury Wine Estates Limited	5,955	4,451
The Trust Company Limited	16,143	13,202
UGL Limited	10,042	16,781
Washington H Soul Pattinson & Company Limited	120,123	125,418
Wesfarmers Limited		
- ordinary shares	103,235	74,806
- partially protected shares	10,516	10,752
Westfield Group	7,688	4,540
Westfield Retail Trust	2,433	1,684
Westpac Banking Corporation	301,729	220,126
Wide Bay Australia Limited	2,276	2,519
Woodside Petroleum Limited	28,749	24,511
Woolworths Limited	86,322	69,318
Worley Parsons Limited	4,923	5,788
	2,202,530	1,825,344
Other liquid securities		
AMP – notes	2,678	2,723
APT Pipelines Limited	1,052	-
Bank of Queensland – convertible preference shares	5,257	-
Bank of Queensland - perpetual equity preference 07	-	4,525
Colonial Group – subordinated notes	1,018	995
Commonwealth Bank of Australia		
- Perls III	926	893
- Perls IV	-	1,200
Goodman Funds Management – perpetual listed unsecured securities	1,064	985
Macquarie CPS Trust – convertible preference shares	1,000	1,025
Suncorp convertible preference shares	-	982
Westpac Banking Corporation - preference shares (stapled preferred securities)	1,000	1,000
Woolworths notes II	210	207
	14,205	14,535

DIRECTORS' DECLARATION

1. In the opinion of the directors of Milton Corporation Limited:
 - (a) the consolidated financial statements and notes that are set out on pages 22 to 44 and the Remuneration report, that is set out on pages 14 to 17 in the Directors' report are in accordance with the Corporations Act 2001, including:
 - (i) giving a true view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that Milton Corporation Limited will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2013.

Signed in accordance with a resolution of the directors.



R. D. MILLNER
Chairman

Sydney, 8 August 2013

Level 15, 135 King Street
Sydney NSW 2000

T +61 (0)2 8236 7700
F +61 (0)2 9233 4636

www.moorestephens.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MILTON CORPORATION LIMITED

We have audited the accompanying financial report of Milton Corporation Limited and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising Milton Corporation Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

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

- (i) giving a true and fair view of Milton Corporation Limited's consolidated financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2013. The directors of Milton Corporation Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Milton Corporation Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the consolidated entity for the year ended 30 June 2013 included on Milton Corporation Limited's website. The company's directors are responsible for the integrity of Milton Corporation Limited's website. We have not been engaged to report on the integrity of the Milton Corporation Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



Moore Stephens Sydney
Chartered Accountants



Martin J. (Joe) Shannon
Partner

Dated in Sydney this 8th day of August 2013.

DIRECTORY

DIRECTORS

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

MANAGEMENT

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

REGISTERED OFFICE

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

AUDITORS

MOORE STEPHENS SYDNEY
CHARTERED ACCOUNTANTS
LEVEL 15
135 KING STREET
SYDNEY NSW 2000
INTERNET: www.moorestephens.com.au

SHARE REGISTRY

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

ASX INFORMATION

TOP 20 SHAREHOLDERS AS AT 31 JULY 2013

NAME	SHARES HELD	%
Argo Investments Limited	7,890,995	6.46
Washington H. Soul Pattinson & Company Limited	6,717,060	5.50
Myora Pty Limited	4,554,622	3.73
Australian Foundation Investment Company Limited	2,880,585	2.36
Chickenfeed Pty Limited	1,350,280	1.11
Griffinna Pty Ltd <Wood Dragon a/c>	1,271,004	1.04
Bortre Pty Limited	1,213,725	0.99
Danwer Investments Pty Limited	1,213,725	0.99
Otterpaw Pty Ltd <Penguin a/c>	1,168,105	0.96
JBF Holdings Pty Ltd	1,050,000	0.86
HSBC Custody Nominees (Australia) Limited	916,566	0.75
Jamama Nominees Pty Limited	838,353	0.69
UBS Wealth Management Australia Nominees	705,902	0.58
Macdawley Proprietary Limited	695,923	0.57
J S Millner Holdings Pty Limited	686,527	0.56
Gartfern Pty Limited	645,690	0.53
Hexham Holdings Pty Limited	643,840	0.53
Milane Pty Limited	630,878	0.52
A V L Investments Proprietary Limited	595,816	0.49
National Nominees Limited	557,881	0.46
T N Phillips Investments Pty Ltd	556,000	0.46

On 31 July 2013, there were 19,355 holders of ordinary shares in the capital of Milton. Holders of ordinary shares are entitled to one vote per share.

Number of shares held	Number of shareholders
1-1,000	7,289
1,001 – 5,000	8,795
5,001 – 10,000	1,950
10,001 – 100,000	1,209
100,001 and over	112
The number of holders of less than a marketable parcel of 25 shares	551

SUBSTANTIAL SHAREHOLDINGS As at 31 July 2013 the names and holdings of substantial shareholders as disclosed in notices received by Milton are as follows:-

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

OTHER INFORMATION

Milton is taxed as a public company.

There is no current on-market buy-back.

The total number of transactions in securities undertaken by Milton was 193 and the total brokerage paid or accrued was \$196,924.

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

15.11.1985	1 for 10 Bonus Issue from Capital Profits Reserve
19.05.1986	Bonus in lieu of Dividend from Capital Profits Reserve
05.06.1987	1 for 10 Bonus Issue from Capital Profits Reserve
05.06.1987	Bonus in lieu of Dividend from Capital Profits Reserve
15.11.1988	1 for 20 Bonus from Share Premium Reserve
15.11.1988	1 for 20 Bonus from Capital Profits Reserve - a fully franked dividend
26.05.1989	1 for 20 Cash Issue at \$3 per share
10.11.1989	1 for 10 Bonus from Share Premium Reserve
08.06.1990	1 for 20 Cash Issue at \$3 per share
24.05.1991	1 for 20 Cash Issue at \$3 per share
23.04.1992	1 for 10 Bonus from Capital Profits Reserve - a fully franked dividend
11.05.1992	1 for 10 Cash Issue at \$4 per share
23.11.1994	1 for 10 Bonus from Share Premium Reserve
12.12.1994	1 for 10 Cash Issue at \$4.75 per share
15.11.1995	1 for 10 Bonus from Share Premium Reserve
06.07.1998	3 Milton shares for 10 Chatham shares at \$7.756022 per Milton share
06.07.1998	3 Milton shares for 10 Matine shares at \$7.756022 per Milton share
06.07.1998	9 Milton shares for 40 Milkirk shares at \$7.756022 per Milton share
21.06.1999	1 for 10 cash issue at \$8.20 per share
10.11.1999	Share Purchase Plan at \$8.75 per share
13.11.2000	Share Purchase Plan at \$8.86 per share
13.11.2001	Share Purchase Plan at \$10.79 per share
31.12.2001	Acquired Cambooya Investments Limited on the basis of 1.55 Milton shares for every 10 Cambooya shares - 8,273,502 Milton shares issued
28.06.2002	2,287,200 Milton shares for the acquisition of an unlisted investment company
08.11.2002	Share Purchase Plan at \$11.70 per share
31.12.2002	1,739,112 Milton shares for the acquisition of an unlisted investment company
31.10.2003	Share Purchase Plan at \$13.21 per share
11.03.2004	2,742,777 Milton shares for the acquisition of an unlisted investment company
01.04.2004	496,809 Milton shares for the acquisition of an unlisted investment company
29.10.2004	Share Purchase Plan at \$14.10 per share
21.10.2005	Share Purchase Plan at \$17.11 per share
17.08.2006	1,000,322 Milton shares for the acquisition of an unlisted investment company
23.08.2006	1,476,254 Milton shares for the acquisition of an unlisted investment company
28.08.2006	382,404 Milton shares issued for the acquisition of an unlisted investment company
21.09.2006	278,103 Milton shares issued for the acquisition of an unlisted investment company
16.10.2006	Share Purchase Plan at \$19.60 per share
10.11.2006	1,888,353 Milton shares issued for the acquisition of an unlisted investment company
23.03.2007	1,895,976 Milton shares issued for the acquisition of an unlisted investment company
14.05.2007	2,424,582 Milton shares issued for the acquisition of an unlisted investment company
20.06.2007	252,477 Milton shares issued for the acquisition of an unlisted investment company
24.09.2007	1,223,252 Milton shares issued for the acquisition of an unlisted investment company
19.10.2007	Share Purchase Plan at \$22.48 per share
03.10.2008	Share Purchase Plan at \$17.85 per share
19.02.2009	3,555,958 Milton shares issued for the acquisition of an unlisted investment company
09.10.2009	Share Purchase Plan at \$16.08 per share
26.02.2010	4,132,711 Milton shares issued for the acquisition of unlisted investment companies
16.12.2010	23,803,854 Milton shares issued for the acquisition of Choiseul Investments Limited
21.02.2013	521,464 Milton shares issued for the acquisition of an unlisted investment company

"CPI" FOR CAPITAL GAINS TAX

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

NOTES