

MILTON CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

ANNUAL REPORT 2014

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 21,000 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 may invest in hybrid securities as well as real property development through joint ventures.

Value proposition

Milton provides a reliable income stream through the payment of fully franked dividends semi annually

Ordinary fully franked dividends are paid out of profit after tax excluding special investment revenue and acquisition related costs of subsidiaries. Dividends have been paid every year since listing and all dividends have been fully franked since the introduction of franking. Refer to the dividend history graph on page 3.

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

Milton provides exposure to a diversified portfolio of companies and trusts listed on the Australian Securities Exchange

Milton's \$2.6 billion equity investment portfolio, which represents 94% of total assets, comprises interests in companies and trusts which are expected to provide an increase in investment revenue over the long term. Consistent application of this investment philosophy over many years has created a portfolio that is not aligned with any securities exchange index. 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.

Milton's efficient, internally managed structure provides all of the above for less than 0.13% per annum of total assets.

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.

Contents

Key Performance Charts	1	Remuneration Report	14
Chairman's Review of the 2014 Financial Year	2	Auditor's Independent Declaration	18
Dividend History	3	Corporate Governance Statement	19
Classification of Investments	4	Financial Statements	22
Five Year Financial Summary	6	Directors' Declaration	45
Milton Corporation Foundation	6	Independent Auditor's Report	46
Listed Investments by Sector at 30 June 2014	7	Directory	48
Directors' Report	11	ASX Information	49

Calendar

Final dividend & special dividend:

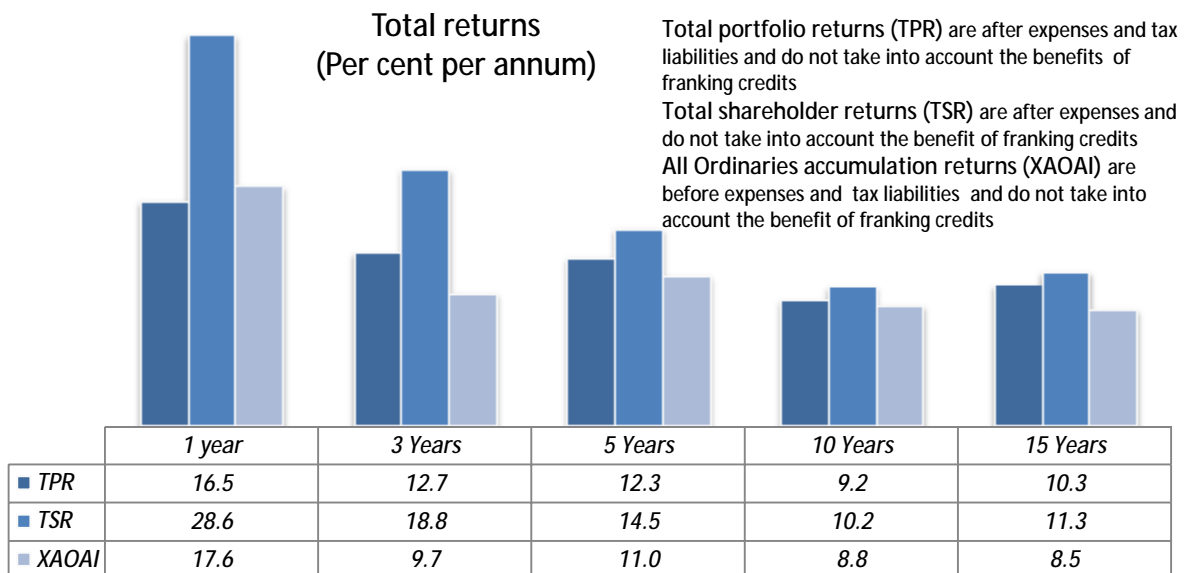
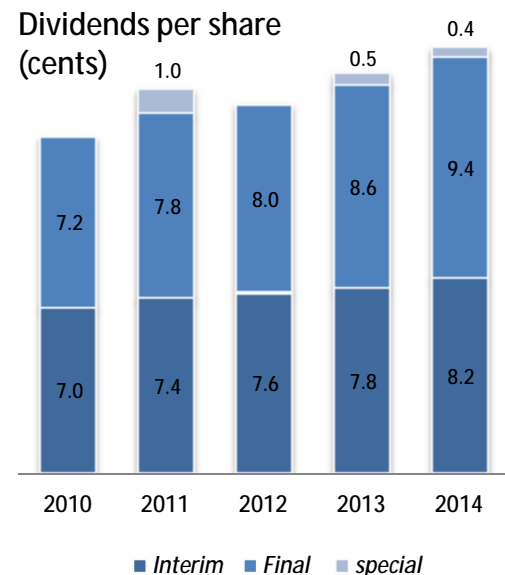
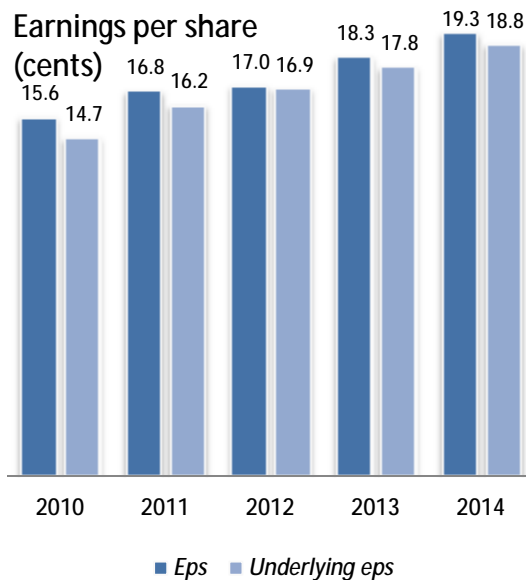
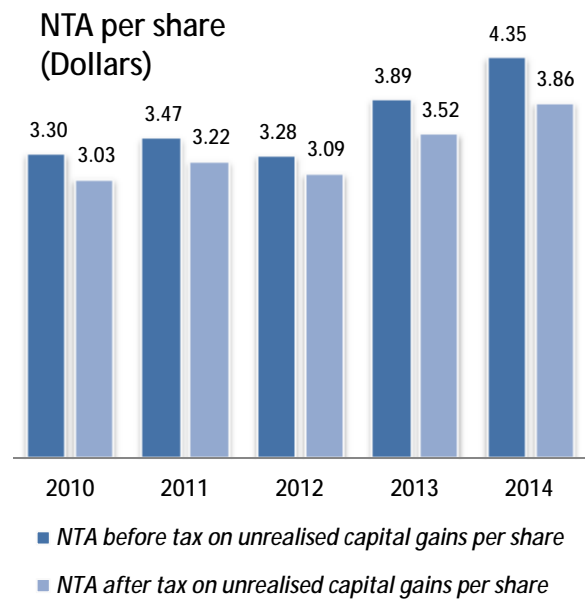
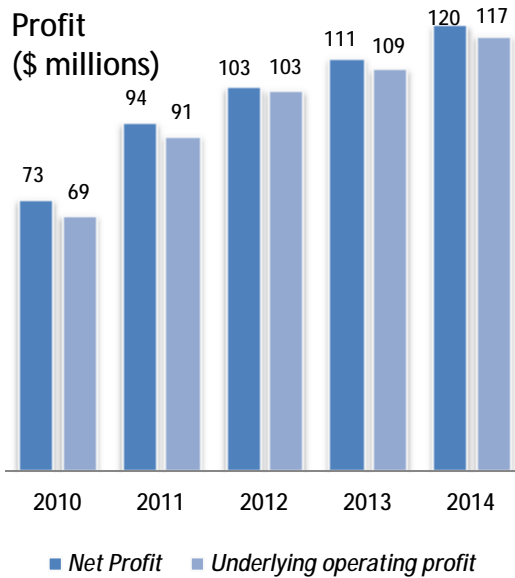
- Ex dividend date 14 August 2014
- Payment date 3 September 2014

Share Purchase Plan closes 19 September 2014

Annual General Meeting: 16 October 2014 at 3 pm

- To be held at UNSW CBD Campus
Level 7, 1 O'Connell Street, Sydney

Key performance charts



Chairman's Review of the 2014 financial year

Profit review

Net profit after tax was \$120.3 million, 8.2% higher than that reported last year whilst the underlying operating profit, which excludes special investment revenue and acquisition related costs of a subsidiary, was \$117.4 million, also up 8.2%.

The main factors that influenced the result were:

- Growth in franked dividend income,
- Increased profits from the property joint ventures,
- Low interest rates earned on liquid assets,
- Ongoing cost control and
- Earnings on the funds raised from the issue of shares during the year,

The 8.7% growth in franked dividend income resulted from increased dividends from many of the companies in the portfolio as well as dividends received from most of the additions to the investment portfolio.

The ongoing low interest rate environment helped to maintain strong demand for housing sites in Milton's property development joint ventures near Perth and with sound management of the developments, earnings increased by 28% to \$6.4 million.

However, the low interest rates affected the earnings on the liquid assets with interest income falling by 16% to \$4.7 million.

Milton remains one of the most efficient investment vehicles listed on the Australian Security Exchange (ASX) with total administration expenses of \$3.3 million representing less than 0.13% of average total assets. The administration expenses include the cost of communicating with shareholders, managing the share registry and ASX listing fees which were all affected by the five for one share split in October 2013, the issue of new shares during the year and the 8% increase in number of Milton shareholders to over 21,000.

In the 2014 financial year capital was increased by a total of \$78 million through the reinstatement of the Share Purchase Plan, the introduction of the Dividend Reinvestment Plan and an acquisition of an unlisted investment company.

The weighted average earnings per share for the 2014 year were 5.5 % higher at 19.3 cents.

Dividends

Ordinary

The corporate objective is to pay increasing fully franked dividends and the directors are also mindful that a reliable income stream is important to many shareholders. Accordingly the dividend policy is to pay a high percentage of underlying operating profit to shareholders as ordinary dividends.

The total ordinary dividends increased by 7.3 cents per share to 17.6 cents per share and absorbed 94.3% of the underlying operating profit for 2014.

Special

The level of special dividend income earned can fluctuate from year to year and therefore this income is excluded from the net profit in determining the underlying operating profit. When the level of special dividend income accumulates to a significant amount a special dividend may be declared.

A fully franked special dividend of 0.4 cents per share was declared out of the special investment revenue received in 2014 earnings. This compares with the special dividend of 0.5 cents paid in the prior year.

Chairman's Review of the 2014 financial year (continued)

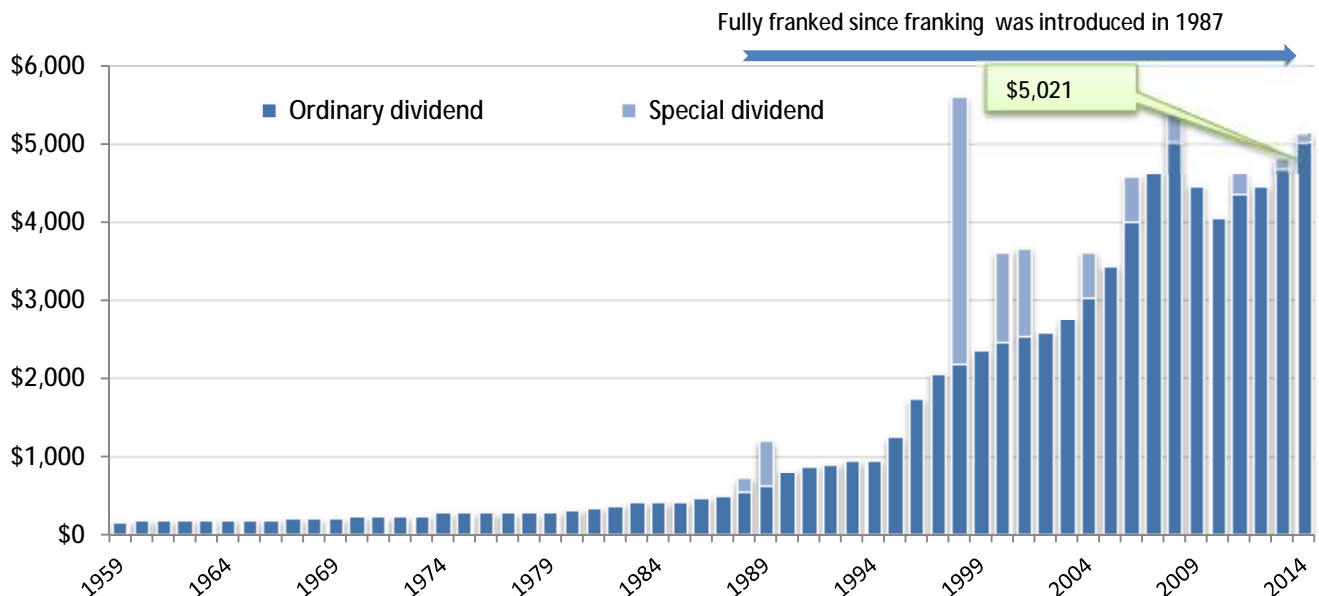
Milton dividend history

Dividends have been paid every year since listing in 1958 and every dividend paid, since franking was introduced in 1987, has been fully franked.

The chart below illustrates the growth in Milton's dividends since 1958 based on the following assumptions:

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

Through the sub-division of shares on the introduction of decimal currency, bonus share issues, and the share split, the number of shares held would have increased to 28,531 and they would have been valued at \$129,530 at 30 June 2014. The annual ordinary fully franked dividend on these shares would have increased to \$5,021 in 2014 from \$160 in 1959. In addition the 2014 special fully franked dividend would have been \$114.



Net asset backing

The net asset backing (NTA) is disclosed to the ASX each month and is commonly used by investors and their advisers as a guide to the value of a Milton share.

The monthly movement in the NTA will normally be determined by the change in value of the investments and the movement in retained earnings.

Over the 2014 financial year the NTA, before provision for tax on unrealised capital gains, increased in value by 11.9% to \$4.35 per share.

At 30 June 2014 the assets included an investment portfolio of Australian listed equities valued at \$2.6 billion and cash including term deposits of \$0.1 billion.

The investments are held for the long term and there is no intention to dispose of the investment portfolio however the accounting standards require a provision to be made in the financial statements for the capital gains tax that may arise if the portfolio was realised.

At 30 June 2014 that provision was \$0.3 billion and the NTA, after this provision was \$3.86 per share.

	\$ millions	\$ per share
Net profit after tax	120.3	
Change in value of investments	278.8	
Total return⁽¹⁾	399.1	
Share issues	78.1	
Dividends paid during year	(107.0)	
Total movement in NTA	370.2	
Net assets ⁽¹⁾ at 30 June 13	2,375.1	3.89
Net assets⁽¹⁾ at 30 June 14	2,745.3	4.35
Provision for tax on unrealised capital gains	(308.8)	
Net assets after provision for tax	2,436.9	3.86

⁽¹⁾ before provision for tax on unrealised capital gains

Chairman's Review of the 2014 financial year (continued)

Portfolio

The investments, which are held for the long term, are actively managed by three analysts and the managing director. These executives are responsible for making portfolio recommendations for the consideration and approval of the investment committee.

During the year the Investment Committee met 21 times and approved purchases totalling \$94 million and disposals amounting to \$13 million.

The purchases were spread over 43 companies with the larger investments being in Bank of Queensland, Equity Trustees, Insurance Australia Group, Rio Tinto and Transurban Group.

Carsales.com and WDS were added to the portfolio during the year.

Companies in the portfolio that were affected by demergers or corporate activity included Amcor, Brambles, Trust Company, Westfield Retail Trust and Westfield Group. As a result of this activity the portfolio now includes Orora, Scentre Group and Westfield Corporation. Milton elected to receive \$24 million worth of Perpetual scrip as consideration for the merger with Trust Company.

During the year holdings of QBE Insurance Group and Metcash were reduced whilst holdings in Alumina, APN News & Media, Fairfax Media and Recall Holdings were removed from the portfolio.

The portfolio was increased by a further \$14 million through the acquisition of an unlisted investment company.

The consistent application of Milton's investment philosophy over many years has determined the composition of the portfolio of investments. It comprises companies and trusts that are listed on the Australian Securities Exchange that can be expected to produce a reliable source of dividends for payment on to shareholders over the long term. Whilst the portfolio is not aligned with any index many of its investments are well represented in the All Ordinaries Index.

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

Classification ⁽¹⁾	Opening position	Additions ⁽⁴⁾	Disposals	Change in value	Closing position	Income	Share of total assets
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	%
Banks	845.0	11.8	(0.2)	151.7	1,008.3	51.9	36.7
Consumer staples	254.7	4.9	(1.9)	2.1	259.8	11.5	9.5
Materials	217.3	15.7	(0.9)	26.5	258.6	8.9	9.4
Energy	180.9	7.0	-	21.1	209.0	7.2	7.6
Commercial services	117.5	3.1	-	(6.7)	113.9	4.8	4.1
Insurance	117.5	9.6	(2.6)	(2.4)	122.1	5.4	4.4
Diversified financials	110.0	8.7	(1.4)	36.4	153.7	5.8	5.6
Telecommunications	76.5	1.7	-	13.3	91.5	4.2	3.3
Capital goods	39.6	3.2	(0.2)	5.1	47.7	1.9	1.7
Real estate	48.8	6.8	(2.4)	6.5	59.7	3.5	2.2
Other shares	51.7	21.2	(1.2)	2.5	74.2	2.7	2.7
Utilities	39.9	5.0	-	3.9	48.8	2.1	1.8
Healthcare	50.9	2.4	(0.1)	6.0	59.2	1.3	2.2
Retailing	40.5	5.0	(0.1)	12.0	57.4	2.2	2.1
Media	11.7	0.5	(2.2)	1.1	11.1	0.6	0.4
Total listed investments	2,202.5	106.6	(13.2)	279.1	2,575.0	114.0	93.7
Cash & liquids ⁽²⁾	129.0				126.0	4.7	4.6
Other assets ⁽³⁾	46.6				47.5	10.9	1.7
Total	2,378.1				2,748.5	129.6	100.0

⁽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 2014 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 31 January 2014.

Chairman's Review of the 2014 financial year (continued)

Capital initiatives

Shareholders approved a five for one share split in October 2013. The splitting of the shares was intended to benefit shareholders by creating improved liquidity and turnover in the trading of the Company's shares and increasing affordability of the shares to retail investors.

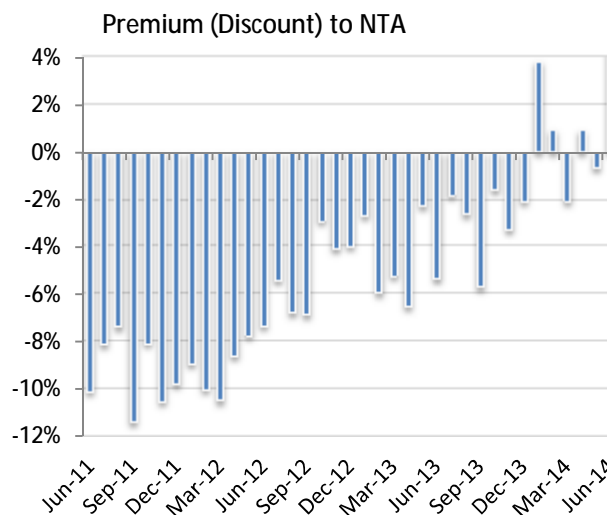
The value of shares traded in the year to 30 June 2014 were higher than prior years as can be seen in the Turnover of Milton Shares table below.

Turnover of Milton Shares

	2012	2013	2014
Annual turnover (\$m)	98.3	110.8	174.4

The increased turnover coincided with a reduction in the level of discount relative to NTA at which the shares traded over that same period.

The closing price of Milton shares on 30 June 2014 was \$4.54, which was a premium of 4.3% to NTA. (See graph on right.)



The Share Purchase Plan (SPP) was reintroduced in September 2013 with shares issued at \$3.82 being a discount of 2.5% to the volume weighted average share price for the three days immediately after the shares traded ex dividend on 15 August 2013. The issue was well supported with \$63 million being raised.

The SPP is once again being offered in 2014 with the same pricing mechanism.

A Dividend Reinvestment Plan (DRP) was introduced in January 2014 to provide a facility for shareholders to reinvest their interim dividends. The DRP will continue to be offered with each dividend as it broadens the appeal of Milton to a greater number of shareholders.

Accordingly the DRP will be available for the 2014 final dividend and special dividend which are payable on 3 September 2014. The last day for receipt of DRP participation forms will be 19 August 2014 which is the first trading day after the record date.

Outlook

Australian companies continue to operate in an uncertain environment. Many have already restructured their businesses so that they may benefit as conditions improve however revenue growth remains a challenge.

Uncertainty is also likely to challenge investors over the year ahead and this may provide Milton with opportunities to invest the \$100 million it had available for investment at 30 June 2014. The issue of Milton shares under the Share Purchase Plan and Dividend Reinvestment Plan will increase the investable funds.

Dividend income from the company's portfolio is currently anticipated to increase in 2015 and in the absence of unforeseen circumstances, this should enable the full year ordinary dividend of 17.6 cents per share to at least be maintained.

R. D. MILLNER

Chairman

Sydney, 7 August 2014

Five Year Financial Summary

	2014	2013	2012	2011	2010
Underlying operating profit after tax ⁽¹⁾ (\$million)	117.4	108.5	102.7	90.5	68.9
Underlying earnings per share (cents)	18.8	17.8	16.9	16.2	14.7
Profit after tax (\$million)	120.3	111.2	103.4	93.9	73.1
Earnings per share (cents)	19.3	18.3	17.0	16.8	15.6
Administration costs as % of average total assets	0.13	0.14	0.16	0.17	0.17
Interim dividend (cents per share)	8.2	7.8	7.6	7.4	7.0
Final dividend (cents per share)*	9.4	8.6	8.0	7.8	7.2
Full year ordinary dividend (cents per share)	17.6	16.4	15.6	15.2	14.2
Special dividend (cents per share)	0.4	0.5	-	1.0	-
*LIC Capital Gain paid as part of final dividend (cents per share)	-	-	-	-	0.4
Net assets ⁽²⁾ at 30 June (\$million)	2,746	2,375	1,997	2,112	1,603
Net asset backing per share ⁽²⁾ at 30 June(\$)	4.35	3.89	3.28	3.47	3.30
Net asset backing per share ⁽³⁾ at 30 June(\$)	3.86	3.52	3.09	3.22	3.03
Last sale price at 30 June (\$)	4.54	3.68	3.04	3.12	3.20
All Ordinaries Index at 30 June	5382	4775	4135	4660	4325
Ten year Total Shareholder Return (% per annum)	10.2	8.3	6.7	7.8	10.7
Five year Total Shareholder Return (% per annum)	14.5	4.0	(3.0)	(0.4)	4.0
Shares on issue (million)	630.8	610.5	608.0	616.5	485.5
Number of shareholders	21,055	19,309	19,008	19,490	15,890

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

⁽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.

All prior years' per share values and number of shares on issue in the table above have been adjusted to account for the increase in number of shares as a result of the 5:1 share split in October 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 2014 to \$2 million.

The Foundation's assets can now support annual distributions of \$100,000 and in 2014, fourteen organisations received much needed support from the Milton Foundation.

The Foundation has provided \$1.8 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.

You can support the Foundation by forwarding a cheque to:

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



J F Church

Chairman of Trustees

Sydney, 7 August 2014

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2014

	Holding	Fair Value \$'000
<u>Banks</u>		
Australia & New Zealand Banking Group Limited		
- ordinary shares	2,970,045	99,021
- convertible preference shares	19,500	2,007
- capital notes 2	2,000	208
Bendigo and Adelaide Bank Limited	5,709,708	69,658
Bank of Queensland Limited	7,306,078	89,061
Commonwealth Bank of Australia		
- ordinary shares	3,033,075	245,315
- PERLS V	500	102
National Australia Bank Limited		
- ordinary shares	4,404,523	144,380
- convertible preference shares	300	31
MyState Limited	444,992	2,065
Wide Bay Australia Limited	433,570	2,385
Westpac Banking Corporation	10,451,306	354,091
		<u>1,008,324</u>
<u>Consumer Staples</u>		
Blackmores Limited	378,014	10,282
Coca-Cola Amatil Limited	1,466,434	13,872
Graincorp Limited	362,290	3,043
Metcash Limited	4,047,559	10,686
Select Harvests Limited	161,862	832
Treasury Wine Estates Limited	1,053,604	5,279
Wesfarmers Limited	2,863,064	119,791
Woolworths Limited	2,725,473	95,991
		<u>259,776</u>
<u>Materials</u>		
Adelaide Brighton Limited	2,357,886	8,135
Amcor Limited	1,194,512	12,459
Arrium Limited	4,251,050	3,380
BHP Billiton Limited	3,382,121	121,418
Boral Limited	1,666,463	8,749
Brickworks Limited	3,234,567	44,217
DuluxGroup Limited	395,011	2,236
Fletcher Building Limited	803,229	6,570
Incitec Pivot Limited	1,610,689	4,671
Orica Limited	188,987	3,681
Orora Limited	1,194,512	1,702
Rio Tinto Limited	567,618	33,665
Sims Group Limited	793,037	7,676
		<u>258,559</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2014

	Holding	Fair Value \$ 000
<u>Energy</u>		
New Hope Corporation Limited	1,290,107	3,457
Origin Energy Limited	629,174	9,199
Santos Limited	1,424,787	20,317
Woodside Petroleum Limited	823,342	33,815
Washington H. Soul Pattinson & Company Limited	9,174,640	135,326
Worley Parsons Limited	396,112	6,896
		<u>209,010</u>
<u>Diversified Financials</u>		
Argo Investments Limited	985,766	7,521
ASX Limited	496,965	17,712
Australian Foundation Investment Company Limited	1,294,722	8,002
BKI Investment Company Limited	1,223,866	2,013
Carlton Investments Limited	354,809	9,669
Diversified United Investment Limited	378,845	1,364
Equity Trustees Limited	441,541	9,264
IOOF Holdings Limited	702,075	5,897
Macquarie Group Limited	466,349	27,808
Perpetual Limited	1,359,278	64,403
		<u>153,653</u>
<u>Insurance</u>		
AMP Limited	2,121,110	11,242
Austbrokers Limited	1,024,795	11,058
Insurance Australia Group Limited		
- ordinary shares	4,814,075	28,114
- convertible preference shares	3,000	319
IAG Finance (NZ) Limited perpetual reset exchangeable notes	12,000	1,284
QBE Insurance Group Limited	2,618,375	28,462
Suncorp Group Limited	3,074,732	41,632
		<u>122,111</u>
<u>Commercial Services</u>		
ALS Limited	11,235,037	99,542
Brambles Limited	1,280,966	11,772
McMillan Shakespeare Limited	100,000	917
Transfield Services Limited	1,519,032	1,649
		<u>113,880</u>
<u>Telecommunication</u>		
Telstra Corporation Limited	13,310,253	70,909
TPG Telecom Limited	3,731,553	20,561
		<u>91,470</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2014

	Holding	Fair Value \$ 000
<u>Real Estate</u>		
Australand Property Group	832,732	3,697
Aveo Group (formerly FKP Property Group)	1,498,282	3,086
BWP Trust	1,584,008	3,928
CFS Retail Property Trust Group	7,846,000	16,006
Finbar Group Limited	2,782,249	4,535
Goodman Group	646,376	3,264
Lend Lease Group	464,539	6,090
Scentre Group	1,667,480	5,336
Stockland Group	2,150,940	8,346
Westfield Corporation	760,000	5,435
		<u>59,723</u>
<u>Healthcare</u>		
Cochlear Limited	33,800	2,085
CSL Limited	592,198	39,411
Ramsay Health Care Limited	153,442	6,982
Sonic Healthcare Limited	615,925	10,674
		<u>59,152</u>
<u>Retailing</u>		
A.P. Eagers Limited	5,833,107	33,307
ARB Corporation Limited	744,741	9,116
Automotive Holdings Group Limited	2,243,171	8,188
David Jones Limited	356,090	1,403
Noni B Limited	729,296	343
Premier Investments Limited	590,250	5,016
		<u>57,373</u>
<u>Utilities</u>		
AGL Energy Limited	2,390,954	37,012
APA Group	1,705,833	11,753
		<u>48,765</u>
<u>Capital Goods</u>		
Bradken Limited	826,514	3,141
Cardno Limited	1,204,699	7,614
GWA Group Limited	2,275,000	5,983
Leighton Holdings Limited	757,865	14,953
Reece Australia Limited	133,085	4,024
Sedgman Limited	2,021,674	1,011
UGL Limited	1,451,191	9,926
WDS Limited	1,047,983	1,006
		<u>47,658</u>

LISTED INVESTMENTS BY SECTOR AT 30 JUNE 2014

	Holding	Fair Value \$ 000
<u>Transport</u>		
Lindsay Australia Limited	3,200,000	1,088
Qube Holdings Limited	2,568,000	5,855
Sydney Airport	1,453,629	6,134
Transurban Group	2,743,081	20,271
Toll Holdings Limited	1,311,348	6,689
		<u>40,037</u>
<u>Consumer Services</u>		
Crown Resorts Limited	267,301	4,042
InvoCare Limited	1,836,903	18,571
Tatts Group Limited	2,223,955	7,272
		<u>29,885</u>
<u>Media</u>		
Amalgamated Holdings Limited	781,476	7,291
Seven Group Holdings Limited – TELYS4 preference shares	7,000	617
Seven West Media Limited	1,678,311	3,156
		<u>11,064</u>
<u>Information Technology</u>		
Carsales.com Limited	332,000	3,516
		<u>3,516</u>
<u>Automobiles & Components</u>		
Fleetwood Corporation Limited	228,000	531
Schaffer Corporation Limited	68,999	408
		<u>939</u>
Total Listed Investments by Sector		<u>2,574,894</u>

Directors' Report

For the year ended 30 June 2014

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 2014 and the independent auditor's report thereon.

Directors

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

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

Other current directorships:

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

Former directorships in the last three years:

Exco Resources Limited from November 2012 to January 2013 (company delisted in January 2013), Northern Energy Corporation Limited from February 2011 (company delisted in October 2011) and Souls Private Equity Limited from 2004 to 2012 (company delisted in January 2012).

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 41 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, FAICD 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 and PO Valley Energy Limited since 2012.

Former directorships in the last three years:
Kresta Holdings Limited from 2011 to February 2014.

Francis G. Gooch B.Bus, CPA Managing director.
Managing Director of Milton Corporation Limited since 2004 and chief executive since 1999.
Member of the Investment Committee.
A Certified Practising Accountant and over 29 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 37 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	21	*	*	*	*	1	1
J.F. Church	6	6	21	21	*	*	1	1	*	*
G.L. Crampton	6	6	*	*	5	5	*	*	1	1
K.J. Eley	6	6	20	21	5	5	*	*	*	*
F.G. Gooch	5	6	21	21	*	*	1	1	*	*
I.A. Pollard	6	6	*	*	5	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 \$120.3 million (2013: \$111.2 million). Milton is in a sound financial position with net assets after provision for tax on unrealised capital gains at 30 June 2014 of \$2.4 billion (2013: \$2.2 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 2013 ordinary fully franked	43.0 ⁽¹⁾	52,523	4 September 2013
- Special 2013 fully franked	2.5 ⁽¹⁾	3,054	4 September 2013
- Interim 2014 ordinary fully franked	8.2	51,443	4 March 2014
<i>Declared after end of year and not provided for</i>			
- Final 2014 ordinary fully franked	9.4	59,298	3 September 2014
- Special 2014 fully franked	0.4	2,523	3 September 2014

⁽¹⁾ Final 2013 ordinary dividend of 43cps and special 2013 dividend of 2.5cps were based on shares on issue prior to the share split.

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	13,089,725
J.F. Church	28,485,645
G.L. Crampton	148,295
K.J. Eley	103,920
F.G. Gooch	803,985
I.A. Pollard	87,540

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 2014.

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

Secretary

Mr Nishantha Seneviratne MBA, ACMA, CPA, AICM, GradDipACG was appointed secretary and Chief Financial Officer in December 2012. Prior to that, he held the role of senior accountant at Milton from March 2010 and was appointed assistant company secretary in March 2012. He has held senior finance positions in private companies for over 6 years and has over 4 years experience in corporate finance and credit in the banking sector. He is an associate member of CIMA(UK), CPA and holds a graduate diploma in Applied Corporate Governance.

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 details of their remuneration.

Remuneration of non-executive directors

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

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

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

Base fees and committee fees (including superannuation contributions)

	2013	2014
Chairman base fee	124,580	127,072
Director base fee	62,290	63,536
Chairman of the Audit Committee fee	5,512	5,622
Member of the Audit Committee fee	3,125	3,188
Member of the Investment Committee fee	5,512	5,622

The total remuneration paid to non executive directors in 2014 was \$410,080 (2013: \$402,038).

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

Non-executive directors, who were appointed before 30 June 2003, are entitled to retirement benefits in accordance with a shareholder approved scheme. In June 2003 the board resolved to cap retirement benefits for all directors at the amounts provided as at 30 June 2003. The total balance provided at 30 June 2014 is \$190,905 (2013: \$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 as measured by dividend growth and total returns.
- the contribution of the managing director and the senior executives to this performance,
- market trends in remuneration in terms of both quantum and structure and
- the remuneration of key management personnel of other listed investment companies with similar long term investment philosophies and objectives.

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

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

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

In determining the amount of any bonus the board has regard to quantitative measures such as underlying operating earnings per share, dividends per share and total returns relative to the market as a whole. In 2014, the cash bonus was less than 15% 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 to the extent dividends are paid and the Milton share price appreciates.

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

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

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

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

Executives, other than the managing director, may participate in the Employee Share Plan ("ESP") which provides for a bonus of up to \$1,000 to be paid in the form of Milton shares (refer note 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 (All prior year per share values in the table above have been adjusted for the 5:1 share split)

	2014	2013	2012	2011	2010
<u>Profitability</u>					
Underlying operating profit (\$million)	117.4	108.5	102.7	90.5	68.9
Growth in underlying operating profit (%)	8.2	5.7	13.5	31.3	(6.4)
Underlying earnings per share (cents)	18.8	17.8	16.9	16.2	14.7
Growth in underlying earnings per share (%)	5.5	5.5	4.5	9.6	(13.3)
<u>Dividend</u>					
Full year ordinary dividend (cents per share)	17.6	16.4	15.6	15.2	14.2
Growth in full year ordinary dividend (%)	7.3	5.1	2.6	7.0	(9.0)
Special dividend (cents per share)	0.4	0.5	-	1.0	-
<u>Capital</u>					
Net asset backing per share ⁽¹⁾ at 30 June(\$)	4.35	3.89	3.28	3.47	3.30
Growth (decline) in net asset backing per share (%)	11.9	18.4	(5.4)	5.1	9.3
Net assets ⁽¹⁾ at 30 June (\$million)	2,746	2,375	1,997	2,112	1,603
<u>Total Return</u>					
Ten year Total Shareholder Return	10.2	8.3	6.7	7.8	10.7
Ten year Total Portfolio Return	9.2	9.3	7.5	8.5	10.2
Ten year accumulation return of the All Ordinaries Index	8.8	9.2	7.1	7.4	7.1

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

At Milton's 2013 Annual General Meeting, shareholders supported the remuneration report for the 2013 financial year with 86.3% of the proxies in favour of the resolution to approve the report. The resolution to approve the remuneration report was passed by a show of hands at the Annual General Meeting held in October 2013.

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 2013 and 2014 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	2014	121,460	11,234	132,694	55,905
		2013	119,350	10,742	130,092	55,905
J.F. Church	Director	2014	63,303	5,855	69,158	90,000
		2013	62,204	5,598	67,802	90,000
G.L. Crampton	Director	2014	45,158	24,000	69,158	-
		2013	43,802	24,000	67,802	-
K.J. Eley	Director	2014	55,185	17,181	72,346	-
		2013	65,071	5,856	70,927	-
I.A. Pollard	Director	2014	61,075	5,649	66,724	45,000
		2013	60,014	5,401	65,415	45,000
Total remuneration		2014	346,181	63,919	410,080	190,995
		2013	350,441	51,597	402,038	190,995

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

Managing director and executives of Milton Corporation Limited and its subsidiaries

		Short Term Benefits			Post Employment Superannuation	Other long term benefits ⁽³⁾	Share based payments ⁽⁴⁾	Total
		Salary	Cash bonus ⁽¹⁾	Non monetary benefits ⁽²⁾				
		\$	\$	\$	\$	\$	\$	
F.G. Gooch Managing director	2014	466,506	66,500	33,302	20,013	14,848	118,361	719,530
	2013	443,741	25,000	41,910	20,008	18,325	132,885	681,869
D.N. Seneviratne CFO, secretary (appointed 21/12/12)	2014	155,606	21,053	-	16,341	-	6,789	199,789
	2013	122,340	13,761	-	12,249	-	4,540	152,890
A.R. Davison CFO, secretary (resigned 15/04/13)	2014	-	-	-	-	-	-	-
	2013	140,004	-	2,812	15,308	4,025	25,583	187,732
Total remuneration	2014	622,112	87,553	33,302	36,354	14,848	125,150	919,319
	2013	706,085	38,761	44,722	47,565	22,350	163,008	1,022,491

(1) Represents 100% of cash bonus paid or payable which vested in the year.

(2) Non monetary benefits include the provision of a motor vehicle, parking, the cost of life, total & permanent disablement insurance and salary continuance insurance provided through nominated superannuation funds.

(3) Other long term benefits comprise changes in long service leave provisions.

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

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

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

The movements during the reporting period are as follows:

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

(All holdings below have been adjusted to account for the 5:1 share split)

		Opening Balance	Received as Remuneration	Closing Balance
F.G. Gooch	2014	700,000	75,000	775,000
Managing director	2013	625,000	75,000	700,000
D.N. Seneviratne	2014	17,500	35,000	52,500
CFO, secretary	2013	17,500	-	17,500
A.R. Davison	2014	-	-	-
CFO, secretary (resigned 15/04/13)	2013	237,500	-	-

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	2014	1,840,320	197,606	2,037,926	2,135,181	118,361
Managing director	2013	1,683,932	156,388	1,840,320	1,920,264	132,885
D.N. Seneviratne	2014	48,521	133,091	181,612	186,120	5,789
CFO, secretary (appointed 21/12/12)	2013	50,635	2,114	48,521	50,635	3,540
A.R. Davison	2014	-	-	-	-	-
CFO, secretary (resigned 15/04/13)	2013	665,824	(665,824)	-	665,824	25,583

(⁽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 6.27% (2013: 7.18%).

Apart from loan balances shown above, there were no loans outstanding from key management personnel. Terms and conditions of the loans are referred to in note 17b to the financial statements.

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

(All holdings below have been adjusted to account for the 5:1 share split)

		Opening Balance	Received as Remuneration	Other Acquisitions	Closing Balance
F.G. Gooch	2014	993,685	75,000	3,920	1,072,605
Managing director	2013	918,685	75,000	-	993,685
D.N. Seneviratne	2014	18,440	35,000	-	53,440
CFO, secretary (appointed 21/12/12)	2013	18,125	315	-	18,440
A.R. Davison	2014	-	-	-	-
CFO, secretary (resigned 15/04/13)	2013	240,060	-	-	-

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, 7 August 2014

Level 15, 135 King Street
Sydney NSW 2000

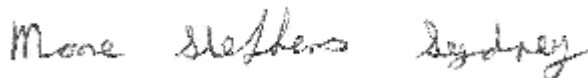
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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MILTON CORPORATION LIMITED**

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 2014, 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 7th day of August 2014.

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 third edition of the Corporate Governance Principles and Recommendations was released on 27 March 2014 and is effective from 1 July 2014. 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 which is comprised of a majority of independent non-executive directors and one executive director is equipped 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, directors 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. Milton's chairman, Mr R. D. Millner, is also chairman of Washington H. Soul Pattinson & Co Limited, a substantial shareholder of Milton.

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.

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 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. Performance of the Board and its committees are reviewed annually in July by the Nomination Committee while performance of individual directors is subject to continuous review by the Chairman. Performance evaluation of the Board and its committees for 2013/14 financial year has been completed in accordance with the Performance Evaluation Policy of Milton.

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. The Remuneration Committee formally reviews the performance of the Managing Director. Performance of each senior executive is reviewed each year by the Managing Director and reported to the Remuneration Committee. Annual reviews of the Managing Director and senior executives for the 2013/14 financial year were completed in accordance with Milton's performance evaluation policy as disclosed on Milton's website.

An independent committee is appointed to deal with matters that may be potentially influenced by related parties. The Committee will comprise of all members of the board excluding the board member who is a related party to the matter considered.

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 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 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 of 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 Governance Policies 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 2014 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 2014

	Note	2014 \$'000	2013 \$'000
Ordinary dividends and distributions	2a	114,281	105,839
Interest		4,717	5,637
Net gains on trading portfolio		785	293
Other revenue		310	412
Operating Revenue		120,093	112,181
Share of net profits of joint ventures – equity accounted	19b	6,412	5,013
Special dividends and distributions	2b	3,050	2,744
Income from operating activities		129,555	119,938
Administration expenses		(3,347)	(3,214)
Acquisition related costs of subsidiaries		(58)	(46)
Profit before income tax expense		126,150	116,678
Income tax expense thereon	3	(5,856)	(5,461)
Profit attributable to shareholders of Milton		120,294	111,217
		Cents	Cents
Basic and diluted earnings per share	7	19.27	18.26 ⁽¹⁾

⁽¹⁾The basic and diluted earnings per share in the 2013 financial statement were 91.3cps. This number has been adjusted to account for the increase in number of shares as a result of the 5 for 1 share split in October 2013.

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 2014

	2014 \$'000	2013 \$'000
Profit	120,294	111,217
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss</i>		
Revaluation of investments	278,786	351,997
Provision for tax expense on revaluation of investments	(85,717)	(105,991)
	<hr/>	<hr/>
Other comprehensive income, net of tax	193,069	246,006
	<hr/>	<hr/>
Total comprehensive income for the period attributable to the shareholders of Milton	<u>313,363</u>	<u>357,223</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 2014

	Note	2014 \$'000	2013 \$'000
Current assets			
Cash	8	116,193	114,804
Receivables	9a	22,758	23,170
Other financial assets	10	10,046	14,410
Total current assets		148,997	152,384
Non-current assets			
Receivables	9b	3,409	2,925
Investments	11	2,574,965	2,202,530
Joint ventures – equity accounted	19c	20,644	19,664
Plant and equipment		50	52
Deferred tax assets	12	466	538
Total non-current assets		2,599,534	2,225,709
Total assets		2,748,531	2,378,093
Current liabilities			
Payables		882	834
Current tax liabilities		1,122	1,112
Provisions		61	60
Total current liabilities		2,065	2,006
Non-current liabilities			
Deferred tax liabilities	13	309,177	223,282
Provisions		439	412
Total non-current liabilities		309,616	223,694
Total liabilities		311,681	225,700
Net assets		2,436,850	2,152,393
Shareholders' equity			
Issued capital	14	1,462,552	1,384,438
Capital profits reserve		78,815	91,332
Asset revaluation reserve		718,044	512,458
Retained profits		177,439	164,165
Total equity attributable to shareholders of Milton		2,436,850	2,152,393

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 2014

	Issued capital	Capital profits reserve	Asset revaluation reserve	Retained profits	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	1,384,438	91,332	512,458	164,165	2,152,393
Profit	-	-	-	120,294	120,294
Other Comprehensive Income:	-	-	193,069	-	193,069
Total comprehensive income	-	-	193,069	120,294	313,363
Net realised losses	-	(12,517)	12,517	-	-
Transactions with shareholders:					
Share issues	78,114	-	-	-	78,114
Dividends paid	-	-	-	(107,020)	(107,020)
Balance at 30 June 2014	<u>1,462,552</u>	<u>78,815</u>	<u>718,044</u>	<u>177,439</u>	<u>2,436,850</u>
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	<u>1,384,438</u>	<u>91,332</u>	<u>512,458</u>	<u>164,165</u>	<u>2,152,393</u>

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 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Dividends and distributions received		116,640	105,553
Interest received		5,254	5,782
Distributions received from joint venture entities		6,383	4,700
Other receipts in the course of operations		261	412
Proceeds from sales of trading securities		935	583
Payments for trading securities		(150)	(202)
Other payments in the course of operations		(3,248)	(3,149)
Income taxes paid		(5,483)	(5,496)
Net cash provided by operating activities	18a	<u>120,592</u>	<u>108,183</u>
Cash flows from investing activities			
Proceeds from disposal of investments		19,479	22,062
Payments for investments in equities and trusts		(94,407)	(36,470)
Payments for investments in joint ventures		(950)	(1,009)
Cash on acquisition of subsidiaries		118	67
Payments for acquisition of subsidiaries		(58)	(46)
Payments for plant and equipment		(15)	(5)
Loans repaid by other entities		202	790
Loans advanced to other entities		(689)	(284)
Net cash used in investing activities		<u>(76,320)</u>	<u>(14,895)</u>
Cash flows from financing activities			
Proceeds from issue of shares		64,363	-
Payments for issue of shares		(226)	(18)
Ordinary dividends paid		(107,020)	(96,084)
Net cash used in financing activities		<u>(42,883)</u>	<u>(96,102)</u>
Net increase (decrease) in cash assets held		1,389	(2,814)
Cash assets at the beginning of the year		<u>114,804</u>	<u>117,618</u>
Cash assets at the end of the year	8	<u>116,193</u>	<u>114,804</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 2014

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).

New and amended standards adopted:

Milton adopted AASB-13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB-13* which is mandatory for annual reporting periods beginning on or after 1 January 2013. These standards were adopted for the half year reporting period commencing 1 July 2013 which explain how to measure fair value and enhance fair value disclosures. Although, there is no effect on the measurement of Fair Value of Milton's assets and liabilities, Milton has enhanced its disclosures on fair value measurements of its quoted investments under note 1(g) below as per the requirements of these two new standards.

AASB-9 *Financial Instruments* Standard which applies to annual reporting periods commencing on or after 1 January 2017 was early adopted by Milton since the 2010 financial year. No other new accounting standards and interpretations that are available for early adoption but not yet adopted at 30 June 2014, 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.

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

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 gains in the investment portfolio at current tax rates.

As Milton does not intend to dispose of the investment portfolio this tax may not be payable at the amount disclosed in note 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 engages in property development joint ventures through its wholly owned subsidiaries. It 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.

	2014 \$'000	2013 \$'000
2. Revenue		
a. Ordinary dividends and distributions from		
Investments held in portfolio at 30 June	114,104	105,620
Investments sold during the year	177	219
	<u>114,281</u>	<u>105,839</u>
b. Special dividends and distributions from		
Investments held in portfolio at 30 June	3,050	2,744
	<u>3,050</u>	<u>2,744</u>
3. Income tax expense		
Prima facie income tax expense calculated at 30% on the profit before income tax expense	37,845	35,003
Increase (decrease) in income tax expense due to:		
Tax offset for franked dividends	(31,892)	(29,148)
Non taxable distributions	-	(412)
(Over)/Under provision in prior year	(148)	10
Other differences	51	8
Income tax expense on profit	<u>5,856</u>	<u>5,461</u>
4. Auditor's remuneration		
Auditors of the company		
Audit and review services	107	104
Related practice of the auditor		
Due diligence	19	10
Liquidation of non-operating subsidiary	2	-
	<u>128</u>	<u>114</u>
5. Ordinary and special fully franked dividends		
a. Recognised in the current year		
A final ordinary dividend of 43 ⁽¹⁾ cents per share in respect of the 2013 year paid on 4 September 2013 (2012: an ordinary final dividend in respect of the 2012 year of 40 ⁽¹⁾ cents per share paid on 34 September 2012)	52,523	48,650
A special dividend of 2.5 ⁽¹⁾ cents per share in respect of 2013 year paid on 4 September 2013 (2012: Nil)	3,054	-
An ordinary interim dividend of 8.2 cents per share paid on 4 March 2014 (2013: 7.8 ⁽²⁾ cents per share paid on 6 March 2013)	51,443	47,434
	<u>107,020</u>	<u>96,084</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 2014 year of 9.4 cents per share and special dividend of 0.4 cents per share payable on 3 September 2014 (2013: ordinary final dividend of 8.6 ⁽²⁾ cents per share and special dividend of 0.5 ⁽²⁾ cents per share paid on 4 September 2013)	61,821	55,577

⁽¹⁾Dividends paid on the number of shares prior to the share split.

⁽²⁾Comparatives adjusted to reflect the increase in number of shares as a result of the share split.

	2014 \$'000	2013 \$'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	116,757	111,550
Subsequent to year end, the franking account will be reduced by the proposed final and special dividends to be paid on 3 September 2014 (2013: final and special dividends)	<u>(26,495)</u>	<u>(23,819)</u>
	<u>90,262</u>	<u>87,731</u>

The franking account balance would allow Milton to frank additional dividend payments up to an amount of \$210,611,044 (2013:\$204,705,527) which represents 33 cents per share (2013: 34 cents per share⁽¹⁾).

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>1,255</u>	<u>1,190</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>19.27</u>	<u>18.26⁽¹⁾</u>
	\$'000	\$'000
Profit attributable to shareholders of the parent entity	<u>120,294</u>	<u>111,217</u>
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>624,416,028</u>	<u>609,021,193⁽¹⁾</u>

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

	\$'000	\$'000
8. Cash		
Cash at bank	2,257	2,782
Deposits at call	29,718	16,224
Term deposits	<u>84,218</u>	<u>95,798</u>
	<u>116,193</u>	<u>114,804</u>

The weighted average interest rate for cash and deposits at call as at 30 June 2014 is 3.1% p.a. (2013: 3.3% p.a.). Term deposits have an average maturity date of September 2014 (2013: August 2013) and an average interest rate of 3.5% (2013: 4.2% pa).

⁽¹⁾ Comparatives adjusted to reflect the increase in number of shares as a result of the 5:1 share split in October 2013.

	2014 \$'000	2013 \$'000
9. Receivables		
a. Receivables – current		
Income receivable	22,754	23,166
Sundry debtors	4	4
	<u>22,758</u>	<u>23,170</u>
b. Receivables – non-current		
Senior staff share plan loans (refer note 17b)	<u>3,409</u>	<u>2,925</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	9,857	14,205
Prepaid expenses	189	205
	<u>10,046</u>	<u>14,410</u>
11. Investments – non-current		
Quoted investments - at fair value	2,574,894	2,202,504
Unquoted investments - at fair value	71	26
	<u>2,574,965</u>	<u>2,202,530</u>
a. Included in quoted investments are:		
Shares in other corporations	2,487,638	2,136,433
Stapled securities in other corporations	67,322	45,164
Units in trusts	19,934	20,907
	<u>2,574,894</u>	<u>2,202,504</u>
b. Included in unquoted investments are:		
Units in trusts	71	26
	<u>71</u>	<u>26</u>
c. Investments disposed of during the year		
Fair value at disposal date		
Equity investments	<u>17,811</u>	<u>20,306</u>
Loss on disposal after tax		
Equity investments	<u>(12,517)</u>	<u>(7,179)</u>

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

	2014 \$'000	2013 \$'000
12. Deferred tax assets		
The balance comprises temporary differences attributable to :		
Revenue tax losses carried forward	3	12
Provisions	255	247
Retirement benefit obligations	57	57
Share issue expenses	37	6
Other	114	216
Total deferred tax assets	<u>466</u>	<u>538</u>
Movements:		
Balance at 1 July	538	786
(charged) to the income statement	(140)	(253)
Credited to equity	68	5
Balance at 30 June	<u>466</u>	<u>538</u>
To be recovered within 12 months	130	128
To be recovered after more than 12 months	336	410
	<u>466</u>	<u>538</u>
13. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	310,440	223,521
Realised capital losses	(18,499)	(17,348)
Amounts recognised in profit:		
Realised capital gains	832	832
Income receivable which is not assessable for tax until receipt	16,404	16,277
	<u>309,177</u>	<u>223,282</u>
Movements:		
Balance at 1 July	223,282	116,901
Charged to income statement	178	459
Charged to other comprehensive income	85,717	105,991
(Credited) to equity	-	(69)
Balance at 30 June	<u>309,177</u>	<u>223,282</u>
To be settled within 12 months	-	-
To be settled beyond 12 months	309,177	223,282

	2014 \$'000	2013 \$'000
14. Issued capital		
a. Movement in share capital		
Balance at 1 July 2013	1,384,438	1,373,857
Share Purchase Plan	63,563	-
Shares issued as consideration for acquisition	13,910	10,594
Dividend Reinvestment Plan	799	-
Less : Transaction costs (net of tax)	(158)	(13)
Balance at 30 June 2014	<u>1,462,552</u>	<u>1,384,438</u>
b. Movement in number of shares	Number of shares	Number of shares
Balance at 1 July 2013	122,147,119	121,625,655
Share purchase plan	3,324,432	-
Share Split ⁽¹⁾	501,886,204	-
Shares issued as consideration for acquisition	3,280,382	521,464
Dividend Reinvestment Plan	187,207	-
Balance at 30 June 2014	<u>630,825,344</u>	<u>122,147,119</u>

⁽¹⁾ The 125,471,551 shares held on 18 October 2013 were split on the basis of 5 shares for each existing share resulting in the increase of 501,886,204 shares.

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.

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 94% (2013: 93%) of total assets. A 5% movement in the market value of investments in each of the companies and trusts within the portfolio would result in a 4.7% (2013: 4.6%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2014 (2013: 30 June 2013). The net asset backing before provision for tax on unrealised capital gains would move by 20 cents per share at 30 June 2014 (2013: 18 cents at 30 June 2013).

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

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

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

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 and the Dividend Reinvestment Plan. Shares may also be issued through rights issues and as consideration for acquisition of unlisted 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, 250 shares (2013: 252 shares) were acquired by Milton on behalf of eligible employees under the ESP at a cost of \$4,925 (2013: \$3,999) with a total market value at 30 June 2014 of \$5,675.

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, 162,500⁽¹⁾ shares (2013: 90,000⁽¹⁾ shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of \$638,857 (2013: \$283,583). 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 \$737,750 at \$4.54 per share as at 30 June 2014.

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.

No shares were disposed by the trustee during the year. (2013: 237,500⁽¹⁾ shares were disposed by the trustee and proceeds of \$646,086 were applied to fully repay loans of the retiring executive).

⁽¹⁾Shares issued adjusted to account for the increase in number of shares as a result of the share split.

	2014	2013
	\$'000	\$'000
18. Note to the cash flow statements		
a. Reconciliation of net profit to net cash provided by operating activities		
Profit	120,294	111,217
Share of net profits of joint ventures – equity accounted	(6,412)	(5,013)
Distributions received from joint venture entities	6,383	4,700
Depreciation of non-current assets	17	19
Acquisition related costs of subsidiaries	58	46
Increase in receivables	(155)	(2,798)
Increase in payables and provisions	34	46
Increase/(decrease) in income taxes payable	373	(34)
Net cash provided by operating activities	<u>120,592</u>	<u>108,183</u>

b. Non-cash financing and investing activities

As described in note 21.b Milton acquired an unlisted investment company through the issue of 3,280,382 new Milton shares with a fair value of \$13,909,832 (2013: Issued 521,464 shares to acquire an unlisted investment company with a fair value of \$9,913,031).

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.

	2014	2013
	\$'000	\$'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 (2013:33.33%)	6,010	4,610
23.33% interest in the Mews Joint Venture contribution to operating profit before tax (2013:23.33%)	682	415
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture (2013 : 50%)	(280)	(12)
Share of net profits of joint ventures	<u>6,412</u>	<u>5,013</u>

c. Consolidated interest in the assets and liabilities of the joint ventures

Current assets	21,750	19,060
Non-current assets	11,639	13,106
Current liabilities	(3,578)	(1,866)
Non-current liabilities	(8,624)	(10,093)
	<u>21,187</u>	<u>20,207</u>
Provision for diminution in value	(543)	(543)
Net assets	<u>20,644</u>	<u>19,664</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 \$0.831 million over the next year (2013: \$1.188 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	115,801	107,715
Total comprehensive income for the year	308,870	353,720

	2014 \$'000	2013 \$'000
20. Parent entity disclosures (continued)		
Financial position of the parent entity as at 30 June		
Current assets	141,319	152,301
Total assets	2,829,893	2,463,731
Current liabilities	80,929	85,020
Total liabilities	393,043	311,338
Net assets	2,436,850	2,152,393
Total equity of the parent entity comprising of		
Issued capital	1,462,552	1,384,438
Capital profits reserves	87,394	99,911
Asset revaluation reserve	765,020	554,940
Retained profits	121,884	113,104
Total equity attributable to shareholders of the parent entity	2,436,850	2,152,393

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	100
Chatham Investment Co. Pty Limited	100	100
Incorporated Nominees Pty Limited	100	100
Milhunt Pty Limited	100	100

The parent entity and all subsidiaries are incorporated in Australia.

b. Acquisition of subsidiaries

During the year ended 30 June 2014, Milton acquired 100% of the shares of an unlisted investment company for a consideration of 3,280,382 new Milton shares with a fair value of \$13,909,832.

c. Disposal of subsidiaries

The unlisted investment company acquired during the year was placed into voluntary liquidation in June 2014. (2013: Unlisted investment company acquired during 2013 year was placed into voluntary liquidation).

	\$'000	\$'000
22. Related parties		
a. Directors and Key Management Personnel compensation		
Short-term benefits	1,089	1,140
Other long-term benefits	15	23
Post-employment benefits	100	99
Share-based payments	124	163
	1,328	1,425

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

Non-executive directors and their related parties held 12.5% (2013:12.8%) of the voting power of Milton as at year end. A number of non-executive directors and their related parties acquired shares in Milton during the year on an arm's length basis. Movements in the number of shares held are given below. There were no amounts outstanding from or due to any non-executive director or their related parties as at 30 June 2014.

	2014	2013
	No of shares	No of shares
Number of shares at beginning of the year	15,639,656	15,655,002
Adjustment for Share Split in October 2013	62,777,040	-
Acquired during the year	164,604	20,369
Disposed during the year	-	(35,715)
Number of shares held at end of year	<u>78,581,300</u>	<u>15,639,656</u>

c. Loans to key management personnel and their related parties

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

	2014	2013
	\$	\$
Balance at beginning of the year	1,888,841	2,400,391
Loans advanced	432,460	236,332
Loan Repaid	(101,763)	(747,882)
Balance at end of the year	<u>2,219,538</u>	<u>1,888,841</u>
Notional interest	<u>124,151</u>	<u>162,008</u>

Terms and conditions of the loans are referred to in note 17b and details of loans to individual key management personnel are disclosed on the remuneration report on page 17.

d. 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.

	2014	2013
	\$	\$
Balance at beginning of the year	84,521,583	72,149,885
Loans advanced from subsidiaries	6,466,875	13,387,148
Loan advanced to subsidiaries	(11,544,331)	(1,015,450)
Balance at end of the year	<u>79,444,127</u>	<u>84,521,583</u>

Other arrangement with non executive director

Mr J.F. Church rented office space from Milton at commercial rates from 1 July 2013 to 30 June 2014 and rental income received by Milton during the financial year was \$12,971 (2013: \$13,726).

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 9.4 cents per share and a special fully franked dividend of 0.4 cents per share payable on 3 September 2014.

This financial report was authorised for issue in accordance with a resolution of directors on 7 August 2014.

25. Holdings at Fair Value through Other Comprehensive Income at 30 June 2014

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

	2014 \$'000	2013 \$'000
Investments in equity instruments		
Adelaide Brighton Limited	8,135	6,925
AGL Energy Limited	37,012	33,373
ALS Limited	99,542	103,855
Alumina Limited	-	485
Amalgamated Holdings Limited	7,291	6,125
Amcor Limited	12,459	11,897
AMP Limited	11,242	9,015
A.P. Eagers Limited	33,307	23,741
APA Group	11,753	6,492
APN News & Media Limited	-	327
ARB Corporation Limited	9,116	8,490
Argo Investments Limited	7,521	5,227
Arrium Limited	3,380	3,116
ASX Limited	17,712	14,939
Austbrokers Holdings Limited	11,058	11,170
Australand Property Group	3,697	2,898
Australia & New Zealand Banking Group Limited		
- ordinary shares	99,021	82,597
- convertible preference shares	2,007	1,975
- capital notes 2	208	199
Australian Foundation Investment Company Limited	8,002	7,095
Automotive Holdings Group Limited	8,188	4,270
Aveo Group (formerly FKP Property Group)	3,086	-
Bank of Queensland Limited	89,061	57,053
Bendigo & Adelaide Bank Limited	69,658	57,497
BHP Billiton Limited	121,418	102,213
BKI Investment Company Limited	2,013	1,629
Blackmores Limited	10,282	10,184
Boral Limited	8,749	6,852
Bradken Limited	3,141	3,475
Brambles Limited	11,772	10,909
Brickworks Limited	44,217	41,079
BWP Trust	3,928	3,068
Cardno Limited	7,614	4,646
Carlton Investments Limited	9,669	7,486
Carsales.com Limited	3,516	-
CFS Retail Property Trust Group	16,006	15,942
Coca-Cola Amatil Limited	13,872	17,377
Cochlear Limited	2,085	1,962
Commonwealth Bank of Australia		
- ordinary shares	245,315	209,482
- PERLS V	102	101
Commonwealth Property Office Fund	-	1,897
Crown Resorts Limited	4,042	3,237
CSL Limited	39,411	36,151
David Jones Limited	1,403	908
Diversified United Investment Limited	1,364	811
Dulux Group Limited	2,236	312
Equity Trustees Limited	9,265	3,509
Finbar Group Limited	4,535	1,481
Fletcher Building Limited	6,570	5,735
Fairfax Media Limited	-	1,600
FKP Property Group	-	1,223
Fleetwood Corporation Limited	532	821
Goodman Group	3,264	902
Goldman Sachs JB Were Collateral Mezzanine Fund	-	5

25. Holdings at Fair Value through Other Comprehensive Income at 30 June 2014 (continued)

	2014	2013
	\$'000	\$'000
Graincorp Limited	3,043	4,235
Gresham Private Equity Co-Investment Fund	21	21
GWA Group Limited	5,983	5,460
Insurance Australia Group Limited		
- ordinary shares	28,114	20,577
- convertible preference shares	319	306
IAG Finance(NZ) Limited Perpetual Reset Exchangeable Notes	1,284	1,234
Incitec Pivot Limited	4,671	4,375
InvoCare Limited	18,571	19,295
IOOF Holdings Limited	5,897	3,298
Leighton Holdings Limited	14,953	11,709
Lend Lease Group	6,090	3,743
Lindsay Australia Limited	1,088	280
Macquarie Group Limited	27,808	20,689
McMillan Shakespeare Limited	917	1,618
Metcash Limited	10,686	16,395
MyState Limited	2,065	1,887
National Australia Bank Limited		
- ordinary shares	144,380	130,200
- convertible preference shares	31	-
New Hope Corporation Limited	3,457	4,606
Noni B Limited	343	520
Orica Limited	3,681	3,903
Origin Energy Limited	9,199	4,866
Orora Limited	1,702	-
Perpetual Limited	64,403	29,174
Premier Investments Limited	5,017	2,573
QBE Insurance Group Limited	28,462	41,398
Qube Holdings Limited	5,855	2,278
Ramsay Health Care Limited	6,982	3,758
Reece Australia Limited	4,024	3,167
Rio Tinto Limited	33,665	23,822
Santos Limited	20,317	17,630
Scentre Group	5,336	-
Schaffer Corporation Limited	408	298
Sedgman Limited	1,011	1,071
Select Harvests Limited	832	529
Seven Group Holdings Limited – TELYS4 preference shares	617	593
Seven West Media Limited	3,155	3,076
Sims Group Limited	7,677	6,550
Sonic Healthcare Limited	10,674	9,012
Stockland Group	8,346	7,485
Suncorp Group Limited	41,632	33,768
Sydney Airport	6,134	1,461
Tankstream Ventures	50	-
Tatts Group Limited	7,272	3,528
Telstra Corporation Limited	70,909	63,347
Toll Holdings Limited	6,688	6,015
TPG Telecom Limited	20,561	13,135
Transfield Services Limited	1,648	1,170
Transurban Group	20,271	14,582
Treasury Wine Estates Limited	5,279	5,955
The Trust Company Limited	-	16,143
UGL Limited	9,926	10,042

25. Holdings at Fair Value through Other Comprehensive Income at 30 June 2014 (continued)

	2014	2013
	\$'000	\$'000
Washington H. Soul Pattinson & Company Limited	135,326	120,123
WDS Limited	1,006	-
Wesfarmers Limited		
- ordinary shares	119,791	103,235
- partially protected shares	-	10,516
Westfield Corporation	5,434	-
Westfield Group	-	7,688
Westfield Retail Trust	-	2,433
Westpac Banking Corporation	354,090	301,729
Wide Bay Australia Limited	2,385	2,276
Woodside Petroleum Limited	33,815	28,749
Woolworths Limited	95,991	86,322
Worley Parsons Limited	6,896	4,923
	2,574,965	2,202,530
Other liquid securities		
AMP Limited – notes	-	2,678
APT Pipelines Limited	1,074	1,052
Bank of Queensland Limited – convertible preference shares	5,425	5,257
Colonial Group – subordinated notes	1,032	1,018
Commonwealth Bank of Australia - Perls III	977	926
Goodman Funds Management – perpetual listed unsecured securities	1,139	1,064
Macquarie CPS Trust – convertible preference shares	-	1,000
Westpac Banking Corporation - preference shares (stapled preferred securities)	-	1,000
Woolworths Limited notes II	210	210
	9,857	14,205

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 2014 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 2014.

Signed in accordance with a resolution of the directors.



R. D. MILLNER
Chairman
Sydney, 7 August 2014

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Sydney NSW 2000

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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 2014, 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 2014 and of their 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

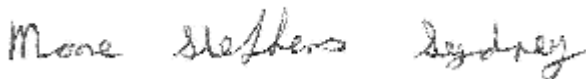
We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2014. The directors of Milton Corporation Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations 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

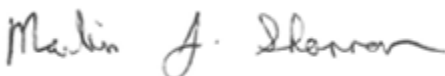
In our opinion the Remuneration Report of Milton Corporation Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

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 2014 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 7th day of August 2014.

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

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SYDNEY NSW 2000
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INTERNET: www.milton.com.au

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SHARE REGISTRY

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

ASX INFORMATION

TOP 20 SHAREHOLDERS AS AT 31 JULY 2014

NAME	SHARES HELD	%
Argo Investments Limited	38,426,060	6.09
Washington H. Soul Pattinson & Company Limited	33,589,220	5.32
Myora Pty Limited	22,777,030	3.61
Australian Foundation Investment Company Limited	14,402,925	2.28
Griffinna Pty Ltd <Wood Dragon a/c>	6,355,020	1.01
Danwer Investments Pty Limited	6,072,545	0.96
Bortre Pty Limited	6,072,545	0.96
Otterpaw Pty Ltd <Penguin a/c>	5,777,235	0.92
JBF Holdings Pty Ltd	5,253,920	0.83
Chickenfeed Pty Ltd	4,211,490	0.67
Jamama Nominees Pty Limited	4,195,685	0.67
J S Millner Holdings Pty Limited	3,736,555	0.59
Macdawley Proprietary Limited	3,479,615	0.55
Gartfern Pty Limited	3,306,625	0.52
Hexham Holdings Pty Limited	3,223,120	0.51
Millane Pty Limited	3,158,310	0.50
A V L Investments Proprietary Limited	2,979,080	0.47
Ms Julia Jane Drew	2,875,000	0.46
Redemptorists <Central Investment Fund>	2,834,000	0.45
T N Phillips Investments Pty Ltd	2,828,123	0.45
Questor Financial Services Limited <TPS RF A/C>	2,796,880	0.44

On 31 July 2014, there were 21,187 holders of ordinary shares in the capital of Milton. Holders of ordinary shares are entitled to one vote per share.

Number of shares held	Number of shareholders
1-1,000	2,444
1,001 – 5,000	5,518
5,001 – 10,000	4,272
10,001 – 100,000	8,358
100,001 and over	595
The number of holders of less than a marketable parcel of 25 shares	550

SUBSTANTIAL SHAREHOLDINGS As at 31 July 2014 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	41,300,140
Washington H. Soul Pattinson & Company Limited	20 December 2010	33,585,220
Brickworks Limited ⁽¹⁾	7 January 2014	33,589,220

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

OTHER INFORMATION

Milton is taxed as a public company.

There is no current on-market buy-back.

The total number of transactions in securities undertaken by Milton was 320 and the total brokerage paid or accrued was \$352,146.

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	8,273,502 Milton shares issued for the acquisition of Cambooya Investments Limited
28.06.2002	2,287,200 Milton shares issued 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 issued 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 issued for the acquisition of an unlisted investment company
01.04.2004	496,809 Milton shares issued 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 issued for the acquisition of an unlisted investment company
23.08.2006	1,476,254 Milton shares issued 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
20.08.2010	2,446,521 Milton shares issued for the acquisition of an unlisted investment company
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
30.09.2013	Share Purchase Plan at \$19.12 per share
22.10.2013	Share Split of 5 for 1 – number of issued shares increased by 501,886,204
24.02.2014	3,280,382 Milton shares issued for the acquisition of an unlisted investment company
04.03.2014	187,207 Milton shares issued under the DRP at \$4.27 per share

"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