

MILTON CORPORATION LIMITED

ABN 18 000 041 421

APPENDIX 4D – HALF YEAR REPORT RESULTS FOR ANNOUNCEMENT TO THE MARKET HALF-YEAR ENDED 31 DECEMBER 2016 (Comparative figures being the half-year ended 31 December 2015)

| | % Movement | |
|----------------------------|------------|-----------------------|
| <u>Revenue</u> | | |
| Operating revenue | Down 10.7% | \$63.7 million |
| Special investment revenue | Down 78.8% | \$0.1 million |

| | | |
|--|------------|-----------------------|
| <u>Earnings</u> | | |
| <i>Profit after tax to shareholders:</i> | | |
| <u>Excluding</u> special investment revenue | Down 10.7% | \$60.6 million |
| <u>Including</u> special investment revenue | Down 11.4% | \$60.8 million |
| <i>Earnings per share, basic and diluted:</i> | | |
| <u>Excluding</u> special investment revenue | Down 11.6% | 9.32 cents |
| <u>Including</u> special investment revenue | Down 12.2% | 9.34 cents |

| | | |
|---|-----------|--------------------|
| <u>Dividend information</u> | | |
| Interim fully franked ordinary dividend | No change | 8.7 cents |
| The Dividend Reinvestment Plan is in operation for the interim dividend | | |
| <i>Interim dividend dates:</i> | | |
| Ex dividend date | | 15 Feb 2017 |
| Record date | | 16 Feb 2017 |
| Payment date | | 2 Mar 2017 |

| | | |
|---|-------------|--------------------|
| <u>Net tangible asset backing per share (NTA)</u> | 31 Dec 2015 | 31 Dec 2016 |
| <u>Before</u> provision for tax on unrealised capital gains | \$4.50 | \$4.47 |
| <u>After</u> provision for tax on unrealised capital gains | \$3.98 | \$3.97 |

Refer to the attached media release for commentary and explanation of the results.

This report is based on financial statements which have been subject to independent review by the auditors, Pitcher Partners, Sydney.

All documents comprise the information required by listing rule 4.2A.

This information should be read in conjunction with the 2016 Annual Financial Report.

Dividend Reinvestment Plan (DRP)

Eligible Shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares.

Pricing of the new DRP shares will be equal to the volume weighted average selling price (VWAP) over the five business day period commencing on 17 February 2017 being the first trading day after the Record Date.

The last day for the receipt of an election notice for participation in the DRP is 17 February 2017.

MILTON CORPORATION LIMITED

ABN 18 000 041 421

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ASX+MEDIA RELEASE

25 JANUARY 2017

SYDNEY, 25 January 2017 - Milton Corporation Limited reports net profit after tax for the six months to 31 December 2016 of \$60.8 million out of which a fully franked interim dividend of 8.7 cents per share will be paid.

Excluding special dividends, underlying operating profit was \$60.6 million, which is 10.7% below that of the previous corresponding half. The lower profit was mainly attributable to a reduction in ordinary dividend income and trading profits earned in this half.

The portfolio of investments in Australian listed companies and trusts delivered dividend and trust distributions totalling \$61.7 million, including \$55 million of franked dividends.

Milton's managing director, Mr Frank Gooch said, "Increased dividend receipts from 50% of the number of companies held in the investment portfolio were not sufficient to offset lower dividends from a small number of companies, particularly those exposed to the resources and energy sectors, and so investment income fell by 6% this half."

The directors have declared a fully franked interim dividend of 8.7 cents per share, which is in line with the previous interim dividend. This dividend will be paid on 2 March 2017.

One of the benefits of the LIC structure is that the fully franked dividend can be at least maintained even though earnings have declined.

"The reliability of the fully franked ordinary dividend is a key attraction for many of our 24,270 shareholders and they are very much aware that Milton has paid a dividend every year since 1958 and the full year dividend has increased each year over the last five years," Mr Gooch said.

Total assets at 31 December 2016 included an investment portfolio valued at \$2.7 billion, cash of \$131 million and other assets amounting to \$39 million.

With no debt on the balance sheet, the net tangible assets, before provision for tax on unrealised capital gains was \$2.9 billion, which equated to \$4.47 per share.

Even though the market was reasonably fully valued throughout the six months, opportunities did arise that enabled a total of \$38 million to be invested in 28 companies. Companies new to the portfolio were Charter Hall Group, Charter Hall Long Wale REIT, Henderson Group PLC and Growthpoint Properties.

The next twelve months will be an interesting time for global markets as the U.S. transitions to a new president and the UK negotiates its Brexit.

Mr Gooch said, "If history is anything to go by the markets are likely to over react, both on the upside and the downside, to news as the year progresses. Our internal investment team will continue to seek out further opportunities to deploy some of its \$80 million of available cash and to trim holdings that no longer meet Milton's investment criteria.

In the meantime, Milton is reasonably fully invested with available cash representing around 3% of total assets and the portfolio is positioned to deliver a reliable and growing dividend stream over the long term."

Looking forward, the second half underlying operating profit is currently expected to be an improvement on the previous corresponding half. However, the 2017 full year result is likely to be lower than last year.

Milton has sufficient franking credits, retained earnings and liquidity to enable the fully franked, full year ordinary dividend to be maintained at 18.6 cents per share. Directors will take this and other factors into account when considering the final dividend.

ISSUED FOR: MILTON CORPORATION LIMITED
FOR FURTHER INFORMATION: MR FRANK GOOCH, MANAGING DIRECTOR
TELEPHONE: (02) 9993 0782 (OFFICE)
0414 675 748 (MOBILE)

BACKGROUND

Milton is a listed investment company that was incorporated in 1938 and listed in 1958.

Milton invests for the long-term in well managed companies with a profitable history and the expectation of dividend growth, and its key objective is to pay increasing fully franked dividends per share.

Milton operates with an internal management structure and does not have an external manager. Hence the administration costs as a percentage of total assets remain low when compared to many externally managed entities.

Milton's annualised management expense ratio (MER), which reflects total annualised operating costs as a proportion of total assets was 0.12% p.a at 31 December 2016.

MILTON'S INVESTMENT PROFILE

The 25 largest investments at 31 December 2016 are set out below.

| COMPANY | MARKET VALUE \$m | COMPANY | MARKET VALUE \$m |
|-----------------------------|---------------------|-------------------------------|---------------------|
| Westpac Banking Corporation | 340.7 | Macquarie Group | 56.9 |
| Commonwealth Bank | 256.3 | AP Eagers | 53.8 |
| National Australia Bank | 145.9 | Suncorp Group | 44.8 |
| W H Soul Pattinson | 138.8 | Brickworks Limited | 44.0 |
| Wesfarmers Limited | 119.5 | Blackmores Limited | 37.9 |
| ANZ Banking Group | 102.5 | ALS Limited | 36.7 |
| BHP Billiton | 91.1 | Transurban Group | 36.3 |
| Bank of Queensland | 86.7 | Insurance Australia Group | 35.0 |
| Telstra Corporation | 76.4 | Rio Tinto Limited | 35.0 |
| Bendigo and Adelaide Bank | 72.6 | QBE Insurance Group | 32.5 |
| Woolworths Limited | 70.0 | Woodside Petroleum | 28.5 |
| Perpetual Limited | 64.5 | Total market value of Top 25* | 2,125.5 |
| AGL Energy | 59.6 | | |
| CSL Limited | 59.5 | | |
| | | Total Assets | 2,912.9 |

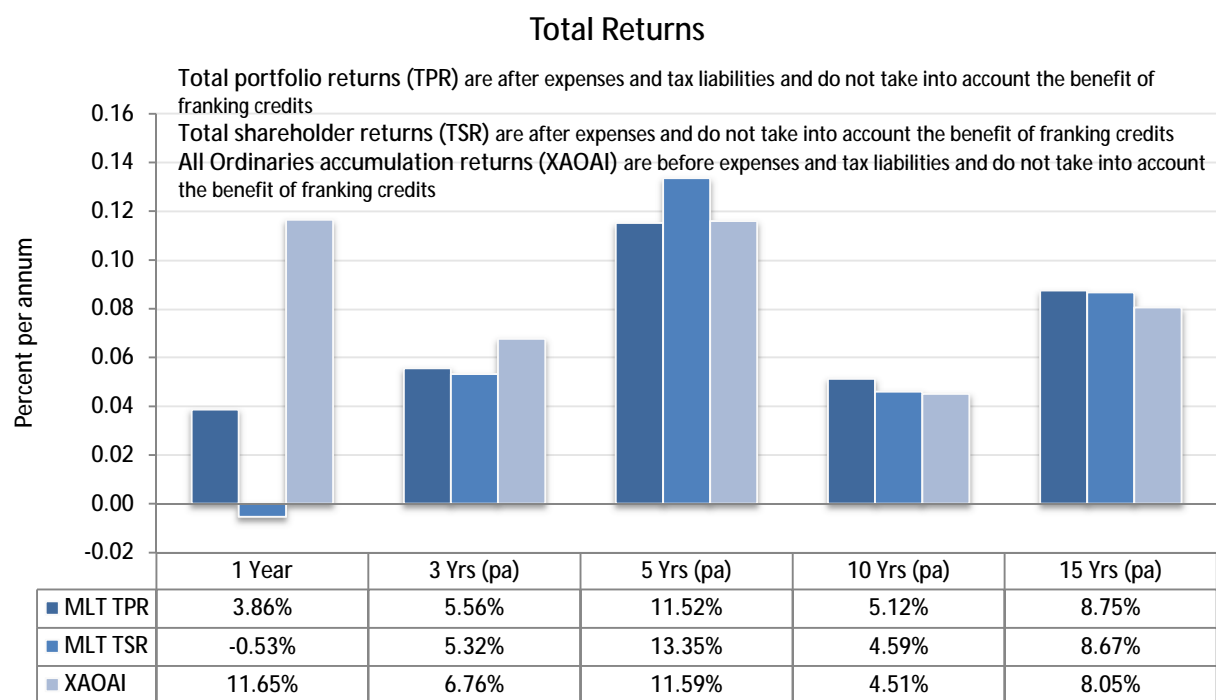
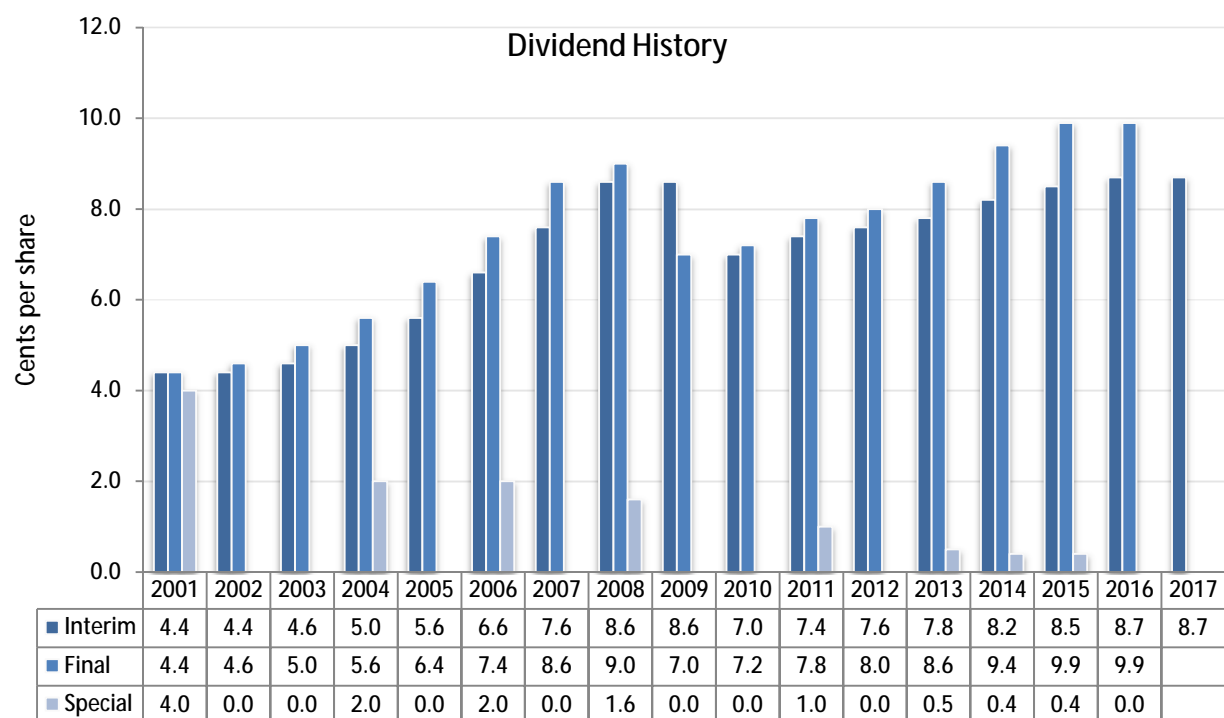
*The Top 25 represents approximately 73% of Total Assets.

CLASSIFICATION OF ASSETS

The following table shows assets at 31 December 2016 classified by Global Industry Classification Standard ("GICS") as adopted by the ASX.

| CLASSIFICATION | TOTAL ASSETS % | CLASSIFICATION | TOTAL ASSETS % |
|---|-------------------|------------------------|-------------------|
| Banks | 34.6 | Construction materials | 2.7 |
| Consumer staples | 8.9 | Utilities | 2.6 |
| Diversified financials | 7.1 | Transport | 2.4 |
| Energy (includes W H Soul Pattinson) | 6.6 | Commercial services | 2.2 |
| Insurance | 4.8 | Other materials | 1.7 |
| Metals and mining | 4.3 | Other shares | 3.5 |
| Telecommunication | 3.5 | Total shares | 94.2 |
| Healthcare | 3.3 | Cash & liquid assets | 4.5 |
| Retailing | 3.1 | Other assets | 1.3 |
| Real estate | 2.9 | Total | 100.0 |

Performance charts



MILTON CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

HALF-YEAR REPORT
31 DECEMBER 2016

CONTENTS

| | Page No. |
|--|-----------------|
| Directors' Report | 3 |
| Financial Statements | |
| <hr/> | |
| Consolidated Income Statement | 5 |
| Consolidated Statement of Comprehensive Income | 6 |
| Consolidated Statement of Financial Position | 7 |
| Consolidated Statement of Changes in Equity | 8 |
| Consolidated Statement of Cash Flows | 9 |
| <hr/> | |
| Notes to the financial statements | |
| <hr/> | |
| 1. Operating revenue | 10 |
| 2. Share of net profits from joint ventures | 10 |
| 3. Tax | 11 |
| 4. Earnings Per Share | 11 |
| 5. Dividends paid | 12 |
| 6. Investments in equity instruments | 12 |
| 7. Share capital | 13 |
| <hr/> | |
| Other Information: | |
| 8. Summary of other accounting policies | 13 |
| 9. Contingent and capital commitments | 14 |
| 10. Events subsequent to reporting date | 14 |
| Directors' declaration | 15 |
| Auditor's independence declaration | 16 |
| Independent auditor's review report to members of Milton Corporation Limited | 17 |

MILTON CORPORATION LIMITED

ABN 18 000 041 421

HALF-YEAR ENDED 31 DECEMBER 2016

DIRECTORS' REPORT

The directors of Milton Corporation Limited ("Milton") present their report together with the consolidated financial statements for the half-year ended 31 December 2016 and the auditor's independent review report thereon.

DIRECTORS

The names of the directors of Milton in office during the half-year and up to the date of this report are:

Name

Robert D. Millner, FAICD (Chairman)

John F. Church, FCSA, F Fin, FAICD

Graeme L. Crampton, B.Ec, FCA, FAICD

Kevin J. Eley, CA, F Fin, FAICD

Francis G. Gooch B.Bus, CPA (Managing Director)

Ian A. Pollard, BA (Macq), MA (Oxon), D Phil (IMC), FIAA, FAICD

REVIEW OF OPERATIONS

Half year profit commentary

Net profit after tax for the six months to 31 December 2016 was \$60.8 million out of which a fully franked interim dividend of 8.7 cents per share will be paid.

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Increased dividend receipts from 50% of the number of companies held in the investment portfolio were not sufficient to offset lower dividends from a small number of companies, particularly those exposed to the resources and energy sectors, and so investment income fell by 6% in the first half.

Even though the market was reasonably fully valued throughout the six months, opportunities did arise that enabled a total of \$38 million to be invested in 28 companies. Companies new to the portfolio were Charter Hall Group, Charter Hall Long Wale REIT, Henderson Group PLC and Growthpoint Properties.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

ROUNDING OF AMOUNTS

Unless otherwise stated under the option available in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, the financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

Signed on behalf of the board in accordance with a resolution of the directors.

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

R.D. Millner

Chairman

Sydney, 25 January 2017

Milton Corporation Limited

Consolidated income statement

| For the half-year ended | | 31 Dec 2016 | 31 Dec 2015 |
|---|-------|---------------|---------------|
| | Notes | \$'000 | \$'000 |
| Ordinary dividends and distributions | 1 | 61,673 | 65,696 |
| Interest | 1 | 1,405 | 1,378 |
| Net gains on trading portfolio | | 314 | 3,909 |
| Other revenue | | 262 | 289 |
| Operating Revenue | | 63,654 | 71,272 |
| Share of net profits of joint ventures – equity accounted | 2 | 661 | 1,041 |
| Special dividends and distributions | | 138 | 650 |
| Income from operating activities | | 64,453 | 72,963 |
| Administration expenses | | (1,760) | (1,717) |
| Profit before income tax expense | | 62,693 | 71,246 |
| Income tax expense thereon | 3 | (1,923) | (2,672) |
| Profit attributable to shareholders of Milton | | 60,770 | 68,574 |
| | | Cents | Cents |
| Basic and diluted earnings per share | 4 | 9.34 | 10.64 |

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 half-year ended | 31 Dec 2016 \$'000 | 31 Dec 2015 \$'000 |
|---|-----------------------|-----------------------|
| Profit | 60,770 | 68,574 |
| Other comprehensive income | | |
| <i>Items that will not be reclassified to profit and loss:</i> | | |
| Revaluation of investments | 164,059 | 67,596 |
| Provision for tax expense on revaluation of investments | (49,378) | (20,551) |
| Other comprehensive income, net of tax | 114,681 | 47,045 |
| Total comprehensive income for the period attributable to the shareholders of Milton | 175,451 | 115,619 |

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 | Note | 31 Dec 2016 \$'000 | 30 Jun 2016 \$'000 |
|--|------|-----------------------|-----------------------|
| Current assets | | | |
| Cash | | 131,018 | 123,403 |
| Receivables | | 3,663 | 23,048 |
| Current tax prepaid | | 487 | 148 |
| Other financial assets | | 7,501 | 7,324 |
| Total current assets | | 142,669 | 153,923 |
| Non-current assets | | | |
| Receivables | | 4,895 | 4,323 |
| Investments | 6 | 2,742,746 | 2,568,458 |
| Joint ventures – equity accounted | | 22,116 | 20,581 |
| Plant and equipment | | 82 | 87 |
| Deferred tax assets | | 387 | 405 |
| Total non-current assets | | 2,770,226 | 2,593,854 |
| Total assets | | 2,912,895 | 2,747,777 |
| Current liabilities | | | |
| Payables | | 964 | 993 |
| Provisions | | 59 | 50 |
| Total current liabilities | | 1,023 | 1,043 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 3 | 329,468 | 280,099 |
| Provisions | | 523 | 504 |
| Total non-current liabilities | | 329,991 | 280,603 |
| Total liabilities | | 331,014 | 281,646 |
| Net assets | | 2,581,881 | 2,466,131 |
| Shareholders' equity | | | |
| Issued capital | 7 | 1,549,765 | 1,545,122 |
| Capital profits reserve | | 57,331 | 68,236 |
| Asset revaluation reserve | | 783,597 | 658,011 |
| Retained profits | | 191,188 | 194,762 |
| Total equity attributable to shareholders of Milton | | 2,581,881 | 2,466,131 |

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 half-year ended 31 December 2016 | Issued capital \$'000 | Capital profits reserve \$'000 | Asset revaluation reserve \$'000 | Retained profits \$'000 | Total equity \$'000 |
|---|-----------------------------|---|---|-------------------------------|---------------------------|
| Balance at 1 July 2016 | 1,545,122 | 68,236 | 658,011 | 194,762 | 2,466,131 |
| Profit | - | - | - | 60,770 | 60,770 |
| Other Comprehensive Income: | - | - | 114,681 | - | 114,681 |
| Total comprehensive income for the half year | - | - | 114,681 | 60,770 | 175,451 |
| Net realised losses | - | (10,905) | 10,905 | - | - |
| Transactions with shareholders: | | | | | |
| Share issues | 4,643 | - | - | - | 4,643 |
| Dividends paid | - | - | - | (64,344) | (64,344) |
| Balance at 31 December 2016 | 1,549,765 | 57,331 | 783,597 | 191,188 | 2,581,881 |

| For the half-year ended 31 December 2015 | | | | | |
|---|------------------|---------------|----------------|----------------|------------------|
| Balance at 1 July 2015 | 1,504,589 | 64,971 | 739,819 | 189,266 | 2,498,645 |
| Profit | - | - | - | 68,574 | 68,574 |
| Other Comprehensive Income: | - | - | 47,045 | - | 47,045 |
| Total comprehensive income for the half-year | - | - | 47,045 | 68,574 | 115,619 |
| Net realised gains | - | 12,249 | (12,249) | - | - |
| Transactions with shareholders: | | | | | |
| Share issues | 36,681 | - | - | - | 36,681 |
| Dividends paid | - | - | - | (65,946) | (65,946) |
| Balance at 31 December 2015 | 1,541,270 | 77,220 | 774,615 | 191,894 | 2,584,999 |

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 half-year ended | 31 Dec 2016 \$'000 | 31 Dec 2015 \$'000 |
|--|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Dividends and distributions received | 80,900 | 85,233 |
| Interest received | 1,702 | 1,612 |
| Distributions received from joint venture entities | 500 | 3,666 |
| Other receipts in the course of operations | 261 | 286 |
| Proceeds from sales of trading securities | 314 | 5,618 |
| Payments for trading securities | - | (3,933) |
| Other payments in the course of operations | (1,933) | (1,725) |
| Income taxes paid | (2,223) | (3,129) |
| Net cash provided by operating activities | 79,521 | 87,628 |
| Cash flows from investing activities | | |
| Proceeds from disposal of investments | 27,669 | 25,682 |
| Payments for investments in equities and trusts | (37,967) | (40,313) |
| Payments for investments in joint ventures | (831) | (1,781) |
| Payments for other financial assets | (7) | (11) |
| Loans repaid by other entities | 153 | 144 |
| Loans (advanced) to other entities | (1,218) | (605) |
| Net cash used in investing activities | (12,201) | (16,884) |
| Cash flows from financing activities | | |
| Proceeds from share issues | 4,652 | 36,760 |
| Payments arising from capital raising | (13) | (112) |
| Ordinary dividends paid | (64,344) | (63,385) |
| Special dividend paid | - | (2,561) |
| Net cash used in financing activities | (59,705) | (29,298) |
| Net increase in cash assets held | 7,615 | 41,446 |
| Cash assets at the beginning of the half-year | 123,403 | 99,452 |
| Cash assets at the end of the half-year | 131,018 | 140,898 |

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

1. Operating revenue

Milton's operating revenue is mainly derived from dividends received from the companies held in the investment portfolio. In the six months to 31 December 2016, franked dividends accounted for 87% of operating revenue.

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

Interest on cash and term deposits is brought to account on an accruals basis. Interest on other liquid securities is recognised on the date these securities trade ex dividend.

Demerger dividends arising from company de-consolidations are treated as returns of capital and not as dividend income.

| For the half-year ended | 31 Dec 2016 | 31 Dec 2015 |
|--|--------------------|---------------|
| | \$'000 | \$'000 |
| Ordinary dividends and distributions | | |
| Franked dividends income | 55,217 | 59,630 |
| Unfranked dividends | 3,902 | 3,661 |
| Trust distributions | 2,554 | 2,405 |
| | 61,673 | 65,696 |
| Interest | | |
| Interest from deposits & cash | 1,376 | 1,314 |
| Interest income from other liquid securities | 29 | 64 |
| | 1,405 | 1,378 |
| Net gains from trading portfolio | 314 | 3,909 |
| Other revenue | 262 | 289 |
| Operating Revenue | 63,654 | 71,272 |

2. Share of net profits from joint ventures

Milton has a long history of investing in property development joint ventures. Wholly owned subsidiaries of Milton have investments in separate joint venture entities that have non-controlling interests in three property development joint venture partnerships.

Equity accounting principles are used to account for these joint ventures.

| For the half-year ended | 31 Dec 2016 | 31 Dec 2015 |
|--|--------------------|--------------|
| | \$'000 | \$'000 |
| The group has interests in the following joint venture entities | | |
| 33.33% interest in the Ellenbrook Syndicate Joint Venture contribution to operating profit before tax (2015:33.33%) | 907 | 1,151 |
| 23.33% interest in The Mews Joint Venture contribution to operating profit before tax (2015:23.33%) | 42 | 138 |
| 50% interest in the LWP Huntlee Syndicate No 2 Joint Venture contribution to operating profit before tax (2015: 50%) | (288) | (248) |
| Share of net profits of joint ventures | 661 | 1,041 |

Milton Corporation Limited
Notes to the consolidated financial statements

| For the half-year ended | 31 Dec 2016 | 31 Dec 2015 |
|--|--------------------|--------------------|
| | \$'000 | \$'000 |
| 3. Tax | | |
| a. Reconciliation of Income Tax Expense to prima facie tax payable | | |
| Profit before Income Tax | 62,693 | 71,246 |
| Prima facie income tax expense calculated at 30% on profit before tax expense | 18,808 | 21,374 |
| Increase /decrease in income tax expense due to : | | |
| Tax offset for franked dividends | (16,606) | (18,084) |
| (Over) provision in prior year | (101) | (147) |
| Other differences | (178) | (471) |
| Income tax expense on profit | 1,923 | 2,672 |
| As at | 31 Dec 2016 | 30 June 2016 |
| | \$'000 | \$'000 |
| b. Deferred tax liabilities | | |
| The balance comprises temporary differences attributable to: | | |
| Amounts recognised directly in equity: | | |
| Revaluation of investments | 343,939 | 291,069 |
| Realised capital losses | (30,752) | (27,379) |
| Amounts recognised in profit: | | |
| Gains on scrip for scrip rollovers | 16,043 | 16,043 |
| Income receivable which is not assessable for tax until receipt | 238 | 366 |
| | 329,468 | 280,099 |
| For the half-year ended | 31 Dec 2016 | 31 Dec 2015 |
| | Cents | Cents |
| 4. Earnings Per Share | | |
| Basic earnings per share | 9.34 | 10.64 |
| | \$'000 | \$'000 |
| Profit attributable to shareholders of the parent entity | 60,770 | 68,574 |
| | No. | No. |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 650,631,708 | 644,690,910 |

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

Milton Corporation Limited

Notes to the consolidated financial statements

| For the half year ended | 31 Dec 2016 \$'000 | 31 Dec 2015 \$'000 |
|---|-------------------------------|--------------------------------|
| 5. Dividends paid | | |
| a. Recognised in the half year | | |
| An ordinary final dividend of 9.9 cents per share in respect of the 2016 year paid on 2 September 2016 (2015: an ordinary final dividend in respect of the 2015 year of 9.9 cents per share paid on 3 September 2015) | 64,344 | 63,385 |
| No special dividend was paid in respect of 2016 year (2015: 0.4 cents paid on 3 September 2015) | - | 2,561 |
| | 64,344 | 65,946 |
| b. Not recognised in the current half year | | |
| Since the end of the half year, the directors declared an interim dividend of 8.7 cents per share payable on 2 March 2017. (2015: an interim dividend of 8.7 cents per share paid on 3 March 2016) | 56,638 | 56,463 |
| 6. Investments in equity instruments | | |
| Milton is predominantly a long term investor in companies and trusts listed on the Australian Securities Exchange. | | |
| 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. | | |
| As at | 31 Dec 2016 \$'000 | 30 June 2016 \$'000 |
| Investments – non-current | | |
| Quoted investments - at fair value | 2,742,638 | 2,568,348 |
| Unquoted investments - at fair value | 108 | 110 |
| | 2,742,746 | 2,568,458 |
| a. Included in quoted investments are: | | |
| Shares in other corporations | 2,599,572 | 2,418,631 |
| Stapled securities in other corporations | 117,992 | 122,526 |
| Units in trusts | 25,074 | 27,191 |
| | 2,742,638 | 2,568,348 |
| b. Included in unquoted investments are: | | |
| Units in trusts | 108 | 110 |

Milton Corporation Limited

Notes to the consolidated financial statements

7. Share capital

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

Milton may offer its shareholders the opportunity to increase their holdings by participation in the Share Purchase Plan and in the Dividend Reinvestment Plan. Milton may also increase its capital through renounceable rights issues and acquisition of investment companies with the consideration being the issue of Milton shares.

| Movement in share capital | For the half-year ended | | For the year ended | |
|---|-------------------------|-----------------------|--------------------|-----------------------|
| | No. of shares | 31 Dec 2016 \$'000 | No of shares | 30 Jun 2016 \$'000 |
| Opening balance | 649,922,937 | 1,545,122 | 640,255,655 | 1,504,589 |
| Share Purchase Plan | - | - | 7,746,892 | 32,373 |
| Dividend Reinvestment Plan ⁽¹⁾ | 1,086,782 | 4,652 | 1,920,390 | 8,246 |
| Less: Transaction costs (net of tax) | | (9) | - | (86) |
| Closing balance | 651,009,719 | 1,549,765 | 649,922,937 | 1,545,122 |

⁽¹⁾ Milton's Dividend Reinvestment Plan (DRP) offers shareholders the option to reinvest all or part of their dividend in new ordinary shares. In the six-month period to 31 December 2016, Milton issued 1,086,782 new shares under the DRP (2016: 998,879 new shares issued in September 2015 and 921,511 new shares issued in March 2016).

8. Summary of other accounting policies

a. Basis of preparation

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, and other applicable Australian Accounting Standards (including Australian Accounting Interpretations).

These half-year financial statements do not include all the notes of the type normally included in an annual financial report. It is recommended that these half-year financial statements be read in conjunction with the 30 June 2016 annual financial report and any public announcements made by Milton and its controlled entities during the half-year in accordance with any continuous disclosure requirements arising under 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 investments which are recorded at fair value.

These consolidated half-year financial statements were approved by the Board of Directors on 25 January 2017.

This financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191.

The accounting policies have been consistently applied by Milton and its consolidated entities and are consistent with those applied in the 30 June 2016 annual financial report.

b. Operating segments

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

Milton Corporation Limited

Notes to the consolidated financial statements

9. Contingencies and capital commitments

Guarantee entered into by the parent company

Milton has agreed to provide a financial guarantee facility totalling \$11 million to support prepayments received by a joint venture in which LWP Huntlee Syndicate No 2 has a 23.75% interest. This facility, which is on commercial terms, is secured by a second ranking mortgage over the real property of the joint venture as well as guarantees provided by other related entities of the joint venture. At 31 December 2016, \$10 million of this facility had been utilised.

Other than the above, the directors are not aware of any material contingent liabilities, contingent assets or capital commitments as at 31 December 2016.

10. Events subsequent to reporting date

There has been no transaction or event since 31 December 2016 to the date of this report of which the directors are aware that has had a material impact on Milton or its financial position.

MILTON CORPORATION LIMITED

ABN 18 000 041 421

HALF-YEAR ENDED 31 DECEMBER 2016

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on pages 5 to 14 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



R.D. Millner

Chairman

Sydney, 25 January 2017

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MILTON CORPORATION LIMITED
ABN 18 000 041 421**

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*;
and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

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



M A ALEXANDER
Partner

PITCHER PARTNERS
Sydney

25 January 2017

Independent Auditor's Review Report to the Members of Milton Corporation Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Milton Corporation Limited ("the company") and its Controlled Entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2016, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Milton Corporation Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Milton Corporation Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Milton Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



M A ALEXANDER
Partner



PITCHER PARTNERS
Sydney

25 January 2017