

Milton

CORPORATION LIMITED

ABN 18 000 041 421

APPENDIX 4D – HALF YEAR REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET

HALF-YEAR ENDED 31 DECEMBER 2017

(Comparative figures being the half-year ended 31 December 2016)

	% Movement	
<u>Revenue</u>		
Operating revenue	Up 8.9%	\$69.3 million
Special investment revenue	Up 356.5%	\$0.6 million

<u>Earnings</u>		
<i>Profit after tax attributable to shareholders:</i>		
<u>Excluding</u> special investment revenue & acquisition costs net of tax	Up 8.8%	\$66.0 million
<u>Including</u> special investment revenue & acquisition costs net of tax	Up 9.5%	\$66.6 million
<i>Earnings per share, basic and diluted:</i>		
<u>Excluding</u> special investment revenue & acquisition costs net of tax	Up 8.0%	10.06 cents
<u>Including</u> special investment revenue & acquisition costs net of tax	Up 8.7%	10.15 cents

<u>Dividend information</u>		
Interim fully franked ordinary dividend	Up 1.1%	8.8 cents
The Dividend Reinvestment Plan is in operation for the interim dividend		
<i>Interim dividend dates:</i>		
Ex dividend date		14 Feb 2018
Record date		15 Feb 2018
Payment date		1 Mar 2018

<u>Net tangible asset backing per share (NTA)</u>	31 Dec 2016	31 Dec 2017
<u>Before</u> provision for tax on unrealised capital gains	\$4.47	\$4.72
<u>After</u> provision for tax on unrealised capital gains	\$3.97	\$4.14

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 2017 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 16 February 2018 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 16 February 2018.

Milton

CORPORATION LIMITED

ASX+MEDIA RELEASE

25 JANUARY 2018

FIRST HALF 2018 PROFIT RISES TO \$66.6 MILLION

SYDNEY, 25 January 2018 – In its release to the Australian Securities Exchange today, Milton Corporation Limited reported its net profit after tax for the six months to 31 December 2017 was \$66.6 million (2016: \$60.8 million) and it will pay a fully franked interim dividend of 8.8 cents per share on 1 March 2018.

This result included \$0.6 million of special dividends that were received from Bank of Queensland and Sims Metal Management. Special dividends received in the previous corresponding half amounted to \$0.1 million.

Milton's managing director, Mr Frank Gooch said, "As special dividends can fluctuate significantly from period to period we prefer to exclude them from the result when we assess the underlying performance of the portfolio. In the first half of 2018 the portfolio grew ordinary investment income by 9% to \$67 million."

"Overall the portfolio performed soundly, with the majority of companies in the portfolio declaring increased dividends in the half. Ordinary investment income increased by a net \$4.8 million as a result of movements to dividend rates and changes to the composition of the portfolio added an extra \$1 million to the result," Mr Gooch said.

Investments were added to the portfolio through the consolidation of the \$19.2 million portfolio held by an unlisted family company that was acquired by Milton on 1 August 2017. Other portfolio movements included the investment of \$34 million across 21 companies, partly funded through disposals amounting to \$22 million.

The larger investments included Challenger Limited (\$2 million), Charter Hall Group (\$2.3 million), IOOF Holdings (\$3.1 million), Lend Lease Group (\$3.3 million), Transurban Group (\$3.2 million) and Woodside Petroleum (\$8.6 million). The larger disposals were Aveo Group (\$2.2 million), Origin Energy (\$4.1 million), Santos (\$5.6 million), Tatts Group (\$4.6 million) and Worley Parsons (\$2.6 million).

The net tangible assets before provision for tax on unrealised capital gains were valued at \$3.1 billion at 31 December 2017, \$160 million higher than at the beginning of the half year. The increase was largely attributable to a \$135 million revaluation of the portfolio combined with \$24 million in net tangible assets received through the issue of additional Milton shares.

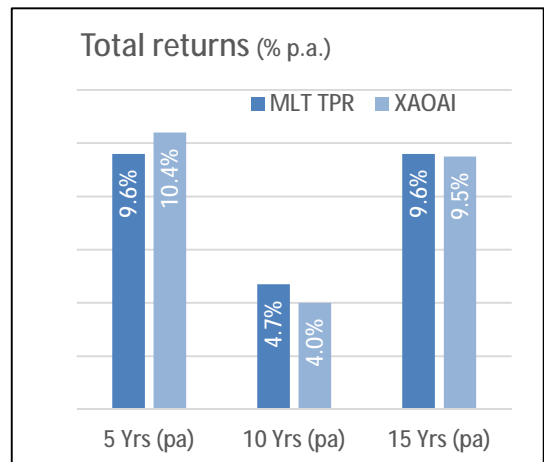
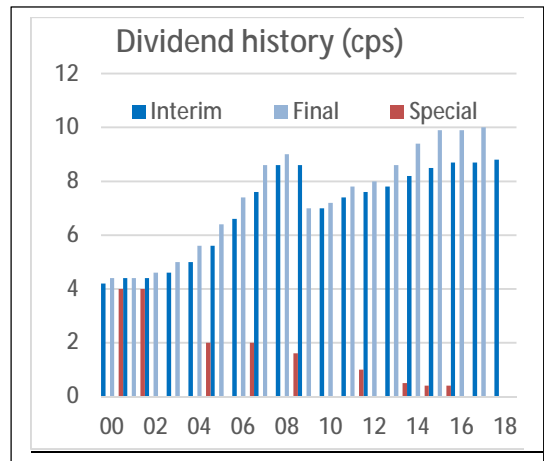
Share capital increased by 5.2 million shares. This comprised 4.1 million shares issued as consideration for the acquisition of the family company and a further 1.1 million shares issued under the dividend reinvestment plan (DRP).

The DRP will operate for the interim dividend. 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 16 February 2018 being the first trading day after the Record Date.

The portfolio has delivered sound returns in the form of increased dividends and valuation uplift. This has enabled Milton to meet its objectives to pay increased dividends over many years out of the investment income that it receives and to increase the value of the shareholders' investment.

Milton has paid ordinary dividends every year since listing in 1958 and every year since 2010, the full year ordinary dividend per share have been greater than the year before.

Milton's total portfolio returns (TPR), which are measures of the returns of the combination of dividends paid and capital growth but net of expenses and tax paid have performed soundly over the long term when compared with the accumulation returns of the All Ordinaries Index which is not adjusted for expenses and tax.



The market as a whole appears to be reasonably fully valued for long term investors such as Milton.

Under these conditions the portfolio management team will continue to monitor the progress of the companies already held by Milton and seek to selectively add to positions when value emerges. In addition, the team continues to search for opportunities to further diversify the portfolio by adding companies that are expected to pay increasing dividends over time.

In the absence of unforeseen circumstances, the final dividend should at least be maintained at 10 cents per share.

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 2017.

MILTON'S INVESTMENT PROFILE

The 25 largest investments at 31 December 2017 are set out below.

COMPANY	MARKET VALUE \$m	COMPANY	MARKET VALUE \$m
Westpac Banking Corporation	328.9	Perpetual Limited	59.6
Commonwealth Bank	250.5	Telstra Corporation	54.7
W H Soul Pattinson	163.3	Brickworks Limited	48.1
National Australia Bank	142.6	Transurban Group	47.2
Wesfarmers Limited	126.0	AP Eagers	46.5
BHP Billiton	108.0	Suncorp Group	45.9
ANZ Banking Group	98.0	Rio Tinto Limited	44.2
Bank of Queensland	92.9	ALS Limited	42.5
CSL Limited	83.7	Insurance Australia Group	42.3
Woolworths Limited	79.3	CIMIC Group Limited	40.7
Bendigo and Adelaide Bank	66.6	Woodside Petroleum	40.5
Macquarie Group	65.8	Total market value of Top 25*	2,245.6
AGL Energy	65.7		
Blackmores Ltd	62.1	Total Assets	3,101.3

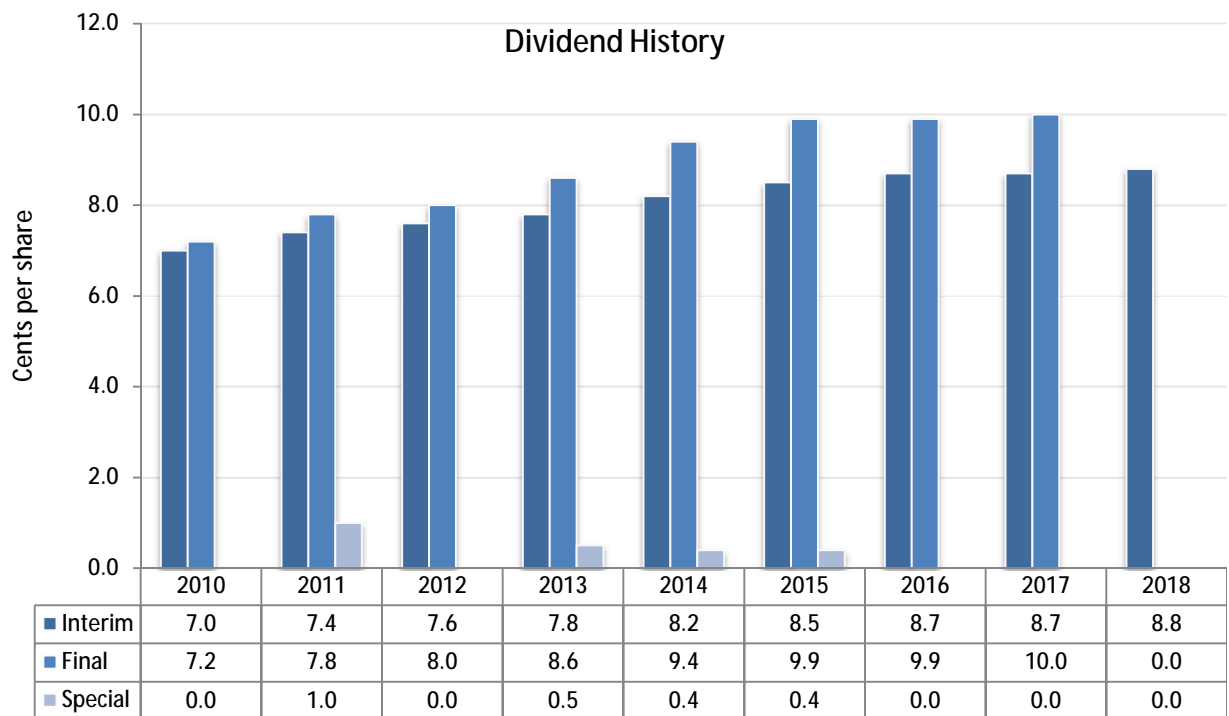
*The Top 25 represents approximately 72% of Total Assets.

CLASSIFICATION OF ASSETS

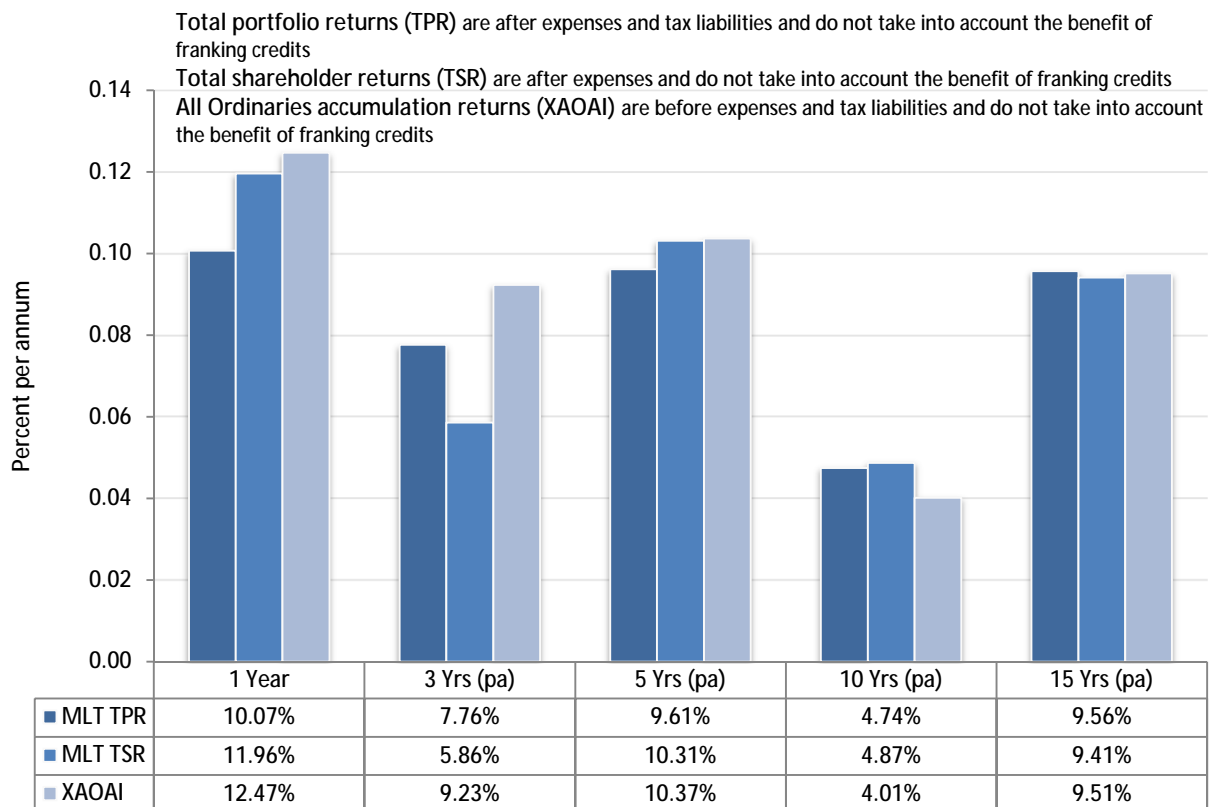
The following table shows assets at 31 December 2017 classified by Global Industry Classification Standard ("GICS") as adopted by the ASX.

CLASSIFICATION	TOTAL ASSETS %	CLASSIFICATION	TOTAL ASSETS %
Banks	31.7	Retailing	2.7
Consumer staples	9.7	Utilities	2.7
Diversified financials	7.9	Telecommunication	2.6
Energy (includes W H Soul Pattinson)	7.2	Commercial services	2.2
Metals and Mining	4.9	Other materials	1.7
Insurance	4.5	Other shares	3.7
Healthcare	4.0	Total shares	94.4
Real Estate	3.2	Cash & liquid assets	4.3
Construction Materials	2.9	Other assets	1.3
Transport	2.8	Total	100.0

Performance charts



Total Returns



Milton

CORPORATION LIMITED

ABN 18 000 041 421

An Australian Listed Investment Company
Listed since 1958

HALF-YEAR REPORT

31 DECEMBER 2017

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MILTON CORPORATION LIMITED

ABN 18 000 041 421

HALF-YEAR ENDED 31 DECEMBER 2017

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 2017 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)

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

John F. Church, FCSA, F Fin, FAICD (retired on 12 October 2017)

Justine E. Jarvinen BE(Chem), F Fin, GAICD (appointed on 3 August 2017)

REVIEW OF OPERATIONS

Half year profit commentary

The majority of companies in the portfolio declared increased dividends in the half. Ordinary investment income increased by a net \$4.8 million as a result of movements to dividend rates and changes to the composition of the portfolio added an extra \$1 million to the result.

Investments were added to the portfolio through the consolidation of the \$19.2 million portfolio held by an unlisted family company that was acquired by Milton on 1 August 2017. Other portfolio movements included the investment of \$34 million across 21 companies, partly funded through disposals amounting to \$22 million.

The larger investments included Challenger Limited (\$2 million), Charter Hall Group (\$2.3 million), IOOF Holdings (\$3.1 million), Lend Lease Group (\$3.3 million), Transurban Group (\$3.2 million) and Woodside Petroleum (\$8.6 million). The larger disposals were Aveo Group (\$2.2 million), Origin Energy (\$4.1 million), Santos (\$5.6 million), Tatts Group (\$4.6 million) and Worley Parsons (\$2.6 million).

Share capital increased by 5.2 million shares. This comprised 4.1 million shares issued as consideration for the acquisition of the family company and a further 1.1 million shares issued under the dividend reinvestment plan (DRP).

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 2018

Milton Corporation Limited

Consolidated income statement

For the half-year ended		31 Dec 2017	31 Dec 2016
	Notes	\$'000	\$'000
Ordinary dividends and distributions	1	67,416	61,673
Interest	1	1,303	1,405
Net gains on trading portfolio		122	314
Other revenue		506	262
Operating Revenue		69,347	63,654
Share of net profits of joint ventures – equity accounted	2	459	661
Special dividends and distributions		630	138
Income from operating activities		70,436	64,453
Administration expenses		(1,851)	(1,760)
Acquisition related costs of subsidiaries		(57)	-
Profit before income tax expense		68,528	62,693
Income tax expense thereon	3	(1,965)	(1,923)
Profit attributable to shareholders of Milton		66,563	60,770
		Cents	Cents
Basic and diluted earnings per share	4	10.15	9.34

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 2017 \$'000	31 Dec 2016 \$'000
Profit	66,563	60,770
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss:</i>		
Revaluation of investments	135,060	164,059
Provision for tax expense on revaluation of investments	(40,885)	(49,378)
Other comprehensive income, net of tax	94,175	114,681
Total comprehensive income for the period attributable to the shareholders of Milton	160,738	175,451

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 2017 \$'000	30 Jun 2017 \$'000
Current assets			
Cash		132,227	118,376
Receivables		4,051	24,336
Current tax prepaid		469	-
Other financial assets		6,355	6,336
Total current assets		143,102	149,048
Non-current assets			
Receivables		5,366	4,786
Investments	6	2,929,641	2,763,980
Joint ventures – equity accounted		22,778	22,901
Plant and equipment		64	77
Deferred tax assets		357	388
Total non-current assets		2,958,206	2,792,132
Total assets		3,101,308	2,941,180
Current liabilities			
Payables		1,004	1,142
Current tax liabilities		-	267
Provisions		55	128
Total current liabilities		1,059	1,537
Non-current liabilities			
Deferred tax liabilities	3	376,136	335,148
Provisions		465	442
Total non-current liabilities		376,601	335,590
Total liabilities		377,660	337,127
Net assets		2,723,648	2,604,053
Shareholders' equity			
Issued capital	7	1,577,949	1,553,896
Capital profits reserve		52,851	59,545
Asset revaluation reserve		895,322	794,453
Retained profits		197,526	196,159
Total equity attributable to shareholders of Milton		2,723,648	2,604,053

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

Milton Corporation Limited
Consolidated statement of changes in equity

For the half-year ended 31 December 2017	Issued capital \$'000	Capital profits reserve \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2017	1,553,896	59,545	794,453	196,159	2,604,053
Profit	-	-	-	66,563	66,563
Other Comprehensive Income	-	-	94,175	-	94,175
Total comprehensive income for the half year	-	-	94,175	66,563	160,738
Net realised losses	-	(6,694)	6,694	-	-
Transactions with shareholders:					
Share issues	24,053	-	-	-	24,053
Dividends paid	-	-	-	(65,196)	(65,196)
Balance at 31 December 2017	1,577,949	52,851	895,322	197,526	2,723,648
For the half-year ended 31 December 2016					
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 gains	-	(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

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 2017 \$'000	31 Dec 2016 \$'000
Cash flows from operating activities		
Dividends and distributions received	88,209	80,900
Interest received	1,440	1,702
Distributions received from joint venture entities	1,175	500
Other receipts in the course of operations	478	261
Proceeds from sales of trading securities	334	314
Payments for trading securities	(211)	-
Other payments in the course of operations	(2,119)	(1,933)
Income taxes paid	(2,537)	(2,223)
Net cash provided by operating activities	86,769	79,521
Cash flows from investing activities		
Proceeds from disposal of investments	22,339	27,669
Payments for investments in equities and trusts	(33,719)	(37,967)
Payments for investments in joint ventures	(594)	(831)
Payments for other financial assets	(60)	(7)
Loans repaid by other entities	171	153
Loans (advanced) to other entities	(791)	(1,218)
Net cash used in investing activities	(12,654)	(12,201)
Cash flows from financing activities		
Payments arising from capital raising	(14)	(13)
Ordinary dividends paid	(60,250)	(59,692)
Net cash used in financing activities	(60,264)	(59,705)
Net increase in cash assets held	13,851	7,615
Cash assets at the beginning of the half-year	118,376	123,403
Cash assets at the end of the half-year	132,227	131,018

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 2017, franked dividends accounted for 86% 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 2017	31 Dec 2016
	\$'000	\$'000
Ordinary dividends and distributions		
Franked dividends income	59,366	55,217
Unfranked dividends	4,972	3,902
Trust distributions	3,078	2,554
	67,416	61,673
Interest		
Interest from deposits & cash	1,272	1,376
Interest income from other liquid securities	31	29
	1,303	1,405
Net gains from trading portfolio	122	314
Other revenue	506	262
Operating Revenue	69,347	63,654

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 2017	31 Dec 2016
	\$'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 (2016:33.33%)	357	907
23.33% interest in The Mews Joint Venture contribution to operating profit before tax (2016:23.33%)	54	42
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture contribution to operating profit before tax (2016: 50%)	48	(288)
Share of net profits of joint ventures	459	661

Milton Corporation Limited
Notes to the consolidated financial statements

For the half-year ended	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
3. Tax		
a. Reconciliation of Income Tax Expense to prima facie tax payable		
Profit before Income Tax	68,528	62,693
Prima facie income tax expense calculated at 30% on profit before tax expense	20,558	18,808
Increase /decrease in income tax expense due to :		
Tax offset for franked dividends	(18,144)	(16,606)
(Over) provision in prior year	(553)	(101)
Other differences	104	(178)
Income tax expense on profit	1,965	1,923
As at	31 Dec 2017	30 June 2017
	\$'000	\$'000
b. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	392,127	348,680
Realised capital losses	(32,298)	(29,813)
Amounts recognised in profit:		
Gains on scrip for scrip rollovers	16,043	16,043
Income receivable which is not assessable for tax until receipt	264	238
	376,136	335,148
For the half-year ended	31 Dec 2017	31 Dec 2016
	Cents	Cents
4. Earnings Per Share		
Basic earnings per share	10.15	9.34
	\$'000	\$'000
Profit attributable to shareholders of the parent entity	66,563	60,770
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	655,601,373	650,631,708

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 2017 \$'000	31 Dec 2016 \$'000
5. Dividends paid		
a. Recognised in the half year		
An ordinary final dividend of 10 cents per share in respect of the 2017 year paid on 5 September 2017 (2016: an ordinary final dividend in respect of the 2016 year of 9.9 cents per share paid on 2 September 2016)	65,196	64,344
b. Not recognised in the current half year		
Since the end of the half year, the directors declared an interim dividend of 8.8 cents per share payable on 1 March 2018. (2016: an interim dividend of 8.7 cents per share paid on 2 March 2017)	57,833	56,638
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 2017 \$'000	30 June 2017 \$'000
Investments – non-current		
Quoted investments - at fair value	2,929,308	2,763,696
Unquoted investments - at fair value	333	284
	2,929,641	2,763,980
a. Included in quoted investments are:		
Shares in other corporations	2,766,051	2,611,319
Stapled securities in other corporations	140,486	129,806
Units in trusts	22,771	22,571
	2,929,308	2,763,696
b. Included in unquoted investments are:		
Units in trusts	333	284

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 2017 \$'000	No of shares	30 Jun 2017 \$'000
Opening balance	651,963,627	1,553,896	649,922,937	1,545,122
Acquisition of unlisted company ⁽¹⁾	4,114,776	19,117	-	-
Dividend Reinvestment Plan ⁽²⁾	1,113,757	4,945	2,040,690	8,791
Less: Transaction costs (net of tax)	-	(9)	-	(17)
Closing balance	657,192,160	1,577,949	651,963,627	1,553,896

⁽¹⁾ Milton acquired an unlisted investment company in August 2017 and 4,114,776 new ordinary shares were issued to the vendors as consideration.

⁽²⁾ In the six-month period to 31 December 2017, Milton issued 1,113,757 new shares under the DRP (2017: 1,086,782 new shares issued in September 2016 and 953,908 new shares issued in March 2017).

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 2017 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 2018.

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 2017 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 2017, the total facility of \$11 million 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 2017.

10. Events subsequent to reporting date

There has been no transaction or event since 31 December 2017 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 2017

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 2017 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 2018

**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 2017, 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 2018

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 2017, 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 2017 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*.

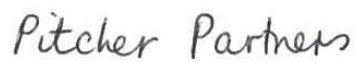
Conclusion

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 2017 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 2018