MILTON CORPORATION LIMITED
CHAIRMAN'S ADDRESS

On the 1st of August this year, Milton announced to the ASX that its Underlying Operating Profit for the 2007 financial year was $70.5 million.

Milton's Underlying Operating Profit provides a good guide to the company's maintainable earnings as it does not include special dividend income or realised capital gains.

The Underlying Operating Profit has continued to grow as ordinary dividend income derived from investments has increased and as the company's capital base has expanded.

The underlying earnings per share in the 2007 year were 91 cents which is double the earnings per share seven years ago.

As Milton has grown its earnings per share it has also lifted its ordinary fully franked dividend paid to its shareholders. This year the full year ordinary dividend declared was 81 cents per share compared with 70 cents per share declared out of the previous year's profits and 43 cents per share seven years ago.

The final fully franked dividend of 43 cents per share, which was paid on 4 September 2007, included a LIC capital gain of 6 cents per share. This was Milton's first distribution of a LIC capital gain and it was made possible because Milton realised capital gains during the year.

It is the board's intention to distribute LIC capital gains with the final dividend for the year in which they are realised. However the amount is likely to fluctuate each year as the capital gains are largely driven by corporate activity.

One of the board's objectives has been to grow the capital of the company in a measured way.

The Share Purchase Plan was introduced in 1999 and has been in operation each year since then. Under the Plan shareholders are able to subscribe for shares with a total value of up to $5,000. The shares are issued at a discount of 2.5% to the ex dividend share price.

Since its introduction it has been well supported by shareholders with the company issuing a total of 6.9 million shares and raising almost $97 million.

The 2007 Share Purchase Plan is open until tomorrow. The offer price is $22.48 per share. This is a discount of 4.8% to the net asset backing at 30 September, which was $23.62.

I am pleased to announce that to date we have received applications for a total amount of $16.6 million.

Milton has also expanded its capital base through the acquisition of other investment companies.

In 2001 Milton issued 8.3 million shares when it acquired a listed investment company, Cambooya Investments Limited, through an on-market scrip for scrip takeover.

In 2002 Milton made its first acquisition of an unlisted investment company. Since then Milton has acquired a further 12 unlisted investment companies.

In each case, Milton has issued its shares as consideration. A total of 18 million shares have been issued to acquire the unlisted companies which has increased Milton's capital by $317 million.

One of the desired outcomes from the expansion of the issued capital was an increase in the liquidity in the trading of Milton shares. In the 2000 year there were 1,357 transactions on the stock exchange with a total value of $20 million whilst in the 2007 year there were 4,267 transactions with a total value of $63 million.

As anticipated another outcome of this capital expansion objective has been a reduction in the company's management expense ratio. Administration expenses, net of management fee recoveries, represented 0.13 per cent of total assets at 30 June 2007.

Since the 2000 financial year total assets have increased by 240% whilst net administration expenses have increased by just 18%. I think this demonstrates one of the benefits of the traditional LIC structure in which operating expenses are not linked to the growth in assets or performance of the portfolio.

Since the end of the financial year the stock market has been quite volatile with the All Ordinaries index reaching a high of 6469 on 13 July and then falling by 15% to a low of 5490 on 16 August before recovering by almost 22% to an all time high of 6682 on 3 October.

In that period Milton has invested $36 million in profitable, well managed companies that are likely to pay increasing dividends.

The cash available for investment will be increased by the funds received through the Share Purchase Plan which will ensure that Milton will be able to take advantage of buying opportunities as they arise.

Since the end of the financial year, 100 companies in the Milton portfolio have announced their results to the market. Of these companies 72% have increased their ordinary dividends and 18% have maintained their dividend.

The unaudited results for the three month period to 30 September 2007 indicate that earnings per share have increased by more than 10% over the previous corresponding period.

This should ensure that the current half year underlying profit will be in excess of the prior year which will lead to an increased interim dividend.

I would now like to ask Frank to present his report.

MANAGING DIRECTOR'S ADDRESS

This afternoon I will highlight the main items that contributed to the 25.9% increase in underlying operating profit, review the balance sheet and discuss the major portfolio movements.

The underlying operating profit for the year ended 30 June 2007 increased to $70.5 million from $56 million in the prior year. Part of the increase was attributable to the larger capital base.

Milton's issued capital increased by approximately $223 million through the issue of 10.6 million shares. In October 2006, $20 million was subscribed through the Share Purchase Plan and over the course of the year a further $203 million was raised through the acquisitions of unlisted investment companies.

Given the increased capital base you would expect an increase in the underlying operating profit.

Therefore I prefer to focus on the movement in the weighted average underlying earnings per share. This calculation takes into consideration the additional capital and provides a better view of the company's underlying operating profit performance.

Milton's weighted average underlying earnings per share for the year was 91 cents per share compared with 78.5 cents per share for the prior year.

The major contributors to this 15.9% increased return were made up of increased ordinary dividend income and an increased share of profits from the property joint ventures.

Approximately 70% of the increased ordinary dividend income came from the top 20 investments, which represents 63% of the portfolio. Seventeen of these companies increased their ordinary dividend per share by 10% or more and six companies increased their ordinary dividend per share by 20% or more.

Only eight companies out of 140 companies in the portfolio decreased their ordinary dividends paid during the year.

The property joint ventures in Perth continued to perform very well with their contribution more than doubling over the year. Both joint ventures have benefited from the strong economic conditions in Western Australia but they are also well managed to maximise the yield on each of the developments.

Interest income also increased during the year by 30% to $7.3 million. This was largely due to the additional cash available for investment during the year.

Administration expenses increased by just 4% even with the increased capital and investments. Consequently the ratio of net administration expenses to total assets fell from 0.18% to 0.13%. I think this demonstrates the leverage available if we can continue to increase the capital base.

At 30 June 2007 Milton's net assets before provision for tax on unrealised capitalised gains was $1.9 billion.

Liquid assets at 30 June 2007 stood at $98 million which was slightly down on the prior year balance of $101 million. Major movements in the liquid balances during the year included proceeds from the Share Purchase Plan of $20 million, cash from the acquisitions of $15 million, proceeds from disposals of $39 million offset by the purchase of long term investments of $61 million and a property development investment of $10 million.

The value of the investments at 30 June 2007 was $1.8 billion. This was an increase of $547 million over the prior year.

Of this increase $325 million was due to revaluations.

Over the 2007 financial year, $61 million was invested in sixty companies in the long term investment portfolio.

Investments in excess of $2 million were AMP, Suncorp Metway, Telstra Instalment Receipts and Woodside Petroleum.

The unlisted investment company acquisitions added a further $190 million to the investment portfolio. Approximately $14 million of these investments were sold as they did not meet Milton's investment criteria.

The larger additions to the portfolio through these acquisitions were in the five biggest Australian banks. In total, investments in banks represented approximately 30% of the total acquired portfolios.

Other large additions to the portfolio through these acquisitions included BHP and RIO.

All of the unlisted investment companies that have been acquired by Milton have been true long term investors and many of them had holdings in listed investment companies.

Whilst Milton's policy is to invest directly rather than through other LIC's it has retained these shareholdings in the larger, more traditional LIC's.

The net tangible assets per share before providing for tax on unrealised capital gains was $23.41 at 30 June 2007, an increase of 22.6% over the prior year.

Over the year Milton's net asset backing was reduced when it paid out fully franked ordinary dividends of 80 cents per share and a fully franked special dividend of 10 cents per share. When these dividends are taken into account the Total Portfolio Return for the year was 27.3%.

More importantly, perhaps, is the ten year Total Portfolio Return, which was 16.9% per annum compounded.

Looking forward Milton will continue to seek to invest in well managed companies and trusts with a profitable history and with the expectation of sound dividend growth. Milton will also continue to consider the acquisitions of unlisted investment companies that have sound portfolios that complement Milton's existing investments.

Finally I would like to acknowledge the efforts of all the members of our small team, which was reduced in April this year by 25% when two of the team members took maternity leave.

I would also like to thank all the non executive directors for their guidance and support throughout the year. In these interesting and volatile times their experience and counsel is a great benefit.