



Coated with success

Chairman's Report



The 2006/07 financial year saw the completion of the major restructure program which re-established a sound foundation for the Group. The business is now much better positioned to focus on its market strategy and growth opportunities.

Result

The profit after tax from continuing operations (before 'non recurring' items) for the year was \$16.4 million an improvement of 24% over the previous year against a continued backdrop of subdued housing conditions both in Australia and New Zealand. This is a very pleasing result and shows the benefit of the restructure program which commenced in October 2005.

Reported net profit for the year was \$16.6 million compared with \$4.1 million in FY2006.

I am very pleased to confirm that the restructure program, which was announced in October 2005 and targeted total savings of \$22 million by 30 June 2007, has successfully been completed with total actual savings of \$24 million.

During this financial year, in addition to the successful completion of the restructure program, the management team have continued to focus on the strategic direction of our key brands and channels to market.

Dividend

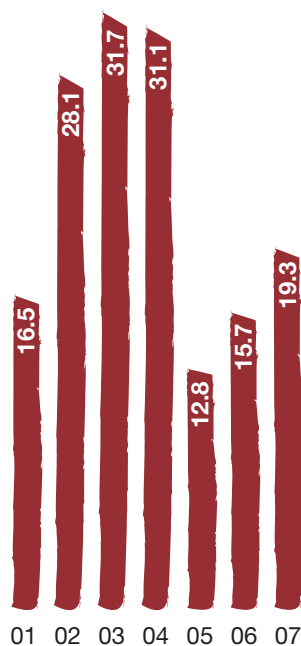
Your directors declared a fully franked final ordinary dividend of 7 cents per share, bringing fully franked ordinary declared dividends for the year to 15 cents per share, approximately 80% of net profit after tax before non recurring items.

Cashflow

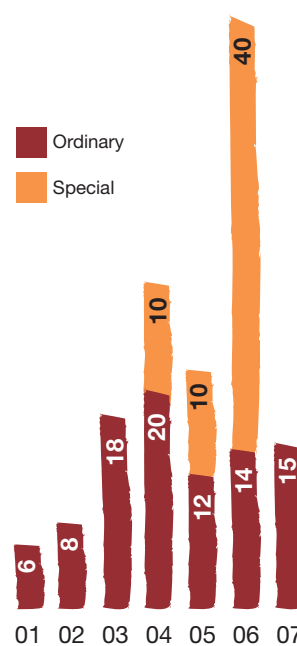
Prudent balance sheet management led to a net debt position of \$48 million, representing a gearing ratio (net debt : net debt plus equity) of 26.9%.



Profit after Tax (A.\$m)
continuing operations
before non-recurring items



Earnings per Share (cents)
continuing operations
before non-recurring items



Dividends (cents)
before non-recurring items

Corporate Governance

The corporate governance practices of the Group are detailed within this report and Wattyl has an ongoing commitment for continuous improvement, transparency in reporting and good corporate governance.

In the important area of risk management, the Group continues to focus on improving the identification and management of risks to the organisation. During the year, an Executive Risk Committee was established to drive this process and the committee regularly reports directly to the Board of Directors on risk management matters. An outsourced internal audit function was also established during the year to assist management and the Board in ensuring compliance with internal controls and risk management programs. I am confident that management have put in place

an effective risk management system for the Group, which ensures that risk management is embedded in all aspects of the Group's operations.

New Director

In March 2007 we were able to fill a vacancy on the Board with the appointment of Mr Mark Luby as a non-executive director of the company. Mr Luby brings significant business skills and operational experience to the Board of Directors and will offer himself for election at the annual general meeting on 26th October 2007.

Future

Looking ahead, whilst the housing market in particular in Australia only shows moderate improvement in the short term, the company with its re-established cost base, clear goals and strategic direction is in an excellent position to continue to deliver value to our shareholders.

Employees

In closing I would like to thank my colleagues on the Board for their contribution over the last financial year and on behalf of the Board I would like to thank the Wattyl team for their continued efforts during the 2006/07 year. We have many talented and loyal staff in the organisation, who are committed to the Group's future success.

Whilst many challenges and opportunities lie ahead for the Group, the refocused organisation will enable the Group to meet these challenges and opportunities into the future.

John Ingram,
Chairman