GWA International Limited

Chairman's Address

Annual General Meeting
28 October 2004

The 2003/04 year was another record profit result for the Group, following on from the record performance of the previous year. In favourable market conditions for many of our businesses, the Group recorded a 12.6% growth in earnings to 22.3 cents per share, enabling increased dividends to be paid to shareholders.

I commend management and staff on this excellent financial performance, which inspires confidence in the underlying strength of the Group's businesses, and lays a solid platform for further growth in shareholder value.

The 2003/04 year was the first full financial year under the stewardship of the new Managing Director, Mr Peter Crowley, who was appointed in May 2003 on the retirement of Mr Geoff McGrath. As demonstrated by the 2003/04 year record profit result, Mr Crowley has built on the success of Mr McGrath, and has continued to grow the profitability of the Group's businesses.

At the conclusion of my address today, I will invite Mr Crowley to provide a review of the Group's operations during the period, and to provide an update on the outlook for the current year.

The growth in profitability and operating cash flow of the Group's businesses has enabled increased dividends to be paid to shareholders. A fully franked final dividend of 8 cents per share together with a fully franked special dividend of 2.5 cents per share was paid to shareholders on 1 October, taking the total fully franked dividend for the 2003/04 year to 20.5 cents per share, which represents a dividend yield of 6.9% based on the closing share price at 30 June of $2.95.

In the last five financial years, the Group has paid fully franked special dividends to shareholders totalling 15.0 cents per share, as a means of distributing surplus franking credits. At last year's Annual General Meeting, I advised shareholders that the 2.5 cents per share special dividend would be discontinued, and would in future be incorporated into the ordinary dividend. The Board put this into effect with the interim dividend of 10 cents per share paid in April. However, in considering the Group's strong cash and franking credit position at year end, the Board decided to pay a further special dividend to shareholders of 2.5 cents per share with the final dividend on 1 October. The Board will give consideration to a further special dividend of 2.5 cents per share to be paid to shareholders with the next interim dividend payable in April 2005.

The Board's intention is to continue to grow total dividends paid to shareholders, in line with further profit growth in the Group, and to distribute to shareholders cash and franking credits excess to the Group's needs.

I would like to talk briefly on the topical issue of corporate governance. The Board supports the best practice recommendations of the ASX Corporate Governance Council, and I can confirm to shareholders that the Group's current corporate governance practices are in accordance with these recommendations, and that there are no departures to be disclosed to shareholders.

The Board is committed to the regular review and updating of the Group's corporate governance practices to ensure that best practice is maintained. The Board also recognises that growth in shareholder value will ultimately be achieved from maximising the performance of the Group's businesses, and this should always be the focus of Board and management attention.

Excluding the Managing Director, Mr Crowley, the Board comprises long serving directors who have overseen the growth and development of the Group since listing in 1993. Their experience and knowledge of the Group's businesses is a significant factor in their effectiveness and performance in their roles as directors. I note that succession plans are being developed for the future retirement of individual directors, whilst recognising the importance of maintaining an efficient and effective Board with the appropriate balance of skills and experience.

As we have a number of items of business to discuss today, I wish to make a few comments on certain of the items.

During the year, the Board appointed the very experienced Mr Geoff McGrath as a non-executive director. As shareholders would be aware, Mr McGrath was the former Managing Director of the Group until his retirement in May 2003, and as I announced at last year's Annual General Meeting, he continued to be involved with the Group as an advisor to the Board.

In the Board's view, the decision to appoint Mr McGrath as a director was in the best interests of shareholders given his experience and knowledge of the Group's businesses. Mr McGrath offers himself for re-election today, and the Board recommends that you support his re-election.

Following on from my announcement at last year's Annual General Meeting, the Board conducted an audit tender during the year. After a comprehensive audit tender process, KPMG were appointed as the Group's Auditor for the financial year beginning 1 July 2004, subject to shareholder approval at the Annual General Meeting. The Board recommends that you support the appointment of KPMG as Auditor. The Board would like to thank the Group's current Auditor, Ernst & Young for their services and support over the last 10 years.

At last year's Annual General Meeting, shareholders approved the termination of the retirement scheme for the non-executive directors. This is in accordance with the best practice recommendations of the ASX Corporate Governance Council. As the scheme has been terminated, we will be seeking shareholder approval today for the pay-out to the directors of the accrued benefits under the former scheme.

The Board will also be seeking shareholder approval today for an increase in the upper limit of non-executive directors remuneration. As outlined in the Notice of Meeting, an increase has not been sought since 1998, and the increase will allow for the possible appointment of new directors in accordance with the succession plans of the Board, including the appointment of Mr McGrath to the Board.

The record profit result for the 2003/04 year ensures that a solid platform has been laid for further growth in shareholder value. This growth will be achieved by improved business performance and appropriate domestic acquisitions.

Consistent with its mission statement, the Group is committed to growing shareholder value over time. This objective will be achieved by continuing to invest in our people, products and technology to maximise the Group's performance and create value building opportunities for our businesses.

As I have previously outlined to shareholders, the Group's priority is to acquire another major domestic business division, and to also pursue bolt-on acquisition opportunities that add value to our existing businesses and support our expansion into new markets. Despite a number of opportunities being proposed during the year, none have met the Group's strict acquisition criteria.

We will continue to pursue acquisition opportunities for the Group, whilst protecting its underlying financial strength. The Group has access to substantial cash flows from its businesses, growing cash assets and significant additional borrowing capacity to fund acquisition opportunities as they arise.

As demonstrated by the 2003/04 year record profit result, the Group continues to grow successfully, enabling increased dividends to be paid to shareholders. Whilst we are expecting a softening in some of the markets in which our businesses operate, there are growth opportunities for our businesses. I am confident that management can realise these opportunities in a competitive and challenging trading environment.

In conclusion, I would like to once again thank management and staff on the excellent financial performance. I would also like to thank shareholders for their continuing support of the Group and its businesses.

I would now like to invite the Managing Director, Mr Crowley, to provide a review of the Group's operations for the 2003/04 year, and to provide an update on the outlook for the current year.