



Built on strong brands

caroma[®]

• FOWLER[®]

dorf

ROYAL
MOWERS

Gainborough
The quality you expect

sebel
Term Functie Balance

dux[™]

OWISA[®]

stylus

CLARK

 Irwell Taps

GWA INTERNATIONAL LIMITED 2003/04 ANNUAL REPORT

ABN 15 055 964 380



Built on Strong Brands



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COMPANY PROFILE

GWA International Limited listed on the Australian Stock Exchange in May 1993, and is one of Australia's largest designers, manufacturers, importers and distributors of household consumer products. The company has more than 2,500 employees with manufacturing facilities throughout Australia and overseas.

GWA International Limited currently comprises six business divisions, Caroma, Dorf Clark, Dux, Gainsborough, Rover and Sebel, all of which are well-established businesses with strong brand names and market positions.

Caroma is Australia's foremost designer, manufacturer, importer and distributor of domestic and commercial sanitaryware and bathroom products. Caroma is at the forefront of product innovation and is the market leader in reduced flush water efficient sanitaryware.

Dorf Clark is Australia's principal designer, manufacturer, importer and distributor of tapware and associated accessories, stainless steel sinks and laundry tubs for both domestic and commercial applications.

Dux is a major Australian designer, manufacturer and distributor of a range of gas and electric mains pressure hot water storage units for domestic applications. Dux also imports and distributes domestic and commercial instantaneous hot water systems and solar heating products.

Gainsborough is a leading Australian designer, manufacturer, importer and distributor of a comprehensive range of domestic and commercial door hardware and fittings, including security products.

Rover is one of Australia's leading designers, manufacturers and distributors of domestic and commercial lawn and garden care equipment.

Sebel is at the forefront of Australian design, manufacture and distribution of quality commercial furniture and seating.

GWA International Limited has grown significantly since listing as a result of the strong operating performance of the businesses and successful acquisitions. The company remains committed to growth through maximising business performance and the pursuit of further appropriate domestic acquisition opportunities.

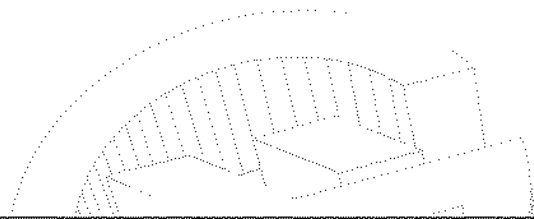
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Performance Highlights

- Earnings per share increased by 12.6% to 22.3 cents
- Fully franked dividend of 20.5 cents (including 2.5 cents special)
- Net operating profit after tax increased by 12.8% to \$62.05 million
- Operating revenue increased by 1.6% to \$677.3 million







→ FIVE YEAR FINANCIAL SUMMARY

	1999/00 \$'000	2000/01 \$'000	2001/02 \$'000	2002/03 \$'000	2003/04 \$'000	
Operating revenue	607,897	570,072	615,843	666,525	677,393	
Earnings before depreciation, interest and tax (%)	18.0	18.1	17.6	17.9	19.2	
Depreciation and amortisation	26,450	26,924	28,812	28,034	30,549	
Earnings before interest and tax (%)	13.7	13.4	12.9	13.6	14.7	
Interest	12,042	13,305	13,070	12,368	11,075	
Operating profit before tax (%)	11.7	11.0	10.8	11.8	13.1	
Tax expense (%)	41.7	34.1	30.0	30.0	29.8	
Operating profit after tax	41,401	41,451	46,650	55,007	62,053	
Net cash flow provided from operating activities before debt cost and tax	98,569	78,719	116,807	128,200	162,104	
Capital expenditure	30,144	24,550	32,976	24,392	20,579	
Research and development	5,558	5,228	5,064	5,770	5,485	
Net debt	201,571	237,759	229,435	207,678	159,451	
Shareholders' equity	387,473	386,058	387,849	413,787	428,178	
Other Ratios and Statistics						
Return on shareholders' equity	%	10.7	10.7	12.0	13.3	14.5
Interest cover	times	6.9	5.7	6.1	7.4	9.0
Net debt/equity	%	52.0	61.6	59.2	50.2	37.2
Earnings per share	cents	15.1	15.0	16.8	19.8	22.3
Ordinary dividend per share	cents	13.0	13.5	14.5	15.5	18.0
Special dividend per share	cents	5.0	2.5	2.5	2.5	2.5
Total dividend per share	cents	18.0	16.0	17.0	18.0	20.5
Franking	%	100	100	100	100	100
Ordinary dividend payout ratio	%	86.1	90.0	86.3	78.3	80.7
Share price (30 June)	\$	2.20	2.35	2.35	2.70	2.95
Dividend yield	%	8.2	6.8	7.2	6.7	6.9



Strategic Direction and Business Divisions

→ GWA International Limited 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 company's performance and to create value building opportunities for our businesses.

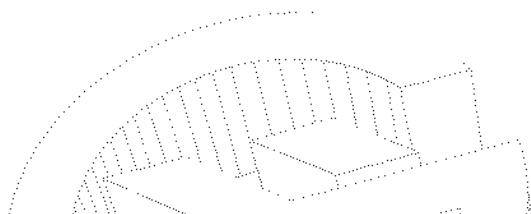
Business Divisions	Main Products and Services	Brand Names	Operating Locations
→ 	Vitreous china suites, urinals, bidets and basins. Plastic cisterns, basins, bathroom accessories and fittings. Acrylic and pressed steel spas, baths and shower trays	Caroma, Fowler, Stylus, Wisa, Starion	Australia, New Zealand, North America, Europe
→ 	Tapware, stainless steel sinks and laundry tubs	Clark, Myttons, Radiant, Dorf, Irwell, Epure, Caroma Taps	Australia, overseas distributors
→ 	Dux is an Australian designer, manufacturer and distributor of a range of gas and electric mains pressure hot water storage units ranging in size from 25 litres to 400 litres. The range also includes temperature controlled gas instantaneous hot water systems and solar heating products	Dux	Australia, overseas distributors
→ 	A comprehensive range of door hardware comprising door handles (knobs and levers), door locks, door closers, hinges and other metal door accessories	Gainsborough, Trilock, Homecraft, In-Style	Australia, New Zealand, export markets
→ 	Sebel produces a broad range of commercial furniture suited to its target markets. The range includes dining seating and tables, outdoor furniture, mass seating for stadia and public areas, casual corporate markets, and tables, desks and chairs for the education market	Sebel	Australia, New Zealand, Singapore, Hong Kong, United Kingdom
→ 	Range of walk-behind and ride-on mower equipment, grass trimmers, garden chip and shred products and spare parts	Rover	Australia, New Zealand, overseas distributors



→ The company'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.

	Major Markets	Strategic Direction
→	New dwellings, renovation and commercial markets in Australia and selected markets internationally	Maintain leadership in the domestic market through design, service and innovation, and develop an international business through brand development
→	Domestic commercial and renovation construction markets, and export markets primarily in New Zealand and the United States	Dorf Clark's primary focus is to expand its product range and improve operational effectiveness and productivity
→	Dux's primary market is the replacement of domestic hot water heaters, while its secondary market is new home construction.	Dux will continue to focus on improving business performance by strengthening key customer relationships and improving plant performance through investment in manufacturing technologies to reduce costs
	Domestic home builders, DIY and building projects, commercial buildings and multi-dwelling developments	Gainsborough's strategic direction encompasses the development of additional door hardware products to suit domestic buildings, continued development of commercial markets and development of export growth
→	Entertainment, hospitality, healthcare, public seating, sports stadia, corporate and educational markets. Sells direct to builders, developers, clubs and hotels	As well as its strong emphasis on new product development, Sebel will continue to pursue traditional markets using its strong brand name and good customer service to drive sales through increased market share. Current export markets will also be expanded, with the division pursuing opportunities in education and stadia markets overseas.
	Domestic, commercial, lawn care and garden products and equipment, marketed in five continents	Targeting market growth segments in Australia and overseas

Barry Thornton
Chairman



Chairman's Review

→ 2003/04 Year Result

I am pleased to report that the 2003/04 year net profit after tax for GWA International Limited was another record for the company, following on from the previous year's record performance. In favourable domestic market conditions for most of the company's businesses, sales revenue rose 1.3% to \$667.9 million, and the company achieved net profit after tax of \$62.05 million, a 12.8% increase from the previous year.

I congratulate the company's management team and staff on this outstanding financial performance. The result inspires confidence in the underlying strength of the company'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 succeeded the former Managing Director, Mr Geoff McGrath on 6 May 2003. As demonstrated by the record result, Mr Crowley has continued to grow the profitability of the company's businesses through improved business performance.

In July 2004, the Board appointed the very experienced Mr Geoff McGrath as a director. In the Board's view, the decision to appoint Mr McGrath as a director is in the best interests of the company's shareholders. Mr McGrath brings to the Board an outstanding knowledge of the company's businesses and will immediately add value to the company. I welcome Mr McGrath to the Board.

→ Dividends

Last year, I flagged to shareholders that the 2.5 cents special dividend would be

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incorporated into the ordinary dividend in the coming year. This year, an interim fully franked dividend of 10.0 cents per share was paid on 1 April 2004 to put this into effect. Our excellent trading results and cash flow have increased both our cash assets and franking credits at year end. As the amount of cash and the balance of franking credits are in excess of the company's requirements, the directors have decided to pay a further special dividend of 2.5 cents per share fully franked, with the final ordinary dividend of 8.0 cents per share payable on 1 October 2004. This brings the total dividend per share for the 2003/04 year to 20.5 cents per share fully franked, representing a 13.9% increase on the previous year's total dividend paid (including the special dividend).

Directors will give consideration to a further special dividend of 2.5 cents per share fully franked, to be paid with the next interim dividend payable in April 2005.

The Board's aim is to continue to grow total dividends in line with company profits, and to distribute to shareholders cash and franking credits excess to the company's needs. We recognise that dividends are very important to our shareholders. We are cognisant however, that our shareholders expect the company to maintain a strong financial position, and to that end we are delighted that our track record of paying increased dividends has been achieved against a background of growing financial strength.

We expect that the company's level of domestic tax payments and franking credit balance will ensure that future dividends will continue to be fully franked.

The Dividend Reinvestment Plan and Share Purchase Plan remain suspended. However, the Board will consider the re-opening of these Plans when a major acquisition is undertaken.

→ Corporate Governance

Since listing in May 1993, the company has been successful in growing shareholder value through improved business performance and acquisitions. Another critical factor in the success of the company has been the sound corporate governance practices which have been in place since listing. This has ensured that the company conducts its business with the utmost integrity in every aspect of its operations.

The corporate governance practices were implemented by the Board, who are long serving members (excluding Mr Crowley, who was appointed on 6 May 2003) with complementary skills and experience, and have an in-depth knowledge of the company's businesses. The Board has developed succession plans 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.

The Board supports the Principles of Good Corporate Governance and Best Practice

Recommendations of the ASX Corporate Governance Council. I confirm to shareholders that the corporate governance practices of the company are in accordance with the best practice recommendations, and that there are no departures to be disclosed to shareholders. The Board is committed to the continual review and updating of the company's corporate governance practices to ensure best practice is maintained. For more detailed information on the company's corporate governance practices, I refer you to our Corporate Governance Statement.

→ Directors' Remuneration

At last year's Annual General Meeting, shareholders approved the termination of the Directors' Retirement Scheme for the non-executive directors, which is in accordance with the best practice recommendations of the ASX Corporate Governance Council. As the Scheme has been terminated, the Board will put to shareholders at the next Annual General Meeting that the accrued benefits under the former Scheme of in total \$1,214,700 be paid out to the directors on their request.

The Board will also put to shareholders at the next Annual General Meeting that the upper limit of directors' fees be increased by \$250,000 to \$1 million (excluding statutory superannuation). This is necessary for possible new director appointments in future years in

accordance with the succession plans of the Board, including the appointment of Mr Geoff McGrath to the Board.

For further information on these proposed resolutions, I refer you to the Notice of Annual General Meeting which you will have received with the Annual Report.

→ Audit Tender

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, the Board selected KPMG as the new external auditor, commencing for the financial year beginning 1 July 2004, subject to shareholder approval at the next Annual General Meeting.

I would like to thank the company's current long serving external auditor, Ernst & Young, for their services and support over the last 10 years.

→ Strategic Direction

The outstanding financial performance of the company's businesses, as demonstrated by the 2003/04 year record result, has ensured that a solid platform has been laid for further growth in shareholder value. Growth will continue to be achieved through improved business performance and through appropriate domestic acquisitions.

Consistent with the company's mission statement, the company continues to invest in its people, products and technology to improve business performance and create value building opportunities for its businesses. During the year, the company has continued the search for appropriate domestic acquisition opportunities, but none to date have met the company's acquisition criteria, and we make no apologies for adhering to the strict financial discipline which has delivered so handsomely for shareholders. The Board re-affirms its commitment of acquiring another major domestic business division and to also pursue bolt-on acquisition opportunities to add value to existing businesses and to pursue growth in new markets.

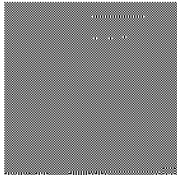
The company has substantial cash flows from its businesses, growing cash assets and access to significant additional borrowings to fund new acquisition opportunities as they arise.

→ Future

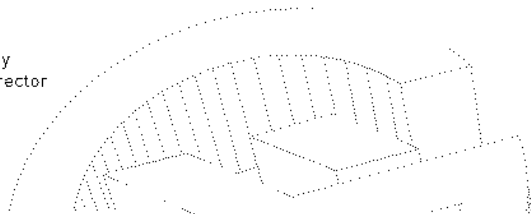
Your Board is committed to growing shareholder value over time. The company will continue to focus on generating growth through maximising the performance and profitability of our current businesses, and through the pursuit of appropriate domestic acquisition opportunities that fit within the company's strategic plans.



B Thornton
Chairman



Peter Crowley
Managing Director



Managing Director's Review of Operations

The primary objective of GWA International Limited is to create and sustain shareholder wealth in the long term through continuing our investment in, and sound management of the Group's business units. Each of these businesses play significant roles in their respective markets and supply products and services which meet clearly defined customer needs.

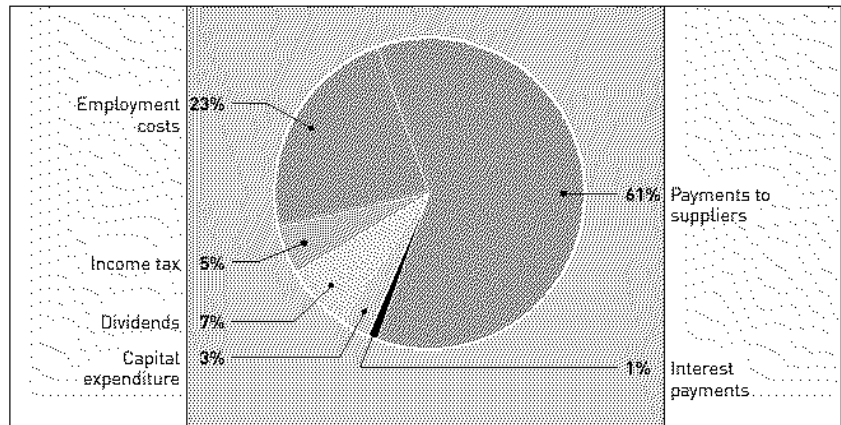
The Group makes a significant contribution to the Australian community through the supply of high quality, innovative products with many of these products offering water saving, energy conservation and other tangible benefits. The Group currently employs approximately 2,600 staff, in Australia and overseas, and remitted Australian company tax payments of \$34.6 million in the 2003/04 year.

GWA International Limited, since floating in 1993, has built a diversified portfolio of strong business units, which operate principally in Australia. The major business segment is Building Fixtures and Fittings where Caroma, Dorf Clark, Gainsborough and Dux have long established and strong market positions. This segment contributed a further profit increase in the 2003/04 year benefiting from the high level of domestic construction and renovations and the growing general economy. We believe that demand from domestic construction reached the peak of the current cycle in the 2003/04 year.

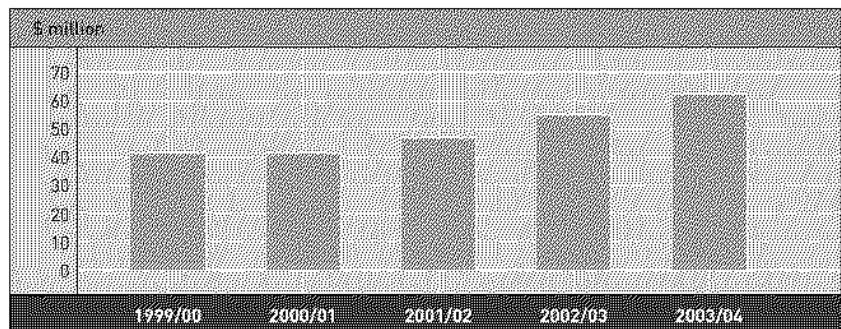
The Building Fixtures and Fittings segment contributed 82.7% of the Group's total sales revenue in the 2003/04 year. The Group's other business segments, Commercial Furniture and Domestic and Ride-on mowers, contributed 10.2% and 7.1% of the Group sales revenue.

"GWA International Limited makes a significant contribution to the Australian community through the supply of high quality, innovative products with many of these products offering water saving, energy conservation and other tangible benefits."

➔ 2003/04 CASH PAYMENTS (EXCLUDING GST)



➔ PROFIT AFTER TAX



➔ Record Profit in 2003/04

For the 2003/04 year, the company achieved a Profit after Tax of \$62.05 million, an increase of 12.8% over the prior year. This excellent result is the third consecutive record profit for GWA International Limited.

➔ Operating Cash Flow

Cash flow management is a key driver of shareholder wealth and is a major area of the Group's focus.

The 2003/04 profit result, together with improved working capital management across the Group's business units,

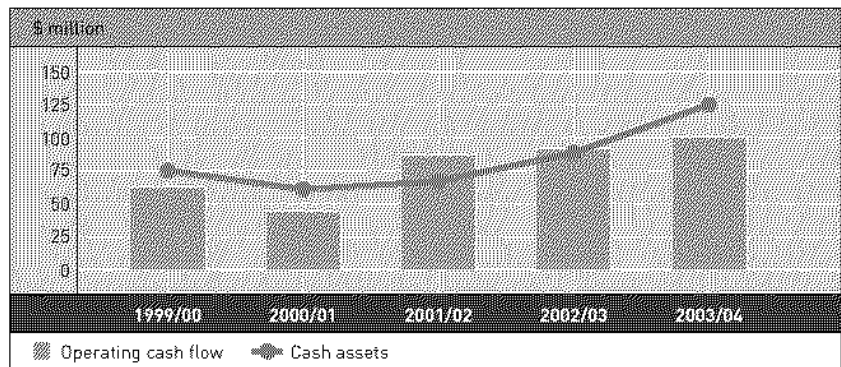
produced an Operating Cash Flow of \$114.7 million a 25.4% increase on the previous year. Largely as a result of this focus on cash flow management our cash assets increased to \$138.4 million at year end.

The Operating Cash Flow is after the payment of \$37.5 million in income taxes. Of this amount \$34.6 million was Australian income tax and, consequently, the balance of franking credits has increased during the 2003/04 year to \$33.2 million ensuring that the company can maintain its strong track record of paying fully franked dividends. Included in these Australian tax payments were \$21 million of company PAYG instalments for the 2003/04 year.

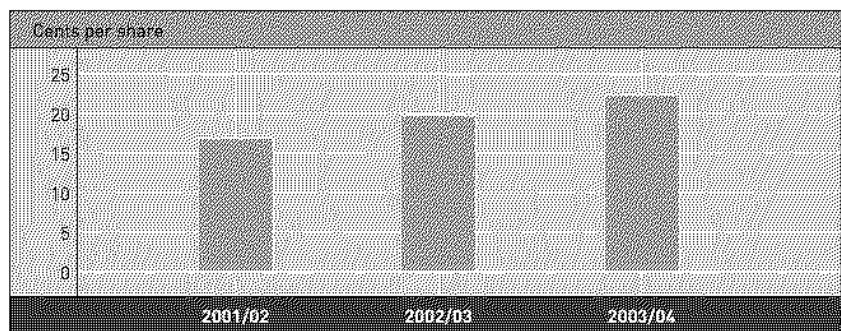
→ Earnings Per Share

Earnings per share for the 2003/04 year was 22.3 cents per share, an increase of 12.6% over the prior year's 19.8 cents per share. Ordinary dividends paid and payable to shareholders from these earnings will be 18 cents per share fully franked. This compares with the previous year's ordinary dividend of 15.5 cents per share. During the previous year the company also paid a 2.5 cent per share special dividend and a further special dividend of 2.5 cents per share will be paid with the October 2004 final dividend bringing the total dividend paid out of 2003/04 year profits to 20.5 cents per share fully franked.

→ OPERATING CASH FLOW AND CASH ASSETS



→ EARNINGS PER SHARE



→ DIVIDENDS



Managing Director's Review of Operations CONTINUED

→ Operating Performance

The Group's largest activity segment, Building Fixtures and Fittings, realised the opportunities of peak demand from the domestic construction market to achieve a further increase in segment profit to \$102.2 million an increase of 6.7% over the prior year.

The segment sales revenue and profit for each of the Group's business segments are set out in the table right:

The Group's Building Fixtures and Fittings segment is comprised of Caroma sanitaryware, Dorf Clark taps and sinks, Gainsborough door furniture and Dux water heaters. Each business has a strong market position with Caroma and Dorf Clark being market leaders. Each division's principal markets are Australia and New Zealand. The businesses have an expanding group of overseas distributors in Asia, North America and Europe.

In the 2003/04 year, the Australian construction market reached the peak of the current domestic construction cycle with the Group's businesses experiencing strong domestic demand from the dwelling, non-dwelling, renovation and replacement sectors. The continuing growth in the general economy underpinned this high level of construction activity during the year and in particular the ongoing growth in renovation and replacement spending.

Caroma was the major contributor of profit growth in the Building Fixtures and Fittings segment on sales revenue above the prior year. The excellent profit result was generated from improved performance across the operations of this business coupled with the sustained high domestic demand. Caroma's export sales to Asia and North America were adversely impacted by the exchange rate which was volatile during the year. Caroma generated an excellent operating cash flow boosted by a reduction in stocks.

"The Group's largest activity segment, Building Fixtures and Fittings, increased their segment profit to \$102.2 million an increase of 6.7% over the prior year."

→ SEGMENT SALES REVENUE AND PROFIT

Business Segment	Segment Results		Segment Sales	
	2002/03 \$'000	2003/04 \$'000	2002/03 \$'000	2003/04 \$'000
Building fixtures and fittings	95,801	102,176	546,614	552,504
Commercial furniture	6,246	6,832	70,146	68,148
Other	(23,471)	(20,607)	42,829	47,274
Total business segments	78,576	88,401	659,589	667,926
Income tax expense	(23,569)	(26,348)		
Profit after tax	55,007	62,053		

Caroma's European business, Wisa, contributed an improved profit also on a marginal increase in sales revenue.

Dorf Clark performed below expectations, particularly in the first half, with both sales and profit below the level of the prior year. Business performance, under new management, has progressively improved in the second half resulting in a higher operating cash flow assisted by a reduction in stock.

The Gainsborough door furniture business recorded an increase in sales and contributed a sound profit result in line with the prior year. Additional stock provisioning during the year reduced the profit result. The USA export market contribution was reduced by the higher average exchange rate.

The Dux water heaters business produced a good underlying sales and profit performance, however, the final profit

result was reduced by the \$2.3 million writedown of plant.

Overall in the 2003/04 year the Building Fixtures and Fittings segment contributed growth in profitability through sound operating performance, an excellent operating cash flow and an improved return on segment net assets.

The Commercial Furniture business, Sebel, is the Group's largest exporter, and the higher Australian dollar exchange rate with the US dollar adversely impacted sales and margins in its North American and Asian markets. The domestic business continues to improve performance and sales of the Postura seat have grown further in the United Kingdom and other European markets. Overall Sebel contributed an increased profit on sales 3% below the prior year, a pleasing result in a difficult year for the business.

Rover Mowers enjoyed strong mid to late season demand from its domestic market with export sales below the high level of the prior year. Profit increased significantly on a 10% increase in overall sales. The higher exchange rate to the US dollar contributed a net benefit to Rover for the year.

The trading performance of the Group's businesses in the 2003/04 year is very pleasing and our continuing focus on new products and operating performance can yield further improvement. Stock provisioning during the year of \$6.5 million, whilst less than the prior year as expected, reflects supply control issues in addition to the increasing business risks of shorter product life cycles and broader product ranges. Improved stocking and supply outcomes are a continuing priority for operating management.

The Group's businesses continue to pursue new and improved products which conserve water and energy, two critical resources for Australia and with increasing importance in the Group's international markets. New legislation and regulation with respect to energy and water usage

"Caroma and Dorf Clark are well placed to realise market opportunities with the release of new water efficient products in the 2004/05 year."

and pricing can rapidly impact the type and mix of product sold in a market, creating both risk and opportunity.

Caroma and Dorf Clark are well placed to realise market opportunities with the release of new water efficient products in the 2004/05 year.

In summary, the 2003/04 year has been excellent for the Group with strong operating performance realising the opportunities of the buoyant domestic market. A third successive record profit and outstanding operating cash flow gives us confidence going forward.

➔ **Investments in Future Performance**

The Group's businesses are continuing to invest in new products and technologies, our brands, markets, business systems, our people and plant and equipment. Expenditures on new property, plant and equipment are shown in the table below.

The Caroma, Dorf and Dux businesses are continuing to develop new water and energy efficient technologies with a range of new products released in 2003/04 and scheduled for release in 2004/05.

In 2003/04, Dux released the award winning SunPro solar gas continuous system heater. The SunPro product is a highly efficient water heater combining state of the art solar panel technology boosted by a continuous flow natural gas heater. This product has won the BPN/Environ Design Build environmentally sustainable design award for 2004.

Caroma's Smartflush® range of 4A rated toilet suites will be released in the new year. These new toilet suites utilise the technology and precision of matched performance which allows Caroma Smartflush® to dramatically reduce in-house water consumption. The new 4A rated toilets will save 38,000 litres of water per annum in a normal household.

Dorf Clark have developed a new range of water efficient tapware (WET) that studies show can save up to 25% on household water consumption. These taps also introduce new styling including the Motif range which provides flexible and versatile options to complement the modern bathroom. The launch of these products coincides with water efficiency regulations governing taps introduced by the Victorian Government with effect from 1 July 2004.

The Group's businesses have incurred significant research, development and design costs with respect to these new products. The tooling and other plant related costs have been capitalised and the research and development costs have been expensed as incurred.

The Group will commence a replacement program for its range of operating business systems in the 2004/05 year.

➔ **PROPERTY, PLANT AND EQUIPMENT EXPENDITURE**

	2001/02 \$'000	2002/03 \$'000	2003/04 \$'000
Payments for property, plant and equipment	32,976	24,392	20,579

Managing Director's Review of Operations CONTINUED

This diverse range of systems is the outcome of the Group's business acquisitions over time and a number of these systems are not sustainable and are increasingly expensive to maintain in the short term. The Group has negotiated an agreement with Intenia for the progressive replacement of current systems with the Movex Enterprise Resource Planning system across the Group, commencing with the Dux business. This move will provide sustainable business systems and establish a framework for systems development into the future. We expect that all businesses will be converted to Movex within five years. This stepped roll out of the Movex system will mitigate any significant systems risk for the company.

➔ Outlook for 2004/05 Year

The general industry view is that construction of new dwellings is likely to decline in the 2004/05 year reducing demand for the Group's products with potentially the greater impact in the second half of the year. This fall in activity in the new dwelling sector is expected to be partially offset by ongoing growth in renovations which is a key source of demand for the company's products. Against this background domestic demand for the products of the Group's Building Fixtures and Fittings segment, may decline by 4% to 5% in the 2004/05 year.

Further volatility in exchange rates would add risk to the trading results from the Group's overseas and export operations, including Sebel, and it should be noted that seasonal conditions are the principal factor in Rover's year to year profit contribution.

Whilst domestic demand will decline in the 2004/05 year, this year's performance demonstrates that the Group's businesses have opportunities to improve performance and reduce the impact of

the lower demand on results. Subject to domestic demand declining as forecast, and assuming a continuing strong general economy, we expect that profit after tax for the 2004/05 year will be near the 2003/04 performance on lower sales revenue.

➔ Longer Term Outlook

GWA International's portfolio of strong businesses provide a diversified earnings base from well established market positions. Caroma and Dorf Clark are domestic market leaders and operate across all product sectors. Gainsborough and Dux have significant market shares and are number two in size in their industries.

The longer term outlook for these four businesses, which constitute the Group's Building Fixtures and Fittings segment, remains strong within the Australian market. Population growth coupled with continuing trends to lower family sizes and larger houses are expected to further drive the construction of new dwellings over time.

Housing renovations are also expected to continue to grow at a rate above the growth of the general economy. In last year's report, I addressed the principal factors in renovations growth and these factors are expected to continue to drive activity in this sector.

Our businesses are also well placed to build on their overseas and export sales subject to cost competitive sourcing. Sustained movements in Australian dollar exchange rates impact on the cost competitiveness of domestic manufactured goods both in overseas markets and in the domestic market which is open to imports and is highly competitive.

The Group's businesses are significant domestic manufacturers and are also major importers of components and

finished goods and will continue to develop strategic sourcing options to ensure product cost competitiveness over time.

Over the longer term GWA International will continue to focus on innovative new products, market leading brands and low cost supply. This, in conjunction with underlying growth in domestic construction and overseas sales, is expected to provide ongoing opportunities for growth in our shareholders' wealth.

➔ Financial Condition

The company's shares on issue increased to 278.3 million with the allotment of 500,000 employee shares during the year and Shareholder Funds increased over the year to \$428.2 million, inclusive of this employee share issue. The company has not issued share options and the Dividend Reinvestment and Share Purchase Plans were suspended in February 2000.

The Operating Cash flow of the Group's businesses is expected to continue to comfortably exceed the operational funding requirements of the company. Debt funding and other facilities are provided to the company by major banks under a Master Financing Agreement.

At balance date, bank loans were made up of:

* Australian Currency	\$285.0 million
* Euro	7.3 million

The loans and other facilities are extended annually under 2 year and 3 year evergreen arrangements.

The Euro loan is a currency hedge with respect to the Group's investment in the Wisa business.

The company has entered into interest rate swaps to manage the interest rate risk on Australian currency borrowings as



detailed in Note 33(a) (iv) as set out in the table below.

The future commitments for lease payments are set out in Note 24. The Group's businesses lease factory premises, distribution warehouses and sales offices.

GWA International and specific controlled entities, incorporating the Group's Australian operating businesses, are parties to a Deed of Cross Guarantee under which the parties to the Deed guarantee the debts of each other. The company has not given any securities over its assets.

The Group's businesses undertake hedges with respect to material foreign currency transactions and the position at balance date is set out in Note 33 (a) (iv). The hedges are with respect to imported components and products for resale.

The company's cash flow from operating activities for the 2003/04 year of \$114.7 million has funded the Group's capital expenditures and dividends for the year, and cash at the end of the year has increased by \$49.4 million. The Group's cash is held predominantly in Australian dollars and is liquid with funds placed on deposit for periods up to 90 days.

GWA International is well placed to increase its borrowings to fund new acquisition opportunities as they arise,

with net debt to equity ratio of 37% and interest cover, as defined in the Master Financing Agreement of 10 times. An indicative debt rating is near BBB, however the company has not undertaken a formal debt rating process.

All of the Group's debt funding and facilities are negotiated and reported centrally. Individual businesses operate their currency hedging and other requirements, including bank guarantees under these central facilities.

Sources of further equity include future retained earnings and include reinstatement of the Dividend Reinvestment and Share Purchase Plans. These Plans have been well supported by shareholders in the past and the Group expects a similar level of support should the Plans be reinstated.

With respect to the Employee Share Plan, at balance date, there were 2.785 million shares on issue under this Plan, with the loan of \$3.852 million. Dividends and repayments for the year have been \$1.8 million.

Exchange rates with the US dollar and Euro have fluctuated during the year as set out in the table below.

The rapid appreciation of A\$ to US\$ exchange rates in 2003/04 reduced the cost competitiveness of the Group's

domestic manufacturing operations. Export earnings from the Group's markets in Asia and North America were reduced, while our competitiveness in the domestic market in the face of US\$ denominated imports was also affected. Cost competitiveness relative to manufactured products subject to the Euro improved marginally during the 2003/04 year.

→ Summary

GWA International Limited performed strongly during the 2003/04 financial year. This year's result of \$62.05 million is the third consecutive record profit and has underpinned the increase in ordinary dividend to 18 cents per share fully franked.

Our focus on improving business performance and working capital management will ensure the company remains well positioned to pursue growth opportunities as and when they occur while maintaining a strong dividend yield for our shareholders.

Whilst we expect a slowing in domestic demand in 2004/05, we are confident in the underlying strength of our domestic businesses and our longer term international opportunities. The company is in sound financial shape and we are confident that further profit growth is achievable over time.

In closing, I recommit management to our primary objective of creating sustainable shareholder wealth while ensuring our various businesses continue to add value to our customers and the broader community through high quality innovative products and a talented and committed workforce.

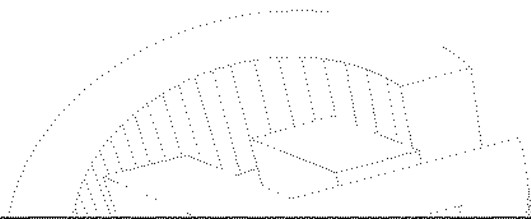
→ AUSTRALIAN CURRENCY BORROWINGS

Amount	Period	Rate
\$200 million	To October 2004	4.98%
\$100 million	October 2004 to March 2005	4.84%
\$50 million	March 2005 to May 2006	4.63%

→ EXCHANGE RATES

	Jun 03	Sep 03	Dec 03	Mar 04	Jun 04
USA	0.6680	0.6798	0.7375	0.7556	0.6889
Euro	0.5902	0.5985	0.5851	0.6270	0.5702

P C Crowley
Managing Director



Board of Directors

➔ **B Thornton** K SJ FCA FAICD FAIM FDIS

Chairman

– Elected to the Board 1992

Expertise: Chartered accountant, corporate and financial management

Special Responsibilities:

Chairman of the Board, Chairman of Nomination Committee and member of Audit Committee

Mr Thornton joined GWA Limited in 1974 as Finance Director and was appointed Chief Executive in 1981. In 1986, he was appointed Executive Chairman and, following the privatisation of GWA Limited in 1989 and the public float of the Manufacturing Division as GWA International Limited in 1993, he became Non-Executive Chairman. He is also Chairman of the Brisbane Airport Corporation Limited, a director of Stockland Trust Group and a member of the Brisbane Advisory Board of the Salvation Army.

Previous appointments include:

Director – Suncorp Metway Limited, Queensland Cement & Lime Limited, Power Brewing Limited, and Ports Corporation of Queensland
Commissioner – Queensland Commission of Audit

➔ **J J Kennedy** AO CBE DUniv (QUT) FCA FCPA

Deputy Chairman

– Elected to the Board 1992

Expertise: Chairman and director of a number of public and statutory corporations

Special Responsibilities:

Deputy Chairman of the Board, Chairman of Audit Committee and member of Nomination Committee

Mr Kennedy is a director of Qantas Airways Limited, Suncorp Metway Limited and Australian Stock Exchange Limited.

➔ **P C Crowley** BA BEcon FAICD

Managing Director

– Elected to the Board 2003

Expertise: Broad manufacturing experience in Australia and overseas

2001: Managing Director and Chief Executive, Austrim Nylex Limited, a diversified industrial company;
1999: Executive Director, Cement and Lime, The Rugby Group PLC, a UK Public Company with extensive international cement operations. During this period, also served as a director of Adelaide Brighton Limited; 1997: Chief Executive, Cockburn Cement Limited (a subsidiary of The Rugby Group PLC), Western Australia's largest cement producer and Australia's largest lime producer;
1982: Various roles with Queensland Cement Limited and its parent company Holderbank culminating in General Management responsibilities within Australia and South-East Asia.

➔ **D R Barry** FAIM

Non-Executive Director

– Elected to the Board 1992

Expertise: Importation, distribution and retailing

Special Responsibilities: Member of the Remuneration Committee

Mr Barry joined GWA Limited as director in 1979 and for much of his 33 year involvement with the Group was responsible for importation, wholesaling and retailing.

In 1992, Mr Barry was appointed a Non-Executive Director of GWA International Limited.

➔ **R M Anderson**

Non-Executive Director

– Elected to the Board 1992

Expertise: Property investment and transport logistics

Mr Anderson has more than 49 years' experience with the Group, having joined the organisation in 1955. His expertise covers management, transport logistics, investment and property matters.

Mr Anderson was appointed a director of GWA Limited in 1979, and joined the Board of GWA International Limited as Non-Executive Director in 1992.

➔ **M D E Kriewaldt** BA LLB FAICD

Non-Executive Director

– Elected to the Board 1992

Expertise: Lawyer and director of a number of public and other corporations

Special Responsibilities: Chairman of Remuneration Committee, member of Audit Committee and member of Nomination Committee

Mr Kriewaldt provides advice to the law firm Allens Arthur Robinson and to Aon, insurance brokers. He formerly practised in a wide range of areas including banking and finance, insurance, insolvency and receivership and intellectual property.

Mr Kriewaldt is Chairman of Opera Queensland Limited and a director of Campbell Brothers Limited, Oil Search Limited, Suncorp Metway Limited and Peptech Limited.

➔ **G J McGrath** MIEE

Non-Executive Director

– Appointed to the Board 6 July 2004

Expertise: Manufacturing and general management

Special Responsibilities: Appointed member of the Remuneration Committee on 3 August 2004

2003: Mr McGrath retired as Managing Director of GWA International Limited on 6 May 2003, and continued his involvement with the Group as an adviser to the Board; 1992: Mr McGrath was appointed Managing Director of GWA International Limited; 1982: After the takeover of UPL Group by GWA Limited, Mr McGrath was appointed Managing Director of the GWA Manufacturing Group companies comprising Caroma, Sebel and Rover Mowers; 1980: General Manager, Caroma Industries; 1978: Group Manager Fibreboard Division; 1960: Joined United Packages Limited.

Mr McGrath is also Chairman of Campbell Brothers Limited and a director of Fletcher Building Limited.



Corporate Governance Statement FOR THE YEAR ENDED 30 JUNE 2004

The Board of Directors is responsible for the corporate governance of GWA International Limited which is an essential part of the role of the Board. Corporate governance is about the Board undertaking an active monitoring of the company's activities and ensuring that integrity prevails within the company. The governance principles adopted by the Board are designed to achieve this outcome.

The corporate governance practices of the company have been in place since listing and are constantly reassessed in the light of experience (within the company and in other organisations), contemporary views and best practice guidelines on good corporate governance practices. The Board adopts practices it considers to be superior and which will lead to better outcomes for the company's shareholders, whilst endeavouring to avoid those which are based on unsound principles or represent temporary fads.

The Board supports the Principles of Good Corporate Governance and Best Practice Recommendations ("the Recommendations") released by the ASX Corporate Governance Council on 31 March 2003. The Board confirms that the current corporate governance practices of the company are in accordance with the Recommendations, and that there are no departures from the Recommendations to be disclosed to shareholders. In addition, as part of its on-going review and monitoring role, the Board has implemented a number of enhancements to the corporate governance practices of the company, particularly in the area of Risk Management and Internal Controls. These are outlined in more detail below – refer Risk Management and Internal Controls.

For further information on the corporate governance practices of the company, please refer to our corporate website at www.gwail.com.au in the Corporate Governance section.

→ 1. Role of the Board

The Board is responsible for the long-term growth and profitability of the company. The Board charts the strategic direction of the company and monitors Executive and Senior Management performance on behalf of shareholders. To achieve this, the Board is engaged in the following activities:

- * Final approval of corporate strategies and performance objectives developed by Senior Management, with Board input
- * Approval and monitoring of financial and other reporting
- * Monitoring of Executive and Senior Management performance, including the implementation of corporate strategies, and ensuring appropriate resources are available
- * Appointment and monitoring of the performance of the Managing Director
- * Liaison with the company auditor through the Audit Committee
- * Ensuring that the company has appropriate systems of risk management and internal control, reporting mechanisms and delegation authority limits in place
- * Approval and monitoring of the progress of major capital expenditure, capital management, and acquisitions and divestments
- * Any other matters required to be dealt with by the Board from time to time depending upon circumstances of the company
- * Other matters referred to in the Board Committee charters

The Board operates under a charter that details the functions and responsibilities of the Board. The charter is regularly reviewed to ensure it remains consistent with the Board's objectives and responsibilities and is in accordance with the best practice recommendations of the ASX Corporate Governance Council. The Board charter has been posted on the company's website in the Corporate Governance section.

→ 2. Board Meetings

The Board meets at least 10 times each year for scheduled meetings and may, on other occasions, meet to deal with specific matters that require attention between scheduled meetings. Together with the Board Committees, the directors use the Board meetings to challenge and fully understand the business and operational issues. The General Managers of the business divisions are required to regularly attend and present at the Board meetings on corporate strategies and performance.

The Board regularly visits the company's business operations to enhance their understanding of operations and strategies. During the current year, the directors held Board Meetings at the Wetherill Park and Norwood factories of the Caroma Division, followed by management presentations and factory tours.

Corporate Governance Statement CONTINUED

→ 3. Composition of the Board

The Board presently comprises 7 directors, 6 of whom, including the Chairman and Deputy Chairman, are non-executive directors and 1, the Managing Director, is an executive director.

Profiles of the directors are set out on page 12 of the Annual Report. The profiles outline the skills, experience and expertise of each Board member.

The composition of the Board is determined by the Nomination Committee and, where appropriate, external advice is sought. The following principles and guidelines are adhered to:

- The Board should maintain a majority of non-executive directors
- The Board should maintain a majority of independent directors
- The Chairperson should be an independent non-executive director
- The role of Chairperson and Managing Director should not be exercised by the same individual
- Non-executive directors should not be involved in management of the day to day operations of the company
- All Board members should have financial expertise and relevant experience in the industries in which the company operates

The Board has developed a comprehensive induction program for new directors and key executives. The Board views the induction program as critical in introducing new directors and key executives to the company and the markets in which it operates. The induction program is regularly reviewed to ensure its effectiveness.

→ 4. Independence of the Board

The Board considers that directors must be independent from management and free of any business or other relationship that could interfere, or reasonably be perceived to interfere, with the exercise of their unfettered and independent judgment. In applying the definition of independence as outlined in the best practice recommendations of the ASX Corporate Governance Council, it has been determined that the majority of the Board members of GWA International Limited are independent. This is in accordance with Recommendation 2.1 of the best practice recommendations of the ASX Corporate Governance Council.

The Board is responsible for ensuring that the actions of individual directors in the Boardroom is that of independent persons. The Board distinguishes between the concept of independence and issues of conflict of interest or material personal interest which may arise from time to time – refer Conflicts of Interest on page 15.

In recognising the importance of the independence of directors and the immediate disclosure of conflicts of interest, the Board has included both matters as permanent items on the agenda at each Board meeting. Any independence or conflict of interest issues arising during the relevant period must be disclosed to the Chairman prior to each Board meeting. The disclosure is recorded in the register of directors' interests and in the Board minutes.

⦿ New Director Appointment

On 6 July 2004, Mr Geoff McGrath was appointed a non-executive director of GWA International Limited. Mr McGrath was the former Managing Director of the company and retired on 6 May 2003 after

43 years' service in various capacities with the company's businesses, the last 10 as Managing Director. In appointing Mr McGrath as a director, the Board acknowledges that Mr McGrath does not meet the definition of an independent director as outlined in the best practice recommendations of the ASX Corporate Governance Council, due to his executive position with the company within the last three years. In the Board's view, this will in no way impact on Mr McGrath's effectiveness and performance as a director, nor affect Mr McGrath's ability to exercise independent judgment in carrying out his duties as a director.

Mr McGrath is well-known to shareholders of GWA International Limited, and the company prospered under Mr McGrath's stewardship. In appointing Mr McGrath as a director, the Board is of the view that the appointment is in the best interest of the company's shareholders. Mr McGrath brings extensive skills and experience to the Board, and his detailed knowledge of the company's businesses will ensure that the company's shareholders will be well served by Mr McGrath's appointment. Mr McGrath will hold office until the next Annual General Meeting on 28 October 2004, where he will be eligible for re-election.

⦿ Director Tenure

The current Board members have been in office for many years, as disclosed on page 12 of the Annual Report (excluding Mr Crowley who was appointed in the 2002/03 year). The Board does not consider that the independence of a director can be assessed by reference to an arbitrary and set period of time. The Board has overseen the growth and development of the company since

listing and in the Board's view the company derives benefits from having long serving directors with detailed knowledge of the company's operations. The Board considers this a significant factor in their effectiveness and performance in their roles as directors of the company.

The Board is developing succession plans for the future retirement of individual directors. In formulating the succession plans, the Board recognises the importance of maintaining corporate memory and ensuring the appropriate balance of skills required to maintain an efficient and effective Board.

→ 5. Conflicts of Interest

The directors are required to disclose to the Board any relationships from which a conflict of interest might arise. A director who has an actual or potential conflict of interest or a material personal interest in a matter is required to absent himself from any meeting of the Board or Board Committee, whenever the matter is considered. In addition, the director does not receive any Board papers or other documents in which there is a reference to the matter.

This process is applied to business and trading relationships, dealings with the directors, dealings with companies with common directors and dealings with any significant shareholders of the company.

The materiality thresholds used for the determination of independence and issues of conflict of interest have been considered from the point of view of the company and directors. For the company, a relationship which accounts for 5% or more of its revenue is considered material. For a director, a relationship which accounts for 5% or more of the total income of a director is considered material. Directors' fees are not subject to this test.

During the current year, Mr McGrath advised the Chairman prior to his appointment as a director that a potential conflict of interest exists with respect to Mr McGrath's position as a director of Fletcher Building Limited, which owns the Oliveri business. The Chairman agreed strict procedures to deal with this potential conflict of interest.

During the year, there were no other conflict of interest issues or independence issues advised to the Chairman.

→ 6. Access to Independent Advice

Directors and the Board Committees have the right in connection with their duties and responsibilities to seek independent advice at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld. Where appropriate, directors share such advice with the other directors.

→ 7. Board Committees

The Board has a number of standing Board Committees to assist in carrying out its duties and responsibilities. All members of Board Committees are non-executive directors.

The standing Board Committees are:

Audit Committee

The Audit Committee consists of the following non-executive directors:

→ J J Kennedy (Chairman)
AO CBE DU ¹⁴ (QUT) FCA FCFA
→ M D E Kriewaldt
BA LLB FAICD
→ B Thornton
KSJ FCA FAICD FAIM FCIS

The Audit Committee meets as required and on several occasions throughout the year. For attendance details of the Audit Committee, refer to page 24 of the Annual Report.

The composition of the Audit Committee is based on the following principles:

- * The Audit Committee should consist of non-executive directors only
- * The Audit Committee should maintain a majority of independent directors
- * The Chairperson must be independent, and not Chairperson of the Board
- * The Audit Committee should consist of at least three members
- * The Audit Committee should include members who are financially literate with at least one member who has financial expertise

The Audit Committee was established in 1993 and is governed by a charter which outlines the Committee's role and responsibilities, composition, structure and membership requirements. The charter is regularly reviewed to ensure it remains consistent with the Board's objectives and responsibilities and is in accordance with the best practice recommendations of the ASX Corporate Governance Council. The Audit Committee charter has been posted on the company's website in the Corporate Governance section.

The external auditors, Managing Director, Chief Financial Officer, Company Secretary, Risk Management and Internal Audit Manager and other company Executives (as required) attend Audit Committee meetings, by invitation, to present the relevant statutory information, financial statements, reports, and to answer the questions of the Audit Committee members. The external auditors meet with the Audit Committee members without management present.

Corporate Governance Statement CONTINUED

The main responsibilities of the Audit Committee include:

- * Review of financial statements and external financial reporting
- * Assess the management processes supporting external reporting
- * Assess whether the external reporting is adequate to meet the information needs for shareholders
- * Recommendations on the appointment and removal of the external auditor
- * Review and monitor the performance and independence of the external audit
- * Review of tax planning and tax compliance systems and processes
- * Review and monitor risk management and internal compliance and control systems
- * Assess the performance and objectivity of the internal audit function
- * Reporting to the Board on the Committee's role and responsibilities covering all the functions in its charter

During the year, the Audit Committee conducted an evaluation of the performance of Audit Committee members to determine whether it is functioning effectively by reference to best practice. Each member was required to complete a detailed performance questionnaire, the results of which were collated and analysed by the Chairman of the Committee. There were no issues to report to the Board from the exercise.

Certification of Financial Reports

The Managing Director and Chief Financial Officer state in writing to the Board each reporting period that the company's financial reports present a true and fair view, in all material respects, of the company's financial position and performance, and are in accordance with relevant accounting standards. The statements from the Managing Director and Chief Financial Officer are based on a formal sign-off framework established

throughout the company and reviewed by the Audit Committee as part of the financial reporting process.

Nomination Committee

The Nomination Committee consists of the following non-executive directors:

→ B Thornton (Chairman) KSIJ FCA FAICD FAIM FCIS
→ J J Kennedy AO CBE DUniv (QUT) FCA FCIPA
→ M D E Kriewaldt BA LLB FAICD

The Nomination Committee meets as required and on several occasions throughout the year. For attendance details of the Nomination Committee, refer to page 24 of the Annual Report.

The composition of the Nomination Committee is based on the following principles:

- * The Nomination Committee should consist of non-executive directors only
- * The Nomination Committee should maintain a majority of independent directors
- * The Nomination Committee should consist of a minimum of three members
- * The Chairperson should be the Chairperson of the Board or another independent director

The Nomination Committee operates under a charter that details the Committee's role and responsibilities, composition, structure and membership requirements. The charter is regularly reviewed to ensure it remains consistent with the Board's objectives and responsibilities and is in accordance with the best practice recommendations of the ASX Corporate Governance Council. The Nomination Committee charter has been posted on the company's website in the Corporate Governance section.

The main responsibilities of the Committee include:

- * Assessment of the necessary and desirable competencies of Board members
- * Review of the Board succession plans
- * Evaluation of the performance and contributions of Board members
- * Recommendations for the appointment and removal of directors
- * Review of the remuneration framework for directors
- * Reporting to the Board on the Committee's role and responsibilities covering all the functions in its charter

In performing its responsibilities, the Nomination Committee receives appropriate advice from external consultants and other advisers as required.

During the year, the Nomination Committee conducted an evaluation of the performance of Board members to determine whether it is functioning effectively by reference to best practice. Each Board member was required to complete a detailed performance questionnaire, the results of which were collated and analysed by the Chairman of the Committee. There were no issues to report to the Board from the exercise.

Remuneration Committee

The Remuneration Committee consists of the following non-executive directors:

→ M D E Kriewaldt (Chairman) BA LLB FAICD
→ G J McGrath MIE
→ D R Barry FAIM

Mr G J McGrath was appointed a member of the Remuneration Committee on 3 August 2004, on the retirement of Mr B Thornton as a member of the Committee.

The Remuneration Committee meets as required and on several occasions throughout the year. For attendance details of the Remuneration Committee, refer to page 24 of the Annual Report.

The composition of the Remuneration Committee is based on the following principles:

- The Remuneration Committee should consist of non-executive directors only
- The Remuneration Committee should maintain a majority of independent directors
- The Remuneration Committee should consist of a minimum of three members
- The Chairperson of the Remuneration Committee should be an independent non-executive director

The Remuneration Committee operates under a charter that details the Committee's role and responsibilities, composition, structure and membership requirements. The charter is regularly reviewed to ensure it remains consistent with the Board's objectives and responsibilities and is in accordance with the best practice recommendations of the ASX Corporate Governance Council. The Remuneration Committee charter has been posted on the company's website in the Corporate Governance section.

The main responsibilities of the Committee include:

- Review of the company's remuneration and incentive policies
- Review of Executive and Senior Management remuneration packages
- Review of the company's recruitment, retention and termination policies and procedures for Senior Management
- Review of the company's superannuation arrangements
- Reporting to the Board on the Committee's role and responsibilities covering all the functions in its charter

In performing its responsibilities, the Remuneration Committee receives

appropriate advice from external consultants and other advisers as required.

➔ 8. Code of Conduct

The company conducts its business with the highest standards of personal and corporate integrity. To assist our employees in achieving this objective, the company has developed a comprehensive code of conduct which directors, officers and employees of the company are required to strictly adhere to. The code of conduct is incorporated as part of all new employees' induction training and an acceptance form is signed by all new employees acknowledging their understanding and on-going compliance.

The code of conduct states the values and policies of the company and complements the company's risk management practices. The code of conduct is regularly reviewed to ensure it is in accordance with the best practice recommendations of the ASX Corporate Governance Council and to promote the ethical behaviour of all employees. The code of conduct has been posted on the company's website in the About GWA section.

➔ 9. Share Trading

The company has developed a share trading policy which prohibits directors, officers and other "potential insiders" from trading in GWA International Limited shares during designated periods. Outside of the designated periods, there are no trading restrictions where the directors, officers and other "potential insiders" are not in the possession of unpublished insider information. At all times, if an individual possesses unpublished insider information about the company, that person is prohibited from trading.

As an additional restriction, the directors must advise the Chairman prior to trading outside the designated periods and

confirm to the Chairman that they do not possess unpublished insider information.

The Board is currently reviewing its policies and practices in this area, as it does regularly, and will publish the revised policy on the company's website when this review is concluded.

➔ 10. Risk Management and Internal Control

The Board is responsible for ensuring that adequate policies and procedures are in place on risk oversight and management. The Board recognises that effective corporate governance is critical to sound risk management practices. In carrying out its risk oversight and management duties, the Board is assisted by the Audit Committee which reports regularly to the Board on all risk management and internal control matters.

The company has a comprehensive, company-wide risk management system incorporating processes which have been in place for many years. The risk management model adopted for the company is based on the Australian NZ Standard AS/NZS 4360:1999 – Risk Management, which specifies the key elements of the risk management process. Each of the key elements identified in the Standard are reflected in the current business risk management practices and procedures of the company.

The Risk Management and Internal Audit Manager reports directly to the Board on all risk management and internal control matters. All internal audit activities are planned and coordinated by the Risk Management and Internal Audit Manager, with actual internal audit activities either performed internally or through qualified external consultants.

The Board has approved an annual risk management and internal audit program

Corporate Governance Statement CONTINUED

for the company, and together with the following activities have achieved the strengthening of the control environment at the company:

- * Preparation of a comprehensive risk management policy for the company
- * Formal education program on risk management for Executive and Senior Management
- * Formalisation and enhancement of reporting to the Board on business risks
- * Formalisation of the risk management and accountability framework
- * Expansion of monthly corporate monitoring of financial and non-financial performance indicators
- * Review and updating of the Code of Conduct and Employment Policies and Procedures to ensure they reflect best practice and comply with statutory requirements

Risk management is embedded in the company's people, processes, culture and technology, and this ensures that a sound system of risk oversight and management exists within the company. During the year, the Board reviewed the risk management practices of the company in light of the best practice recommendations of the ASX Corporate Governance Council. The Board aims to continually evaluate and re-assess the risk management and internal control practices of the company to ensure that best practice is maintained, and to preserve and create value within the organisation.

Certification of Risk Management Controls

In conjunction with the certification of financial reports (refer page 16), the Managing Director and Chief Financial

Officer state in writing to the Board each reporting period that:

- * the statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board
- * the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects

The statements from the Managing Director and Chief Financial Officer are based on a formal sign-off framework established throughout the company and reviewed by the Audit Committee as part of the financial reporting process.

→ 11. Remuneration Policies

The Nomination Committee is responsible for determining the remuneration for the non-executive directors, with the maximum aggregate amount approved by shareholders. The directors receive their remuneration by way of directors' fees only (including superannuation), and are not able to participate in the Executive incentive arrangements.

The Remuneration Committee is responsible for reviewing and determining the remuneration and incentive arrangements of Executives and Senior Management of the company. The remuneration and incentive arrangements have been structured to ensure that performance is fairly rewarded and to retain a high quality Executive and Senior Management team.

For details of the company's remuneration policies and disclosures, refer to page 22 of the Annual Report.

At the Annual General Meeting on 23 October 1998, shareholders approved

total aggregate maximum directors' fees of \$750,000 per annum (excluding statutory superannuation). As the Board has not sought an increase in directors' fees since 1998, and to allow for possible new director appointments in future years, including the appointment of Mr Geoff McGrath as a director, the Board proposes to put to shareholders at the next Annual General Meeting on 28 October 2004 that the upper limit of directors' fees be increased by \$250,000 to \$1 million (excluding statutory superannuation).

At the Annual General Meeting on 30 October 2003, shareholders approved the termination of the Directors' Retirement Scheme for non-executive directors. This means that retirement benefits will not be available for any new non-executive directors of the company, other than statutory superannuation. This is in accordance with the guidelines for non-executive director remuneration, as outlined in the best practice recommendations of the ASX Corporate Governance Council.

As the Directors' Retirement Scheme has been terminated, the Board will put to shareholders at the next Annual General Meeting on 28 October 2004 that the accrued benefits under the former Scheme be paid out to the directors, when each director requests the payment to be made. At 30 June 2004, the total accrued benefits to the non-executive directors of the company were \$1,214,700.

→ 12. Employee Share Plan

The company has not issued share options at any time.

The company has operated an Employee Share Plan since listing as part of the remuneration and incentive arrangements for Executives and Senior Management.

Full details of the operation of the Employee Share Plan are described in Note 19 of the Financial Statements.

→ 13. Audit and Auditor Independence

The Board recognises the importance of a truly independent audit firm to ensure that the audit function delivers, for the benefit of the Board and all other stakeholders, an unbiased confirmation of both the financial statements and the state of affairs of the company. Consistent with the Board's commitment to an independent audit firm, a policy has been prepared and approved by the Board on the Role of the External Auditor, which is designed to ensure the independence of the external audit function. The Board is currently reviewing its policies and practices in this area, as it does regularly, and will publish the revised policy on the company's website when this review is concluded.

During each year, the Audit Committee examines the non-audit roles performed by the audit firm and other potential audit service providers to satisfy itself that the auditor's independence will not be compromised and that alternate providers are available if considered desirable. Whilst the value of the non-audit services could, in extreme cases, compromise audit independence, more important is to ensure that the auditor is not passing an audit opinion on the non-audit work of its own firm.

Both the Audit Committee and the auditor confirm to the Board the continuing independence of the audit function.

The company's current external auditor, Ernst & Young, were appointed as a result of a comprehensive tender conducted for the year ended 30 June 1995 for audit and other services. As announced by the Chairman at the Annual General Meeting on 30 October 2003, a comprehensive tender for the external audit services was conducted during the year, which included tenders from KPMG, Deloitte and Ernst & Young. After a competitive

tender process, KPMG was selected as the external auditor for the financial year commencing 1 July 2004, subject to shareholder approval of the appointment at the next Annual General Meeting on 28 October 2004.

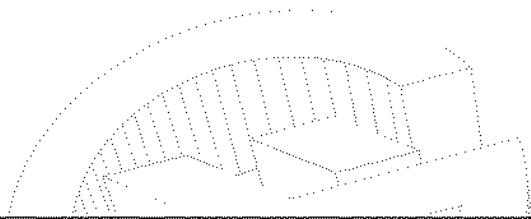
→ 14. Communication with Shareholders

The company is committed to ensuring shareholders and the financial markets are provided with full, open and timely information about its activities. This is achieved by the following:

- * Complying with continuous disclosure obligations contained in the ASX Listing Rules and the Corporations Act 2001. The company has for many years included continuous disclosure as a permanent item on the agenda for Board meetings. The Board has approved a continuous disclosure policy to ensure that the company is complying with the ASX Listing Rule disclosure requirements and to ensure accountability at the Executive and Senior Management level for that compliance.
- * Ensuring that all shareholder communications (including annual reports, half-year reports and notices of Annual General Meetings) satisfy relevant statutory requirements and the best practice guidelines of the ASX Corporate Governance Council and other professional bodies. The company is committed to producing shareholder communications in plain English with full and open disclosure about the company's policies and procedures, operations and performance.
- * Ensuring that all shareholders have the opportunity to receive externally available information issued by the company. The company has a corporate website (www.gwail.com.au) for the purpose of enhancing communication

with shareholders and other parties. All company announcements and information released to the market are located on the website and may be accessed by shareholders. There is also a Corporate Governance section on the website which outlines the practices of the company and other company information.

- * The Board is committed to the continued development and enhancement of electronic communications to shareholders. This is a developing area for all publicly listed companies and the Board will continue to monitor what is happening in the market place, particularly regarding cost savings, take-up rates and service features. The Board will then decide on an appropriate electronic communication service to offer to shareholders.
- * The attendance at the Annual General Meeting by the external auditor to answer questions from shareholders about the conduct of the audit and the preparation and content of the Independent Audit Report.



Directors' Report AS AT 30 JUNE 2004

Your directors present their report on the consolidated entity of GWA International Limited and the entities it controlled during the year ended 30 June 2004.

→ Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report:

- * **B Thornton**, Chairman and Independent Non-Executive Director
- * **J J Kennedy**, Deputy Chairman and Independent Non-Executive Director
- * **D R Barry**, Independent Non-Executive Director
- * **R M Anderson**, Independent Non-Executive Director
- * **M D E Kriewaldt**, Independent Non-Executive Director
- * **P C Crowley**, Managing Director

Mr Geoff J McGrath was appointed a non-executive director of GWA International Limited on 6 July 2004.

Details of the directors' qualifications, experience and responsibilities are located on page 12 of the Annual Report.

→ Directors' Interests

At the date of this report, the relevant interest (as defined in the Corporations Act 2001) of the directors in shares of the company were:

Director	Ordinary Shares	Interest (see notes below)
B Thornton	Nil	Note 4
J J Kennedy	50,000	Notes 1 and 4
D R Barry	3,126,061	Notes 2 and 4
R M Anderson	Nil	Note 4
M D E Kriewaldt	100,000	Notes 2 and 4
P C Crowley	500,000	Notes 3 and 4
G J McGrath	754,276	Notes 1 and 4

Note 1: Beneficially and legally owned.

Note 2: The relevant interest is the power to exercise control over the disposal of the shares and the power to control the right to vote.

Note 3: In accordance with a resolution of shareholders at the Annual General Meeting on 30 October 2003, Mr Crowley was issued 500,000 shares on 14 November 2003 under the terms and conditions of the GWA International Employee Share Plan.

Note 4: Note 21 to the Financial Statements sets out the number of shares held directly, indirectly or beneficially by directors or their related entities at balance date as prescribed in Accounting Standard AASB 1046, this being 47,235,883 shares (last year 46,705,306 shares).

→ Corporate Structure

GWA International Limited is a company limited by shares that is incorporated and domiciled in Australia. GWA International Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in Note 27 of the Financial Statements.

→ Principal Activities

The principal activities during the year within the consolidated entity were the research, design, manufacturing, importing, and marketing of household consumer products as well as the distribution of these various products through a range of distribution channels in Australia and overseas.

There have been no significant changes in the nature of these activities during the year.

→ Employees

The consolidated entity employed 2,565 employees as at 30 June 2004 (last year 2,646 employees).

The company recognises the productivity benefits to be gained from investing in its employees to improve motivation and individual skills. The company remains committed to ensuring that staff are provided access to appropriate training and development programs.

All companies in the consolidated entity are active equal opportunity employers.

→ Consolidated Results

Consolidated results of the economic entity for the financial year were as follows:

Business Segment	Segment Revenues		Segment Results	
	2002/03 \$'000	2003/04 \$'000	2002/03 \$'000	2003/04 \$'000
Buildings, fixtures and fittings	549,716	556,331	95,801	102,176
Commercial furniture	73,427	71,509	6,246	6,832
Unallocated	45,637	51,649	(23,471)	(20,607)
Eliminations	(2,255)	(2,096)	-	-
Total	666,525	677,393	78,576	88,401
Consolidated results after tax			55,007	62,053

Earnings Per Share

	2002/03 cents	2003/04 cents
Basic earnings per share	19.8	22.3

→ Review of Operations and State of Affairs

A review of the consolidated entities' operations and the results of those operations for the financial year is provided in the Managing Director's Review of Operations which is located on pages 6-11 of the Annual Report.

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity during the financial year, other than that referred to in the financial statements or notes thereto.

→ Dividends

In respect of the financial year ended 30 June 2003, as detailed in the Directors' Report for that financial year, a final dividend of 8.0 cents per share franked

to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 1 October 2003.

In respect of the financial year ended 30 June 2004, an interim dividend of 10.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 1 April 2004.

In respect of the financial year ended 30 June 2004, the directors recommend the payment to the holders of fully paid ordinary shares on 1 October 2004 of a final ordinary dividend of 8.0 cents per share, and a special dividend of 2.5 cents per share franked to 100% at 30% corporate income tax rate.

→ Significant Events after Balance Date

On 31 August 2004, the directors of GWA International Limited declared a

final ordinary dividend and a special dividend on ordinary shares in respect of the financial year ended 30 June 2004. The total amount of the dividend is \$29.222 million (last year \$22.224 million), which represents a fully franked ordinary dividend of 8.0 cents per share and a fully franked special dividend of 2.5 cents per share. The dividends have not been provided for in the 30 June 2004 financial statements.

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

→ Likely Developments and Expected Results

Likely developments and expected results of the operations of the consolidated entity is provided in the Managing Director's Review of Operations which is located on pages 6-11 of the Annual Report.

In the next financial year, the consolidated entity will continue to pursue its policies of increasing profitability and market share of all its businesses. Strategies have been formulated which focus on maintaining growth and ensuring that the consolidated entity generates the best possible returns from its businesses.

Further information on likely developments and expected results of the operations of the consolidated entity have not been included in this Report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Directors' Report CONTINUED

→ Environmental Regulation and Performance

The consolidated entity holds licences issued by Environmental Protection Authorities which specify limits for discharges to the environment which arise from the operations of entities which it controls.

These licences regulate the management of discharge to air, storm water run-off, transport of waste and removal associated with the manufacturing operations in factories throughout Australia and the Netherlands. Where appropriate, an independent review of compliance with licence conditions is made by external advisors.

Storage and treatment of hazardous materials within particular operations are monitored by the company in conjunction with external advisors. Prior to any discharge to sewers, effluent is treated and monitored to ensure strict observance with licence conditions.

The directors are not aware of any breaches of the consolidated entity's licence conditions during the financial year.

→ Indemnification and Insurance of Directors and Officers

Indemnification

The company's Constitution provides that, to the extent permitted by the law, every current (and former) director or secretary of the company shall be indemnified out of the assets of the company against all costs, expenses and liabilities which results directly or indirectly from facts or circumstances relating to the person serving (or having served) in their capacity as director or secretary of the company, but excluding any liability arising out of conduct involving a lack of good faith or

conduct known to the person to be wrongful or any liability to the company or related body corporate.

Insurance Premiums

The company has paid premiums in respect of insurance contracts which provide cover against certain liabilities of every current (and former) director and officer of the company and its controlled entities. The contracts of insurance prohibit disclosure of the total amount of the premiums paid, or the nature of the liabilities covered under the policies.

Premiums were paid in respect of every current (and former) director and officer of the company and controlled entities, including the directors named on page 12 of this Report, the Chief Financial Officer, the Company Secretary and all persons concerned or taking part in the management of the company and its controlled entities.

→ Directors' and Other Officers' Emoluments

Directors' Remuneration Policy

The Nomination Committee is responsible for determining the remuneration for the non-executive directors, with the maximum aggregate amount approved by shareholders.

The non-executive directors are remunerated by way of directors' fees only (including statutory superannuation) and are not able to participate in the Executive Performance Plan or GWA International Employee Share Plan (refer below). In setting directors' fees, the Nomination Committee receives advice from external consultants to determine market remuneration levels.

As a result of the termination of the Directors' Retirement Scheme for non-executive directors at the Annual General Meeting on 30 October 2003, retirement benefits are not available for any new non-executive directors of the

company, other than statutory superannuation.

Executives' Remuneration Policy

The Remuneration Committee is responsible for determining and reviewing the remuneration arrangements for the Managing Director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to the relevant employment conditions, with the overall objective of ensuring maximum stakeholder benefits from the retention of the high quality executive team.

Such officers receive their emoluments in a variety of forms including cash and fringe benefits including motor vehicles.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of the Managing Director and officers emoluments to the company's financial and operating performance. Executives have the opportunity to qualify for participation in the Executive Performance Plan which specifies criteria to be met relating to profitability, return on assets and earnings per share. Under the Plan there are two incentives, one based on yearly performance and one based on discrete three year periods. All performance plan payments are subject to maximum amounts.

As a further incentive measure, employees of the company may be invited to participate in the GWA International Employee Share Plan ("Share Plan"). Under the Share Plan, employees are provided with a non-interest bearing loan from the company to acquire shares in the company at market value. The loan is repaid through dividends, or in full upon an employee ceasing employment with the company. Further details regarding the Share Plan are provided in Note 19 to the Financial Statements.

Details of the nature and amount of the emoluments of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emoluments for the financial year are as follows:

➔ EMOLUMENTS OF THE DIRECTORS OF GWA INTERNATIONAL LIMITED

Non-Executive Directors	Directors Fees \$	Bonuses \$	Other Benefits \$	Super-annuation \$	Termination Payments \$	Total \$
B Thornton	214,500	-	250	19,305	-	234,055
J J Kennedy	108,810	-	250	9,793	-	118,853
D R Barry	75,790	-	250	6,821	-	82,861
R M Anderson	71,500	-	250	6,435	-	78,185
M D E Kriewaldt	85,800	-	250	7,722	-	93,772
Executive Director	Salary and Leave Entitlements \$	Bonuses \$	Other Benefits \$	Super-annuation \$	Termination Payments \$	Total \$
P C Crowley	815,079	412,500	68,807	36,000	-	1,332,386

➔ EMOLUMENTS OF THE FIVE MOST HIGHLY PAID EXECUTIVES OF THE COMPANY AND THE CONTROLLED ENTITIES

	Salary and Leave Entitlements \$	Bonuses 1 Year Plan \$	3 Year Plan \$	Other Benefits \$	Super-annuation \$	Termination Payments \$	Total \$
S Wright Group Operations Manager	369,534	88,200	58,800	66,435	29,512	-	612,481
E Harrison Chief Financial Officer	390,300	90,000	60,000	63,407	-	-	603,707
J Pearce General Manager, Dorf Clark	126,493	-	-	40,831	12,849	300,000	480,173
R Watkins General Manager, Rover	276,309	75,600	35,280	57,299	25,040	-	469,528
J Measroch General Manager, Sebel	246,530	69,600	46,400	65,778	23,200	-	451,508

Notes:

Bonuses: The bonuses for the Executives are based on their entitlements under the yearly and three yearly Executive Performance Plan. The bonus for the Executive Director, Mr Peter Crowley, is based on earning targets as outlined in his letter of appointment. Effective from 1 July 2004, Mr Crowley will be included in the yearly and three yearly Executive Performance Plan.

Other Benefits: Other benefits for the Executive Director and Executives include the provision of fringe benefits including motor vehicles, loans under the Share Plan, insurances and applicable fringe benefits tax.

Directors' Report CONTINUED

→ Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Number of Meetings held:	Directors Meetings	Meetings of Committees		
		Audit	Remuneration	Nomination
Number of Meetings held:	11	3	3	1
Number of Meetings attended:				
B Thornton	11	3	3	1
J J Kennedy	11	3	-	1
P C Crowley	11	-	-	-
D R Barry	10	-	3	-
R M Anderson	11	-	-	-
M D E Kriewaldt	10	3	3	1

Note:

Mr B Thornton retired as a member of the Remuneration Committee on 3 August 2004. The Board appointed Mr G J McGrath as the replacement member on the Committee.

As at the date of this Report, the company had an Audit Committee, a Remuneration Committee and Nomination Committee of the board of directors.

The members of the Audit Committee are Mr J J Kennedy (Chairman), Mr B Thornton and Mr M D E Kriewaldt.

The members of the Remuneration Committee are Mr M D E Kriewaldt (Chairman), Mr G J McGrath and Mr D R Barry.

The members of the Nomination Committee are Mr B Thornton (Chairman), Mr J J Kennedy and Mr M D E Kriewaldt.

→ Rounding

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities Investment Commission relating to the rounding of amounts in the Directors' Report.

Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

→ Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors confirm that the current corporate governance practices of the company are in accordance with the Principles of Good Corporate Governance and Best Practice Recommendations released by the ASX Corporate Governance Council on 31 March 2003. The company's Corporate Governance Statement is located on pages 13-19 of the Annual Report.

→ Auditor Independence

Ernst & Young have confirmed to the directors that their independence as auditor of the consolidated entity for the year ended 30 June 2004 has not been compromised.

Signed in accordance with a resolution of the directors.

B Thornton
Chairman

P C Crowley
Managing Director

Brisbane 31 August 2004

Financial Statements

As at 30 June 2004

GWA INTERNATIONAL LIMITED and Controlled Entities

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Statements of Financial Performance

For the year ended 30 June 2004

	Note	Consolidated		Chief Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenues from Ordinary Activities	2	677,393	666,525	52,315	29,974
Expenses related to ordinary activities	3(a)	(574,160)	(573,093)	(7)	(6)
Borrowing costs related to ordinary activities	3(b)	(14,832)	(14,856)	-	(684)
Profit from Ordinary Activities before Income Tax Expense		88,401	78,576	52,308	29,284
Income tax expense relating to ordinary activities	4(a)	(26,348)	(23,569)	(595)	(377)
Net Profit Attributable to Members of GWA International Limited	20	62,053	55,007	51,713	28,907
Net exchange difference on translation of financial statements of foreign controlled entities	20	1,032	(1,646)	-	-
Total Revenues, Expenses and Valuation Adjustments Attributable to Members of GWA International Limited and recognised directly in Equity		1,032	(1,646)	-	-
Total Changes in Equity other than those resulting from Transactions with Owners as Owners		63,085	53,361	51,713	28,907
Basic earnings per share (cents per share)	31	22.3	19.8		
Franked dividends per share					
- Ordinary (cents per share)	5	18.0	15.5		
- Special (cents per share)	5	2.5	2.5		

Statements of Financial Position

As at 30 June 2004

	Note	Consolidated		Chief Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets					
Cash assets	6	138,352	88,505	-	-
Receivables	7	66,625	72,439	501	495
Inventories	8	96,380	117,638	-	-
Other - Prepayments		1,594	2,884	-	-
Total Current Assets		302,951	281,466	501	495
Non-current Assets					
Receivables	9	4,288	4,367	461,471	400,541
Investments	10	-	-	325,646	325,646
Property, plant and equipment	11	153,122	166,152	-	-
Brand names and other intellectual property	12	356,952	356,212	-	-
Goodwill	13	875	1,775	-	-
Deferred tax assets	4(b)	25,258	22,105	24,780	-
Total Non-current Assets		540,495	550,611	811,897	726,187
Total Assets		843,446	832,077	812,398	726,682
Current Liabilities					
Payables	14	57,552	58,827	-	-
Interest bearing liabilities	15	-	-	52	28
Current tax liabilities	4(b)	8,448	16,127	8,774	377
Provisions	16	31,975	30,742	-	-
Total Current Liabilities		97,975	105,696	8,826	405
Non-current Liabilities					
Interest bearing liabilities	17	297,803	296,183	-	11,750
Non-interest bearing liabilities	17	-	-	453,024	367,663
Deferred tax liabilities	4(b)	818	1,179	665	-
Provisions	18	18,672	15,232	-	-
Total Non-current Liabilities		317,293	312,594	453,689	379,413
Total Liabilities		415,268	418,290	462,515	379,818
Net Assets		428,178	413,787	349,883	346,864
Equity					
Contributed equity	19(a)	346,853	345,493	346,853	345,493
Reserves	20(a)	918	(114)	-	-
Retained profits	20(b)	80,407	68,408	3,030	1,371
Total Equity		428,178	413,787	349,883	346,864

Statements of Cash Flows

For the year ended 30 June 2004

	Note	Consolidated		Chief Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash Flows from Operating Activities					
Receipts from customers		830,292	806,110	1,915	1,874
Payments to suppliers and employees		(668,188)	(677,910)	-	-
Dividends received	2(b)	-	-	50,400	28,100
Interest received	2(b)	3,757	2,488	-	-
Borrowing costs		(13,667)	(13,281)	(7)	(690)
Income tax paid		(37,541)	(26,000)	(376)	(395)
Net Cash from Operating Activities	30	114,653	91,407	51,932	28,889
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(20,579)	(24,392)	-	-
Proceeds from sale of property, plant and equipment	2(b)	2,781	1,849	-	-
Net Cash used in Investing Activities		(17,798)	(22,543)	-	-
Cash Flows from Financing Activities					
Proceeds from borrowings		1,186	508	-	-
Proceeds from issue of shares		1,360	370	1,360	370
Employee share plan loans		(1,360)	(370)	(1,360)	(370)
Repayment of employee share plan loans		1,813	1,067	1,813	1,067
Dividends paid		(50,054)	(48,615)	(50,054)	(48,615)
Proceeds from loans from related parties		-	-	-	18,643
Loans to related parties		-	-	(3,715)	-
Loan repaid by other parties		1,456	778	-	-
Loans to other parties		(1,837)	-	-	-
Net Cash used in Financing Activities		(47,436)	(46,262)	(51,956)	(28,905)
Net Increase/(Decrease) in Cash Held					
Cash/(overdraft) at the beginning of the financial period		88,505	66,817	(28)	(12)
Effects of exchange rate changes on cash		428	(914)	-	-
Cash/(Overdraft) at the End of the Financial Period	6, 15	138,352	88,505	(52)	(28)

Notes to the Financial Statements

As at 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial statements have been prepared in accordance with the historical cost convention.

(a) Changes in Accounting Policy

The accounting policies adopted are consistent with those of the previous year.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by GWA International Limited ('the chief entity') as at 30 June 2004 and the results of all controlled entities for the year then ended. GWA International Limited and its controlled entities together are referred to in this financial report as the economic entity. The effects of all transactions between entities in the economic entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(c) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the net profit is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entities were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

The income tax expense for the year is calculated using the 30% tax rate (2003: 30%).

(d) Foreign Currency Translation

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit and loss for the year.

Specific commitment

Forward exchange contracts of generally less than 12 months are entered into to hedge the purchase of components, trading stock and major plant and equipment. Gains or costs arising on entry into a hedge transaction and subsequent exchange gains and losses resulting from those transactions up to the date of purchase are deferred and included in the measurement of the purchase cost.

Foreign controlled entities

As the foreign controlled entities are all self-sustaining, financial data at balance date is translated into Australian currency at rates of exchange current at balance date. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

(e) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

(f) Receivables

Trade debtors are reported net of trade discounts and volume rebates. This is consistent with the reporting and measurement of revenue from sale of goods (see Note 1 (w)).

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed manufacturing overhead expenditure for work in progress and finished goods. Costs are assigned to individual items of stock, mainly on the basis of weighted average costs.

(h) Recoverable Amount

Non-current assets are not carried at an amount above their recoverable amount and where carrying values exceed this recoverable amount assets are written-down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

(i) Investments

Interests in companies, other than controlled entities and investments in listed companies, are shown as investments at cost, and dividend income is recognised in the statement of financial performance when received.

(j) Leasehold Improvements

The cost of improvements to or on leasehold properties is capitalised and amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Notes to the Financial Statements

As at 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased Non-current Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of non-current assets (finance leases), and operating leases under which the lessor effectively retains substantially all such risks and benefits of ownership.

Where a non-current asset is acquired by means of a finance lease, the asset is established at its fair value at the inception of the lease. The liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are recognised in profit from ordinary activities in equal instalments over the lease term.

(l) Non-current Assets Constructed by the Economic Entity

The cost of non-current assets constructed by the economic entity includes the cost of all materials used in the construction, direct labour on the project and an appropriate proportion of variable and fixed overhead including borrowing costs.

(m) Depreciation

Depreciation is calculated on a straight line basis to write off the cost of each item of property, plant and equipment over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets.

Major depreciation periods are:	2004	2003
Freehold buildings	40 years	40 years
Plant and equipment	3 – 10 years	3 – 10 years
Motor vehicles	5 years	5 years

Major spares purchased specifically for particular plant are included in the cost of plant and are depreciated accordingly.

(n) Brand Names and Other Intellectual Property

Brand names and other intellectual property include brand names, trademarks, patents and registered designs. Expenditure incurred in developing, maintaining or enhancing brand names is written-off against profit from ordinary activities in the year in which it is incurred.

The brand names are not amortised as the directors believe that their useful lives are of such duration that the amortisation charge, if any, would not be material. The carrying value of these brand names and other intellectual property is reviewed each year to ensure that it is not in excess of their recoverable amount.

(o) Maintenance and Repairs

Maintenance, repair costs and minor renewals are recognised as expenses as incurred.

(p) Service Warranties

Provision is made, out of revenue, for the estimated liability on all products still under warranty at balance date. This provision is estimated having regard to service warranty experience on each class of products.

(q) Cash

For the purposes of the statements of cash flows, cash includes cash on hand, in transit and in banks and money market investments readily convertible to cash, net of outstanding bank overdrafts.

Goods and Services Tax received from customers is included in receipts from customers while Goods and Services Tax paid on supplies, acquisitions and plant and equipment is included in payments to suppliers and employees.

Goods and Services Tax is not included in revenue or expenses and is included in receivables and payables.

(r) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee benefits,

are recognised against profits in their respective categories.

(s) Earnings per Share

Basic earnings per share is determined by dividing the profit from ordinary activities by the weighted average number of ordinary shares outstanding during the financial year.

(t) Financial Instruments

The economic entity has non-current borrowings and operates internationally, giving rise to significant exposure to market risks from changes in interest rates and foreign exchange rates. Derivative financial instruments are utilised by the economic entity to reduce those risks, as explained in this note.

Notes to the Financial Statements

As at 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial Instruments (continued)

Interest rate related derivatives

Entities within the economic entity enter into various types of interest rate contracts with the major banks in managing its floating interest rate risk on a portion of its non-current borrowings. Gains and losses on these contracts are accounted for on the same basis as the underlying borrowing they are hedging.

Exchange rate related derivatives

Entities within the economic entity enter into various types of foreign exchange contracts with the major banks in managing its foreign exchange risk with purchases of raw materials and finished goods for resale. Gains or costs arising on entry into a hedge transaction are included in the measurement of the purchase cost. Subsequent exchange gains and losses resulting from those transactions up to the date of purchase are deferred and included in the measurement of the purchase cost, where the hedge is of a specified commitment. Where the hedge is general in nature, exchange gains and losses are included in the statement of financial performance when they arise.

(u) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired at the time of acquisition of shares in the controlled entity. Goodwill is amortised on a straight line basis over the shorter of 20 years and the minimum period during which the benefits are expected to arise. The goodwill purchased with the Gainsborough Hardware Industries Limited acquisition was first amortised in the 1995/96 year on a straight line basis over a period of 10 years. The goodwill purchased with the acquisition of the exclusive import and distribution rights to Hansa tapware products has been fully amortised on a straight line basis over a period of 5 years. Amortisation periods are reviewed at each balance date. No goodwill was acquired during the year ended 30 June 2004.

(v) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Control of the goods has passed to the buyer.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends

Control of a right to receive consideration for the investment in assets is attained, and dividend income is recognised in the statement of financial performance when received.

(w) Revenue Measurement

The measurement of revenue from the sale of goods is sales revenue net of trade discounts and volume rebates.

(x) Provision for Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Notes to the Financial Statements

As at 30 June 2004

	Note	Consolidated		Chief Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
2. REVENUES FROM ORDINARY ACTIVITIES					
(a) Revenues from Operating Activities					
- Sale of goods	1(w)	667,926	659,589	-	-
(b) Revenues from Non-operating Activities					
- Dividends received/receivable – Controlled entities		-	-	50,400	28,100
- Interest received/receivable – Other corporations		3,757	2,488	-	-
- Proceeds from the sale of property, plant and equipment		2,781	1,849	-	-
- Foreign exchange gains		2,446	1,220	-	-
- Unit Trust distribution		-	-	1,915	1,874
- Other		483	1,379	-	-
Total revenues from non-operating activities		9,467	6,936	52,315	29,974
Total revenues from ordinary activities		677,393	666,525	52,315	29,974
3. EXPENSES FROM ORDINARY ACTIVITIES					
(a) Expenses related to Ordinary Activities (excluding borrowing costs)					
- Cost of Sales		358,802	368,211	-	-
- Selling and distribution		129,075	125,408	-	-
- Administration		76,514	72,986	7	6
- Other		9,769	6,488	-	-
Total expenses related to ordinary activities (excluding borrowing costs)		574,160	573,093	7	6
(b) Borrowing Costs					
Interest expense		-	-	-	684
- Controlled entities		-	-	-	-
- Other corporations		14,832	14,856	-	-
Total borrowing costs expensed		14,832	14,856	-	684
Profit from ordinary activities before income tax expense		88,401	78,576	52,308	29,284
Income tax expense relating to ordinary activities	4(a)	(26,348)	(23,569)	(595)	(377)
Net profit attributable to members of GWA International Limited		62,053	55,007	51,713	28,907
Retained earnings at beginning of year	20(b)	68,408	41,193	1,371	256
Adjustment arising from the adoption of revised Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'		-	20,823	-	20,823
Total available for appropriation		130,461	117,023	53,084	49,986
Dividends paid	20(b)	(50,054)	(48,615)	(50,054)	(48,615)
Retained earnings		80,407	68,408	3,030	1,371
Employer contributions to a defined benefit fund		162	70	-	-

Notes to the Financial Statements

As at 30 June 2004

4. INCOME TAX (continued)

(b) Deferred Tax Assets and Liabilities

Current tax payable	8,448	16,127	8,774	377
Provision for deferred income tax – Non-current	818	1,179	665	-
Future income tax benefit – Non-current	25,258	22,105	24,780	-

Consolidated		Chief Entity	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
8,448	16,127	8,774	377
818	1,179	665	-
25,258	22,105	24,780	-

(c) No Part of the Future Income Tax Benefit shown in (b) is Attributable to Tax Losses

(d) Tax Consolidation

For the purposes of income tax, GWA International Limited and its wholly owned Australian subsidiaries propose to form a tax consolidated group, effective 1 July 2003. The company is not required to formally notify the Australian Taxation Office of its election to form a tax consolidated group, until the lodgement of the 2004 income tax return.

The income tax calculation in Note 4 of the Financial Statements has been prepared on the basis that a tax consolidated group was formed, effective 1 July 2003. The Head Entity of the tax consolidated group will be GWA International Limited.

It is further proposed that the members of the tax consolidated group will enter into a tax sharing agreement in order to allocate the income tax liabilities between the entities in the tax consolidated group.

In forming a tax consolidated group, there will be no material impact on the deferred tax balances of the subsidiaries as a result of the resetting of tax values of certain assets of the subsidiaries.

5. DIVIDENDS

Ordinary

Franked dividends paid:

- Final dividend 2002 under provided
- Final dividend 2003 (8c per share)
- Interim (10c per share, 2003: 7.5c)
- Special (nil, 2003: 2.5c)

Total dividends paid

Dividends proposed and not recognised as a liability:

- Final dividend (8 cents per share, 2003: 8 cents) – 100% franked
- Special dividend (2.5 cents per share, 2003: nil) – 100% franked

Total dividends proposed

The franked portions of the proposed dividends will be franked out of existing franking credits.

The amount of franking credits available for the subsequent financial year are:

- Franking account balance as at the end of the financial year
- Franking credits that will arise from the payment of the income tax payable after the end of the financial year

Consolidated		Chief Entity	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
	12		12
22,224	-	22,224	-
27,830	20,835	27,830	20,835
	6,945		6,945
50,054	27,792	50,054	27,792
22,264	22,224	22,264	22,224
6,958	-	6,958	-
29,222	22,224	29,222	22,224
33,190	19,987		
8,700	14,550		
41,890	34,537		

The tax rate at which paid dividends have been franked is 30% (2003: 30%).

The proposed final and special dividends will be franked at 30% when paid in October 2004.

Notes to the Financial Statements

As at 30 June 2004

6. CASH ASSETS

Cash at bank and on hand
Deposits at call

7. RECEIVABLES (CURRENT)

Trade debtors
Provision for doubtful debts

Other debtors
Unsecured other loans
- Employee share plan

Included in unsecured other loans - employee share plan, are loans to Specified Directors and Specified Executives (refer Note 21).

Movement in provision for doubtful debts

Balance at beginning of the year
- Net foreign currency movements arising from self-sustaining foreign operations
- Bad debts previously provided for written-off during the year
- Bad and doubtful debts provided for during the year

Balance at the end of the year

Reconciliation of prior year trade debtors

Trade debtors
Adjustment for rebates
Adjustment for credit claims

Trade debtors

Reconciliation of prior year provision for doubtful debts

Provision for doubtful debts
Adjustment for credit claims
Provision for doubtful debts

Consolidated		Chief Entity	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
51,482	41,889	-	-
86,870	46,616	-	-
138,352	88,505	-	-
65,848	73,108	-	-
(2,523)	(2,703)	-	-
63,325	70,405	-	-
2,799	1,539	-	-
501	495	501	495
66,625	72,439	501	495
2,703	2,488	-	-
14	(21)	-	-
(127)	(202)	-	-
(67)	438	-	-
2,523	2,703	-	-
	85,851	-	-
	(11,538)	-	-
	(1,205)	-	-
	73,108	-	-
	(3,908)	-	-
	1,205	-	-
	(2,703)	-	-

Notes to the Financial Statements

As at 30 June 2004

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Recent valuations

Land and buildings are progressively, and independently assessed over a 3-year period. During the financial year ended 30 June 2004, two properties received independent valuations as follows:

Date of Valuation	Base of Valuation	Amount of Valuation
15 April 2004	Market value for existing use	\$3.6 million
15 April 2004	Market value for existing use	\$0.5 million

The most recent valuations for all land and buildings are as follows (note valuations have not been recognised):

- Freehold land
- Buildings

Reconciliations

Freehold land

Carrying amount at beginning

Additions

Disposals

Depreciation

Net foreign currency movements arising from self-sustaining foreign operations

Freehold buildings

Carrying amount at beginning

Additions/improvements

Disposals

Depreciation

Net foreign currency movements arising from self-sustaining foreign operations

Plant and equipment

Carrying amount at beginning

Additions

Disposals

Depreciation (incl. write-down to net realisable value)

Net foreign currency movements arising from self-sustaining foreign operations

Motor vehicles

Carrying amount at beginning

Additions

Disposals

Depreciation

Net foreign currency movements arising from self-sustaining foreign operations

Total written-down amount

Consolidated		Chief Entity	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
47,240	47,550	-	-
38,510	37,220	-	-
29,119	29,124	-	-
3	(5)	-	-
29,122	29,119	-	-
33,796	34,920	-	-
372	75	-	-
(7)	-	-	-
(1,135)	(1,137)	-	-
25	(62)	-	-
33,051	33,796	-	-
94,303	98,662	-	-
14,652	20,437	-	-
(1,594)	(1,304)	-	-
(25,939)	(23,255)	-	-
(83)	(237)	-	-
81,339	94,303	-	-
8,934	9,468	-	-
5,555	3,880	-	-
(2,479)	(1,664)	-	-
(2,575)	(2,742)	-	-
175	(8)	-	-
9,610	8,934	-	-
153,122	166,152	-	-

Notes to the Financial Statements

As at 30 June 2004

12. BRAND NAMES AND OTHER INTELLECTUAL PROPERTY

As at 30 June 2004 Brand Names and Other Intellectual Property of \$357 million (2003: \$356.2 million) are being carried at cost (2003: at cost). PricewaterhouseCoopers Securities Limited provided GWA International Limited with an opinion dated 25 August 2004 that the fair market value of the Brand Names and Other Intellectual Property was not less than its carrying value of \$357 million as at 30 June 2004 (2003: \$356.2 million) and the directors would be justified in continuing to carry it at that amount.

The directors are of the opinion that no events have occurred that would diminish the above carrying value.

13. GOODWILL

Goodwill

Accumulated amortisation

14. PAYABLES (CURRENT)

Trade creditors

Other creditors

Reconciliation of prior year trade creditors

Trade creditors

Adjustment for rebates

Reclassification from provisions

Trade creditors

15. INTEREST BEARING LIABILITIES (CURRENT)

Unsecured bank overdraft

16. PROVISIONS (CURRENT)

Employee benefits and on costs

Warranty

Other

Consolidated		Chief Entity	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
8,975	8,975	-	-
(8,100)	(7,200)	-	-
875	1,775	-	-
51,118	50,971	-	-
6,434	7,856	-	-
57,552	58,827	-	-
	59,516		
	(11,538)		
	2,993		
	50,971		
		52	28
17,784	18,632	-	-
4,561	4,633	-	-
9,630	7,477	-	-
31,975	30,742	-	-

Notes to the Financial Statements

AS AT 30 June 2004

18. PROVISIONS (NON-CURRENT)

Employee benefits and on costs

Warranty

Other

Total employee benefits and on costs

Movement in total provisions (current and non-current)

(i) Employee benefits and on costs

Opening balance

Net foreign currency movements

arising from self-sustaining foreign operations

Additional provisions

Provisions utilised

Closing balance

(ii) Warranty

Opening balance

Net foreign currency movements arising from

self-sustaining foreign operations

Additional provisions

Provisions utilised

Closing balance

(iii) Other

Opening balance

Net foreign currency movements arising from

self-sustaining foreign operations

Additional provisions

Provisions utilised

Closing balance

	Consolidated		Chief Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Employee benefits and on costs	10,937	10,446	-	-
Warranty	4,701	2,424	-	-
Other	3,034	2,362	-	-
	18,672	15,232	-	-
Total employee benefits and on costs	28,721	29,078	-	-
<i>Movement in total provisions (current and non-current)</i>				
(i) Employee benefits and on costs				
Opening balance	29,078	25,713	-	-
Net foreign currency movements	(54)	(36)	-	-
arising from self-sustaining foreign operations				
Additional provisions	15,904	15,583	-	-
Provisions utilised	(16,207)	(12,182)	-	-
Closing balance	28,721	29,078	-	-
(ii) Warranty				
Opening balance	7,057	6,723	-	-
Net foreign currency movements arising from	(13)	(1)	-	-
self-sustaining foreign operations				
Additional provisions	5,877	3,587	-	-
Provisions utilised	(3,659)	(3,252)	-	-
Closing balance	9,262	7,057	-	-
(iii) Other				
Opening balance	9,839	8,800	-	-
Net foreign currency movements arising from	(6)	73	-	-
self-sustaining foreign operations				
Additional provisions	5,820	4,853	-	-
Provisions utilised	(2,989)	(3,887)	-	-
Closing balance	12,664	9,839	-	-

Notes to the Financial Statements

As at 30 June 2004

19. CONTRIBUTED EQUITY

(a) Issued and Fully Paid Up Capital

278,302,995 (2003: 277,802,995) ordinary shares fully paid.

Consolidated		Chief Entity	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
346,853	345,493	346,853	345,493

Movements in issued paid up capital

Ordinary shares

Balance at 1 July 2003

Issue of shares to employees at \$2.72 per share (2003: \$2.31)

Balance at 30 June 2004

2004 Number	2004 \$'000	2003 Number	2003 \$'000
277,802,995	345,493	277,642,995	345,124
500,000	1,360	160,000	369
278,302,995	346,853	277,802,995	345,493

Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to 1 vote, either in person or by proxy, at a meeting of the company.

(b) Dividend Reinvestment Plan and Share Purchase Plan

Suspended

On the 8 February 2000 the directors suspended the Dividend Reinvestment Plan and the Share Purchase Plan.

(c) Employee Share Plan

The employee share plan was established to assist in the retention and motivation of employees. All permanent employees of the company, who are invited to participate, may participate in the Plan.

The maximum number of shares subject to the plan at any time may not exceed 5% of the nominal amount of all Ordinary Shares on issue. The Plan does not provide for the issue of options and no options have been issued by the company.

The prices of shares issued under the Plan are the market price at the time of issue. During the 2003/04 year, 500,000 (2003: 160,000) ordinary shares were issued at a price of \$2.72 (2003: \$2.31), a total market value of \$1,360,000 (2003: \$369,600).

As at 30 June 2004, loans are issued for 2,785,000 (2003: 3,300,000) shares and the remaining balances of these loans were \$3,852,370 (2003: \$4,305,865).

During the 2003/04 year, dividends of \$541,650 (2003: \$607,187) were paid against the loans and a further \$1,271,845 (2003: \$459,637) was paid by employees against these loans.

Under the three year incentive plan for specified executives for the period ended 30 June 2004, there are entitlements to further allotments of up to 980,000 shares which will be issued in the 2004/05 year subject to acceptance of the allotments by the respective employees.

(d) Options

No options have been issued at any time.

Notes to the Financial Statements

As at 30 June 2004

20. RESERVES AND RETAINED PROFITS

(a) Foreign Currency Translation Reserve

(i) Nature and purpose of reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

(ii) Movements in reserve

Balance at beginning of year

(114) 1,532

Net exchange gain/(loss) on translation of foreign controlled entities

1,032 (1,646)

Balance at end of year

918 (114)

(b) Retained Profits

Balance at beginning of year

68,408 41,193

Net profit attributable to members

62,053 55,007

Adjustment arising from adoption of revised Accounting Standard AASB1044 'Provisions, Contingent Liabilities and Contingent Assets'

- 20,823

Total available for appropriation

130,461 117,023

Dividends paid

(50,054) (48,615)

Balance at end of year

80,407 68,408

Chief Entity

2004 \$'000 2003 \$'000

1,371 256

51,713 28,907

- 20,823

53,084 49,986

(50,054) (48,615)

3,030 1,371

21. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

Non-executive

B Thornton – Chairman

J J Kennedy – Deputy Chairman

D R Barry

R M Anderson

M D E Kriewaldt

Executive

P C Crowley – Managing Director

(ii) Specified executives

E Harrison – Chief Financial Officer

S Wright – Group Operations Manager

C Bizon – General Manager – Caroma – appointed 1 May 2004 (previously General Manager – Dux)

D Duncan – General Manager – Dorf Clark – appointed 1 January 2004 (previously Group Marketing Manager)

G Oliver – General Manager – Gainsborough

L Patterson – General Manager – Dux – joined 19 January 2004

R Watkins – General Manager – Rover

J Measroch – General Manager – Sebel

J Pearce – General Manager – Dorf Clark – to 31 December 2003

Notes to the Financial Statements

As at 30 June 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration policy

Nature and amount of remuneration

The Remuneration Committee has determined that the Group's executive remuneration will consist of:

- Salary and Leave
- Executive Performance Plan
- Employee Share Scheme
- Other benefits

Salary levels are regularly benchmarked against the relevant market rates and reviewed yearly.

The Executive Performance Plan has been structured into 2 bonus schemes based on performance targets, which are set at the beginning of the bonus period, and subject to maximum amounts.

Under the Employee Share Scheme, executives are granted an interest free loan to fund the purchase of shares in the company. Executives purchase the shares at the market price at time of issue. Executives receive share allocations up to maximum numbers determined by position in the company and by further entitlements on the achievement of 3 year bonus scheme targets. The loans provided by the company are repaid from dividends paid and are repayable on termination.

Other benefits, which include statutory leave, the provision of motor vehicles, medical benefits membership, and life and disability insurance, are all regularly benchmarked with salaries and reviewed yearly.

Relationship between remuneration and company performance

The yearly and 3 year bonus schemes, together with the Employee Share Scheme, establish relationships between the short, medium and long term performance of the company and each executive's remuneration.

Cash bonuses

The grant date of the yearly bonus scheme operating in this reporting period was 1 July 2003 and the nature of the remuneration granted is cash. Performance criteria were divisional operating profit for divisional executives and group earnings before interest and tax for corporate executives. There were no alterations of the terms and conditions after the grant date.

The grant date for the 3 year bonus scheme was 1 July 2001 and the nature of the remuneration is cash and additional loans with respect to further allocations of employee shares. The benefits of this scheme are subject to employment throughout the performance period and the performance criteria were divisional profits for divisional executives and earnings per share for corporate executives. There were no alterations of terms and conditions after the grant date.

Contract for services

The employment contract with Mr P Crowley provides for 12 months notice of termination by the company. All other executives have a legal entitlement to reasonable notice of termination by the company.

3 Year Bonus

The 3 year bonus will be paid in 2004/05. The amounts accrued in prior periods for the 3 year bonus, and not shown in Note 21 (b) (ii) regarding current financial year remuneration, and that will be paid in 2004/05 are:

E Harrison
S Wright
C Bizon
G Oliver
R Watkins
J Measroch

Accrued 2001/02	Accrued 2002/03
53,600	56,400
51,000	53,600
36,000	40,000
39,600	42,000
32,550	33,880
42,000	44,400
254,750	270,280

Refer to Note 21 (b) (ii)

Notes to the Financial Statements

As at 30 June 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives (continued)

(ii) Remuneration of specified directors and specified executives

	Primary			Post Employment		Other		Total
	Salary fees and leave	1 Year bonus	3 Year bonus*	Non monetary	Super-annuation	Retirement benefits	Termination benefits	Benefits
Specified directors								
Non-executive								
B Thornton	214,500	-	-	-	19,305	-	-	250
J Kennedy	108,810	-	-	-	9,793	-	-	250
M Kriewaldt	85,800	-	-	-	7,722	-	-	250
D Barry	75,790	-	-	-	6,821	-	-	250
R Anderson	71,500	-	-	-	6,435	-	-	250
Executive								
P Crowley	815,079	412,500	-	59,772	36,000	-	-	9,035
Total remuneration:								
Specified directors								
2004	1,371,479	412,500	-	59,772	86,076	-	-	10,285
2003*	1,508,908	960,000	-	190,018	133,532	-	1,317,000	16,287
Specified executives								
E Harrison	390,300	90,000	60,000	59,519	-	-	-	3,888
S Wright	369,534	88,200	58,800	62,863	29,512	-	-	3,572
R Watkins	276,309	75,600	35,280	54,236	25,040	-	-	3,063
C Bizon	287,583	-	44,000	67,906	26,375	-	-	3,225
J Pearce	126,493	-	-	38,629	12,849	-	300,000	2,202
D Duncan	188,029	60,000	-	27,089	19,936	-	-	2,348
J Measroch	246,530	69,600	46,400	62,911	23,200	-	-	2,867
L Patterson	99,285	30,000	-	11,461	9,102	-	-	1,277
G Oliver	217,266	66,900	44,600	42,250	40,883	-	-	2,326
Total remuneration:								
Specified executives								
2004	2,201,329	480,300	289,080	426,864	186,897	-	300,000	24,768
2003*	2,121,121	425,100	270,280	556,221	195,705	-	-	29,613

* Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

Notes to the Financial Statements

As at 30 June 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives (continued)

(iii) Shareholdings of specified directors and specified executives

	Shares held in GWA International Limited (number)				
	Balance 1 July 03 Ord	Received as remuneration Ord	On exercise of options Ord	Net change other Ord	Balance 30 June 04 Ord
Specified directors					
Non-executive					
B Thornton	14,368,075	-	-	(12,173)	14,355,902
J Kennedy	5,000	-	-	45,000	50,000
M Kriewaldt	100,000	-	-	-	100,000
D Barry	11,537,149	-	-	-	11,537,149
R Anderson	20,695,082	-	-	(2,250)	20,692,832
Executive					
P Crowley	-	-	-	500,000	500,000
Specified executives					
E Harrison	443,728	-	-	27,247	470,975
S Wright	268,750	-	-	7,000	275,750
R Watkins	268,750	-	-	-	268,750
C Bizon	210,000	-	-	-	210,000
J Measroch	150,000	-	-	-	150,000
G Oliver	156,250	-	-	-	156,250
D Duncan	2,000	-	-	-	2,000
Total	48,204,784	-	-	564,824	48,769,608

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

The directors' shareholdings shown above differ to those listed in the Directors' Report. This is due to the wider scope of the AASB 1046 definition where shareholdings comprise those of the individual and their "personally-related entities" which includes their spouse, relatives and the spouses of the relatives. Also included are the shareholdings of any other entity under the control or significant influence of the individual, their spouse, relatives and the spouses of the relatives.

Notes to the Financial Statements

As at 30 June 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives (continued)

(iv) Loans to specified directors and specified executives

(a) Details of aggregates of loans to specified directors and specified executives are as follows:

		Balance 1 July 2003 \$	Interest charged	Interest not charged	Write-off	Balance 30 June 2004 \$	Number in group 30 June 2004
Specified directors							
	2004	NIL	-	43,721	-	1,310,000	1
	2003	267,962	-	16,713	-	242,369	1
Specified executives							
	2004	2,284,268	-	165,921	-	2,167,837	8
	2003	3,277,264	-	182,158	-	2,284,782	7
Total specified directors and specified executives							
	2004	2,284,268	-	209,642	-	3,477,837	9
	2003	3,545,226	-	198,871	-	2,527,151	8

(b) Details of individuals with loans above \$100,000 in the reporting period are as follows:

	Balance 1 July 2003 \$	Interest charged	Interest not charged	Write-off	Balance 30 June 2004 \$	Highest owing in period
Specified directors						
P Crowley	NIL	-	43,721	-	1,310,000	1,360,000
Specified executives						
E Harrison	319,206	-	19,913	-	288,831	319,206
S Wright	244,206	-	15,001	-	213,831	244,206
R Watkins	226,706	-	13,265	-	178,331	226,706
C Bizon	530,750	-	70,369	-	503,750	1,867,750
J Pearce	425,181	-	13,925	-	NIL	425,181
J Measroch	290,750	-	18,160	-	263,750	290,750
G Oliver	247,469	-	15,288	-	219,344	247,469
D Duncan	NIL	-	NIL	-	500,000	500,000

Mr C Bizon has an unsecured housing loan of \$240,000 and received a bridging loan during the year relating to his relocation from New South Wales to Queensland and this loan was repaid during the year. Mr D Duncan has received a housing loan of \$500,000 secured by a registered second mortgage on his relocation from Queensland to New South Wales. Mr J Pearce repaid an unsecured housing loan of \$76,000 during the year. Mr E Harrison has an unsecured housing loan of \$75,000. Each of these loans is interest free and repayable on termination.

All other loans are with respect to the Employee Share Scheme. Reductions in the loan balance during the year were due to dividends paid and for Mr J Pearce, repayment on termination. The Employee Share Plans are interest free and repayable over 15 years or earlier in certain circumstances. Dividends paid on the shares acquired under the Plan are applied against the balance of the loan outstanding.

(v) Other transactions and balances with specified directors and specified executives

Transactions with specified directors

Mr B Thornton is a director of Great Western Corporation Pty Ltd. Certain entities in the economic entity have purchased and sold components and tooling from and to Great Western Corporation Pty Ltd on normal commercial terms and conditions during the year for a net purchase consideration of \$297,393 (2003: \$485,197). At reporting date \$14,278 (2003: \$99,471) formed part of trade creditors.

Notes to the Financial Statements

As at 30 June 2004

25. SUPERANNUATION COMMITMENTS

GWAIL Group Retirement Fund

The Defined Benefits categories of the GWAIL Group Retirement Fund were discontinued effective 30 June 2002. Members have transferred their benefits to other superannuation funds.

As at 30 June 2004 all members had transferred from the fund. During the 2003/04 year, additional company contributions of \$161,500 were paid into the fund to meet a higher assessment of contributions surcharge than expected.

Following payment of these liabilities, the fund had no remaining assets or liabilities at 30 June 2004 and will now be wound up.

26. RELATED PARTIES

Transactions concerning wholly owned group

The wholly owned group consists of GWA International Limited and its wholly owned controlled entities.

Transactions between GWA International Limited and wholly owned controlled entities during the year ended 30 June 2004 consisted of:

- (i) loans advanced by and to GWA International Limited;
- (ii) loans repaid to and by GWA International Limited; and
- (iii) the payment of dividends to GWA International Limited.

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with wholly owned controlled entities were as follows:

Dividend revenue

Trust revenue

Interest expense

Aggregate amounts receivable from and payable to wholly owned controlled entities at balance date were as follows:

Non-current receivables

Non-current borrowings

Chief Entity	
2004 \$'000	2003 \$'000
50,400	28,100
1,915	1,874
-	684
458,120	396,730
453,024	379,413

Controlling entities

The ultimate controlling entity and the ultimate Australian controlling entity in the wholly owned group is GWA International Limited.

Ownership interests in related parties

Interests held in controlled entities are set out in Note 27.

Notes to the Financial Statements

As at 30 June 2004

27. INVESTMENT IN CONTROLLED ENTITIES

(a) Name of Entity

Chief Entity

GWA International Limited

Controlled Entities

Entity Name						
GWA Group Limited	(ii)					
Gainsborough Hardware Industries Limited	(ii)					
Gainsborough Hardware Limited	(iii)					
Caroma Holdings Limited	(ii)					
GWA (North America) Pty Ltd	(ii)					
Sebel Furniture Inc	(iii)					
Caroma Industries Limited	(ii)					
G Subs Pty Ltd	(ii)					
Sebel Furniture (Hong Kong) Ltd	(i)					
GWA International (Hong Kong) Limited	(i)					
Stylus Pty Ltd	(ii)					
Stylus Industries Pty Limited	(ii)					
Fowler Manufacturing Pty Ltd	(ii)					
Starion Tapware Pty Ltd	(ii)					
Dorf Clark Industries Ltd	(ii)					
Dorf Industries (NZ) Ltd						
McIlwraith Davey Pty Ltd	(ii)					
Stylus Sales Limited						
Caroma Industries Europe BV	(i)					
Wisa Beheer BV	(i)					
Wisa BV	(i)					
Wisa Systems BV	(i)					
Wisa GmbH	(i)					
Stokis Kon Fav. Van Metaalwerken NV	(i)					
Wisa France SA	(i)					
Caroma International Pty Ltd	(ii)					
Caroma USA Inc	(iii)					
Caroma Canada Industries Ltd	(iii)					
Caroma Industries (UK) Ltd	(i)					
Canereb Pty Ltd	(iv)					
Dux Manufacturing Limited	(ii)					
GWA Taps Manufacturing Limited	(ii)					
Lake Nakara Pty Ltd	(iv)					
Mainrule Pty Ltd	(iv)					
Warapave Pty Ltd	(iv)					
Rover Mowers (NZ) Limited						
Caroma Industries (NZ) Limited						
GWAIL (NZ) Ltd						
Rover Mowers Limited	(ii)					
Industrial Mowers (Australia) Limited	(ii)					
Olliveri Pty Ltd	(ii)					
Sebel Service & Installations Pty Ltd	(ii)					

Country of Incorporation	Class of Shares	2004 %	2003 %	Parties to Cross Guarantee
Aust	Ord			Y
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
UK	Ord	100	100	N
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
USA	Ord	100	100	N
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
HK	Ord	100	100	N
HK	Ord	100	100	N
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
NZ	Ord	100	100	N
Aust	Ord	100	100	Y
NZ	Ord	100	100	N
Netherlands	Ord	100	100	N
Netherlands	Ord	100	100	N
Netherlands	Ord	100	100	N
Netherlands	Ord	100	100	N
Germany	Ord	100	100	N
Netherlands	Ord	100	100	N
France	Ord	100	100	N
Aust	Ord	100	100	Y
USA	Ord	100	100	N
Canada	Ord	100	100	N
UK	Ord	100	100	N
Aust	Ord	100	100	N
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
Aust	Ord	100	100	N
NZ	Ord	100	100	N
NZ	Ord	100	100	N
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y

Notes to the Financial Statements

As at 30 June 2004

27. INVESTMENT IN CONTROLLED ENTITIES (continued)

(a) Name of Entity (continued)

Sebel Properties Pty Ltd	(ii)
Sebel Furniture Limited (NZ)	
Sebel Furniture Limited	(ii)
Sebel Furniture (SEA) Pte Ltd	(i)
Sebel Sales Pty Limited	(ii)
Caroma Singapore Pte Limited	(i)
GWA Finance Pty Limited	(ii)
Hetset (No. 5) Pty Ltd	(ii)
Bankstown Unit Trust	

Country of Incorporation	Class of Shares	2004 %	2003 %	Parties to Cross Guarantee
Aust	Ord	100	100	Y
NZ	Ord	100	100	N
Aust	Ord	100	100	Y
Sing	Ord	100	100	N
Aust	Ord	100	100	Y
Sing	Ord	100	100	N
Aust	Ord	100	100	Y
Aust	Ord	100	100	Y
Aust	Units	100	100	Y

All controlled entities are controlled by GWA International Limited.

- (i) Controlled entities which are audited by other member firms of Ernst & Young International.
- (ii) Pursuant to Class Order 98/1418, relief has been granted to these controlled entities of GWA International Limited from the *Corporations Act 2001* requirements for preparation, audit and publication of a financial report.
- (iii) There is no requirement to prepare a financial report for these overseas companies and accordingly separate audits were not performed.
- (iv) In accordance with the *Corporations Act 2001* the directors have elected not to prepare or have audited a financial report for the controlled entity as the entity meets the definition of a small proprietary company.

(b) Controlled Entities

GW Nominees Pty Ltd and GWAIL ESF Nominees Pty Ltd which are the trustee companies of the GWA International Limited Group Retirement Fund and the GWA International Limited Superannuation Fund respectively, are wholly owned by a controlled entity of GWA International Limited. These trusteeships are the sole activities of the companies, which do not trade in their own right. As superannuation trustees, these entities are not controlled entities for the purpose of Accounting Standard AASB 1024 'Consolidated Accounts' and are therefore not consolidated with the group of companies comprising GWA International Limited and its controlled entities.

28. DEED OF CROSS GUARANTEE

GWA International Limited, and specific controlled entities (as set out in Note 27) having their place of incorporation in Australia, are parties to a deed of cross guarantee which has been lodged with and approved by the Australian Securities and Investments Commission. Under the deed of cross guarantee each of the parties to the deed guarantees the debts of the other.

Pursuant to Class Order 98/1418, relief has been granted to the companies in the closed group from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

The consolidated statement of financial performance and statement of financial position of the entities which are parties to the Deed of Cross Guarantee (Closed Group) are as follows:

Consolidated Statements of Financial Performance

Profit from ordinary activities before income tax

Income tax attributable to ordinary activities

Profit from ordinary activities after income tax

Retained profits at the beginning of the financial year

Adjustment arising from the adoption of revised

Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'

Total available for appropriation

Dividends paid

Retained profits at the end of the financial year

	2004 \$'000	2003 \$'000
Profit from ordinary activities before income tax	82,619	79,733
Income tax attributable to ordinary activities	(23,829)	(23,070)
Profit from ordinary activities after income tax	58,790	56,663
Retained profits at the beginning of the financial year	56,051	27,180
Adjustment arising from the adoption of revised Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'	-	20,823
Total available for appropriation	114,841	104,666
Dividends paid	(50,054)	(48,615)
Retained profits at the end of the financial year	64,787	56,051

Notes to the Financial Statements

As at 30 June 2004

28. DEED OF CROSS GUARANTEE (continued)

Consolidated Statements of Financial Position

Current assets

Cash assets
Receivables
Inventories
Other

2004 \$'000	2003 \$'000
117,044	77,086
60,777	75,786
87,243	109,074
1,452	2,719

Total current assets

266,516	264,665
----------------	----------------

Non-current assets

Receivables
Investments
Property, plant and equipment
Inter-company
Brand names and other intellectual property
Goodwill
Deferred tax assets

4,288	4,367
16,280	16,280
123,624	135,462
52,110	47,720
331,685	331,685
875	1,775
24,780	20,919

Total non-current assets

553,642	558,208
----------------	----------------

Total assets

820,158	822,873
----------------	----------------

Current liabilities

Payables
Current tax liabilities
Provisions

53,630	64,283
8,774	14,321
30,289	31,225

Total current liabilities

92,693	109,829
---------------	----------------

Non-current liabilities

Interest bearing liabilities
Deferred tax liability
Provisions
Inter-company

297,803	296,183
665	1,028
18,671	15,230
-	-

Total non-current liabilities

317,139	312,441
----------------	----------------

Total liabilities

409,832	422,270
----------------	----------------

Net assets

410,326	400,603
----------------	----------------

Equity

Contributed equity
Reserves
Retained profits

346,853	345,493
(1,314)	(941)
64,787	56,051

Total equity

410,326	400,603
----------------	----------------

Notes to the Financial Statements

As at 30 June 2004

29. SEGMENT REPORTING

(a) Primary Reporting – Business Segments

	Building Fixtures and Fittings	Commercial Furniture	Unallocated	Intersegment Eliminations	Total Consolidated
	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000
Revenue					
External sales	552,504	68,148	47,274	-	667,926
Intersegment sales	31	2,065	-	(2,096)	-
Total sales revenue	552,535	70,213	47,274	(2,096)	667,926
Other revenue	3,796	1,296	4,375	-	9,467
Total segment revenue	556,331	71,509	51,649	(2,096)	677,393
Segment result	102,176	6,832	(20,607)	-	88,401
Income tax expense					(26,348)
Net profit					62,053
Total assets	596,224	57,011	190,986	-	844,221
Total liabilities	79,358	7,536	329,150	-	416,044
Other segment information:					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	16,641	2,615	1,324	-	20,580
Depreciation and amortisation expenses	25,504	3,505	1,540	-	30,549
Non-cash expenses other than depreciation and amortisation	-	-	-	-	-

	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000
Revenue					
External sales	546,614	70,146	42,829	-	659,589
Intersegment sales	-	2,255	-	(2,255)	-
Total sales revenue	546,614	72,401	42,829	(2,255)	659,589
Other revenue	3,102	1,026	2,808	-	6,936
Total segment revenue	549,716	73,427	45,637	(2,255)	666,525
Segment result	95,801	6,246	(23,471)	-	78,576
Income tax expense					(23,569)
Net profit					55,007
Total assets	645,877	56,927	140,811	-	843,615
Total liabilities	90,037	7,113	332,678	-	429,828
Other segment information:					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	19,454	3,942	996	-	24,392
Depreciation and amortisation expense	22,962	3,344	1,728	-	28,034
Non-cash expenses other than depreciation and amortisation	-	-	-	-	-

Notes to the Financial Statements

As at 30 June 2004

29. SEGMENT REPORTING (continued)

(a) Primary Reporting – Business Segments (continued)

Notes to and forming part of Segment Reporting:

(i) The above industry segments derive revenue from sales of the following products:

Building fixtures and fittings

- Sanitary ware
- Building hardware products
- Baths, shower screens and spas
- Household accessories, sinks and tap ware
- Hot water products

Commercial furniture

- Education products
- Hospitality products
- Stadia seating

Unallocated

- Domestic and ride-on mowers
- Corporate administration and treasury

(ii) Intersegment pricing is on an arms' length basis

(b) Secondary Reporting - Geographical Segments

Segment revenue from sales to external customers

Other revenue

Segment assets

Acquisition of property plant and equipment, intangibles and other non-current segment assets

Australia	Unallocated	Total Consolidated
2004 \$'000	2004 \$'000	2004 \$'000
578,546	89,380	667,926
8,882	585	9,467
786,261	57,960	844,221
19,490	1,090	20,580

Segment revenue from sales to external customers

Other revenue

Segment assets

Acquisition of property plant and equipment, intangibles and other non-current segment assets

2003 \$'000	2003 \$'000	2003 \$'000
568,560	91,029	659,589
5,339	1,597	6,936
782,157	61,458	843,615
23,017	1,375	24,392

Notes to the Financial Statements

As at 30 June 2004

30. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

Profit from ordinary activities after income tax	62,053	55,007	51,714	28,907
Depreciation and amortisation	30,549	28,034	-	-
Net loss/(profit) on sale of non-current assets	1,265	1,059	-	-
Net exchange differences	213	177	-	-
Provisions	1,681	5,883	-	-
Decrease/(increase) in assets				
Decrease/(increase) in inventories	21,258	(3,330)	-	-
Decrease/(increase) in trade debtors	18,617	(3,284)	-	-
Decrease/(increase) in future income tax benefit	(3,153)	(5,314)	(24,780)	-
Decrease/(increase) in other assets	56	2,233	15,934	-
Increase/(decrease) in liabilities				
Increase/(decrease) in accounts payable and bills payable	(9,845)	8,616	-	-
Increase/(decrease) in provision for income tax payable	(7,679)	2,679	8,399	(18)
Increase/(decrease) in provision for deferred tax	(362)	(353)	665	-
Net cash flow from operating activities	114,653	91,407	51,932	28,889

Consolidated		Chief Entity	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
62,053	55,007	51,714	28,907
30,549	28,034	-	-
1,265	1,059	-	-
213	177	-	-
1,681	5,883	-	-
21,258	(3,330)	-	-
18,617	(3,284)	-	-
(3,153)	(5,314)	(24,780)	-
56	2,233	15,934	-
(9,845)	8,616	-	-
(7,679)	2,679	8,399	(18)
(362)	(353)	665	-
114,653	91,407	51,932	28,889

31. EARNINGS PER SHARE

Basic earnings per share	22.3c	19.8c
Profit used to determine earnings per share	62,053,000	55,007,000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	278,023,543	277,778,009

The company has only ordinary shares on issue and there is no other class of securities that could dilute earnings per share.

2004	2003
22.3c	19.8c
62,053,000	55,007,000
278,023,543	277,778,009

32. EVENTS OCCURRING AFTER BALANCE DATE

On 31st August 2004, the directors of GWA International Limited declared a final dividend on ordinary shares in respect of the 2004 financial year. The total amount of the dividend is \$29,221,814, which represents a fully franked ordinary dividend of 8.0 cents per share and a fully franked special dividend of 2.5 cents per share. The dividend has not been provided for in the 30 June 2004 financial statements.

To the best of our knowledge, since balance date, no other matters have arisen which will, or may, significantly affect the operation or results of the economic entity in later years.

Notes to the Financial Statements

As at 30 June 2004

33. FINANCIAL INSTRUMENTS

(a) Terms, Conditions and Accounting Policies

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
<i>(i) Financial assets</i>			
Receivables - trade	7	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are predominantly on 30 day terms.
Short-term deposits	6	Short-term deposits are stated at face value. Interest is recognised in the profit and loss when earned.	Short-term deposits have an average maturities from 24 hours to 60 days and effective interest rates of 4.2% to 5.4% (2003: 4.2% to 4.7%).
<i>(ii) Financial liabilities</i>			
Bank overdrafts	15	The bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.	Interest is charged at the bank's benchmark rate plus a margin. No security has been given for bank overdrafts.
Bank loans	17	The bank loans are carried at the principal amount. Interest is recognised as an expense as it accrues.	The bank loans have a maximum 3-year rolling maturity. Interest is charged at the market rate plus a margin. No security has been given for bank loans.
Trade creditors and accruals	14	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade liabilities are normally settled on 30 day terms.
Dividends payable	5	Dividends payable are recognised when declared by the company.	In accordance with Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' no dividend has been recognised at 30 June 2004 (2003: nil cents per ordinary share). The extent to which the dividends are franked, details of the franking account balance at the balance date and franking credits available for the subsequent financial year are disclosed in Note 5.
<i>(iii) Equity</i>			
Ordinary shares	19	Ordinary share capital is recognised at the fair value of the consideration received by the company.	

Notes to the Financial Statements

As at 30 June 2004

33. FINANCIAL INSTRUMENTS (continued)

(a) Terms, Conditions and Accounting Policies (continued)

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions				
<i>(iv) Derivatives</i>							
Forward exchange contracts		The economic entity enters into forward exchange contracts where it agrees to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect the company against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 12 months. Exchange gains or losses on forward exchange contracts are recognised to the profit and loss except those relating to hedges of specified commitments which are deferred and included in the measurement of the sale or purchase.	At balance date the company had entered into the following forward exchange contracts relating to specified commitments and agreed to:				
			Buy/Sell	Foreign Currency Amount	Effective Rate		
			2004				
			Buy CHF	CHF 0.04 million	0.8615		
			Buy USD	USD 3.30 million	0.6974		
			Sell NZD	NZD 11.60 million	1.1517		
			Sell USD	USD 1.20 million	0.6926		
			2003				
			Buy YEN	YEN 31 million	77.0		
			Buy CHF	CHF 0.04 million	0.795		
Buy EURO	EURO 0.50 million	0.5568					
Buy USD	USD 4.03 million	0.6143					
Sell NZD	NZD 13.70 million	1.091					
Sell EURO	EURO 0.03 million	0.577					
Sell USD	USD 1.99 million	0.6167					
Interest rate swaps		GWA International Limited enters into interest rate swap agreements that are used to convert the variable interest rate of its short-term borrowing to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates. It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.	At balance date, the company had the following interest rate swap agreements:				
			Swap Term Remaining	Notional Amount	Effective Rate		
			2004				
			Oct 04	A\$100 million	5.13%		
			Mar 05#	A\$ 50 million	5.04%		
			May 06*	A\$ 50 million	4.63%		
			2003				
			Aug 03	A\$ 50 million	5.31%		
			Oct 04	A\$100 million	5.13%		
			Mar 05#	A\$ 50 million	5.04%		
May 06*	A\$ 50 million	4.63%					
			# Bank has an option for a further 18 months				
			* Bank has an option for a further 12 months				

Notes to the Financial Statements

As at 30 June 2004

33. FINANCIAL INSTRUMENTS (continued)

(b) Interest Rate Risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating Interest Rate	Fixed Financial Instruments Maturing in			Non-Interest Bearing	Total Carrying Amount as Per Statement of Financial Position	Weighted Average Effective Interest rate
		1 Year or Less	Over 1-5 Years	More than 5 Years			
	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000	2004 %
Financial assets							
Cash and deposits at call	138,352	-	-	-	-	138,352	5.12
Trade receivables	-	-	-	-	65,848	65,848	N/A
Total financial assets	138,352	-	-	-	65,848	204,200	N/A
Financial liabilities							
Bank loans	297,803	-	-	-	-	297,803	5.45
Trade creditors	-	-	-	-	51,118	51,118	N/A
Interest rate swaps	-	100,000	100,000	-	-	-	5.00
Forward exchange contracts	-	16,997	-	-	478	478	N/A
Total financial liabilities	297,803	116,997	100,000	-	51,596	349,399	N/A

Financial Instruments	Floating Interest Rate	Fixed Financial Instruments Maturing in			Non-Interest Bearing	Total Carrying Amount as Per Statement of Financial Position	Weighted Average Effective Interest Rate
		1 Year or Less	Over 1-5 Years	More than 5 Years			
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000	2003 %
Financial assets							
Cash and deposits at call	88,505	-	-	-	-	88,505	4.68
Trade receivables	-	-	-	-	84,646	84,646	N/A
Total financial assets	88,505	-	-	-	84,646	173,151	N/A
Financial liabilities							
Bank loans	296,183	-	-	-	-	296,183	5.02
Trade creditors	-	-	-	-	62,509	62,509	N/A
Interest rate swaps	-	50,000	200,000	-	-	-	5.14
Forward exchange contracts	-	22,421	-	-	-	-	N/A
Total financial liabilities	296,183	72,421	200,000	-	62,509	358,692	N/A

Notes to the Financial Statements

As at 30 June 2004

33. FINANCIAL INSTRUMENTS (continued)

(c) Net Fair Values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows:

	Total Carrying Amount as Per the Statement of Financial Position		Aggregate Net Fair Value (i)	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assets				
Cash and deposits at call	138,352	88,505	138,352	88,505
Receivables - Trade	65,848	84,646	65,848	84,646
Total financial assets	204,200	173,151	204,200	173,151
Financial liabilities				
Bank loans	297,803	296,183	297,803	296,183
Trade creditors	51,118	62,509	51,118	62,509
Interest rate swaps - (Gain)/loss	-	-	(677)	703
Forward exchange contracts - (Gain)/loss	478	-	454	(429)
Total financial liabilities	349,399	358,692	348,698	358,966

(i) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised financial instruments

Cash and deposits at call: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and creditors: The carrying amount approximates fair value.

Long-term borrowings: The carrying amount of long-term borrowings approximates fair value because their incremental borrowing rates were rolled over no later than 30 August 2004. The current rate would be the same as the current incremental rate applicable to the borrowings.

Forward exchange contracts: The carrying amount of forward exchange contracts is determined as the recognised gain or loss at balance date calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Unrecognised financial instruments

Interest rate swap agreements: The fair values of interest rate swap contracts are determined as the difference in present value of the future interest cash flows.

Notes to the Financial Statements

As at 30 June 2004

33. FINANCIAL INSTRUMENTS (continued)

(d) Credit Risk Exposures

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the Statement of Financial Position.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The economic entity's maximum credit risk exposure in relation to these is as follows:

- (i) forward exchange contracts - the full amount of the foreign currency it will be required to pay or purchase when settling the forward exchange contract, should the counterparty not pay the currency it is committed to deliver to the company. At balance date the net loss amount was \$454,000 (2003 net gain: \$429,000);
- (ii) interest rate swap contract - which is limited to the net fair value of the swap agreement at balance date, being a net gain of \$677,000 (2003 net loss: \$703,000).

Concentrations of credit risk

The entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers within the specified industries. However, the majority of customers are concentrated in Australia. Refer also to Note 29 – Segment Reporting.

Concentrations of credit risk on trade receivables arise in the following industries:

Industry

Buildings, fixtures and fittings
Commercial furniture
Unallocated

Total

Consolidated			
Percentage of Total Trade Debtors (%)		\$'000	
2004	2003	2004	2003
78	80	51,147	58,526
15	11	9,900	7,951
7	9	4,801	6,631
100	100	65,848	73,108

Credit risk in trade receivables is managed in the following ways:

- payment terms are predominantly 30 days;
- a risk assessment process is used for customers over \$50,000; and
- credit insurance is obtained for major customers.

*The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

(e) Hedging Instruments

(i) Interest rate swaps

GWA International Limited has entered into interest rate swap contracts to hedge against fluctuations in interest rates on its borrowing facilities.

(ii) Forward exchange contracts

GWA International Limited has entered into forward exchange contracts to hedge against fluctuations in foreign currencies on purchases and sale of goods.

Notes to the Financial Statements

As at 30 June 2004

34. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

For reporting periods beginning on or after 1 January 2005, GWA International Limited must comply with International Financial Reporting Standards (IFRS) as issued by the AASB. The first Financial Report to be completed under IFRS will be for the year ended 30 June 2006.

GWA International Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of IFRS. The company has allocated internal resources and engaged expert consultants to conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As GWA International Limited has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when GWA International Limited prepare its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of GWA International Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

Under AASB 139 'Financial Instruments: Recognition and Measurement', financial instruments will be required to be recognised in the statement of Financial Position. The financial instruments must also be classified into one of five categories. The financial instruments are to be carried at either fair value or amortised cost depending on their classification. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Hedge Accounting

Under AASB 139 'Financial Instruments: Recognition and Measurement' in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identified the type of hedge – fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

The entity's foreign exchange contracts relating to the purchase of components and finished goods for resale are hedges and are expected to be qualifying hedges under these criteria.

Business Combinations

Under AASB 3 'Business Combinations' goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy, which amortises goodwill over its useful life of 10 years. However, the goodwill acquired on the acquisition of Gainsborough will be fully amortised in the 2004/05 year. Under the new policy, amortisation will no longer be charged on future goodwill, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of Assets

Under AASB 136 'Impairment of Assets' the recoverable amount of an asset is determined on a discounted basis with strict tests for determining whether goodwill and cash generating operations have been impaired. On adoption of IFRS, the current balance of goodwill will have been fully amortised in the consolidated accounts. As at 30 June 2004, the economic entity has \$357 million of other intangibles held in the balance sheet at cost. Under AASB 136, these assets will be tested for impairment annually and any impairment loss will be recognised immediately in the statement of financial performance. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Income taxes

Under AASB 112 'Income Taxes', the company will be required to use a "balance sheet" approach, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or the tax-based balance sheet. A material difference between the Statement of Financial Position and the tax balance sheet will be amortised goodwill, which will be treated as a temporary difference under the new standard. At this stage no other material impact of this standard has been identified.

Directors' Declaration

In accordance with a resolution of the directors of GWA International Limited, we state that:

1. In the opinion of the directors:
 - (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
 - (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.
2. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



B Thornton

Director



P C Crowley

Director

Brisbane 31 August 2004

Independent Audit Report

To the members of GWA International Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for GWA International Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

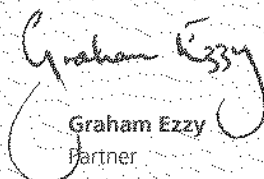
In our opinion, the financial report of GWA International Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of GWA International Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.


Ernst & Young

Sydney

Date: 31 August 2004


Graham Ezzy
Partner

Other Statutory Information

As at 18 August 2004

Statement of shareholding

In accordance with the Australian Stock Exchange Listing Rules, the directors state that, as at 18 August 2004, the share capital in the company was held as follows:

Range	Ordinary Shareholders	Ordinary Shares	%
1 – 1,000	1,702	1,166,052	0.4
1,001 – 5,000	7,387	22,665,112	8.1
5,001 – 10,000	3,511	26,381,643	9.5
10,001 – 100,000	1,999	41,389,066	14.9
100,001 and over	123	186,701,122	67.1
Total	14,722	278,302,995	100.0

The number of shareholders with less than a marketable parcel of shares is 165.

Voting rights

The voting rights attached to shares are as set out in clause 10.20 of the company's Constitution. Subject to that clause, at General Meetings of the company:

1. On a show of hands, every person present as a member, proxy, attorney or representative of a member has one vote; and
2. On a poll, every person present as a member, proxy, attorney or representative of a member, has one vote for each fully paid share.

Substantial shareholders

The following information is extracted from the company's register of substantial shareholders as at 18 August 2004:

Shareholder	Number of Shares	% of Shares on Issue
Perpetual Trustees Australia Limited	20,079,607	7.22

20 largest shareholders as at 18 August 2004

Shareholder	Number of Fully Paid Ordinary Shares	% Fully Paid Ordinary Shares on Issue
HGT Investments Pty Ltd	13,848,152	4.98
National Nominees Limited	10,599,121	3.81
Erand Pty Ltd	9,898,229	3.56
RBC Global Services Australia Nominees Pty Limited (PIPOOLED A/C)	9,893,815	3.56
KFA Investments Pty Ltd	9,863,817	3.54
CJZ Investments Pty Ltd	9,700,651	3.49
JP Morgan Nominees Australia Limited	9,581,046	3.44
JMB Investments Pty Ltd	8,254,585	2.97
Ashberg Pty Ltd	8,198,000	2.95
Theme (No. 3) Pty Ltd	7,139,080	2.57
Australian Foundation Investment Company Limited	6,612,136	2.38
RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	5,729,727	2.06
ITA Investments Pty Ltd	5,152,338	1.85
Stanley Gordon Sharp and Evelyn Vacy Sharp	4,498,533	1.62
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund A/C)	3,648,053	1.31
Westpac Custodian Nominees Limited	3,353,880	1.21
RBC Global Services Australia Nominees Pty Limited (PIIC A/C)	3,238,913	1.16
Dabary Investments Pty Ltd	3,126,061	1.12
Michael John McFadyen (Michael McFadyen A/C)	3,078,600	1.11
William Edward Duncan and Rodney John Turner	2,663,656	0.96
Total	138,078,393	49.65

Shareholder Information

Annual General Meeting

The Annual General Meeting of GWA International Limited will be held in The Grand Ballroom, Stamford Plaza Brisbane, cnr Edward and Margaret Streets Brisbane on Thursday 28 October 2004 commencing at 10:30 am. A Notice of Annual General Meeting and Proxy Form are enclosed with this report.

Shareholder enquiries

Shareholders with enquiries about their shareholding or dividend payments should contact the company's share registry, Computershare Investor Services Pty Ltd, on 1300 552270 or write to GPO Box 523 Brisbane Queensland Australia 4001.

Dividends

Dividends are determined by the Board, having regard to the financial circumstances of the company.

The final ordinary dividend of 8.0 cents per share, and the special dividend of 2.5 cents per share will be paid on 1 October 2004. The dividends will be 100% franked for Australian tax purposes at the corporate tax rate of 30%.

Direct credit of dividends

Dividends may be paid directly to a bank, building society or credit union account in Australia. Payments are electronically credited on the dividend payment date and confirmed by mail payment advice.

We encourage shareholders to avail themselves of this service. Direct credit application forms can be obtained from the company's share registry.

Tax file number information

The company is obliged to record tax file number or exemption details provided by shareholders.

Change of address

Shareholders who have changed their address should immediately notify the company's share registry in writing.

Consolidation of shareholdings

Shareholders who wish to consolidate their separate shareholdings into one holding should notify the company's share registry in writing.

Dividend Reinvestment Plan and Share Purchase Plan

Both Plans were suspended on 8 February 2000. Past support from shareholders has provided sufficient funds to meet the growth needs of the company. Directors keep this position under review.

Stock Exchange listing

The company's shares are listed on the Australian Stock Exchange under the ASX code: GWT.

Shareholder Timetable 2004

30 June	Financial year end
31 August	Year end result and final dividend announcement
17 September	Record date for determining final dividend entitlement
24 September	Notice of Annual General Meeting, Proxy Form and Annual Report mailed to shareholders
1 October	Final ordinary dividend and special dividend paid
26 October	Proxy returns close 10:30 am Brisbane
28 October	Annual General Meeting
31 December	Half year end

Shareholder Timetable 2005

1 February	Half year result and interim dividend announcement
30 June	Financial year end
27 October	Annual General Meeting
31 December	Half year end

Corporate Directory

→ HEAD OFFICE LOCATIONS

→ Directors

B Thornton, Chairman
J J Kennedy, Deputy Chairman
P C Crowley, Managing Director
D R Barry, Non-Executive Director
R M Anderson, Non-Executive Director
M D E Kriewaldt, Non-Executive Director
G J McGrath, Non-Executive Director

Company Secretary

R J Thornton, CA B Com (Acc) LLB LLM

Chief Financial Officer

E J Harrison, CPA B Bus (Acc)

→ Registered Office

Level 14 10 Market Street
Brisbane QLD 4000 AUSTRALIA
Telephone: 61 7 3109 6000
Facsimile: 61 7 3236 0522
www.gwail.com.au
ASX code: GWT

→ Auditor

Ernst & Young
Waterfront Place
1 Eagle Street
Brisbane QLD 4000 AUSTRALIA
Telephone: 61 7 3011 3333
Facsimile: 61 7 3011 3334

→ Share Registry

Computershare Investor Services Pty Ltd
Central Plaza One
Level 27 345 Queen Street
Brisbane QLD 4000 AUSTRALIA
GPO Box 523
Brisbane QLD 4001 AUSTRALIA
Telephone: 1300 552 270
Facsimile: 61 7 3229 9860
www.computershare.com

→ Group Bankers

BNP Paribas
Citibank
Commonwealth Bank of Australia
National Australia Bank

GWA INTERNATIONAL LIMITED

Level 14
10 Market Street
Brisbane QLD 4000
AUSTRALIA
Telephone 61 7 3109 6000
Facsimile 61 7 3236 0522
Website www.gwail.com.au

CAROMA INDUSTRIES LIMITED

Level 3, 159 Coronation Drive
Milton QLD 4064
AUSTRALIA
Telephone 61 7 3109 6000
Facsimile 61 7 3217 5277
Websites www.caroma.com.au
www.fowler.com.au
www.starion-industries.com
www.wisa-sanitair.com
www.stylus.com.au

DORF CLARK INDUSTRIES LIMITED

194 Milperra Road
Revesby NSW 2212
AUSTRALIA
Telephone 61 2 9792 0100
Facsimile 61 2 9773 3101
Website www.dorf-clark.com.au

DUX MANUFACTURING LIMITED

Collins Road
Moss Vale NSW 2577
AUSTRALIA
Telephone 61 2 4868 3177
Facsimile 61 2 4868 2014
Website www.dux.com.au

GAINSBOROUGH HARDWARE INDUSTRIES LIMITED

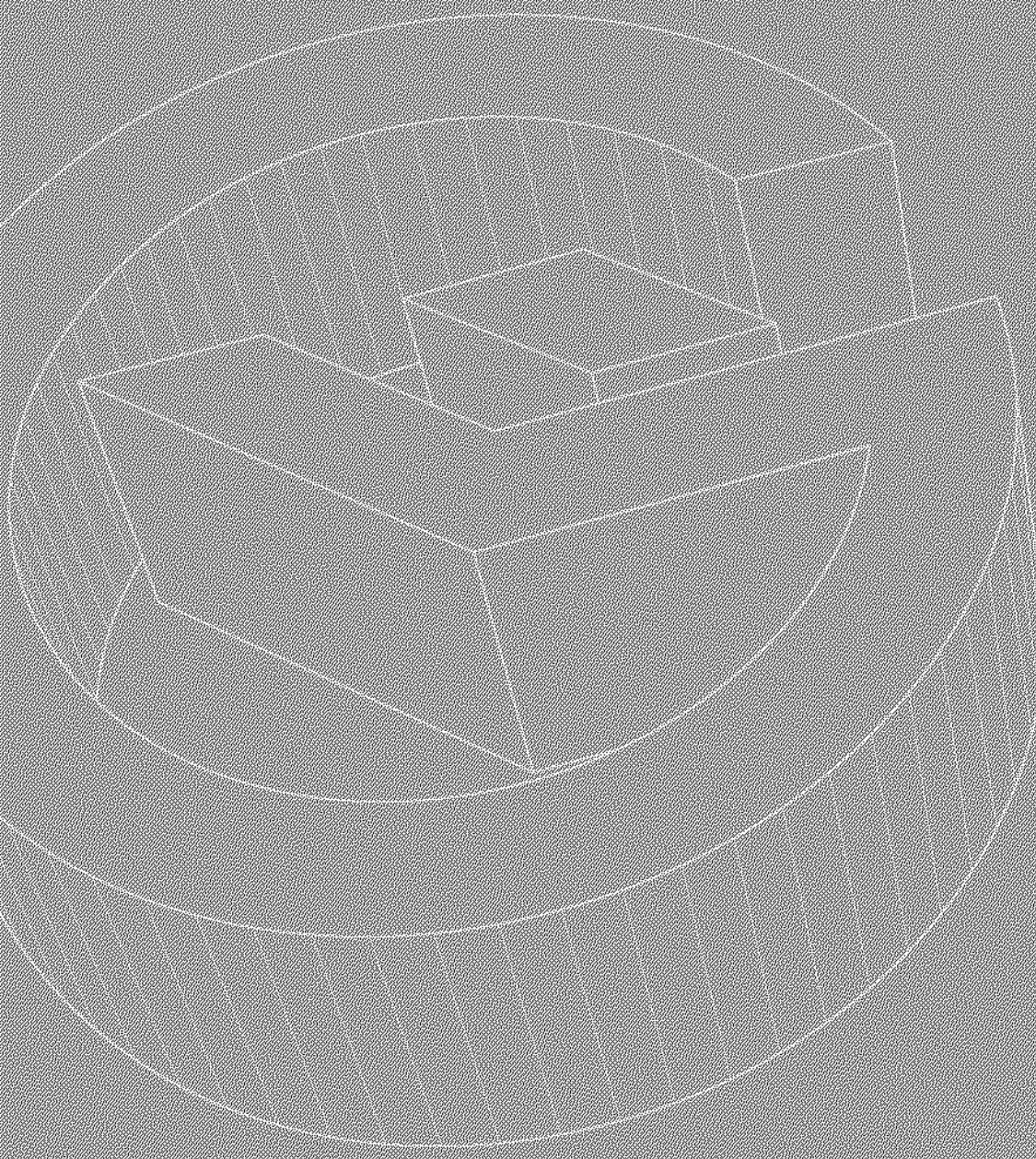
190 Whitehorse Road
Blackburn VIC 3130
AUSTRALIA
Telephone 61 3 9877 1555
Facsimile 61 3 9894 1599
Website www.gainsboroughhardware.com.au

ROVER MOWERS LIMITED

155 Fison Avenue West
Eagle Farm QLD 4009
AUSTRALIA
Telephone 61 7 3213 0222
Facsimile 61 7 3868 1010
Website www.rovermowers.com.au

SEBEL FURNITURE LIMITED

96 Canterbury Road
Bankstown NSW 2200
AUSTRALIA
Telephone 61 2 9780 2222
Facsimile 61 2 9793 3152
Website www.sebelfurniture.com.au



GWA INTERNATIONAL LIMITED

ABN 15 055 954 300

Level 14, 10 Market Street, Brisbane, Queensland 4000, AUSTRALIA

Telephone: 61 7 3009 5000. Facsimile: 61 7 3236 0522

Website: www.gwail.com.au



Notice of Annual General Meeting 2003/04

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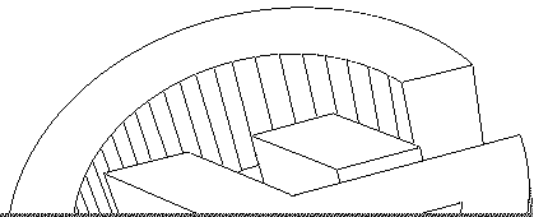
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NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of GWA International Limited ABN 15 055 964 380 will be held in The Grand Ballroom, Stamford Plaza Brisbane, Cnr Edward and Margaret Streets Brisbane on Thursday 28 October 2004 commencing at 10.30 am.

ORDINARY BUSINESS

Accounts

To receive and consider the company's financial statements for the financial year ended 30 June 2004 together with the statement and report by the directors and the report by the auditor in relation thereto.

Election of Directors

To consider and if thought fit to pass the following resolutions as ordinary resolutions:

1. That Mr Barry Thornton, who retires as a director of the company in accordance with clause 11.3 of the company's Constitution, be re-elected as a director of the company.
2. That Mr Robert M Anderson, who retires as a director of the company in accordance with clause 11.3 of the company's Constitution, be re-elected as a director of the company.

Re-Election of Mr Geoffrey J McGrath as Director

To consider and if thought fit to pass the following resolution as an ordinary resolution:

3. That Mr Geoffrey J McGrath, who retires as a director of the company in accordance with clause 11.12 of the company's Constitution, be re-elected as a director of the company.

Appointment of KPMG as Auditor

To consider and if thought fit to pass the following resolution as an ordinary resolution:

4. That KPMG, having been duly nominated by a member of the company and having consented in writing to act, be appointed as the registered auditor of the company and its controlled entities for the financial year beginning 1 July 2004.

SPECIAL BUSINESS

Payment of Accrued Benefits to Directors under Former Directors' Retirement Scheme

To consider and if thought fit to pass the following resolution as an ordinary resolution:

5. That approval be and is hereby given for the payment of accrued benefits to the non-executive directors of the company under the former Directors' Retirement Scheme, such payment to be made as and when each director requests that payment be made to him.

Note: The company will disregard any votes cast on this resolution by all non-executive directors and any of their associates. However, the company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Change in Upper Limit of Directors' Remuneration

To consider and if thought fit to pass the following resolution as an ordinary resolution:

6. That the remuneration payable to the non-executive directors of the company be increased from an aggregate maximum amount of \$750,000 to \$1,000,000.

Note: Pursuant to ASX Listing Rules 10.17 and 14.11, the company will disregard any votes cast on this resolution by all non-executive directors and any of their associates. However, the company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Memorandum

Accompanying this notice is an explanatory memorandum that provides shareholders with background information and further details on the resolutions to be considered at the meeting. The information provided is intended to assist shareholders in understanding the reasons for and the effect of the resolutions, if passed. Information is also presented in accordance with the requirements of the Corporations Act and the Listing Rules.

Terms defined in the explanatory memorandum and used in this notice bear the same meaning as in the explanatory memorandum.

Voting Entitlements

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 10:30 am on Tuesday 26 October 2004.

Proxies

A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies. A proxy need not be a member of the company. If two proxies are appointed, the appointment may specify the proportion or number of votes that the proxy may exercise. Otherwise, each proxy may exercise half the votes.

To be valid, the proxy (together with the original or a certified copy of any power of attorney under which the proxy is signed) must be received at:

- The company's share registry – Computershare Investor Services Pty Ltd, Level 27, Central Plaza One, 345 Queen Street Brisbane Qld 4000 Facsimile (07) 3229 9860; or
- The registered office of the company – GWA International Limited, Level 14, 10 Market Street Brisbane Qld 4000 by 10:30 am on Tuesday 26 October 2004, being not less than 48 hours before the time for holding the meeting.

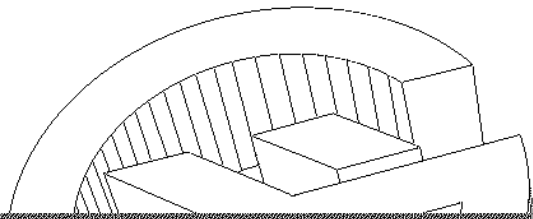
A proxy form accompanies this notice of meeting.

By Order of the Board



R Thornton
Company Secretary

24 September 2004



NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

In this explanatory memorandum, the following terms have the following meanings:

"company" means GWA International Limited
ABN 15 055 964 380

"director" means a director of the company

"Constitution" means the Constitution of the company

"Corporations Act" means the Corporations Act 2001 (C'th)

"Corporations Regulations" means the regulations made under the Corporations Act

"Listing Rules" means the Listing Rules of the Australian Stock Exchange Limited

Resolutions 1 – 6 (inclusive) are all ordinary resolutions and will require the support of at least 50% of the votes cast at the meeting in order that they be passed.

Resolutions 1 and 2 – Election of Directors

Mr Barry Thornton retires by rotation, is eligible for re-election and offers himself for re-election as a director.

Mr Robert M Anderson retires by rotation, is eligible for re-election and offers himself for re-election as a director.

Profiles of Messrs Thornton and Anderson are contained on page 12 of the company's 2004 Annual Report.

The Board (with Messrs Thornton and Anderson abstaining) recommends that you support the resolutions re-electing Messrs Thornton and Anderson as directors of the company.

Resolution 3 – Re-Election of Mr Geoffrey J McGrath as Director

In accordance with clause 11.12 of the company's Constitution, the Board appointed Mr McGrath as a non-executive director on 6 July 2004. Under the Constitution, Mr McGrath holds office until the Annual General Meeting, when he must retire and is then eligible for re-election at that Annual General Meeting.

Mr McGrath offers himself for re-election as a director.

Mr McGrath was the former Managing Director of the company until his retirement on 6 May 2003, after 43 years' service in various capacities with the company's businesses, the last 10 as Managing Director of the company.

In the directors' view, the decision to appoint Mr McGrath as a director is in the best interests of the company's shareholders. Mr McGrath is well-known to shareholders, and the company prospered under Mr McGrath's stewardship. Mr McGrath brings extensive skills and experience to the Board, and his detailed knowledge of the company's businesses will ensure the company's shareholders will be well served by Mr McGrath's appointment.

Mr McGrath is also Chairman of Campbell Brothers Limited and a non-executive director of Fletcher Building Limited.

The profile of Mr McGrath is contained on page 12 of the company's 2004 Annual Report.

The Board (with Mr McGrath abstaining) recommends that you support the resolution re-electing Mr McGrath as a director.

Resolution 4 – Appointment of KPMG as Auditor

Ernst & Young has been the company's external auditor since the 1995 financial year. Due to the considerable change in the regulatory environment and in the company's operations over the period since 1995, the Chairman announced at the Annual General Meeting on 30 October 2003 that the external audit of the company would be put to tender.

Following a comprehensive tender process, KPMG were selected as the external auditor of the company and its controlled entities for the financial year beginning 1 July 2004, subject to shareholder approval of the appointment at the Annual General Meeting.

The Board supports the appointment of KPMG as external auditor for the financial year beginning 1 July 2004. KPMG has consented in writing to the appointment as the company's external auditor for the financial year beginning 1 July 2004. A member of the company, Mr Eric John Harrison, has given the company written notice of the nomination of KPMG for appointment as external auditor. A copy of the written notice of nomination is attached to this Notice of Annual General Meeting.

Resolution 5 – Payment of Accrued Benefits to Directors under Former Directors' Retirement Scheme

At the Annual General Meeting on 30 October 2003, shareholders approved the termination of the Directors' Retirement Scheme for non-executive directors. This means that retirement benefits will not be available for any new non-executive directors of the company, other than statutory superannuation. This is in accordance with Recommendation 9.3 of the best practice recommendations of the ASX Corporate Governance Council.

As the Directors' Retirement Scheme has been terminated, the Board resolved to put to shareholders at the Annual General Meeting that the accrued benefits under the former Scheme be paid out to the directors, when each director requests the payment to be made.

At 30 June 2004, the following are the amounts accrued to the directors under the former Scheme:

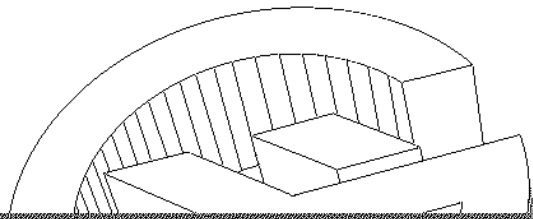
Director	\$
Mr Barry Thornton, <i>Chairman</i>	472,500
Mr Jim Kennedy, <i>Deputy Chairman</i>	236,250
Mr David Barry, <i>Non-Executive Director</i>	159,450
Mr Robert Anderson, <i>Non-Executive Director</i>	157,500
Mr Martin Kriewaldt, <i>Non-Executive Director</i>	189,000
Total	1,214,700

Resolution 6 – Change in Upper Limit of Directors' Remuneration

Clause 11.15 of the company's Constitution sets the upper limit of non-executive directors' remuneration. Currently, as approved by shareholders at the Annual General Meeting on 23 October 1998, the aggregate maximum amount of remuneration that may be paid to the directors is \$750,000 per annum (excluding statutory superannuation), unless otherwise determined from time to time by the company in a general meeting. It is proposed to increase this amount by \$250,000 to an aggregate maximum amount of \$1,000,000 per annum (excluding statutory superannuation).

The Board has not sought an increase in directors' fees since 1998. The increased amount takes account of the current marketplace remuneration for the directors, and provides for an aggregate amount which will allow for the possible appointment of additional directors in future years in accordance with the succession plans of the Board, including the appointment of Mr Geoff McGrath to the Board. The increased amount takes account of the termination of the Directors' Retirement Scheme for non-executive directors on 30 October 2003.

Adoption of the increase in directors' fees does not mean that the full amount will be paid to the directors. For details of the amount of directors' fees paid for the year ended 30 June 2004, please refer to the Directors' Report contained in the 2004 Annual Report.



NOTICE OF ANNUAL GENERAL MEETING

24 September 2004

The Company Secretary

GWA International Limited

Level 14

10 Market Street

BRISBANE QLD 4000

Dear Sir

Notice of Nomination of Proposed Auditor

Pursuant to section 328(1) of the Corporations Act 2001, I, Eric John Harrison, being a member of GWA International Limited, hereby give you notice of the nomination of KPMG of 10 Shelley Street, Sydney, NSW as auditor of GWA International Limited and its controlled entities for the financial year beginning 1 July 2004.

Yours faithfully

Eric John Harrison



Proxy Form

GWA International Limited

ABN 15 055 964 380

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

All correspondence to:
Computershare Investor Services Pty Limited
GPO Box 523 Brisbane
Queensland 4001 Australia
Enquiries (within Australia) 1300 552 270
(outside Australia) 61 3 9415 4000
Facsimile 61 7 3229 9860
www.computershare.com

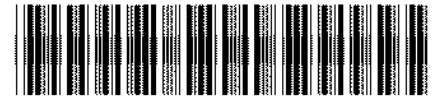


000001
GWT



MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



I 1234567890 I ND

Appointment of Proxy

I/We being a member/s of GWA International Limited and entitled to attend and vote hereby appoint



the Chairman
of the Meeting
(mark with an 'X')

OR



Write here the name of the person you are appointing if
this person is **someone other than** the Chairman of the
Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of GWA International Limited to be held at The Grand Ballroom, Stamford Plaza Brisbane, Corner of Edward and Margaret Streets, Brisbane on 28 October 2004 at 10.30am and at any adjournment of that meeting.

IMPORTANT: FOR ITEMS 5 AND 6 BELOW



If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Items 5 and 6 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 5 and 6 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

Voting directions to your proxy - please mark



to indicate your directions

		For	Against	Abstain*			For	Against	Abstain*
1	Re-election of Mr Barry Thornton as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5	Payment of Accrued Benefits to Directors'	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Re-election of Mr Robert M Anderson as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6	Change in Upper Limit of Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Re-election of Mr Geoffrey J McGrath as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Appointment of KPMG as Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointing a second Proxy

I/We wish to appoint a second proxy



Mark with an 'X' if you wish to appoint a second proxy.

AND



%

OR



State the percentage of your voting rights or the number of securities for this Proxy Form.

PLEASE SIGN HERE

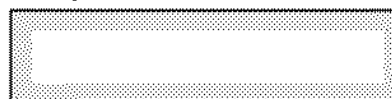
This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1



Individual/Sole Director and
Sole Company Secretary

Securityholder 2



Director

Securityholder 3



Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

/ /

GWT

7 P R



How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 10.30am on 28 October 2004. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

- IN PERSON Registered Office - Level 14, 10 Market Street, BRISBANE QLD 4000 AUSTRALIA
Share Registry - Computershare Investor Services Pty Limited, Level 27, Central Plaza One, 345 Queen Street, Brisbane QLD 4000 Australia
- BY MAIL Registered Office - Level 14, 10 Market Street, BRISBANE QLD 4000 AUSTRALIA
Share Registry - Computershare Investor Services Pty Limited, GPO Box 523, Brisbane QLD 4001 Australia
- BY FAX 61 7 3229 9860