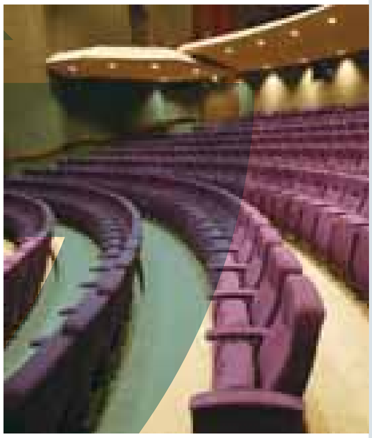
GWA INTERNATIONAL LIMITED
2004/05 ANNUAL REPORT



[BUILT ON STRONG BRANDS]

caroma® dorf CLARK dux™ HOT WATER Gainsborough®

FOWLER® Irwell Taps WISA® stylus ROVER MOWERS sebel form function balance

GWA INTERNATIONAL LIMITED ACN 15 055 964 380

BUILT ON STRONG BRANDS

2004/05 ANNUAL REPORT

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 2,400 employees with manufacturing facilities throughout Australia and in Europe.

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.

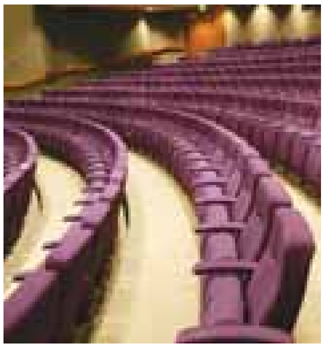
Dorf Clark is Australia's principal designer, manufacturer, importer and distributor of tapware and associated accessories, stainless steel sinks and laundry tubs for both domestic and commercial applications.

Dux is an Australian designer, manufacturer, importer and distributor of a range of hot water systems. The range includes mains pressure gas and electric storage, continuous flow gas, electric and gas boosted solar and heat pump 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 acquisitions.

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PERFORMANCE HIGHLIGHTS

- Record net operating profit after tax of $63.15 million
- Earnings per share of 22.7 cents
- Fully franked dividend of 22.5 cents (including 4.5 cents in special dividends)
- Return on shareholders' equity of 14.8%

Five Year Financial Summary	2000/01 $'000	2001/02 $'000	2002/03 $'000	2003/04 $'000	2004/05 $'000
Operating revenue	570,072	615,843	666,525	677,393	648,316
Earnings before depreciation, interest and tax	104,422	109,934	120,426	131,564	129,910
(%)	18.3	17.9	18.1	19.4	20.0
Depreciation and amortisation	26,924	28,812	28,034	30,549	27,371
Earnings before interest and tax	77,498	81,122	92,392	101,015	102,539
(%)	13.6	13.2	13.9	14.9	15.8
Interest (net)	14,590	14,477	13,816	12,614	10,997
Operating profit before tax	62,908	66,645	78,576	88,401	91,542
(%)	11.0	10.8	11.8	13.1	14.1
Tax expense	21,457	19,995	23,569	26,348	28,389
(%)	34.1	30.0	30.0	29.8	31.0
Operating profit after tax	41,451	46,650	55,007	62,053	63,153
Net cash flow provided from operating activities before debt cost and tax	78,719	116,807	128,200	162,104	130,157
Capital expenditure	24,550	32,976	24,392	20,579	21,487
Research and development	5,228	5,064	5,770	5,485	6,488
Net debt	237,759	229,435	207,678	159,451	161,706
Shareholders' equity	386,058	387,849	413,787	428,510	425,570

Other Ratios and Statistics		2000/01	2001/02	2002/03	2003/04	2004/05
Return on shareholders' equity	%	10.7	12.0	13.3	14.5	14.8
Interest cover	times	5.3	5.6	6.7	8.0	9.3
Net debt / equity	%	61.6	59.2	50.2	37.2	38.0
Earnings per share	cents	15.0	16.8	19.8	22.3	22.7
Ordinary dividend per share	cents	13.5	14.5	15.5	18.0	18.0
Special dividend per share	cents	2.5	2.5	2.5	2.5	4.5
Total dividend per share	cents	16.0	17.0	18.0	20.5	22.5
Franking	%	100	100	100	100	100
Ordinary dividend payout ratio	%	90.0	86.3	78.3	80.7	79.3
Share price (30 June)	$	2.35	2.35	2.70	2.95	2.92
Dividend yield	%	6.8	7.2	6.7	6.9	7.7
Number of employees		2,832	2,757	2,646	2,565	2,474

CHAIRMAN'S REVIEW

Barry Thornton
Chairman

I am pleased to report that the company has achieved a record profit after tax for the 2004/05 year of $63.15 million, surpassing the record performance of the prior year. This represents the fourth consecutive record profit for the company which is an excellent achievement. The performance for the year was achieved on sales revenue of $626.9 million. Earnings per share for the 2004/05 year was 22.7 cents per share, an increase of 1.8% over the prior year's 22.3 cents per share.

The record profit after tax for the 2004/05 year was particularly pleasing as it was achieved in a difficult trading environment for the company's businesses with a slowing domestic economy and significant increases in raw material costs.

I congratulate the company's management and staff on this outstanding financial performance, and their efforts in continuing to grow the profitability and value of the company's businesses during this challenging year.

One of the highlights of the 2004/05 year was the successful introduction of a number of innovative and environmentally friendly products to the market place. This includes Caroma Smartflush, which is a new range of reduced flush water efficient sanitaryware, Dorf's Water Efficient Tapware (W.E.T.) and Dux's heat pump and solar heating products. These products have enabled the company's businesses to satisfy relevant regulatory requirements, meet market opportunities, and at the same time assist in reducing greenhouse gas emissions and domestic water consumption.

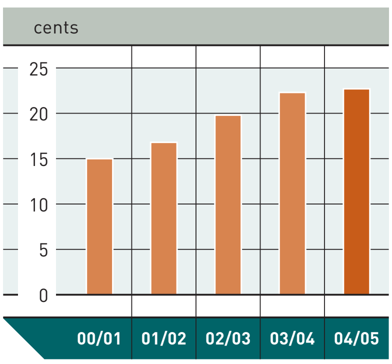
The Board is proud of the company's achievements in this area, and is committed to the on-going research, development and release of innovative and environmentally friendly products to the market place.

For more details on the company's environmental product initiatives during the 2004/05 year, I refer you to page 12 of the Annual Report.

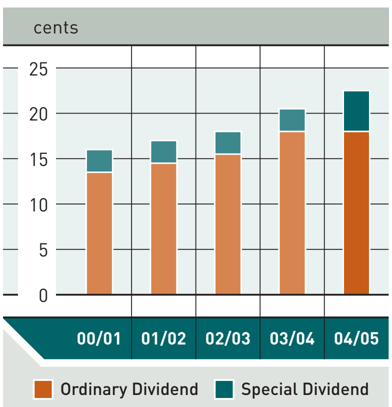
Dividends

The excellent trading performance and cash flow of the company's businesses has enabled the directors to increase total dividends paid to shareholders for the 2004/05 year, including the payment of special dividends as a means of distributing the company's surplus cash and franking credits. On 1 April 2005, the company paid a fully franked interim dividend of 12.5 cents per share, which included a special dividend of 2.5 cents per share.

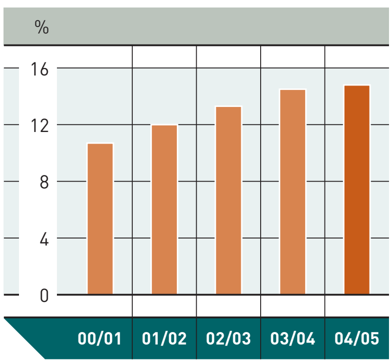
Earnings Per Share



Dividend Per Share



Return on Shareholders' Equity



"One of the highlights of the 2004/05 year was the successful introduction of innovative and environmentally friendly products to the market place."

The directors have decided to pay a further special dividend of 2.0 cents per share with the final ordinary dividend of 8.0 cents per share payable 3 October 2005. This brings the total dividend for the 2004/05 year to 22.5 cents per share fully franked, which represents a 9.8% increase on the prior year.

As stated previously, the Board's aim is to continue to increase ordinary dividends in line with growth in company profitability. The Board will give consideration to further special dividends and other capital management initiatives as a means of distributing surplus cash and franking credits to shareholders. 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 and Share Purchase Plans remain suspended as the company has sufficient funds at this time. However, the Board will consider the re-opening of these plans when a major acquisition is undertaken.

→ Corporate Governance

The company's corporate governance practices were implemented by the Board and have been integral to the success of the company since listing in 1993. The company continually strives to review and improve its corporate governance practices to ensure that best practice is maintained, and that integrity prevails in the organisation in every aspect of its operations.

The Board comprises long serving directors who have overseen the growth and development of the company since listing. Their experience and in-depth knowledge of the company's businesses has been critical to the success of the company, and will continue to be in future years.

The Board's succession plans recognise the importance of maintaining an efficient and effective Board with an appropriate balance of skills and experience, which is in the best interest of the company and its shareholders.

For details of the company's corporate governance practices, I refer you to the Corporate Governance Statement on page 15 of the Annual Report.

→ Executive Remuneration Policies

The Board has implemented an executive remuneration framework for the company which fairly and appropriately rewards performance, based on market remuneration levels as determined by expert remuneration consultants. This ensures that the company attracts, motivates and retains a high quality executive and senior management team which is critical to maximising the performance of the company's businesses.

The Board is committed to the development of key executive and senior management through the implementation during the year of a Talent Identification and Development Project in conjunction with Monash University. The objective of this project is to identify and develop key executive and senior management to meet their needs and expectations, and to meet the needs of the company's businesses. In the Board's view, this project is critical to the future success of the company.

A new requirement for the 2004/05 year is the preparation of a Remuneration Report which outlines the company's remuneration policies and disclosures for the directors and executives of the company. This report is included in the Directors' Report on page 24 of the Annual Report, and will be put to shareholders for adoption at the 2004/05 Annual General Meeting.

→ Strategic Direction

The record profit after tax for the 2004/05 year confirms that a solid platform has been laid for further growth in profitability in future periods. I am confident that there are growth opportunities for all the company's businesses, and that management can realise these opportunities in a challenging trading environment.

During the year, the company continued the search for appropriate domestic acquisitions. To date none of the opportunities presented have met the company's strict acquisition criteria. The Board will maintain this financial discipline, and will continue to evaluate acquisition opportunities on this basis.

The Board is committed to further appropriate domestic acquisitions, either to expand the company's existing businesses through bolt-on acquisitions, or entering into new markets through the acquisition of a new business division ideally with synergies with existing core businesses.

→ Future

The Board's objective is to maximise shareholder returns over time, and the company has a proven track record in this regard. The achievement of this objective is dependent upon the continued growth in performance and profitability of the company's businesses. This growth will be achieved through maximising the performance of the company's businesses and through the pursuit of appropriate domestic acquisitions, that meet the company's strict acquisition criteria and are consistent with the company's strategic plans.

B Thornton
Chairman

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Peter Crowley
Managing Director

The GWA International Limited Group is comprised of six business divisions operating in three business segments, Building Fixtures and Fittings, Commercial Furniture and Mowers. Each of these businesses has a strong market position, underpinned by innovation, product quality and service. The premium trading performance and growth of these businesses has enabled GWA International Limited to realise its primary objective of creating and sustaining shareholder wealth in the long term.

These businesses operate in open and competitive markets, both locally and abroad. Each of the company's businesses is experiencing an increasing rate of change and development in their markets, driven by many factors, including new legislation for water and energy conservation, more complex supply chains, and increasing market segmentation and specialisation.

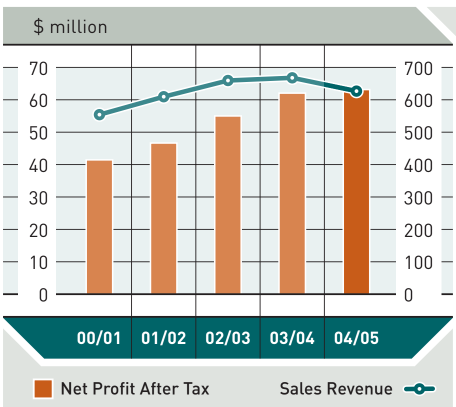
These drivers will continue to challenge our management to develop and execute effective strategies in their markets and can be expected to stimulate change in how our businesses deliver value to their customers and distribution channels. We expect this change to impact across our total business activities over coming years and, in preparation for change, the Group is undertaking a series of initiatives which are addressed in the Investments in Future Performance section of this review.

The Group continues to make a significant contribution to the Australian community through the supply of high-quality products and ongoing research and development. Our businesses provide employment for more than 2,400 employees in Australia and overseas, and the Group made payments of $30.0 million in Australian company tax during the 2004/05 year.

Record Profit for 2004/05 Year

GWA International Limited has achieved a further record profit after tax for the 2004/05 year of $63.15 million, the fourth in succession. This result was achieved in a period of contracting market demand and reflects the continuing performance improvement of our businesses, particularly in working capital management. Sound management has maintained high cash assets which contributed increased interest income for the year. Tight working capital management resulted in reduced stock write-downs and the lowering in doubtful debt provisions. Management has also focused on reducing operating costs. These actions offset the decline in sales revenue to underpin this excellent profit result.

Net Profit after Tax and Sales Revenue



"GWA International Limited has achieved a further record profit after tax for the 2004/05 year of $63.15 million, the fourth in succession. This result was achieved in a period of contracting market demand and reflects the continuing performance improvement of our businesses."

"Our Building Fixtures and Fittings segment businesses have performed strongly over the previous three years, returning record profits."

Business Segment	Segment Sales		Segment Profit	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Buildings, fixtures and fittings	523,850	552,504	105,736	102,176
Commercial furniture	61,608	68,148	5,781	6,832
Other	41,408	47,274	(19,975)	(20,607)
Total	**626,866**	**667,926**	**91,542**	**88,401**
Consolidated profit after tax			63,153	62,053

Cash Flow

For the 2004/05 year, the Group recorded an operating cash flow after interest and tax payments of $83.8 million.

The 2003/04 year's record operating cash flow of $114.7 million included the significant reduction in working capital through stock ($21.3 million) and receivables ($18.6 million). The reduced levels of stock and receivables were maintained through the 2004/05 year.

Net cash expenditure on property, plant and equipment totalled $19 million, a similar level to the prior year.

Operating Performance

I am pleased to report another year of strong performances by the Group's businesses in 2004/05. The sales revenue and profit for each of the Group's business segments are set out in the table above.

Coming into the year, we expected a market environment of contracting domestic demand. Group sales for the year of $626.9 million were 6.1% below the prior year, with the Building Fixtures and Fittings sales revenue of $523.9 million being down 5.2%. This fall in sales revenue was in line with our market guidance for the year.

The Group's core activities are the Building Fixtures and Fittings businesses of Caroma, Dorf Clark, Dux and Gainsborough. These businesses contributed an increased segment result 3.5% above the previous year's result. The 2003/04 financial year saw the peak of the domestic construction cycle.

Our Building Fixtures and Fittings segment businesses have performed strongly over the previous three years, returning record profits. However, there were significant increases in stock write-downs, product warranty expense, and also plant write-downs which adversely impacted those results.

The improvements across the Group in business performance, particularly in stock and accounts receivable management which were evident last year, continued in the 2004/05 year. It is therefore pleasing to report that stock write-down expense for the Group has reduced significantly, being $3.19 million for the 2004/05 year, against $7.30 million in 2003/04.

Doubtful debts provisions of $1.03 million have been written back in the 2004/05 year, reflecting the sustained reduction in aged outstandings and the lowering of risks with overseas receivables. Product warranty provision expense reduced to $3.81 million in 2004/05, more in line with the 2002/03 year of $3.59 million, rather than the $5.88 million expense of 2003/04.

The major improvements in these areas have been in the Building Fixtures and Fittings segment businesses. Caroma, the Group's largest business, contributed another strong result on the expected lower sales revenue. Dorf Clark, also with lower sales, improved its profit contribution on the disappointing result of the prior year through improved management of inventories and receivables and strong operating cost control.

Gainsborough, our door furniture business, contributed a further increase in profit on lower sales in line with market demand. The stock write-down expense of the prior year was reduced, assisting this excellent business outcome.

The Dux water heaters business also contributed an improved profit on the prior year's result, which had been reduced by a write-down of plant.

In summary, the Group's Building Fixtures and Fittings segment performed strongly in a contracting domestic market, and continues to be the core activity of the Group, contributing 83.6% of sales revenue for the 2004/05 year.

External sales revenue for Sebel, the Group's commercial furniture business and largest exporter, reduced by 9.6% in the 2004/05 year. The restructuring of the major education contract, under which Sebel no longer supplies some of the products, contributed to this decline in sales. The high value of the Australian dollar over the year also reduced the value of exports. In this trading environment, Sebel's segment result of $5.78 million was a sound performance.

Seasonal conditions for the Rover Mowers business were significantly less favourable than the prior year, resulting in reduced demand. Sales revenue for 2004/05 was down 12.4% on the prior year, with segment contribution declining on the record 2003/04 result.

Whilst seasonal conditions, and therefore profitability vary from year to year, Rover continues to remain very profitable, contributing a strong return on investment to the Group.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Corporate expenses have been reduced on the level of the prior year. However, within these expenses, the Group has commenced a number of initiatives aimed at improving and sustaining business performance over time. These items are addressed later in this review.

"Caroma's research and new product development facilities."

Investments in Future Performance

As mentioned earlier in the review, the Group's markets are changing and developing. New opportunities and risks are arising, and the Group's businesses are progressively transforming to realise these opportunities and better manage the risks.

At Group and divisional level, the company has invested in a number of critical activities to support our business strategies. These investments are in:

- A new information technology system
- A Group talent identification and development program
- Expanded overseas sourcing services
- New sanitaryware manufacturing capacity
- Research and new product development

Information Technology

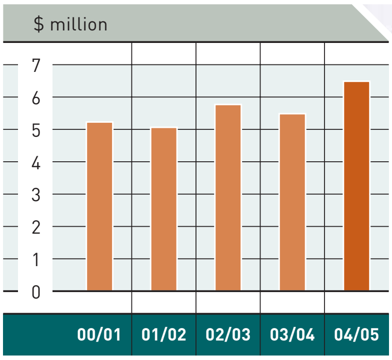
As advised in the prior year's review, the Group's progressive roll out of the Movex enterprise resource planning system commenced in the 2004/05 year, with the initial implementation at Dux. The Group recruited a team of skilled and experienced professionals and dedicated key Dux personnel for the implementation program. I am pleased to advise that Dux converted across to the Movex system in July 2005 on time and on budget. This is an excellent outcome which reflects the professional approach and commitment of the Dux and corporate staff involved in this business critical project. We expect to commence the next implementation in September 2005, utilising the experience gained from the Dux project. The Movex system is a critical component in enabling the Group's businesses to meet the challenges of our increasingly complex markets and supply chains.

Talent Identification and Development

During the 2004/05 year, the first phase of a collaboration with Monash University has been successfully completed. Monash University has designed and documented a Talent Identification and Development program for the Group's current and potential managers. This first phase of the program has been well received by the Group's staff and the company has now contracted with Monash for the second phase to be progressively completed through the 2005/06 year. We expect the total set-up cost of the program, including initial assessment programs, to be around $750,000 with the major part to be incurred and expensed in the 2005/06 year.

This project has exceeded our expectations and we highly value the program devised by the Monash

Research and Development Expenditure



"Our businesses continue to develop innovative products which provide tangible benefits to consumers and the general community."

"Gainsborough, our door furniture business, contributed a further increase in profit on lower sales in line with market demand."

University staff. We believe it is essential for the sustainability of our businesses and the on-going creation of shareholder wealth to identify, develop, mentor and encourage our talented people.

Overseas Sourcing Services

The Group has established GWA Trading (Shanghai) Co Ltd in China. This company will assist our Australian and international operations in developing strategic partnerships with suppliers in the Asia Pacific region.

Sanitaryware Manufacturing Upgrade

During the 2004/05 year, Caroma commenced an upgrade of sanitaryware manufacturing capacity and processes at the Wetherill Park factory, incorporating the latest medium pressure casting technology. This technology has been successful in production trials and Caroma has placed orders for further machinery which will expand capacity and improve the cost competitiveness of our domestic sanitaryware manufacturing. In a companion project, a new warehouse building will be constructed at the Wetherill Park factory site during the 2005/06 year. This new building will replace leased warehouse space at a number of locations, and will also reduce distribution costs.

Research and New Product Development

At the divisional level, our businesses continue to develop innovative products which provide tangible benefits to consumers and the general community. In water and energy conservation, Caroma's water efficient sanitaryware, Dorf's tapware and Dux's solar hot water systems have been recognised for their contribution to the Australian environment.

→ Employee Health and Safety

The Group operates within a well defined policy framework in the area of employee health and safety. The Group recognises the challenges in achieving world class results by improving workplace behaviour and management emphasis. As a consequence, the Group has embarked upon an investment program to ensure that information systems are in place to identify risk areas and to track the actions to mitigate these risks with automatic escalation of priority risks.

This system and organisational platform compliments an already well developed employee health and safety structure and compliance program both within divisions and on a corporate basis.

→ Environmental

The Group aggressively seeks to exceed environmental compliance requirements with programs directed at energy conservation and the elimination of waste and hazardous materials. The past year has resulted in a number of important advances in environmental control with the development of what is believed to be the world's first glaze material eliminating the heavy metals of Barium and Zinc and significant gains in energy pattern tracking and controls reducing overall energy demand.

→ Outlook for the 2005/06 Year

Demand for products in the Group's Building Fixtures and Fittings segment is primarily driven by new dwellings, alterations and additions and non-dwelling construction. This market segment represents over 80% of Group sales.

Construction activity peaked in the 2003/04 financial year and declined in 2004/05. The market for Building Fixtures and Fittings in Australia is forecast to show a further slight decline in 2005/06, although remaining at a historically high level.

Outside Australia, a strengthened management team, offshore sourcing of product, coupled with our water saving technologies, designs and brands will drive improved performance from our international operations in this segment.

In Commercial Furniture, Sebel's exports have been impacted by the high exchange rate, and this is expected to continue into 2005/06. Seasonal conditions are the principal factor in Rover's year to year profit contribution.

During 2005/06, the Group will incur and expense costs with respect to the progressive transformation of our businesses as previously outlined. The benefits of these initiatives are expected to recoup their costs over a short period.

For the 2005/06 financial year, I expect trading performance will be similar to the prior year.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

"Through improved management of inventories and receivables and strong operating cost control Dorf Clark improved its profit contribution."

Longer Term Outlook

GWA International Limited has a diversified portfolio of strong businesses which have track records of sustained premium profitability. The major part of the Group's profits are earned in Australia, and the long term activity forecasts for our domestic markets give us confidence in the future growth opportunities for our businesses.

For the Building Fixtures and Fittings segment businesses, on-going population growth, together with trends to lower family sizes and larger houses can be expected to continue to drive new dwellings construction over time. Further growth in renovations and a sustained level of commercial construction are also positive factors for this segment.

Our businesses are increasing their penetration of export markets, and there are further opportunities developing as cost competitive sourcing is increasingly accessed.

The Group's businesses are further developing product sourcing from offshore and are continuing to invest in manufacturing technologies which will be viable in Australia into the future. Our competitors are predominantly sourcing outside Australia, and therefore exchange rates, principally the US dollar, will increasingly drive market prices and impact correspondingly on trading profits.

Over the longer term, we expect our businesses to successfully transform to access the benefits of a world supply market whilst investing in the advantages of production technologies for domestic manufacturing. This transformation will reach across all our activities, taking our research and development beyond existing products while focusing our management on the value adding opportunities of effective distribution and strong brands.

GWA International Limited will continue to seek appropriate domestic acquisitions of scale for growth. To date, we have not seen any potential acquisitions which meet our criteria, and acknowledge that an appropriate acquisition may still be some time away. We will be opportunistic in our approach to this process. In the interim, our current portfolio of businesses have an array of growth opportunities to continue to build shareholder wealth.

Financial Condition

GWA International Limited has a strong financial position, with resources available to continue investing in our businesses, to make acquisitions of scale, and to maintain a stream of fully franked dividends.

Operating cash flow for the 2004/05 year of $83.8 million was expended in net new capital expenditure of $19.0 million and dividends of $64.0 million. Opening balance cash assets remain very strong at $134.9 million, a marginal reduction on the prior year. These cash assets will be further boosted by the proceeds from a property sale contracted during the year, and to be settled in August 2005.

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.

"In a difficult trading environment, Sebel's segment result of $5.78 million was a sound performance."

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) to the Financial Statements.

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

GWA International Limited 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 security over its assets.

The Group's businesses undertake prudential hedging as required 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 Group's cash is held predominantly in Australian dollars and is liquid, with funds placed on deposit for periods up to 90 days. At balance date, cash in foreign currencies included Euro 5.6 million, which was purchased as a hedge against the Euro denominated purchases of equipment for the sanitaryware manufacturing upgrade. This currency was purchased at an exchange rate of 0.6383 Euro to the Australian dollar.

The company is well-placed to increase its borrowings to fund any new acquisition opportunities as they arise, with a net debt to equity ratio of 38.0% and interest cover, as defined in the Master Financing Agreement, of 8.6 times. An indicative debt rating is near BBB, however, the company has not undertaken a formal debt rating process.

All of the Group's 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 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 3.91 million shares on issue under this Plan, with an outstanding loan balance of $7.96 million. Dividends and repayments for the year have been $1.52 million.

The company did not issue any new shares in the 2004/05 year. The Dividend Reinvestment and Share Purchase Plans were suspended in February 2000. No share options have been issued by the company.

The company imports products and components, principally denominated in US dollars and Euros, and competes with imports, subject to the same currency fluctations.

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

1 Aus dollar =	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
US$	0.6889	0.7147	0.7790	0.7719	0.7637
Euro	0.5702	0.5794	0.5717	0.5973	0.6315

→ Summary

GWA International Limited has returned four consecutive years of record profits, and the Group's businesses are well-positioned to pursue future opportunities with managed risk.

As I outlined earlier, the rate of change in our business environments and markets is accelerating. Our recent priorities on working capital management have released funds for investment through sustainable improvements in business performance. We are confident that the initiatives underway, together with the Group's strong financial position, will enable our businesses to realise the opportunities of change and continue to achieve our primary objective of creating sustainable shareholder wealth.

In closing, I congratulate the management and staff on their excellent results in recent years. The company is committed to providing value to our customers and the broader community and to the on-going development of our talented and highly performing workforce.

P C Crowley
Managing Director

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.

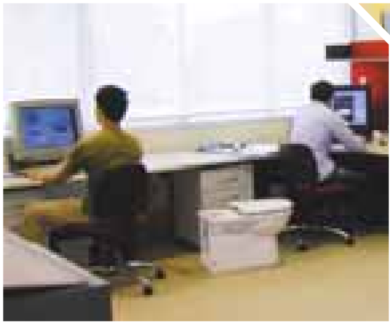
Business Divisions	Main Products and Services	Brand Names	Operating Locations
→ caroma	Vitreous china suites, urinals, bidets and basins. Plastic cisterns, basins, bathroom accessories and fittings. Acrylic and pressed steel spas, baths and shower trays	Caroma, Fowler, Stylus, Wisa, Hansa, Keuco	Australia, New Zealand, China, North America, Europe
→ dorf CLARK	Tapware and accessories, stainless steel sinks and laundry tubs	Clark, Radiant, Myttons and Epure Dorf, Caroma Taps, Irwell and Donson	Australia, overseas distributors
→ dux HOT WATER	Dux is an Australian designer, manufacturer, importer and distributor of a range of hot water systems. The range includes mains pressure gas and electric storage, continuous flow gas, electric and gas boosted solar and heat pump products	Dux, EcoSmart	Australia, overseas distributors
→ Gainsborough	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
→ ROVER MOWERS	Range of walk-behind and ride-on mower equipment, garden chip and shred products and spare parts	Rover	Australia, New Zealand, overseas distributors
→ sebel form function balance	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

BUILT ON STRONG BRANDS

The company's priority is to acquire another major domestic business division, and to also pursue bolt-on acquisitions that add value to our existing businesses and support our expansion into new markets.

	Major Markets	Strategic Direction
→	New dwellings, renovation, replacement and commercial markets in Australia and selected international markets	Caroma will maintain leadership in the domestic market through its focus on the research, development and release of innovative and environmentally friendly products to the market place, and will expand its international business through brand promotion strategies
→	New residential construction, renovation, replacement and non-residential construction markets in Australia, New Zealand and Asia	Dorf Clark's primary focus is to expand its market share in existing and new markets through a program of aggressive new product development and promotion of leading brands
→	Dux participates actively in the new home and replacement markets. However, the primary market for hot water systems is the replacement or breakdown market	Dux will continue to focus on improving business performance by developing new environmentally friendly products to meet emerging market requirements and regulations, strengthening key customer relationships, and reducing costs through both improved plant performance and sourcing of components
→	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 markets
→	Domestic, commercial, lawn care and garden products and equipment, marketed in over 40 countries	Rover will continue to target market growth segments in Australia and overseas
→	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

ENVIRONMENTAL PRODUCT INITIATIVES



"The centres employ a team of forty, and its industrial and ceramic designers, modellers, and tooling and development casters, use advanced computer aided design technology to develop world-class products."

Research and Development

Caroma operates R&D Centres at Wetherill Park in Sydney's West and at Norwood in Adelaide. The centres employ a team of forty, and its industrial and ceramic designers, modellers, and tooling and development casters, use advanced computer aided design technology to develop world-class products. Other GWA subsidiaries such as Dux and Sebel also conduct their own in-house R&D programs.

With the knowledge that both the local and international markets place ever increasing demand on environmentally friendly products, GWA has for several years focussed its R&D on developing world-class designs that pioneer ways to save water and energy, reduce greenhouse gases or deliver other environmentally sustainable benefits.

Two of the products developed by the R&D Centres are the Caroma Smartflush toilet suites and Dorf Water Efficient Tapware (W.E.T.).

- Caroma Smartflush is the result of a five year intensive testing, research and development project, during which engineers re-designed the cistern, pan and trap to work together as an optimised unit. This ensured that the system maintained the current standard requirement for flushing, cleansing and draining power, while using considerably less water.
- Dorf W.E.T. products have been re-designed internally to integrate quality flow regulators, which saves water and energy whilst not compromising on performance. W.E.T. now sets the standard for water efficient products in new homes and renovation projects throughout Australia.

Dux Hot Water Systems have been providing the Australian and international market with quality heating systems since 1915. This quality has now been paired with environmental responsibility, resulting in the production of a range of environmentally friendly products – the most popular of which are Dux's solar hot water systems. Designed to suit Australian temperature extremes, the award-winning Dux SunPro, a combination of gas boosting with solar heating, is one of the most environmentally sound domestic hot water solutions available, producing the lowest greenhouse emissions of any hot water system.

Sebel launched their new range of environmentally friendly furniture – the Eco Desk - specifically designed for the education sector. The Eco Desk is an innovative and functional method of re-using consumer packaging. Using recycled materials to make the desks means that when they reach the end of their natural life cycle, the desks can be recycled again, helping reduce landfill pressure on our environment.

caroma smartflush WATER-SAVING TECHNOLOGY

dux HOT WATER

WATER EFFICIENT TAPWARE

dorf

sebel form function balance

→ Caroma Smartflush

As water restrictions are expected to be a permanent part of our future, the Caroma Smartflush toilet system becomes a very valuable asset for those households and businesses attempting to meet water conservation guidelines.

→ Dorf W.E.T.

Dorf W.E.T. products are also contributing to a sustainable future by saving water, energy and the environment. Dorf's sink, shower and laundry tapware has been awarded a 3A rating by the WSAA.

← Dux Solar Hot Water Systems

Dux was recognised by the NSW Government during the year for their efforts in raising the profile of energy efficiency in households whilst reinforcing the benefits of using energy efficient products.

← Sebel Environmentally Friendly Furniture

Since producing its first school chair in 1951, Sebel have always strived for new ways in which to create market-leading furniture that exceeded modern standards and market expectations.

Caroma Smartflush

With the country experiencing some of the harshest drought conditions and water shortages in many years, Governments, water authorities and the community are looking at long-term solutions to conserve water and protect the Australian environment. As water restrictions are expected to be a permanent part of our future, the Caroma Smartfush toilet system becomes a very valuable asset for those households and businesses attempting to meet water conservation guidelines and preserve this valuable resource.

The Smartflush dual flush technology has considerably reduced the amount of water used each time the toilet is flushed. Older style, single flush toilets use up to 11 litres of water with every flush. Converting to the Caroma Smartflush, which only uses 4.5 litres for a full flush and 3 litres for a reduced flush, will save the average household an estimated 35,000 litres of water each year.

The technology was recognised for its environmental qualities this year by the Water Services Association of Australia (WSAA) who awarded the Smartflush suites a 4A water-efficiency rating - the technology was the first in Australia to be awarded a 4A rating. The product has also been recognised for its environmental qualities through the following awards:

- '2004 Product of the Year' at the GreenPlumbers Awards
- 'Australian Design Award'
- Housing Industry Association's '2005 National GreenSmart Product of the Year' Award
- Engineers' Australia 'Award for Excellence in Engineering Design (Highly Commended)'
- 'Powerhouse Museum Selection Award'

Dux Solar Hot Water Systems

The Dux SunPro solar gas continuous hot water system meets not only market demand, but also legislative requirements for environmentally friendly heating solutions. In NSW, legislation requiring new Sydney metropolitan households to produce 25% less greenhouse gas emissions than similar existing households has been introduced, and in Victoria, newly built 4-star homes have to feature either gas-boosted solar systems or rainwater tanks.

Dux was recognised by the NSW Government during the year for their efforts in raising the profile of energy efficiency in households whilst reinforcing the benefits of using energy efficient products. The company was presented with a Certificate of Commendation at the Government's Energy and Water Green Globe Awards. The gas-boosted solar power system also collected the Environmentally Sustainable Design (ESD) award at the national Designbuild exhibition in Melbourne.

Dorf W.E.T.

Dorf W.E.T. products are also contributing to a sustainable future by saving water, energy and the environment. Dorf's sink, shower and laundry tapware has been awarded a 3A rating by the WSAA.

Engineered to regulate the flow of water, whilst still providing optimum performance, the W.E.T. range of products can be used in the kitchen, bathroom and the laundry.

If used throughout the home, it is estimated that the average household will:

- Save the equivalent of one swimming pool worth of water per year
- Use less energy as there is less water to heat
- Reduce greenhouse gas emissions as less energy is used
- Cut up to $320 off annual household expenses

The W.E.T. range also contributes to addressing the legislative requirements set by the NSW Government's BASIX (Building Sustainability Index) program and the Victorian Government's 5 Star Sustainable Housing Scheme.

Sebel Environmentally Friendly Furniture

Since producing its first school chair in 1951, Sebel have always strived for new ways in which to create market-leading furniture that exceeded modern standards and market expectations.

Their range of new Eco Desks are made from 100% recycled Polyethylene Terephthlate (PET) the material used for soft drink and water bottles. The PET surfaces are denser and harder than traditional desk surfaces, and more durable than laminated desks. The result is desks that are less susceptible to breakages, warpage, and shrinkage, making them the perfect working surface for the educational sector.

BOARD OF DIRECTORS

B Thornton KSJ FCA FAICD FAIM FCIS

Chairman and Non-Executive Director

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, and a member of the Brisbane Advisory Board of the Salvation Army.

During the past three years, Mr Thornton has served as a director of the following other listed company, and the period in which the directorship was held:

- Stockland Corporation Limited 1995-2004

J J Kennedy AO CBE DUniv (QUT) FCA FCPA

Deputy Chairman and Non-Executive Director

Elected to the Board 1992

Expertise: Chartered Accountant and director of a number of public and other corporations

Special Responsibilities: Deputy Chairman of the Board, Chairman of Audit Committee and member of Nomination Committee

During the past three years, Mr Kennedy has served as a director of the following other listed companies, and the period in which the directorships have been held:

- Qantas Airways Limited* since 1995
- Suncorp-Metway Limited* since 1997
- Australian Stock Exchange Limited* since 1990
- Macquarie Goodman Funds Management Limited 1994 - 2004

* denotes current directorship
\+ denotes Chairman

P C Crowley BA BEcon FAICD

Managing Director

Appointed 6 May 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.

During the past three years, Mr Crowley has served as a director of the following other listed company, and the period in which the directorship was held:

- Austrim Nylex Limited 2001-2003

D R Barry FAIM

Non-Executive Director

Elected to the Board 1992

Expertise: Importation, distribution and retailing

Special Responsibilities: Member of Remuneration Committee

Mr Barry joined GWA Limited as director in 1979 and for much of his 36 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 FAIM

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.

During the past three years, Mr Kriewaldt has served as a director of the following other listed companies, and the period in which the directorships have been held:

- Campbell Brothers Limited* since 2001
- Oil Search Limited* since 2002
- Suncorp-Metway Limited* since 1996
- Peptech Limited* since 2003
- Thin Technologies Limited 2003

G J McGrath MIIE

Non-Executive Director

Elected to the Board 2004

Expertise: Manufacturing and general management

Special Responsibilities: Member of Remuneration Committee

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.

During the past three years, Mr McGrath has served as a director of the following other listed companies, and the period in which the directorships have been held:

- Campbell Brothers Limited*+ since 2003
- Fletcher Building Limited* since 2003

Company Secretary

R J Thornton CA B Com LLB (Hons) LLM FTIA

Appointed 4 July 2003

Expertise: Chartered Accountant, taxation and finance

Mr Thornton joined GWA International Limited in 2002 as Group Taxation Manager and Treasurer. He is experienced in accounting, taxation and finance through positions at Coopers & Lybrand, Citibank and Ernst & Young in Australia and overseas.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

The Board of Directors is responsible for the corporate governance of GWA International Limited ("the company") 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. The Board confirms that the current corporate governance practices of the company are in accordance with the recommendations, except for Recommendation 2.2 which provides that the chairperson should be an independent director. The Chairman of the company, Mr Barry Thornton, would not be considered an independent director in accordance with the definition of independence outlined in the recommendations, as he is associated with a substantial shareholder. This matter is outlined in more detail below – refer Independence of Directors.

As part of its on-going review and monitoring role, the Board has continued to enhance 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's External Auditor through the Audit Committee
- Ensuring that the company has appropriate systems of risk management and internal controls, 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 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 its 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. An annual corporate strategy meeting is held in July each

CORPORATE GOVERNANCE STATEMENT

year, which enables the Board to review corporate strategies and performance with the General Managers of the business divisions. This ensures that the Board is effectively carrying out its duty of approving corporate strategies and performance objectives.

The Chief Financial Officer is required to attend Board meetings and present the Finance Department Monthly Report, and to answer questions from the directors on financial performance, accounting, risk management and treasury matters.

The Board regularly visits the company's business operations to enhance their understanding of operations and strategies. During the year, the directors held Board meetings at the Moss Vale factory of the Dux Division, the Wetherill Park factory of the Caroma Division and the Bankstown factory of the Sebel Division, followed by management presentations and factory tours.

The Company Secretary is responsible for the completion and dispatch of the agenda and Board papers for each meeting. The Company Secretary prepares the draft minutes for each meeting, which are tabled at the next Board meeting for review and approval. The Company Secretary is accountable to the Board, through the Chairman, on all corporate governance matters.

→ 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 one, the Managing Director, is an executive director.

Profiles of the directors are set out on page 14 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 a 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

Re-Election of Directors

In accordance with the company's constitution, at each Annual General Meeting, a number of directors will face re-election. One third of the Board (excluding the Managing Director and any director not specifically required to stand for re-election) must stand for re-election. In addition, no director other than the Managing Director may hold office for more than three years without standing for re-election, and any director appointed by the Board since the last Annual General Meeting must stand for re-election at the next Annual General Meeting. All retiring directors are eligible for re-election.

→ 4. Independence of Directors

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 outlined in the recommendations of the ASX Corporate Governance Council, it has been determined that the majority of the Board members of GWA International Limited are independent.

The following directors are considered by the Board to constitute the independent directors of the company:

- Mr Jim Kennedy, Deputy Chairman and Non-Executive Director
- Mr Martin Kriewaldt, Non-Executive Director
- Mr David Barry, Non-Executive Director
- Mr Robert Anderson, Non- Executive Director

The Board is responsible for ensuring that the action 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 below.

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 Board meetings. 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.

(i) Mr Barry Thornton – Chairman and Non-Executive Director

As indicated above, the Chairman, Mr Barry Thornton, would not be considered an independent director based on the definition of independence outlined in the recommendations of the ASX Corporate Governance Council. This is on the basis that Mr Thornton is associated with a substantial shareholder. In the Board's view, Mr Thornton's association with a substantial shareholder in no way prevents Mr Thornton from exercising independent judgment in carrying out his duties as Chairman of the Board. Mr Thornton is a long serving Chairman and has overseen the efficient and effective conduct of the Board's functions since listing in 1993.

In the event that any independence or conflict of interest issue arises with respect to Mr Thornton's association with a substantial shareholder, the company has procedures in place for the Deputy Chairman, Mr Jim Kennedy to assume the role as acting Chairman of the Board.

(ii) Mr Geoff McGrath – Non-Executive Director

At the Annual General Meeting on 28 October 2004 shareholders approved the re-election of Mr Geoff McGrath as director. As disclosed in the 2003/04 Annual Report, Mr McGrath was the former Managing Director of the company and accordingly, does not meet the definition of an independent director as outlined in the recommendations of the ASX Corporate Governance Council. In the Board's view, this in no way impacts on Mr McGrath's effectiveness and performance as a director, nor does it affect Mr McGrath's ability to exercise independent judgment in carrying out his duties as a director.

(iii) Director Tenure

The current Board members have been in office for many years, as disclosed on page 14 of the Annual Report (excluding Mr Peter Crowley and Mr Geoff McGrath who were appointed in the 2002/03 and 2003/04 years respectively). 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 year, there were no 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 as outlined in the Board charter. All members of Board Committees are non-executive directors.

The standing Board Committees are:

(i) Audit Committee

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

- **J J Kennedy** (Chairman)
  AO CBE DUniv (QUT) FCA FCPA
- **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 28 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 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 Auditor, 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

CORPORATE GOVERNANCE STATEMENT

of the Audit Committee members. At the Audit Committee meetings to consider the half and full year financial results, the Audit Committee members will meet with the External Auditor without management present.

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

The Company Secretary prepares the draft minutes for each Audit Committee meeting, which are tabled at the next Audit Committee meeting for review and approval. The draft minutes are also included in the Board papers of the next Board meeting following the Audit Committee meeting.

Performance Evaluation

On a regular basis, the Audit Committee conducts an evaluation of the performance of Audit Committee members to determine whether the Committee is functioning effectively by reference to best practice.

The performance evaluation is conducted by the Chairman of the Audit Committee through interviews with individual Committee members, the results of which are reported to the Board.

Certification of Financial Reports

The Managing Director and Chief Financial Officer state in writing to the Board each reporting period that in their opinion the company's financial reports present a true and fair view 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.

(ii) Nomination Committee

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

- **B Thornton** (Chairman)
  KSJ FCA FAICD FAIM FCIS
- **J J Kennedy**
  AO CBE DUniv (QUT) FCA FCPA
- **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 28 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 non-executive 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 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 the non-executive 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.

The Company Secretary prepares the draft minutes for each Nomination Committee meeting, which are tabled at the next Nomination Committee meeting for review and approval. The draft minutes are also included in the Board papers of the next Board meeting following the Nomination Committee meeting.

Selection and Appointment of Directors

The Nomination Committee is responsible for the selection and appointment of directors. In the circumstances where there is a need to appoint a director, whether due to the retirement of a director, growth of the company, or changed circumstances of the company, certain procedures will be followed, including the following:

- Determination of the skills and experience appropriate for an appointee, having regard to those of the existing directors and other likely changes to the Board;
- Upon identifying a potential appointee, consider the competency and qualifications, independence, other directorships, time availability, and the effect that their appointment would have on the overall balance of the composition of the Board; and
- All existing Board members consenting to the proposed appointee.

Induction Program

The Nomination Committee is responsible for ensuring that an effective induction program for new directors is in place, and regularly reviewed to ensure its effectiveness. The Board has developed a comprehensive induction program for new directors to allow the new appointees to participate fully and actively in Board decision making. The Board views the induction program as critical in enabling the new directors to gain an understanding of the company and the markets in which it operates.

A similar induction program is also available for key executives.

Performance Evaluation

On an annual basis, the Nomination Committee conducts an evaluation of the performance of Board members to determine whether it is functioning effectively by reference to best practice. The performance evaluation is conducted by the Chairman of the Board through interviews with individual Board members, the results of which are reported to the Board. There were no issues to report from the performance evaluation conducted during the year ended 30 June 2005.

(iii) Remuneration Committee

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

- **M D E Kriewaldt** (Chairman)
  BA LLB FAICD
- **G J McGrath**
  MIIE
- **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 28 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 a 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 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
- 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.

The Company Secretary prepares the draft minutes for each Remuneration Committee meeting, which are tabled at the next Remuneration Committee meeting for review and approval. The draft minutes are also included in the Board papers of the next Board meeting following the Remuneration Committee meeting.

→ 8. Code of Conduct

The company conducts its business with the highest standards of personal and corporate integrity. To assist employees in achieving this objective, the company has developed a comprehensive Code of Conduct which guides the behaviour of directors, officers and employees and demonstrates the commitment of the company to ethical practices. 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. During the year, the Code of Conduct was reviewed and updated to ensure that it is in accordance with the 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.

CORPORATE GOVERNANCE STATEMENT

9. Share Trading Policy

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. The designated periods are six weeks immediately prior to the release of the company's full year results to the Australian Stock Exchange and four weeks immediately prior to the release of the company's half year results to the Australian Stock Exchange.

Outside of these 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 employee possesses unpublished insider information about the company, that person is prohibited from trading. In addition, employees must not engage in any short term trading in the company's shares.

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.

10. Risk Management and Internal Controls

The Board recognises that effective risk management processes help ensure the business is more likely to achieve its business objectives, and that the Board meets its Corporate Governance responsibilities. In meeting its responsibilities, the Board has ensured that management has put in place comprehensive risk management policies and practices across the company which address each of the key elements and requirements of AS/NZS Standard 4360: 2004 – Risk Management.

Such processes include defining the risk oversight responsibilities of the Board and the responsibilities of management in ensuring risks are both identified and effectively managed. The agreed policies and practices are made effective through the combined activities of:

- an Audit Committee that reports to the Board on risk management and internal control matters;
- an Executive Risk Committee, which has recently been established to review and monitor the day to day risk activities of the company, and to report to the Audit Committee on such matters;
- a Group Risk and Internal Audit Manager who has primary responsibility for designing, implementing and co-ordinating the overall risk practices of the company. Whilst reporting to the Chief Financial Officer on a day to day basis, the Group Risk and Internal Audit Manager has the ability to report directly to the Board on any matter;
- other managers, such as the Group Compliance Manager, who has specific responsibilities in respect of health, safety and environmental risks; and
- internal audit activities, undertaken by a combination of internal and appropriately qualified external resources, based on a Board approved programme of work. Such activities link to the risk management practices of the company by ensuring risks are being adequately identified and managed through the effective and efficient operation of control procedures.

The Board aims to continually evaluate and re-assess the risk management and internal control practices of the company to ensure best practice is maintained, and to preserve and create value within the organisation. Consistent with this, the Board has initiated a review of the enterprise-wide risk management policies and practices within the company, and the recommendations arising from this review are currently being implemented.

Improvements to the identification, reporting and monitoring of actions in relation to health, safety and environmental risks have also been implemented during the year in order to support management's objectives in this area. This has included the introduction of risk management software across the company for the recording, escalation and management of such risks.

Certification of Risk Management Controls

In conjunction with the certification of financial reports (refer above), the Managing Director and Chief Financial Officer state in writing to the Board each reporting period that in their opinion:

- the statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- 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 Board's objective in setting the company's remuneration policies is to provide maximum stakeholder benefit from the retention of a high quality Board and executive team. This is achieved by remunerating directors and executives fairly and appropriately based on relevant employment market conditions, and the linking of the Managing Director's and executives emoluments to the company's financial and operating performance.

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 statutory superannuation), and are not able to participate in the Executive

Incentive Scheme or the GWA International Employee Share Plan.

The Remuneration Committee is responsible for reviewing and determining the remuneration and incentive arrangements for the executives. The remuneration and incentive arrangements have been structured to ensure that performance is fairly rewarded and to attract, motivate and retain a high quality executive team.

For details of the company's remuneration policies and disclosures, refer to the Remuneration Report on page 24 of the Annual Report.

→ 12. Employee Share Plan

The company has operated an Employee Share Plan since listing in 1993 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 the Remuneration Report on page 24 of the Annual Report.

The company has not issued share options at any time.

→ 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.

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 External Auditor is not passing an audit opinion on the non-audit work of its own firm.

At the Annual General Meeting on 28 October 2004, shareholders approved the appointment of KPMG as the company's new External Auditor for the financial year commencing 1 July 2004. This followed a comprehensive tender process for the external audit conducted by the Audit Committee. KPMG replaced Ernst & Young who had been the company's External Auditor since the 1995 financial year.

During the year, KPMG provided an Auditor Independence Declaration to the Board (refer page 28 of the Annual Report) that, to the best of their knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

In considering this declaration, the Board were satisfied with the continuing independence of the audit function.

For details of the non-audit roles performed by KPMG during the year, please refer to Note 22 of the Annual Report.

Rotation of External Auditor

KPMG has advised the company that their policy of audit partner rotation requires a change in the lead engagement partner and review partner after a period of five years.

→ 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 the 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 the company complies with the continuous 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 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 at 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 company encourages shareholders to attend the company's Annual General Meeting to canvass the relevant issues of interest. If shareholders are unable to attend the Annual General Meeting personally, they are encouraged to participate through the appointment of a proxy or proxies. The company endeavours to set the timing and the location of the Annual General Meeting so that it is convenient for shareholders generally.
- 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. Shareholders attending the Annual General Meeting are made aware they can ask questions of the External Auditor concerning the conduct of the audit.

DIRECTORS' REPORT AS AT 30 JUNE 2005

Your directors present their report on the consolidated entity of GWA International Limited and the entities it controlled ("the company") during the financial year ended 30 June 2005.

Directors

The following persons were directors of the company during the financial year and up to the date of this report. Directors were in office this entire period unless otherwise stated.

- **B Thornton**, Chairman and Non-Executive Director
- **J J Kennedy**, Deputy Chairman and Non-Executive Director
- **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

Mr G J McGrath was appointed Non-Executive Director of GWA International Limited on 6 July 2004.

Details of the directors' qualifications, experience and special responsibilities are located on page 14 of the Annual Report.

Details of the directorships of other listed companies held by each director in the three years prior to the end of the 2004/05 financial year, and the period for which each directorship has been held, are listed on page 14 of the Annual Report.

Company Secretary

Mr R J Thornton was appointed Company Secretary of GWA International Limited on 4 July 2003. Details of Mr Thornton's qualifications and experience are located on page 14 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	3,398,961	Notes 2 and 4
R M Anderson	8,198,000	Notes 2 and 4
M D E Kriewaldt	100,000	Notes 2 and 4
P C Crowley	500,000	Notes 3 and 4
G J McGrath	593,026	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 49,370,949 shares (last year 47,990,159 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 ended 30 June 2005, 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 company employed 2,474 employees as at 30 June 2005 (last year 2,565 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.

BUILT ON STRONG BRANDS

Segment Sales and Profit

The segment sales and profit of the company for the financial year ended 30 June 2005 were as follows:

Business Segment	Segment Sales		Segment Profit	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Buildings, fixtures and fittings	523,850	552,504	105,736	102,176
Commercial furniture	61,608	68,148	5,781	6,832
Other	41,408	47,274	(19,975)	(20,607)
Total	**626,866**	**667,926**	**91,542**	**88,401**
Consolidated profit after tax			63,153	62,053

Earnings Per Share

	2005 cents	2004 cents
Basic earnings per share	22.7	22.3

Review of Operations and State of Affairs

A review of the operations of the company and the results of those operations for the financial year ended 30 June 2005 is provided in the Managing Director's Review of Operations which is located on page 4 of the Annual Report.

In the opinion of the directors, there were no significant changes in the state of affairs of the company 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 2004, as detailed in the Directors' Report for that financial year, a final ordinary dividend of 8.0 cents per share and a special dividend of 2.5 cents per share, fully franked at the 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 1 October 2004.

In respect of the financial year ended 30 June 2005, an interim ordinary dividend of 10.0 cents per share and a special dividend of 2.5 cents per share, fully franked at the 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 1 April 2005.

In respect of the financial year ended 30 June 2005, the directors recommend the payment to the holders of fully paid ordinary shares on 3 October 2005 of a final ordinary dividend of 8.0 cents per share and a special dividend of 2.0 cents per share, fully franked at the 30% corporate income tax rate.

Significant Events after Balance Date

On 16 August 2005, the directors of GWA International Limited declared a final ordinary dividend of 8.0 cents per share and a special dividend of 2.0 cents per share in respect of the financial year ended 30 June 2005. The dividends will be fully franked at the 30% corporate income tax rate.

The total amount of the dividend is $27.830 million (last year $29.222 million). In accordance with Accounting Standards, the dividends have not been provided for in the Financial Statements for the year ended 30 June 2005.

For reporting periods beginning on or after 1 July 2005, the company must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 34 to the 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 company, the results of those operations, or the state of affairs of the company.

Likely Developments and Expected Results

Likely developments and expected results of the operations of the company are provided in the Managing Director's Review of Operations which is located on page 4 of the Annual Report.

In the next financial year, the company 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 company generates the best possible returns from its businesses.

Further information on likely developments and expected results of the operations of the company 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

Environmental Regulation and Performance

The company holds licences issued by Environmental Protection Authorities and Water Authorities that specify limits for discharges to the environment, which arise from the operations of entities that it controls. These licences regulate the management of discharge to air, storm water run-off, removal and transport of waste associated with the manufacturing operations in Australia and the Netherlands.

Designated entities comply with the Australian National Pollutant Inventory by reporting on emissions annually.

In Victoria, licenced entities develop annual Waste Management Plans, in conjunction with the Victorian Environmental Protection Authority.

The company actively pursues solid waste and emission reduction programs in its businesses. This is highlighted by its most recent success at the Caroma business where a technological advance has eliminated heavy metal additives from glazed products, resulting in the reduction of prescribed waste by 600 tonnes per annum in the initial stages of the program.

Where appropriate, an independent review of the company's compliance with licence conditions is made by external advisors.

The company in conjunction with external advisors monitors storage and treatment of hazardous materials within particular operations. 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 company's licence conditions during the financial year ended 30 June 2005.

Indemnification and Insurance of Directors and Executives

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 14 of the Annual 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.

Remuneration Report

This report outlines the remuneration arrangements in place for the directors and executives of the company.

Remuneration Objectives

The performance of the company depends upon the quality of its directors and executives. To maximise the performance of the company's businesses, the company must attract, motivate and retain a highly skilled director and executive team. This is achieved through a remuneration and incentive framework which has been put in place by the Board, and is guided by the following objectives:

- Provide fair and competitive rewards to attract high quality executives
- Linking of executive reward to improvement in company performance
- Significant proportion of executive remuneration is "at risk", dependent upon meeting pre-determined performance benchmarks
- The establishment of challenging and achievable performance hurdles in relation to variable executive remuneration
- An employee share plan which rewards performance and represents a long term financial commitment to employment with the company

Remuneration Structure

In accordance with the recommendations of the ASX Corporate Governance Council, the remuneration structure for the non-executive directors is separate and distinct from the remuneration structure for the executives.

Non-Executive Directors' Remuneration Policy

The Nomination Committee is responsible for determining the remuneration arrangements for the non-executive directors, with the annual maximum aggregate amount approved by shareholders. At the Annual General Meeting on 28 October 2004, shareholders approved an annual maximum aggregate amount of $1 million (excluding statutory superannuation).

The non-executive directors are remunerated by way of directors' fees only (including statutory superannuation) and are not able to participate in the Executive Incentive Scheme or the GWA International Employee Share Plan (refer below).

BUILT ON STRONG BRANDS

An additional fee is also paid for each Board Committee on which a director sits. The payment of additional fees for serving on a Committee recognises the additional time commitment required by directors who serve on one or more Committees.

In setting the level of non-executive directors fees' and the manner in which it is to be apportioned amongst the directors, the Nomination Committee takes advice from external advisers to determine market remuneration levels, with the objective of ensuring that the levels fairly represent the responsibilities and time spent by the non-executive directors on company matters.

Following shareholder approval 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. This is in accordance with the recommendations of the ASX Corporate Governance Council.

At the Annual General Meeting on 28 October 2004, shareholders approved the payment of the accrued benefits to the non-executive directors under the former Directors' Retirement Scheme, when each director requests that payment be made.

For details of the emoluments paid to the non-executive directors for the year ended 30 June 2005, refer to the Remuneration Tables on page 27 of the Annual Report.

Executives' Remuneration Policy

The Remuneration Committee is responsible for determining and reviewing the remuneration arrangements for the executives. The Remuneration Committee takes advice from external advisers to ensure the appropriateness of the nature and amount of emoluments of such officers, with the overall objective of ensuring maximum stakeholder benefits from the retention of a high quality executive team.

The executives' remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
    - Short Term Incentive
    - Long Term Incentive
- Employee Share Plan

The fixed remuneration component includes base salary, statutory superannuation, and non-monetary benefits including medical benefits membership, life and disability insurance and the provision of motor vehicles. The variable remuneration component includes a short term incentive and long term incentive under the Executive Incentive Scheme. As a further component of remuneration, employees of the company may be invited to participate in the GWA International Employee Share Plan.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee based on external advice for determining market remuneration levels, as well as having regard to company, divisional and individual performance.

The fixed remuneration of the five most highly remunerated executives is detailed in the Remuneration Tables on page 27 of the Annual Report.

Variable Remuneration

To assist in achieving the objective of retaining a high quality executive team, the Remuneration Committee links the nature and amount of the executive emoluments to the company's financial and operating performance. Executives have the opportunity to qualify for participation in the Executive Incentive Scheme. Under the scheme 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.

Executive Incentive Scheme

The Executive Incentive Scheme came into effect on 1 July 2001 and its participants include the members of the divisional and corporate executive. There are two incentives including an Operating Performance Incentive and a Strategic Growth Incentive, with the objective of maximising short term operating performance and long term strategic growth.

The Operating Performance Incentive operates from divisional operating profit targets for divisional executives, and group earnings before interest and tax targets for corporate executives. Where the yearly profit targets are achieved, participating executives receive an incentive payment, subject to a cap of between 30% to 35% of their base salary.

The yearly profit targets are set by the Remuneration Committee at the beginning of the year having regard to the major external factors which are expected to impact each division including forecast economic conditions, expected benefits from new products, capital expenditure and other relevant factors. The Remuneration Committee ensures that the profit targets are challenging and achievable, and will assist in focusing divisional and corporate executives on maximising operating performance of the company's businesses.

The Strategic Growth Incentive rewards progressive growth in underlying divisional profitability and earnings per share over time. The incentive is calculated based on divisional profits for divisional executives, and earnings per share for corporate executives, within discrete three year periods. Where the three year profit and earnings per share targets are achieved, participating executives receive an incentive payment, subject to a cap of between 20% to 30% of their base salary.

DIRECTORS' REPORT

The three year profit and earnings per share targets are set by the Remuneration Committee at the beginning of the three year period having regard to current performance and forecast external factors expected to impact each division, and are also subject to minimum return on investment achievement. The Remuneration Committee ensures that the three year profit and earnings per share targets are challenging and achievable, and will assist in focusing divisional and corporate executives on maximising growth in profitability and return on investment.

The total combined payments under the abovementioned two incentives are capped at 50% to 65% of salary for each participating executive. Payments are delivered by way of cash bonus, and are paid when the company's annual financial statements are completed.

Employee Share Plan

As a further component of remuneration, employees of the company may be invited to participate in the GWA International Employee Share Plan which commenced on the listing of the company in 1993. Under the 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. The employee bears the risk of share price movements below the issue price.

In accordance with the rules of the plan, the total number of employee shares on issue may not exceed 5% of the total company shares on issue. At 30 June 2005 there are currently 3.91 million shares issued under the GWA International Employee Share Plan, which have an outstanding loan balance of $7.96 million. The plan does not provide for the issue of options and no options have been issued by the company.

There are three events which trigger employee share issues, all of which must be approved by the Remuneration Committee, including:

- Appointment of new divisional and corporate executives as recommended by the Managing Director
- Achievement of three year targets by divisional and corporate executives pursuant to the Executive Incentive Scheme (refer above)
- The periodic issue to employees who merit additional recognition of their performance and are integral to the future success of the company, as recommended by the Managing Director

The GWA International Employee Share Plan is an effective incentive in encouraging and rewarding sustained higher performance from executives and senior management, and represent a long term financial commitment to their employment with the company.

Shareholder Wealth

The table below is a summary of key shareholder wealth statistics for the company over the last five years.

As can be seen from the table, the company has improved operating performance in each of the years, enabling increased cash dividends to be paid to shareholders. Whilst the prevailing economic conditions were a key driver in the performance of the company's businesses, the results are also a reflection of the performance of the company's executive team in achieving the growth in profitability.

The remuneration and incentive framework, which has been put in place by the Board, has ensured that executives are focused on both maximising short term operating performance and long term strategic growth. This has contributed to the company generating the increased shareholder returns as set out in the below table, including a total of 14.5 cents in fully franked special dividends paid to shareholders in the last five financial years.

The Board will continue to review and monitor the remuneration and incentive framework to ensure that performance is fairly rewarded and encouraged, and to attract, motivate and retain a high quality executive team.

Termination of Employment

The specified executives on page 27 of the Annual Report are on open-ended contracts, except for the Executive Director, Mr Peter Crowley, whose employment contract specifies an initial term of twelve months with subsequent rolling terms of twelve months.

The employment contract for Mr Crowley provides that if either the company or Mr Crowley wishes to terminate employment for any reason, three months notice of termination is required, or payment in lieu, based upon current salary levels. On termination by the company, Mr Crowley will be entitled to receive payment of twelve months salary.

Financial Year	EBIT $m	EPS cents	Total[1] DPS cents	Share Price $
30 June 2001	77.5	15.0	16.0	2.35
30 June 2002	81.1	16.8	17.0	2.35
30 June 2003	92.4	19.8	18.0	2.70
30 June 2004	101.0	22.3	20.5	2.95
30 June 2005	102.5	22.7	22.5	2.92

[1] Includes special dividends

For the other specified executives, the company is legally required to give reasonable notice of termination, or payment in lieu, based upon current salary levels.

Under the Executive Incentive Scheme, no incentive is payable in the event of termination of employment during the incentive period.

Any loan to an executive under the GWA International Employee Share Plan, must be repaid in full upon the cessation of employment with the company.

Remuneration Tables

Emoluments of the Directors of GWA International Limited

Non-Executive Directors	Salary and Leave Entitlements $	Incentives 1 Year Plan $	Incentives 3 Year Plan $	Other Benefits $	Super annuation $	Termination Payments $	Total $	Proportion of Emoluments Performance Related %
B Thornton	159,080	-	-	250	95,980	-	255,310	-
J J Kennedy	127,327	-	-	250	3,603	-	131,180	-
D R Barry	82,680	-	-	250	7,441	-	90,371	-
R M Anderson	78,000	-	-	250	7,020	-	85,270	-
M D E Kriewaldt	93,600	-	-	250	8,424	-	102,274	-
G J McGrath	82,290	-	-	250	7,371	-	89,911	-
Executive Director								
P Crowley	877,263	332,500	190,000	192,749	36,000	-	1,628,512	32.1

Emoluments of the Five Most Highly Paid Executives of the Company and the Consolidated Entity

Executives	Salary and Leave Entitlements $	Incentives 1 Year Plan $	Incentives 3 Year Plan $	Other Benefits $	Super annuation $	Termination Payments $	Total $	Proportion of Emoluments Performance Related %
E Harrison Chief Financial Officer	425,251	105,819	70,546	87,713	-	-	689,329	25.6
S Wright Group Operations Manager	383,747	106,418	70,945	84,367	35,472	-	680,949	26.0
C Bizon General Manager, Caroma	134,551	-	-	86,399	14,500	300,000	535,450	-
D Duncan General Manager, Dorf Clark	246,785	62,500	50,000	115,046	44,567	-	518,898	21.7
G Oliver General Manager, Gainsborough	180,207	71,258	47,505	58,518	119,110	-	476,598	24.9

Directors' Emoluments: During the 2004/05 year, Mr Jim Kennedy, Mr Martin Kriewaldt and Mr Robert Anderson were paid their accrued entitlements under the former Directors' Retirement Scheme, pursuant to a resolution of shareholders at the Annual General Meeting on 28 October 2004. The total payments made during the year were $582,750.

Incentives: The incentives for the Executive Director and executives are based on their entitlements under the yearly and three year Executive Incentive Scheme.

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

Vesting of Incentives: The incentives for the Executive Director and executives under the yearly Executive Incentive Scheme are fully vested in the 2004/05 year. No amount of the incentives for the Executive Director and executives under the three year Executive Incentive Scheme have vested in the 2004/05 year.

DIRECTORS' REPORT

Directors' Meetings

The number of meetings of directors (including meetings of Committees of directors) held during the financial year ended 30 June 2005 and the number of meetings attended by each director were as follows:

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

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 a Nomination Committee of the Board of Directors. The charter for each Committee outlines its role and responsibilities, a summary of which is provided in the Corporate Governance Statement on page 15 of the Annual Report.

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

Details of the Committee members qualifications and experience are located on page 14 of the Annual Report.

Non-Audit Services

Details of the non-audit services provided by the company's External Auditor, KPMG, during the financial year ended 30 June 2005 are outlined in Note 22 of the Financial Statements. Based on advice from the company's Audit Committee, the directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor Independence Declaration

The directors received the following declaration from the company's External Auditor, KPMG.

Rounding

The company is of a kind referred to in Class Order 98/100 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, unless otherwise stated.

Signed in accordance with a resolution of the directors.

B Thornton
Chairman

P C Crowley
Managing Director
Brisbane, 16 August 2005

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To the directors of
GWA International Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Trent van Veen
16 August 2005

KPMG

FINANCIAL STATEMENTS

As at 30 June 2005

GWA International Limited and Controlled Entities

CONTENTS

STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 30 June 2005

		Consolidated		The Company	
	Note	**2005** $'000	2004 $'000	**2005** $'000	2004 $'000
Revenues from Ordinary Activities	2	**648,316**	**677,393**	**141,259**	**52,315**
Expenses related to ordinary activities	3(a)	(539,903)	(572,621)	(6)	(7)
Borrowing costs related to ordinary activities	3(b)	(16,871)	(16,371)	-	-
Profit from Ordinary Activities before Income Tax Expense		**91,542**	**88,401**	**141,253**	**52,308**
Income tax (expense)/benefit relating to ordinary activities	4	(28,389)	(26,348)	12	(595)
Net Profit Attributable to Members of GWA International Limited	20	**63,153**	**62,053**	**141,265**	**51,713**
Net exchange difference on translation of financial statements of foreign controlled entities	20	(2,083)	1,032	-	-
Total Revenues, Expenses and Valuation Adjustments Attributable to Members of GWA International Limited and recognised directly in Equity		**(2,083)**	**1,032**	**-**	**-**
Total Changes in Equity other than those resulting from Transactions with Owners as Owners		**61,070**	**63,085**	**141,265**	**51,713**
Basic and diluted earnings per share (cents per share)	31	22.7	22.3		

The Statements of Financial Performance are to be read in conjunction with Notes 1 to 34 to the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2005

		Consolidated		The Company	
	Note	**2005** $'000	2004 $'000	**2005** $'000	2004 $'000
Current Assets					
Cash assets	6	134,854	138,352	-	-
Receivables	7	69,221	66,625	900	501
Inventories	8	97,491	96,380	-	-
Other – Prepayments		6,732	1,594	-	-
Total Current Assets		**308,298**	**302,951**	**900**	**501**
Non-current Assets					
Receivables	9	7,942	4,288	507,530	461,471
Investments	10	-	-	325,646	325,646
Property, plant and equipment	11	134,643	153,454	-	-
Brand names	12	354,896	356,952	-	-
Goodwill	13	-	875	-	-
Deferred tax assets		25,937	25,258	24,766	24,780
Total Non-current Assets		**523,418**	**540,827**	**857,942**	**811,897**
Total Assets		**831,716**	**843,778**	**858,842**	**812,398**
Current Liabilities					
Payables	14	51,889	57,552	-	-
Interest bearing liabilities	15	-	-	48	52
Current tax liabilities		6,281	8,448	6,311	8,774
Provisions	16	30,875	31,975	-	-
Total Current Liabilities		**89,045**	**97,975**	**6,359**	**8,826**
Non-current Liabilities					
Interest bearing liabilities	17	296,560	297,803	-	-
Non-interest bearing liabilities	17	-	-	424,993	453,024
Deferred tax liabilities		875	818	352	665
Provisions	18	19,666	18,672	-	-
Total Non-current Liabilities		**317,101**	**317,293**	**425,345**	**453,689**
Total Liabilities		**406,146**	**415,268**	**431,704**	**462,515**
Net Assets		**425,570**	**428,510**	**427,138**	**349,883**
Equity					
Contributed equity	19 (a)	346,853	346,853	346,853	346,853
Foreign currency translation reserve	20 (a)	(1,165)	918	-	-
Retained profits	20 (b)	79,882	80,739	80,285	3,030
Total Equity		**425,570**	**428,510**	**427,138**	**349,883**

The Statements of Financial Position are to be read in conjunction with Notes 1 to 34 to the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2005

		Consolidated		The Company	
	Note	**2005** $'000	2004 $'000	**2005** $'000	2004 $'000
Cash Flows from Operating Activities					
Receipts from customers		705,099	774,258	-	-
Payments to suppliers and employees		(574,942)	(612,154)	(6)	(7)
Dividends and trust distributions received		-	-	141,256	52,315
Interest received		5,748	3,757	3	-
Borrowing costs		(20,960)	(13,667)	-	-
Income tax paid		(31,178)	(37,541)	(29,957)	(376)
Net Cash from Operating Activities	30	**83,767**	**114,653**	**111,296**	**51,932**
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(21,331)	(20,579)	-	-
Proceeds from sale of property, plant and equipment		2,294	2,781	-	-
Net Cash used in Investing Activities		**(19,037)**	**(17,798)**	**-**	**-**
Cash Flows from Financing Activities					
Proceeds from borrowings		-	1,186	-	-
Proceeds from issue of shares		-	1,360	-	1,360
Employee share plan loans		(5,627)	(1,360)	(5,627)	(1,360)
Repayment of employee share plan loans		1,524	1,813	1,524	1,813
Dividends paid by the company	5	(64,010)	(50,054)	(64,010)	(50,054)
Loans to related parties		-	-	(43,179)	(3,715)
Loan repaid by other parties		54	1,456	-	-
Loans to other parties		-	(1,837)	-	-
Net Cash used in Financing Activities		**(68,059)**	**(47,436)**	**(111,292)**	**(51,956)**
Net Increase/(Decrease) in Cash Held		(3,329)	49,419	4	(24)
Cash/(overdraft) at the beginning of the financial period		138,352	88,505	(52)	(28)
Effects of exchange rate changes on cash		(169)	428	-	-
Cash/(Overdraft) at the End of the Financial Period	6, 15	**134,854**	**138,352**	**(48)**	**(52)**

The Statements of Cash Flows are to be read in conjunction with Notes 1 to 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

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.

To ensure comparability with the current reporting period, certain comparative items have been reclassified in the financial statements to conform with changes in presentation in the current financial year.

(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 company) as at 30 June 2005 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 consolidated entity. The effects of all transactions between entities in the consolidated 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. Future income tax benefits relating to timing differences are not brought to account unless realisation is assured beyond reasonable doubt. 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.

Tax Consolidation

GWA International Limited and its wholly owned Australian subsidiaries formed a tax consolidated group, effective 1 July 2003, for income tax purposes. The company formally notified the Australian Taxation Office of its election to form a tax consolidated group prior to lodgement of the 2004 income tax return in January 2005. The Head Entity of the tax consolidated group is GWA International Limited.

The members of the tax consolidated group have entered into a tax sharing agreement in order to allocate the income tax liabilities between the entities in the tax consolidated group. In forming the tax consolidated group, there was 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.

(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, except where the amount is part of a net investment in a self-sustaining foreign operation.

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, assets and liabilities at balance date are translated into Australian currency at rates of exchange current at balance date. Equity items are translated at historical rates. 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 (refer 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

1. Summary of significant accounting policies (continued)

(i) Investments

Investments in controlled entities are carried in the company's financial statements at the lower of cost and recoverable amount.

(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.

(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 consolidated entity

The cost of non-current assets constructed by the consolidated 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:	*2005*	*2004*
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

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

1. Summary of significant accounting policies (continued)

(r) Employee Benefits (continued)

Superannuation Plan

The company and its controlled entities contribute to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made. The company and its controlled entities have no legal or constructive obligation to fund any deficit.

Number of full time employees at year end:

2,474 (2004: 2,565).

(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 consolidated 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 consolidated entity to reduce those risks, as explained in this note.

Interest rate related derivatives

Entities within the consolidated 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 consolidated 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 has been fully amortised 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 2005.

(v) Revenue Recognition

Revenue is recognised (net of goods and services tax) 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 and non-current assets

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

Dividends from controlled entities are recognised when the dividend is declared by the controlled entity.

(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.

(y) Goods and Services Tax

Revenues, expenses, and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(z) Interest-bearing Liabilities

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in Note 14 Payables (current).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
2. Revenues from ordinary activities				
(a) Revenues from Operating Activities				
- Sale of goods	626,866	667,926	-	-
(b) Other Revenues				
From operating activities				
- Foreign exchange gains	2,148	2,446	-	-
- Dividends received/receivable – Controlled entities	-	-	139,300	50,400
- Interest received/receivable – Other corporations	5,874	3,757	3	-
- Unit trust distribution	-	-	1,956	1,915
From outside operating activities				
- Proceeds from the sale of property, plant and equipment	12,544	2,781	-	-
- Other	884	483	-	-
Total other revenues	21,450	9,467	141,259	52,315
Total revenues from ordinary activities	**648,316**	**677,393**	**141,259**	**52,315**
3. Expenses from ordinary activities				
(a) Expenses related to Ordinary Activities (excluding borrowing costs)				
- Cost of sales	330,499	358,802	-	-
- Selling and distribution	130,784	129,075	-	-
- Administration	64,511	74,975	6	7
- Other	14,109	9,769	-	-
Total expenses related to ordinary activities (excluding borrowing costs)	**539,903**	**572,621**	**6**	**7**
(b) Borrowing Costs				
Interest expense				
- Other corporations	**16,871**	**16,371**	**-**	**-**
(c) Losses/(Gains)				
Net loss on sale of property, plant and equipment	950	1,265	-	-
Net foreign exchange (gain)/loss				
- Realised	235	(1,208)	-	-
- Unrealised	(1,276)	33	-	-
Net loss/(gain) on disposals and foreign exchange	**(91)**	**90**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
3. Expenses from ordinary activities (continued)				
(d) Other Expenses				
Amortisation – Goodwill	875	900	-	-
Depreciation of non-current assets				
- Freehold buildings	1,145	1,135	-	-
- Plant and equipment: depreciation	22,668	23,648	-	-
- Plant and equipment: write-down to net realisable value	-	2,291	-	-
- Motor vehicles	2,683	2,575	-	-
Total depreciation and amortisation expense	**27,371**	**30,549**	**-**	**-**
Other charges against assets				
- Write-down of inventories	3,186	7,296	-	-
- Provision for doubtful debts and bad debts written-off/(released)	(1,029)	(67)	-	-
Total other charges against assets	**2,157**	**7,229**	**-**	**-**
Rental expense relating to operating leases				
- Properties	7,030	8,473	-	-
- Plant	535	369	-	-
Research and development – expensed as incurred	6,488	5,485	-	-
4. Income tax				
Reconciliation of Income Tax Expense				
Profit from ordinary activities before income tax	91,542	88,401	141,253	52,308
Prima facie tax on profit from ordinary activities (30%, 2004 – 30%)	27,463	26,520	42,376	15,693
Tax effect of permanent differences:				
- Non-deductible building depreciation and allowances	120	141	22	22
- Non-allowable expenditure	1,035	578	-	-
- Goodwill amortisation	263	270	-	-
- Research and development allowance	-	(128)	-	-
- Rebateable dividends	-	-	(41,790)	(15,120)
Income tax adjusted for permanent differences	28,881	27,381	608	595
Effect of different rates of tax on overseas income	93	226	-	-
Under/(over) provision in previous year	(585)	(1,259)	(620)	-
Income tax expense attributable to ordinary activities	**28,389**	**26,348**	**(12)**	**595**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
5. Dividends				
Ordinary				
Franked dividends paid:				
- Final dividend 1 October 2004 (8c per share, 2004: 8c)	22,264	22,224	22,264	22,224
- Special dividend 1 October 2004 (2.5c per share, 2004: nil)	6,958	-	6,958	-
- Interim dividend 1 April 2005 (10c per share, 2004: 10c)	27,830	27,830	27,830	27,830
- Special dividend 1 April 2005 (2.5c per share, 2004: nil)	6,958	-	6,958	-
Total dividends paid	**64,010**	**50,054**	**64,010**	**50,054**
Dividends proposed and not recognised as a liability: (refer Note 32)				
- Final dividend (8c per share, 2004: 8c) – 100% franked	22,264	22,264	22,264	22,264
- Special dividend (2c per share, 2004: 2.5c) – 100% franked	5,566	6,958	5,566	6,958
Total dividends proposed	**27,830**	**29,222**	**27,830**	**29,222**
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			35,714	33,190
- Franking credits that will arise from the payment of the income tax payable after the end of the financial year			6,311	8,700
			42,025	**41,890**
The tax rate at which paid dividends have been franked is 30% (2004: 30%).The proposed final and special dividends will be franked at 30% when paid in October 2005.				
6. Cash assets				
Cash at bank and on hand	51,011	51,482	-	-
Deposits at call	83,843	86,870	-	-
	134,854	**138,352**	**-**	**-**
7. Receivables (current)				
Trade debtors	57,927	65,848	-	-
Provision for doubtful debts	(1,394)	(2,523)	-	-
	56,533	63,325	-	-
Other debtors	11,788	2,799	-	-
Unsecured other loans				
- Employee share plan	900	501	900	501
	69,221	**66,625**	**900**	**501**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
8. Inventories				
Raw materials – At cost	25,007	25,906	-	-
Provision for diminution in value	(3,200)	(3,808)	-	-
	21,807	22,098	-	-
Finished goods – At cost	80,584	77,455	-	-
Provision for diminution in value	(15,602)	(14,043)	-	-
	64,982	63,412	-	-
Work in progress – At cost	10,702	10,870	-	-
Total inventories at lower of cost and net realisable value	**97,491**	**96,380**	**-**	**-**
9. Receivables (non-current)				
Amount owing by controlled entities	-	-	500,475	458,120
Unsecured other loans				
- Employee share plan	7,055	3,351	7,055	3,351
- Other	887	937	-	-
	7,942	**4,288**	**507,530**	**461,471**
10. Investments				
Unlisted investments				
- Shares in controlled entities – At cost (refer Note 27)	**-**	**-**	**325,646**	**325,646**
11. Property, plant and equipment				
Freehold land – At cost	**23,313**	**29,122**	**-**	**-**
Freehold buildings – At cost	35,442	41,966	-	-
Less accumulated depreciation	(7,872)	(8,583)	-	-
	27,570	**33,383**	**-**	**-**
Plant and equipment – At cost	224,958	226,245	-	-
Less accumulated depreciation	(150,620)	(144,906)	-	-
	74,338	**81,339**	**-**	**-**
Motor vehicles – At cost	14,238	14,070	-	-
Less accumulated depreciation	(4,816)	(4,460)	-	-
	9,422	**9,610**	**-**	**-**
Total net book value	**134,643**	**153,454**	**-**	**-**
Valuations of land and buildings				
Land and buildings are progressively, and independently assessed over a three year period on the basis of market value for existing use. The most recent valuations for all land and buildings are as follows (note valuations have not been recognised):				
- Freehold land	38,240	47,240	-	-
- Buildings	37,290	38,510	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
11. Property, plant and equipment (continued)				
Reconciliations				
Freehold land				
Carrying amount at beginning	29,122	29,119	-	-
Disposals	(5,800)	-	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(9)	3	-	-
	23,313	29,122	-	-
Freehold buildings				
Carrying amount at beginning	33,383	34,128	-	-
Additions/improvements	414	372	-	-
Disposals	(4,996)	(7)	-	-
Depreciation	(1,145)	(1,135)	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(86)	25	-	-
	27,570	33,383	-	-
Plant and equipment				
Carrying amount at beginning	81,339	94,303	-	-
Additions	16,793	14,652	-	-
Disposals	(849)	(1,594)	-	-
Depreciation (incl. write-down to net realisable value)	(22,668)	(25,939)	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(277)	(83)	-	-
	74,338	81,339	-	-
Motor vehicles				
Carrying amount at beginning	9,610	8,934	-	-
Additions	4,280	5,555	-	-
Disposals	(1,849)	(2,479)	-	-
Depreciation	(2,683)	(2,575)	-	-
Net foreign currency movements arising from self-sustaining foreign operations	64	175	-	-
	9,422	9,610	-	-
Total net book value	**134,643**	**153,454**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

12. Brand names

As at 30 June 2005 Brand names of $354.9 million (2004: $357.0 million) are being carried at cost (2004: at cost). PricewaterhouseCoopers Securities Limited provided GWA International Limited with an opinion dated 12 August 2005 that the fair market value of the Brand names was not less than its carrying value of $354.9 million as at 30 June 2005 (2004: $357.0 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.

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
13. Goodwill				
At cost	8,975	8,975	-	-
Accumulated amortisation	(8,975)	(8,100)	-	-
	-	**875**	**-**	**-**
14. Payables (current)				
Trade creditors	47,972	51,118	-	-
Other creditors	3,917	6,434	-	-
	51,889	**57,552**	**-**	**-**
15. Interest bearing liabilities (current)				
Unsecured bank overdraft	**-**	**-**	**48**	**52**
16. Provisions (current)				
Employee benefits and on costs	17,612	17,784	-	-
Warranty	4,445	4,561	-	-
Other	8,818	9,630	-	-
	30,875	**31,975**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
17. Non-current liabilities				
Interest bearing liabilities				
Unsecured				
- Bank loans	**296,560**	**297,803**	**-**	**-**
Non-interest bearing liabilities				
- Unsecured loans from controlled entities	**-**	**-**	**424,993**	**453,024**

Financing arrangements

GWA International Limited, GWA Finance Pty Limited, a wholly owned controlled entity of GWA International Limited and each other controlled entity of GWA International Limited have entered into a Master Financing Agreement with a number of banks.

This document provides for the following:

(i) GWA Finance Pty Limited and certain other operating controlled entities to borrow and enter into certain risk and hedging facilities;

(ii) Individual banks to provide facilities direct to GWA Finance Pty Limited and certain other operating controlled entities of GWA International Limited by joining the Master Financing Agreement and being bound by the common covenants and conditions contained therein.

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Total facilities				
- Bank overdrafts	6,413	6,410	-	-
- Bank loans	311,560	312,803	-	-
	317,973	**319,213**	**-**	**-**
Used at balance date				
- Bank overdrafts	-	-	-	-
- Bank loans	296,560	297,803	-	-
	296,560	**297,803**	**-**	**-**
Unused at balance date				
- Bank overdrafts	6,413	6,410	-	-
- Bank loans	15,000	15,000	-	-
	21,413	**21,410**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
18. Provisions (non-current)				
Employee benefits and on costs	11,600	10,937	-	-
Warranty	4,788	4,701	-	-
Other	3,278	3,034	-	-
	19,666	**18,672**	**-**	**-**
Movement in total provisions (current and non-current)				
(i) Employee benefits and on costs				
Opening balance	28,721	29,078	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(78)	(54)	-	-
Additional provisions	17,579	15,904	-	-
Provisions utilised	(17,010)	(16,207)	-	-
Closing balance	29,212	28,721	-	-
(ii) Warranty				
Opening balance	9,262	7,057	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(18)	(13)	-	-
Additional provisions	3,808	5,877	-	-
Provisions utilised	(3,819)	(3,659)	-	-
Closing balance	9,233	9,262	-	-
(iii) Other				
Opening balance	12,664	9,839	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(91)	(6)	-	-
Additional provisions	1,857	5,820	-	-
Provisions utilised	(2,334)	(2,989)	-	-
Closing balance	12,096	12,664	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
19. Contributed equity				
(a) Issued and Fully Paid Up Capital				
278,302,995 (2004: 278,302,995) ordinary shares fully paid	**346,853**	**346,853**	**346,853**	**346,853**

	2005 Number	**2005** $'000	2004 Number	2004 $'000
Movements in issued paid up capital				
Ordinary shares				
Balance at 1 July 2004	278,302,995	346,853	277,802,995	345,493
Issue of shares to employees (2004: $2.72)	-	-	500,000	1,360
Balance at 30 June 2005	278,302,995	346,853	278,302,995	346,853

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 2004/05 year, 1,795,000 ordinary shares were purchased on market for employees at an average share price of $3.13, a total market value of $5,627,166. In the prior year, 500,000 ordinary shares were issued to employees at the market price of $2.72 per share, a total market value of $1,360,000.

As at 30 June 2005, loans are issued for 3,913,750 (2004: 2,785,000) shares and the remaining balances of these loans is $7,955,648 (2004: $3,852,370).

During the 2004/05 year, dividends of $774,700 (2004: $541,650) were paid against the loans and a further $749,189 (2004: $1,271,845) was paid by employees against these loans.

(d) Options

No options have been issued at any time.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
20. Foreign currency translation reserve 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	918	(114)	-	-
Net exchange gain/(loss) on translation of foreign controlled entities	(2,083)	1,032	-	-
Balance at end of year	**(1,165)**	**918**	**-**	**-**
(b) Retained Profits				
Balance at beginning of year	80,739	68,740	3,030	1,371
Net profit attributable to members	63,153	62,053	141,265	51,713
Total available for appropriation	143,892	130,793	144,295	53,084
Dividends paid by the company	(64,010)	(50,054)	(64,010)	(50,054)
Balance at end of year	**79,882**	**80,739**	**80,285**	**3,030**

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
G McGrath – appointed 6 July 2004

Executive

P C Crowley – Managing Director

(ii) Specified executives

E Harrison – Chief Financial Officer
S Wright – Group Operations Manager
C Bizon – General Manager – Caroma – to 30 November 2004
D Duncan – General Manager – Dorf Clark
G Oliver – General Manager – Gainsborough
L Patterson – General Manager – Dux
R Watkins – General Manager – Rover
J Measroch – General Manager – Sebel

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

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 Incentive Scheme
- Employee Share Plan
- Other benefits

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

The Executive Incentive Scheme has been structured into two incentive schemes based on performance targets, which are set at the beginning of the incentive period, and subject to maximum amounts.

Under the Employee Share Plan, 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 the three year incentive scheme targets. The loans provided by the company are repaid from dividends paid and are repayable in full 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 three year incentive schemes, together with the Employee Share Plan, establish relationships between the short, medium and long term performance of the company and each executive's remuneration.

Cash incentives

The grant date of the yearly incentive scheme operating in this reporting period was 1 July 2004 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 three year incentive scheme is 1 July 2004 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 are divisional profits for divisional executives and earnings per share for corporate executives.

Contract for services

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

Directors' emoluments

During the 2004/05 year, Mr Jim Kennedy, Mr Martin Kriewaldt and Mr Robert Anderson were paid their accrued entitlements under the former Directors' Retirement Scheme, pursuant to a resolution of shareholders at the 2004 Annual General Meeting. The total payments made during the year were $582,750.

Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2004 Annual General Meeting, is not to exceed $1 million per annum (excluding statutory superannuation) and are set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies.

Non-executive directors are remunerated by way of directors' fees only (including statutory superannuation), and are not able to participate in the Executive Incentive Scheme or the GWA International Employee Share Plan. Directors' fees cover all main board activities and membership of Board Committees.

The Directors' Retirement Scheme for non-executive directors was terminated by shareholders at the 2003 Annual General Meeting. Shareholders approved the pay-out to the non-executive directors of their accrued entitlements under the former Scheme at the 2004 Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

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 Incentive	3 Year Incentive	Non-monetary	Super-annuation	Retirement Benefits	Termination Benefits	Benefits	$
Specified directors									
Non-executive									
B Thornton	159,080	-	-	-	95,980	-	-	250	255,310
J Kennedy	127,327	-	-	-	3,603	-	-	250	131,180
M Kriewaldt	93,600	-	-	-	8,424	-	-	250	102,274
D Barry	82,680	-	-	-	7,441	-	-	250	90,371
R Anderson	78,000	-	-	-	7,020	-	-	250	85,270
G McGrath	82,290	-	-	-	7,371	-	-	250	89,911
Executive									
P Crowley	877,263	332,500	190,000	183,230	36,000	-	-	9,519	1,628,512
Total remuneration: Specified directors									
2005	1,500,240	332,500	190,000	183,230	165,839	-	-	11,019	2,382,828
2004*	1,371,479	412,500	-	59,772	86,076	-	-	10,285	1,940,112
Specified executives									
E Harrison	425,251	105,819	70,546	82,738	-	-	-	4,975	689,329
S Wright	383,747	106,418	70,945	79,663	35,472	-	-	4,704	680,949
R Watkins	303,154	-	-	52,155	27,555	-	-	3,598	386,462
C Bizon #	134,551	-	-	84,362	14,500	-	300,000	2,037	535,450
D Duncan	246,785	62,500	50,000	112,197	44,567	-	-	2,849	518,898
J Measroch	257,283	-	-	67,911	24,370	-	-	2,999	352,563
L Patterson	214,364	-	-	47,976	20,850	-	-	2,602	285,792
G Oliver	180,207	71,258	47,505	56,462	119,110	-	-	2,056	476,598
Total remuneration: Specified executives									
2005	2,145,342	345,995	238,996	583,464	286,424	-	300,000	25,820	3,926,041
2004*	2,201,329	480,300	289,080	426,864	186,897	-	300,000	24,768	3,909,238

* Group totals in respect of the financial year ended 2004 do not necessarily equal the sums of amounts disclosed for 2004 for individuals specified in 2005, as different individuals were specified in 2004.

\# to 30 November 2004

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

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 Ltd (number)		
	Balance 1 July 2004 Ord	Net Change Other Ord	Balance 30 June 2005 Ord
Specified directors			
Non-executive			
B Thornton	14,355,902	670,000	15,025,902
J Kennedy	50,000	-	50,000
M Kriewaldt	100,000	-	100,000
D Barry	11,537,149	872,040	12,409,189
R Anderson	20,692,832	-	20,692,832
G McGrath#	754,276	(161,250)	593,026
Executive			
P Crowley	500,000	-	500,000
Specified executives			
E Harrison	470,975	150,000	620,975
S Wright	275,750	143,000	418,750
R Watkins	268,750	(168,750)	100,000
J Measroch	150,000	50,000	200,000
G Oliver	156,250	75,000	231,250
D Duncan	2,000	98,000	100,000
L Patterson	-	100,000	100,000
Total	**49,313,884**	**1,828,040**	**51,141,924**

G McGrath was not a specified director of the company at 30 June 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

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 2004 $	Interest Charged	Interest Not Charged	Write-off	Balance 30 June 2005 $	Number in Group 30 June 2005
Specified directors							
	2005	1,310,000	-	88,478	-	1,195,000	1
	2004	NIL	-	43,721	-	1,310,000	1
Specified executives							
	2005	2,167,837	-	222,522	-	3,574,637	8
	2004	2,284,268	-	165,921	-	2,167,837	8
Total specified directors and specified executives							
	2005	3,477,837	-	311,000	-	4,769,637	9
	2004	2,284,268	-	209,642	-	3,477,837	9

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

	Balance 1 July 2004 $	Interest Charged	Interest Not Charged	Write-off	Balance 30 June 2005 $	Highest Owing in Period
Specified directors						
P Crowley	1,310,000	-	88,478	-	1,195,000	1,310,000
Specified executives						
E Harrison	288,831	-	40,825	-	701,505	741,349
S Wright	213,831	-	35,537	-	626,505	666,349
C Bizon #	503,750	-	21,569	-	240,000	503,750
R Watkins	178,331	-	10,488	-	115,750	178,331
J Measroch	263,750	-	24,688	-	379,745	404,746
G Oliver	219,344	-	25,137	-	409,150	438,056
D Duncan	500,000	-	49,764	-	800,991	813,491
L Patterson	-	-	14,514	-	300,991	313,491

to 30 November 2004

Mr D Duncan has a housing loan of $500,000 secured by a registered second mortgage. Mr C Bizon has an unsecured housing loan of $240,000. 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 Plan. The Employee Share Plan loans 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 consolidated 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 $582,608 (2004: $297,393). At reporting date $137,089 (2004: $14,278) formed part of trade creditors.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $	2004 $	**2005** $	2004 $
22. Remuneration of auditors				
Audit related services:				
Auditors of GWA International Limited:				
Australia				
- audit or review of the financial reports	260,000	300,400	10,000	8,400
- IFRS advice	20,700	-	-	-
Overseas Firms				
- audit or review of the financial report of subsidiary entities	48,163	54,369	-	-
	328,863#	**354,769+**	**10,000#**	**8,400+**
Other services:				
Auditors of GWA International Limited:				
Australia				
- Tax advisory and compliance	-	72,370	-	-
- Acquisition due diligence services	-	4,400	-	-
- Superannuation advice and assistance	-	8,650	-	-
- Other	51,367	72,809	-	-
	51,367#	**158,229+**	**-**	**-**

\# These fees are paid to KPMG as the auditors of the consolidated entity and the company for the current financial year.

\+ These fees were paid to Ernst & Young as the auditors of the consolidated entity and the company for the previous financial year.

	$'000	$'000	$'000	$'000
23. Contingent liabilities				
Details and estimates of maximum amounts of contingent liabilities, classified in accordance with the party from whom the liability could arise and for which no provisions are included in the accounts, are as follows				
Bank guarantees	**2,833**	**1,078**	**-**	**-**

Cross guarantee by GWA International Limited as described in Note 28. All these companies have assets in excess of liabilities.

The previous freight carrier for Dux has lodged an action in the Industrial Relations Commission of NSW with claims totaling $3.6 million. Dux is defending the claim. No provision has been made in the financial report for the claimed compensation.

	$'000	$'000	$'000	$'000
24. Commitments for expenditure				
(a) Capital Expenditure Commitments				
Total capital expenditure contracted for at balance date but not provided for in the accounts payable				
- Not later than 1 year	29,360	2,768	-	-
(b) Lease Expenditure Commitments				
Operating lease (non-cancelable) expenditure contracted for at balance date:				
- Not later than 1 year	6,671	6,894	-	-
- Later than 1 year but not later than 5 years	13,707	14,575	-	-
- Later than 5 years	1,774	2,237	-	-
Aggregate lease expenditure contracted for at balance date	**22,152**	**23,706**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

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 2004/05 year, there were no additional company contributions (2003/04: $161,500). The fund has now been wound up effective 30 June 2004.

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 2005 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.

	The Company	
	2005 **$'000**	2004 $'000
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	139,300	50,400
Trust revenue	1,956	1,915
Aggregate amounts receivable from and payable to wholly owned controlled entities at balance date were as follows:		
Non-current receivables	500,475	458,120
Non-current borrowings	424,993	453,024

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

For the year ended 30 June 2005

		Country of Incorporation	Class of Shares	**2005** %	2004 %	Parties to Cross Guarantee
27. Investment in controlled entities						
(a) Name of Entity						
The company						
GWA International Limited		Aust	Ord			Y
Controlled Entities						
GWA Group Limited	(ii)	Aust	Ord	100	100	Y
Gainsborough Hardware Industries Limited	(ii)	Aust	Ord	100	100	Y
Caroma Holdings Limited	(ii)	Aust	Ord	100	100	Y
GWA (North America) Pty Ltd	(ii)	Aust	Ord	100	100	Y
Sebel Furniture Inc	(iii)	USA	Ord	100	100	N
Caroma Industries Limited	(ii)	Aust	Ord	100	100	Y
G Subs Pty Ltd	(ii)	Aust	Ord	100	100	Y
Sebel Furniture (Hong Kong) Ltd	(i)	HK	Ord	100	100	N
GWA Trading (Shanghai) Co Ltd	(iii)	China	Ord	100	N/A	N
GWA International (Hong Kong) Limited	(i)	HK	Ord	100	100	N
Stylus Pty Ltd	(ii)	Aust	Ord	100	100	Y
Stylus Industries Pty Limited	(ii)	Aust	Ord	100	100	Y
Fowler Manufacturing Pty Ltd	(ii)	Aust	Ord	100	100	Y
Starion Tapware Pty Ltd	(ii)	Aust	Ord	100	100	Y
Dorf Clark Industries Ltd	(ii)	Aust	Ord	100	100	Y
Dorf Industries (NZ) Ltd		NZ	Ord	100	100	N
McIlwraith Davey Pty Ltd	(ii)	Aust	Ord	100	100	Y
Stylus Sales Limited		NZ	Ord	100	100	N
Caroma Industries Europe BV	(i)	Netherlands	Ord	100	100	N
Wisa Beheer BV	(i)	Netherlands	Ord	100	100	N
Wisa BV	(i)	Netherlands	Ord	100	100	N
Wisa Systems BV	(i)	Netherlands	Ord	100	100	N
Wisa GmbH	(i)	Germany	Ord	100	100	N
Stokis Kon Fav. Van Metaalwerken NV	(i)	Netherlands	Ord	100	100	N
Wisa France SA	(i)	France	Ord	100	100	N
Caroma International Pty Ltd	(ii)	Aust	Ord	100	100	Y
Caroma USA Inc	(iii)	USA	Ord	100	100	N
Caroma Canada Industries Ltd	(iii)	Canada	Ord	100	100	N
Caroma Industries (UK) Ltd	(i)	UK	Ord	100	100	N
Canereb Pty Ltd	(iv)	Aust	Ord	100	100	N
Dux Manufacturing Limited	(ii)	Aust	Ord	100	100	Y
GWA Taps Manufacturing Limited	(ii)	Aust	Ord	100	100	Y
Lake Nakara Pty Ltd	(iv)	Aust	Ord	100	100	N
Mainrule Pty Ltd	(iv)	Aust	Ord	100	100	N
Warapave Pty Ltd	(iv)	Aust	Ord	100	100	N
Rover Mowers (NZ) Limited		NZ	Ord	100	100	N
Caroma Industries (NZ) Limited		NZ	Ord	100	100	N
GWAIL (NZ) Ltd		NZ	Ord	100	100	N
Rover Mowers Limited	(ii)	Aust	Ord	100	100	Y
Industrial Mowers (Australia) Limited	(ii)	Aust	Ord	100	100	Y
Olliveri Pty Ltd	(ii)	Aust	Ord	100	100	Y
Sebel Service & Installations Pty Ltd	(ii)	Aust	Ord	100	100	Y

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

		Country of Incorporation	Class of Shares	**2005** %	2004 %	Parties to Cross Guarantee
27. Investment in controlled entities (continued)						
(a) Name of Entity (continued)						
Sebel Properties Pty Ltd	(ii)	Aust	Ord	100	100	Y
Sebel Furniture Limited (NZ)		NZ	Ord	100	100	N
Sebel Furniture Limited	(ii)	Aust	Ord	100	100	Y
Sebel Furniture (SEA) Pte Ltd	(i)	Sing	Ord	100	100	N
Sebel Sales Pty Limited	(ii)	Aust	Ord	100	100	Y
Caroma Singapore Pte Limited	(i)	Sing	Ord	100	100	N
GWA Finance Pty Limited	(ii)	Aust	Ord	100	100	Y
Hetset (No. 5) Pty Ltd	(ii)	Aust	Ord	100	100	Y
Gainsborough Hardware Limited	(iii)	UK	Ord	100	100	N
Bankstown Unit Trust		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 KPMG 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 former GWAIL Group Retirement Fund and the former GWAIL 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:

	2005 $'000	2004 $'000
Consolidated Statement of Financial Performance		
Profit from ordinary activities before income tax	**86,945**	**82,619**
Income tax attributable to ordinary activities	(27,209)	(23,829)
Profit from ordinary activities after income tax	**59,736**	**58,790**
Retained profits at the beginning of the financial year	65,119	56,383
Total available for appropriation	**124,855**	**115,173**
Dividends paid	(64,010)	(50,054)
Retained profits at the end of the financial year	**60,845**	**65,119**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

28. Deed of cross guarantee (continued)

Consolidated Statement of Financial Position

	2005 $'000	2004 $'000
Current assets		
Cash assets	124,002	117,044
Receivables	62,933	60,777
Inventories	87,487	87,243
Other	6,405	1,452
Total current assets	**280,827**	**266,516**
Non-current assets		
Receivables	7,942	4,288
Investments	16,280	16,280
Property, plant and equipment	106,702	123,956
Inter-company	37,456	52,110
Brand names	331,685	331,685
Goodwill	-	875
Deferred tax assets	24,766	24,780
Total non-current assets	**524,831**	**553,974**
Total assets	**805,658**	**820,490**
Current liabilities		
Payables	48,772	53,630
Current tax liabilities	5,618	8,774
Provisions	29,222	30,289
Total current liabilities	**83,612**	**92,693**
Non-current liabilities		
Interest bearing liabilities	296,560	297,803
Deferred tax liability	346	665
Provisions	19,901	18,671
Inter-company	-	-
Total non-current liabilities	**316,807**	**317,139**
Total liabilities	**400,419**	**409,832**
Net assets	**405,239**	**410,658**
Equity		
Contributed equity	346,853	346,853
Foreign currency translation reserve	(2,459)	(1,314)
Retained profits	60,845	65,119
Total equity	**405,239**	**410,658**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

29. Segment reporting

(a) Primary Reporting – Business Segments

	Building Fixtures and Fittings	Commercial Furniture	Unallocated	Intersegment Eliminations	Total Consolidated
	2005 $'000	**2005** $'000	**2005** $'000	**2005** $'000	**2005** $'000
Revenue					
External sales	523,850	61,608	41,408	-	626,866
Intersegment sales	-	1,947	-	(1,947)	-
Total sales revenue	523,850	63,555	41,408	(1,947)	626,866
Other revenue	14,556	628	6,266	-	21,450
Total segment revenue	538,406	64,183	47,674	(1,947)	648,316
Segment result	105,736	5,781	(19,975)	-	91,542
Income tax expense					(28,389)
Net profit					63,153
Total assets	583,480	52,738	195,498	-	831,716
Total liabilities	82,122	6,663	317,361	-	406,146
Other segment information:					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	18,565	1,241	1,681	-	21,487
Depreciation and amortisation expenses	22,289	3,412	1,670	-	27,371
Non-cash expenses other than depreciation and amortisation	-	-	-	-	-

	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	595,781	57,011	190,986	-	843,778
Total liabilities	78,582	7,536	329,150	-	415,268
Other segment information:					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	16,640	2,615	1,324	-	20,579
Depreciation and amortisation expense	25,704	3,305	1,540	-	30,549
Non-cash expenses other than depreciation and amortisation	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

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

Sanitaryware
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

	Australia	Unallocated	Total Consolidated
	2005 $'000	**2005** $'000	**2005** $'000
Segment revenue from sales to external customers	532,369	94,497	626,866
Other revenue	21,055	395	21,450
Segment assets	776,170	55,546	831,716
Acquisition of property plant and equipment, intangibles and other non-current segment assets	20,731	756	21,487
	2004 $'000	2004 $'000	2004 $'000
Segment revenue from sales to external customers	578,546	89,380	667,926
Other revenue	8,882	585	9,467
Segment assets	785,818	57,960	843,778
Acquisition of property plant and equipment, intangibles and other non-current segment assets	19,489	1,090	20,579

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	Consolidated		The Company	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
30. Reconciliation of profit from ordinary activities after income tax to net cash from operating activities				
Profit from ordinary activities after income tax	63,153	62,053	141,265	51,713
Depreciation and amortisation	27,371	30,549	-	-
Net loss on sale of non-current assets	950	1,265	-	-
Net exchange differences	(793)	213	-	-
Decrease/(increase) in assets				
Decrease/(increase) in inventories	(1,111)	21,258	-	-
Decrease/(increase) in trade debtors	6,792	18,617	-	-
Decrease/(increase) in future income tax benefit	(679)	(3,153)	14	(24,780)
Decrease/(increase) in other assets	(3,882)	56	2,140	15,935
Increase/(decrease) in liabilities				
Increase/(decrease) in accounts payable and bills payable	(5,818)	(9,845)	-	-
Increase/(decrease) in provision for income tax payable	(2,167)	(7,679)	(31,810)	8,399
Increase/(decrease) in provision for deferred tax	57	(362)	(313)	665
Increase/(decrease) in other provisions	(106)	1,681	-	-
Net cash flow from operating activities	**83,767**	**114,653**	**111,296**	**51,932**

	2005	2004
31. Earnings per share		
Basic earnings per share	22.7c	22.3c
Profit used to determine earnings per share	63,153,000	62,053,000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	278,302,995	278,023,543
The company has only ordinary shares on issue and there is no other class of securities that could dilute earnings per share.		

32. Events occurring after balance date

On 16th August 2005, the directors of GWA International Limited declared a final dividend on ordinary shares in respect of the 2005 financial year. The total amount of the dividend is $27,830,300, which represents a fully franked ordinary dividend of 8.0 cents per share and a fully franked special dividend of 2.0 cents per share. The dividend has not been provided for in the 30 June 2005 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 consolidated entity in later years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

33. Financial instruments

(a) Terms, Conditions and Accounting Policies

The consolidated 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:

Financial Instruments	Note	Accounting Policies	Terms and Conditions
(i) Financial assets			
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.
Cash assets	6	Cash at bank and short-term deposits are stated at face value. Interest is recognised in the profit and loss when earned.	Short-term deposits have maturities from 24 hours to 60 days and effective interest rates of 4.2% to 5.7% (2004: 4.2% to 5.4%).
(ii) Financial liabilities			
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 consolidated 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 2005 (2004: nil). 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.
(iii) Equity			
Ordinary shares	19	Ordinary share capital is recognised at the fair value of the consideration received by the company.	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

33. Financial instruments (continued)

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

Financial Instruments	Note	Accounting Policies	Terms and Conditions
(iv) Derivatives			
Forward exchange contracts		The consolidated 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
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

Forward exchange contracts:

Buy/Sell	Foreign Currency Amount	Effective Rate
2005		
Buy USD	USD 6.46 million	0.7646
Buy EUR	EUR 0.67 million	0.6092
Buy YEN	YEN 26.97 million	82.398
Sell NZD	NZD 0.65 million	1.0847
Sell USD	USD 2.80 million	0.7710
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

Interest rate swaps:

Swap Term Remaining	Notional Amount	Effective Rate
2005		
May 06*	A$ 50 million	4.63%
Aug 07	A$ 25 million	5.67%
Sep 07	A$ 25 million	5.62%
Oct 07	A$ 25 million	5.52%
Nov 07	A$ 25 million	5.50%
Sep 08	A$ 25 million	5.63%
2004		
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 12 months

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

33. Financial instruments (continued)

(b) Interest Rate Risk

The consolidated 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: 1 Year or Less	Over 1-5 Years	More than 5 Years	Non-Interest Bearing	Total Carrying Amount as Per Statement of Financial Position	Weighted Average Effective Interest Rate
	2005 $	2005 $	2005 $	2005 $	2005 $	2005 $	2005 %
Financial assets							
Cash and deposits at call	134,854	-	-	-	-	134,854	5.42
Trade receivables	-	-	-	-	57,927	57,927	N/A
Total financial assets	134,854	-	-	-	57,927	192,781	N/A
Financial liabilities							
Bank loans	296,560	-	-	-	-	296,560	5.58
Trade creditors	-	-	-	-	47,972	47,972	N/A
Interest rate swaps	-	50,000	125,000	-	-	-	5.21
Forward exchange contracts	-	14,126	-	-	-	-	N/A
Total financial liabilities	296,560	64,126	125,000	-	47,972	344,532	N/A

Financial Instruments	Floating Interest Rate	Fixed Financial Instruments Maturing in: 1 Year or Less	Over 1-5 Years	More than 5 Years	Non-Interest Bearing	Total Carrying Amount as Per Statement of Financial Position	Weighted Average Effective Interest Rate
	2004 $	2004 $	2004 $	2004 $	2004 $	2004 $	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

33. Financial instruments (continued)

(c) Net Fair Values

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

	Total Carrying Amount as Per the Statements of Financial Position		Aggregate Net Fair Value[1]	
	2005 $'000	2004 $'000	**2005** $'000	2004 $'000
Financial assets				
Cash and deposits at call	134,854	138,352	134,854	138,352
Receivables – Trade	57,927	65,848	57,927	65,848
Total financial assets	**192,781**	**204,200**	**192,781**	**204,200**
Financial liabilities				
Bank loans	296,560	297,803	296,560	297,803
Trade creditors	47,972	51,118	47,972	51,118
Interest rate swaps – (Gain)/loss	-	-	2,348	(677)
Forward exchange contracts – (Gain)/loss	-	478	75	454
Total financial liabilities	**344,532**	**349,399**	**346,955**	**348,698**

(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 28 September 2005. 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.

(d) Credit Risk Exposures

The consolidated 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 consolidated 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 $75,000 (2004 net loss: $454,000);

(ii) interest rate swap contract – which is limited to the net fair value of the swap agreement at balance date, being a net loss of $2,348,000 (2004 net gain: $677,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

33. Financial instruments (continued)

(d) Credit Risk Exposures (continued)

Concentrations of credit risk

The consolidated 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

	Maximum Credit Risk Exposure* for Each Concentration			
	Consolidated			
	Percentage of Total Trade Debtors (%)		$'000	
	2005	2004	**2005**	2004
Industry				
Buildings, fixtures and fittings	74	78	43,111	51,147
Commercial furniture	16	15	9,201	9,900
Unallocated	10	7	5,615	4,801
Total	100	100	57,927	65,848

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.

34. Impact of adopting australian equivalents to international financial reporting standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

Transition management

The consolidated entity established an implementation project to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005. 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 AIFRS.

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures. This phase included:

- a high-level review and identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS
- assessment of new information requirements to comply with AIFRS
- preparation of a conversion plan to implement the changes to the consolidated entity's accounting, reporting and information requirements

The assessment and planning phase is completed at 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

34. Impact of adopting australian equivalents to international financial reporting standards (continued)

Design phase

The design phase involved setting out the changes required to existing accounting policies and procedures in order to transition to AIFRS. The design phase incorporated:

- analysis of the differences between AIFRS and current Australian accounting standards
- preparation of papers setting out the key differences impacting the consolidated entity
- development of revised AIFRS disclosures

The design phase is completed at 30 June 2005.

Implementation phase

The implementation phase includes documentation and calculation of the identified changes to accounting policies and procedures and enables the consolidated entity to report the required reconciliations and disclosures of AASB1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. The implementation phase is in progress at 30 June 2005.

Impact of transition to AIFRS

The impact of transition to AIFRS, and the selection and application of AIFRS accounting policies are based on AIFRS standards that management expect to be in place when preparing the first complete AIFRS financial report. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

The significant changes in accounting policies expected to be adopted upon transition to AIFRS are set out below:

Business combinations

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date will not be restated in preparing the opening AIFRS balance sheet.

Goodwill

Under AASB 3 *Business Combinations* goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. The goodwill booked by the consolidated entity with the purchase of Gainsborough was fully amortised at 30 June 2005.

Other intangible assets

Other intangible assets acquired will be stated at cost less accumulated amortisation and impairment losses. Software assets developed for internal use will be reclassified from property, plant and equipment to intangible assets on transition to AIFRS. This is not a material amount.

Impairment

Under current Australian GAAP the carrying amounts of non-current assets are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurs. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

Under AIFRS, intangible assets that have an indefinite useful life and intangible assets not yet ready for use are tested for impairment annually. The recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined.

A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets, each cash-generating unit must be no larger than a segment. An impairment loss will be recognised whenever the carrying amount of an asset, or its cash generating unit exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease.

Impairment losses recognised in respect of a cash generating unit will be allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit pro rata based on their carrying amounts.

At transition date, the consolidated entity had recognised $357.0 million of intangibles (brand names) as non-current assets at cost. The consolidated entity has completed its impairment testing on brand names. As a result of the impairment testing being on a cash generating unit level under AIFRS which is a lower level than under current Australian GAAP, an impairment loss will be recognised in relation to the Stylus brand name. An impairment loss of $14.6 million will be recognised as a decrease in retained earnings on transition to AIFRS in relation to the Stylus brand name.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

34. Impact of adopting australian equivalents to international financial reporting standards (continued)

Property, plant and equipment

Under AIFRS the gain or loss on the disposal of property, plant and equipment will be recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue. For the consolidated entity an amount of $12.5 million is expected to be reclassified from revenue to other expenses for the financial year ended 30 June 2005.

AIFRS requires that contractual liabilities for removal and disposal costs of plant be brought to account on acquisition of the assets. This cost must be expensed over the life of the asset by creating a provision, against which the actual expenses are charged when incurred. On transition a provision of $1.5 million for make good costs associated with certain items of plant and equipment is expected to be recognised in the consolidated entity.

Financial statements of foreign operations

Under current Australian GAAP, the assets and liabilities of self-sustaining foreign operations are translated at the rates of exchange ruling at reporting date. Equity items and goodwill are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are recognised directly in the foreign currency translation reserve until disposal of the operation, when it is transferred directly to retained earnings.

Under AIFRS each entity in the consolidated entity determines its functional currency, the currency of the primary economic environment in which the entity operates reflecting the underlying transactions, events and conditions that are relevant to the entity. The entity maintains its books and records in its functional currency. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the entity's functional currency to the consolidated entity's presentation currency of Australian dollars at foreign exchange rates ruling at reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

There are no expected changes in functional currency for the company or its subsidiaries.

The AASB 1 election to reset the existing foreign currency translation reserve balance to nil is expected to be adopted. Foreign currency translation differences amounting to $0.9 million that have arisen prior to the date of transition will be transferred directly from foreign currency translation reserve to retained earnings.

Employee share plan loans

Under AIFRS interest free employee share plan loans are required to be discounted to net present value and a prepayment recognised in the balance sheet to reflect the future service being provided by employees in respect of the interest free loan. The financial impact of discounting employee share plan loans currently in existence is not material.

Classification of financial instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be recognised in the Statements 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. Under AASB 139, in order to achieve a qualifying hedge, the entity is required to meet certain criteria. 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. The future financial effect of these changes has not yet been quantified.

Income taxes

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP. The expected impact on the consolidated entity of this change in basis has not yet been quantified.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of GWA International Limited ("the company"), 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 2005 and of their performance, as represented by the results of their operations and their cash flows, 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. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2005.
3. 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, 16 August 2005

INDEPENDENT AUDIT REPORT

KPMG

Independent audit report to the members of GWA International Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes 1 to 34 to the financial statements, and the directors' declaration for both GWA International Limited (the Company) and GWA International Limited and its controlled entities (the Consolidated Entity), for the year ended 30 June 2005. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report 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*, Australian Accounting Standards 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 their performance as represented by the results of their 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.

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 2005 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.

KPMG

KPMG

Trent van Veen
Partner

Sydney

16 August 2005

OTHER STATUTORY INFORMATION

As at 15 August 2005

Statement of shareholding

In accordance with the Australian Stock Exchange Listing Rules, the directors state that, as at 15 August 2005, the share capital in the company was held as follows:-

Range	Ordinary Shareholders	Ordinary Shares	%
1 - 1,000	1,684	1,161,064	0.4
1,001 - 5,000	7,729	23,632,504	8.5
5,001 - 10,000	3,841	29,036,945	10.4
10,001 - 100,000	2,240	47,746,510	17.2
100,001 and over	116	176,725,972	63.5
Total	**15,610**	**278,302,995**	**100.0**

The number of shareholders with less than a marketable parcel of shares is 150.

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 15 August 2005:

Shareholder	Number of Shares	% of Shares on Issue
Perpetual Trustees Australia Limited	15,213,489	5.47
HGT Investments Pty Ltd	14,448,152	5.19

20 Largest shareholders as at 15 August 2005

Shareholder	Number of Shares	% of Shares on Issue
HGT Investments Pty Ltd	14,448,152	5.19
JP Morgan Nominees Australia Limited	13,714,891	4.93
National Nominees Limited	11,603,119	4.17
Erand Pty Ltd	9,898,229	3.56
KFA Investments Pty Ltd	9,863,817	3.54
CJZ Investments Pty Ltd	9,700,651	3.49
JMB Investments Pty Ltd	8,800,425	3.16
Ashberg Pty Ltd	8,198,000	2.95
Theme (No 3) Pty Ltd	7,201,160	2.59
Australian Foundation Investment Company Limited	6,612,136	2.38
RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	6,269,738	2.25
RBC Global Services Australia Nominees Pty Limited (PIPOOLED A/C)	5,643,325	2.03
ITA Investments Pty Ltd	5,152,338	1.85
Westpac Custodian Nominees Limited	4,902,481	1.76
Mr Barry Thornton and Mr Chris Hamlin (The Sharp Family A/C)	4,740,033	1.70
Citicorp Nominees Pty Limited	4,384,572	1.58
Dabary Investments Pty Ltd	3,398,961	1.22
Mr Michael John McFadyen	2,797,520	1.01
ANZ Nominees Limited (Cash Income A/C)	2,595,039	0.93
Harvest Home Holdings Pty Ltd	2,586,416	0.93
Total	**142,511,003**	**51.21**

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 27 October 2005 commencing at 10:30 am. A Notice of Annual General Meeting and Proxy Form are enclosed with the Annual 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 552 270 or write to GPO Box 523 Brisbane Queensland Australia 4001.

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.

Annual Reports

If shareholders do not wish to continue receiving the Annual Report, please notify the company's share registry in writing. Shareholders will still be sent the Notice of Meeting. The latest Annual Report can be accessed from the company's website at www.gwail.com.au.

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 2.0 cents per share will be paid on 3 October 2005. 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 an advice mailed to shareholders on that date.

To ensure the prompt receipt of dividends, the company encourages shareholders to provide direct credit instructions. Direct credit application forms can be obtained from the company's share registry.

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. Details of the trading activity of the company's shares are published in most daily newspapers, generally under the abbreviation GWA Intl.

Shareholder timetable 2005

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

Shareholder timetable 2006

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

CORPORATE DIRECTORY

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 (Hons) LLM

Chief Financial Officer
E J Harrison, CPA B Bus (Acc)

Registered Office

Level 14
10 Market Street
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AUSTRALIA

Telephone 61 7 3109 6000
Facsimile 61 7 3236 0522
Website www.gwail.com.au
ASX code: GWT

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000
AUSTRALIA

Telephone 61 2 9335 7000
Facsimile 61 2 9299 7077

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
Website www.computershare.com

Group Bankers

BNP Paribas
Citibank
Commonwealth Bank of Australia
National Australia Bank

GWA INTERNATIONAL LIMITED

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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

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DUX MANUFACTURING LIMITED

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Website www.dux.com.au

GAINSBOROUGH HARDWARE INDUSTRIES LIMITED

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ROVER MOWERS LIMITED

155 Fison Avenue West
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Telephone 61 7 3213 0222
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96 Canterbury Road
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Website www.sebel.com.au

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