INNOVATION = FUTURE GROWTH

GWA INTERNATIONAL LIMITED 2005/06 ANNUAL REPORT

caroma · dorf · CLARK · dux HOT WATER · Gainsborough

FOWLER · Irwell · WISA · stylus · ROVER MOWERS · sebel form function balance

GWA INTERNATIONAL LIMITED ABN 15 055 964 380

2005/2006 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 2,000 employees with manufacturing facilities throughout Australia and in Europe.

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

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 growing shareholder wealth through maximising business performance and the pursuit of further appropriate domestic acquisitions.

INNOVATION = FUTURE GROWTH

Mission Statement

GWA International Limited's primary objective is to grow shareholder wealth. This objective will be achieved by continuing to invest in people, products and technology to sustain and build premium profitability of the businesses over time.

The company will focus on the research, development and release of innovative and environmentally friendly products to maximise market opportunities, and to assist in reducing domestic water consumption and greenhouse gas emissions.

GWA International Limited is committed to acquiring another major domestic business division, and to also pursue bolt-on acquisitions that add value to existing businesses, and that support expansion into new markets.

Caroma Dorf is Australia's foremost designer, manufacturer, importer and distributor of domestic and commercial bathroom and kitchen products, including sanitaryware, tapware, accessories, bathware, stainless steel sinks and laundry tubs. Caroma Dorf is at the forefront of product innovation and is the market leader in water efficient sanitaryware and tapware.

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.

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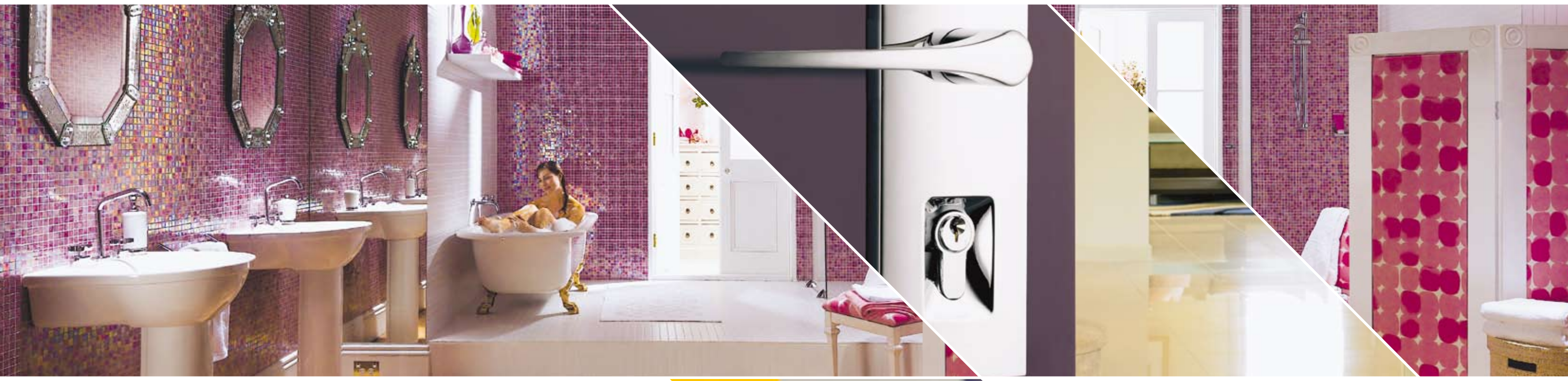
→ Performance Highlights

- → Net profit after tax of $56.9 million
- → Earnings per share of 20.4 cents
- → Fully franked dividend of 21.5 cents (including 3.5 cents in special dividends)
- → Return on shareholders' equity of 13.8%

Five Year Financial Summary		2001/02 $'000	2002/03 $'000	2003/04 $'000	2004/05 $'000	2005/06 $'000
Revenue		615,843	666,525	677,393	626,866	619,989
Earnings before interest, tax, depreciation, amortisation and reorganisation costs		109,934	120,426	131,564	130,067	117,617
(%)		17.9	18.1	19.4	20.7	19.0
Depreciation and amortisation		28,812	28,034	30,549	26,714	22,420
Earnings before interest, tax and reorganisation costs		81,122	92,392	101,015	103,353	95,197
(%)		13.2	13.9	14.9	16.5	15.4
Interest (net)		14,477	13,816	12,614	11,137	11,490
Trading profit before tax		66,645	78,576	88,401	92,216	83,707
(%)		10.8	11.8	13.1	14.7	13.5
Tax expense		19,995	23,569	26,348	28,328	23,628
(%)		30.0	30.0	29.8	30.7	28.2
Trading profit after tax		46,650	55,007	62,053	63,888	60,079
Reorganisation costs after tax		-	-	-	-	3,227
Net profit after tax		46,650	55,007	62,053	63,888	56,852
Net cash flow provided from operating activities before debt cost and tax		116,807	128,200	162,104	130,157	98,234
Capital expenditure		32,976	24,392	20,579	21,331	30,966
Research and development		5,064	5,770	5,485	6,488	5,775
Net debt		229,435	207,678	159,451	161,706	141,000
Shareholders' equity		387,849	413,787	428,510	409,546	411,968
Other Ratios and Statistics						
Return on shareholders' equity	(%)	12.0	13.3	14.5	15.6	13.8
Interest cover	(times)	5.6	6.7	8.0	9.3	8.3
Net debt/equity	(%)	59.2	50.2	37.2	39.5	34.2
Earnings per share	(cents)	16.8	19.8	22.3	23.0	20.4
Ordinary dividend per share	(cents)	14.5	15.5	18.0	18.0	18.0
Special dividend per share	(cents)	2.5	2.5	2.5	4.5	3.5
Total dividend per share	(cents)	17.0	18.0	20.5	22.5	21.5
Franking	(%)	100	100	100	100	100
Ordinary dividend payout ratio	(%)	86.3	78.3	80.7	78.3	88.2
Share price (30 June)	($)	2.35	2.70	2.95	2.92	3.11
Dividend yield (total dividend)	(%)	7.2	6.7	6.9	7.7	6.9
Number of employees	(No.)	2,757	2,646	2,565	2,474	2,226

Notes: EBIT for financial years 2002 to 2004 has been calculated in accordance with previous Australian GAAP. EBIT for financial years 2005 and 2006 has been calculated in accordance with Australian equivalents to IFRS (AIFRS). For impact on EBIT of transition to AIFRS, see note 32 to the Financial Statements



→ Chairman's Review

Barry Thornton
Chairman

The 2005/06 financial year was a challenging year for the Group, with a softening dwelling construction and renovation market across Australia, record raw material prices and the scale of business transformation activities undertaken over the year.

The profit after tax for the period of $56.9 million, reduced by the business transformation costs, was an 11.0% decrease on the prior year's record performance. This was a commendable result in these market circumstances, and reflects the strength and quality of the Group's businesses. The performance for the year was achieved on sales revenue of $620.0 million. Earnings per share for the 2005/06 year was 20.4 cents per share, with earnings per share from trading of 21.6 cents per share. I congratulate management and staff on their efforts and commitment in achieving this result in the challenging market conditions whilst undertaking the extensive business reorganisation initiatives.

As outlined in the Group's half year result release in February, the Group has taken the opportunity in the softening market conditions to reorganise its businesses and reduce operating costs. During the year, the Group announced the closure of the Dorf tapware factory at Penrith, the closure of the Caroma vitreous china sanitaryware factory at Coburg and the integration of the Caroma and Dorf Clark divisions, with the head office located in Sydney. The current reorganisation activities are an on-going process aimed at improving financial performance, primarily through the accessing of supply markets, which offer opportunities to build competitiveness and access growth. It will ensure that the Group is well prepared for the next upturn in the dwelling construction and renovation market.

Together with the reorganisation activities, the Group has implemented a significant capital expenditure program during the 2005/06 year. The major expenditure was aimed at improving the domestic manufacturing capacity and distribution capabilities of the Caroma Dorf division, and will enable domestic manufacturing to remain competitive over the long-term.

As part of the business reorganisation, the Group has continued to invest in its people through the Talent Identification and Management Program designed by Monash University. The Board views this program as essential in developing current and potential managers in the organisation, and ensuring that management has the necessary skills to meet the changing needs of the businesses.

→ Dividends

The Board recognises the importance of dividends to the Group's shareholders, and aims to increase ordinary dividends in line with trading profitability. On 15 August 2006, the directors announced a fully franked final dividend for the 2005/06 year of 11.5 cents per share, which comprises an ordinary dividend of 8.0 cents per share and a special dividend of 3.5 cents per share. Together with the interim dividend of 10.0 cents per share paid in April, this brings the total fully franked dividend for the 2005/06 year to 21.5 cents per share, which represents an after tax yield of 6.9% based on the closing share price at 30 June 2006.

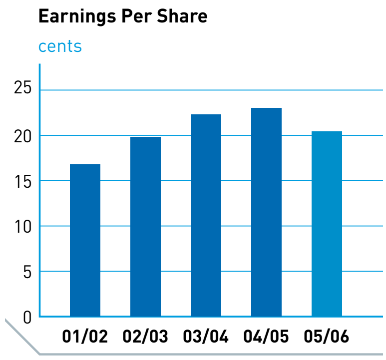
The declaration of a further special dividend for the 2005/06 year continues the Group's track record in distributing surplus cash and franking credits to shareholders. Over the past 5 years, the company has distributed 15.5 cents in fully franked special dividends to shareholders. The Board will give consideration to further special dividends and other capital management initiatives in the 2006/07 year as a means of distributing surplus cash and franking credits to shareholders.

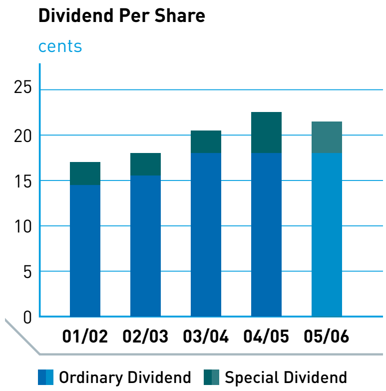
The Group's Dividend Reinvestment and Share Purchase Plans remain suspended, however the Board will consider re-opening these plans when a major acquisition is undertaken.

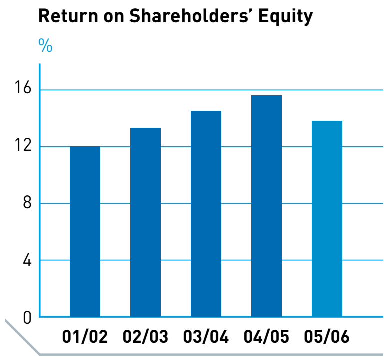
→ Corporate Governance

The corporate governance practices of the Group were implemented by the Board, and have been in place since listing in 1993. The Board continues to review and monitor the corporate governance practices of the Group to ensure that current best practice is maintained.

The Board comprises long serving and experienced directors with a detailed understanding of the Group's businesses. This knowledge and experience has been a key factor in the success of the Group since listing, and there is a need for







The declaration of a further special dividend for the 2005/06 year continues the Group's track record in distributing surplus cash and franking credits to shareholders.

a stable and experienced Board during the current reorganisation activities in the Group.

The Board has developed succession plans for the future retirement of individual directors. In accordance with the Board succession plans, the Board will give consideration to the appointment of an additional director during the 2006/07 year.

In the important area of risk management, the Group continues to focus on improving the identification and management of risk in the organisation. During the year, an Executive Risk Committee was established to drive this process, and the Committee reports directly to the Audit Committee on risk management matters. I am confident that management have put in place an efficient and effective risk management system for the Group, which ensures that risk management is embedded in all aspects of the Group's operations.

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

→ Product Innovation

One of the Group's overarching strategies is the continued focus on the development of innovative and environmentally friendly products, such as Caroma Smartflush which is a new range of reduced flush water efficient sanitaryware. The Group's emphasis on product innovation enables the businesses to satisfy relevant regulatory requirements, meet market opportunities to grow profitability, and assist in reducing domestic water consumption and greenhouse gas emissions.

The Group continues to work with all levels of Government in developing solutions for managing the country's precious water resources. In this regard, the recent introduction by the Queensland Government of a rebate scheme for installing dual flush toilets and water efficient tapware in domestic Queensland households is a significant initiative of the Government to assist with the water shortage problem. This initiative provides further market opportunities for the Caroma Dorf business, the market leader in water efficient sanitaryware and tapware.

For details of the Group's product innovations, I refer you to page 12 of the Annual Report.

→ Strategic Direction

Whilst the 2005/06 year has been a challenging period, I am confident that the changes occurring in the Group will grow shareholder wealth in the long-term. The Group will be well prepared for the next upturn in the dwelling construction and renovation market. In the interim, the Group will continue to maximise profitability through the reorganisation of the businesses, the reduction in operating costs and the focus on product innovation which is a key competitive advantage.

In regard to potential acquisitions, the Group continued the search for appropriate domestic acquisitions during the year. A number of potential acquisition opportunities were evaluated, but none of the opportunities met the Group's acquisition criteria. The Group will continue the search for appropriate domestic acquisitions that are synergistic with the existing building fixtures and fittings businesses, and that will enable the Group to grow shareholder wealth.

In closing, I would again like to thank management and staff for their efforts during the 2005/06 year. We have many talented and loyal staff in the organisation who are committed to the Group's future success.

Whilst many challenges and opportunities lie ahead for the Group, the reorganisation activities will enable the Group to meet these challenges and opportunities, and grow profitability into the future. I confirm that the generation of shareholder wealth remains the primary objective of the Board.

B Thornton
Chairman

→ Managing Director's Review of Operations

Peter Crowley
Managing Director

The 2005/06 year has been an important period for the Group with an extensive set of business transformation initiatives effected during the year and a sound trading performance in difficult market conditions. The business transformation initiatives have incurred $22 million in expenses for the year, offset by gains on related property sales of $16 million.

The trading performance for the year was principally impacted by lower demand from the Group's domestic markets. This lower activity added pressure to market pricing which was also eroded following the clearance of stocks by the market prior to the introduction of the Water Efficiency Labelling Standards (WELS) requirements. The major factor affecting demand for the company's products was the decline in dwelling construction with increasing interest rates and lower home affordability levels which delayed any recovery in dwelling commencements.

The continuing development of international supply markets created the opportunity for Dorf to reorganise the supply of tapware products previously assembled and packed in Australia. Dorf's Penrith tapware facility was closed during the year with the costs being accounted for in the first half. A profit on sale of the property was realised in the second half of the year. Caroma and Sebel have also actioned opportunities to reorganise supply. Other business improvement initiatives include the progressive integration of the Caroma and Dorf Clark businesses, now known as Caroma Dorf. This initiative is creating opportunities to deliver improved value offerings and extend market reach, thereby strengthening the market competitiveness of this business.

→ Sound Trading Profit for 2005/06 Year

Sales revenue for the Group of $620.0 million, down 1% on the prior year, was a good performance for the year given the domestic market conditions. An excellent second half sales performance largely recovered the decline in sales for the first half which were down 4.9% on the prior period. In particular, the building fixtures and fittings businesses of Caroma Dorf, Dux and Gainsborough competed strongly for the available market and full year sales revenue for this segment of $523.1 million was a pleasing performance, near the prior year's sales of $523.9 million.

Profit after tax for the year of $56.9 million is after the costs of business restructuring and net of the related gains on property sales.

→ Restructuring Costs

	Trading $000's	Re-Organisation $000's	Total $000's
Profit before Interest and Tax	95,197	Costs: (21,963) Property gain: 16,019	89,253
Borrowing Costs and Interest Income	(11,490)		(11,490)
Profit before Tax	**83,707**	**(5,944)**	**77,763**
Income Tax Expense	(23,628)	2,717	(20,911)
Profit after Tax	**60,079**	**(3,227)**	**56,852**

→ Segment Sales and Profit

Business Segment	Segment Sales		Segment Profit	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Building fixtures and fittings	523,100	523,850	102,858	105,535
Commercial furniture	56,738	61,608	4,655	5,781
Other	40,151	41,408	(12,316)	(7,963)
Total	**619,989**	**626,866**	**95,197**	**103,353**
Reorganisation expenses			(5,944)	-
Profit before interest and tax			**89,253**	**103,353**

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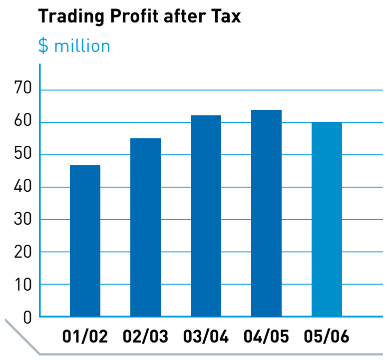

Sales revenue for the Group of $620 million was a good performance for the year given the domestic market conditions.

Trading results and net restructuring costs are listed in the table on page 4.

These reorganisation costs were incurred in the closure of the Penrith tapware and Coburg sanitaryware factories, the closure of the metals and timber manufacturing facilities of Sebel and the head office integration of the Caroma and Dorf Clark businesses.

Property gains were realised on the sale of the Penrith and Bankstown properties during the year.

Trading earnings after tax for the Group of $60.1 million were down 6% on the prior year. The Group's core Building Fixtures and Fittings segment performed strongly with trading earnings of $102.9 million being 2.5% down on the prior year's record result.

→ Cash Flow

Trading cash flow, before reorganisation costs, of $70.7 million was a very strong performance in the market conditions. Working assets increased by $7.5 million on the prior period through higher debtors and lower payables.

Business reorganisation yielded a positive cash position with the cash expenditures being $10.6 million and the proceeds from sale of properties contributing proceeds of $33.5 million in the period. The proceeds from the sale of the Coburg property received in July 2005 also contributed to the cash flow result. Over the 2005/06 year, cash assets increased by $21.6 million to $156.5 million.

In the investing cash expenditures of $30.2 million, the major items were the new warehouse and plant at Caroma's Wetherill Park facility.

→ Operating Performance

The Group's 2005/06 trading earnings before interest and tax of $95.2 million was a sound result at the trading level which was down 7.9%. The costs expended in business reorganisation have strengthened the competitiveness of the business and these initiatives will contribute to future performance.

Particularly pleasing was the trading performance of the Group's core building fixtures and fittings businesses which was achieved while extensive business reorganisation was undertaken in the period and in very difficult market conditions, particularly in NSW. Each of the divisions in this segment have undertaken initiatives in the 2005/06 year aimed at building their competitiveness and market reach.

The Caroma and Dorf Clark divisions are being progressively integrated under a single management structure which was established during the year. The Caroma division performed well over the year and, with the benefit of a strong last quarter, recorded sales and profit only marginally below the prior year. Dorf Clark's results were impacted by lowering tapware margins as the market cleared stocks ahead of the introduction of the WELS legislation.

Dux hot water contributed another good result with sales and profit near the prior year results. This business has developed products to meet market demand changes flowing from energy conservation legislation. Whilst significant business establishment costs were incurred in the 2005/06 year in this area, trading performance was maintained.

The Gainsborough business traded above expectations maintaining the level of sales and contributing an increased profit for the year. This continues Gainsborough's history of profit growth.

For the 2005/06 year, the Building Fixtures and Fittings segments which is comprised of these businesses, contributed 84% of the Group's revenue. These businesses have opportunities to build their market competitiveness further in the near term.

Rover's profit contribution reduced significantly in the 2005/06 year, principally on lower industry margins. Sales were only slightly below the prior year on a good sales performance but selling prices were reduced as low cost imports increased in the domestic mower market. This business is transforming to meet the challenges of its changing industry structure.

Sebel's trading contribution for the year was impacted by lower sales with the overall result being increased by the gain on sale of the Bankstown property net of reorganisation costs. The trading result was down 20% on the prior year. The decline in sales was due mainly to lower domestic education sales reflecting lower capital

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Caroma has continued to develop its relationship with overseas sanitaryware suppliers and is assessing opportunities for strategic associations with international companies.

spending by that sector particularly in New South Wales. Education related spending is expected to recover in 2006/07. The sustained high AUD exchange rate has constrained Sebel's export sales growth and initiatives are being assessed to improve competitiveness in their international markets.

→ Investment in Future Performance

Divisional

During the course of the 2005/06 year, the Group's business divisions have taken significant steps in their progressive transformation to realise the new opportunities resulting from their changing and developing markets.

Business Transformation

Each of the businesses continue to assess the opportunities offered by developing international supply markets. In the 2005/06 year, Dorf reorganised its supply of those tapware products which were assembled and packaged in Australia to overseas sourcing thereby reducing product costs, improving supply lead times and reducing investment in the business. The costs of this restructuring were recovered by the gain on disposal of the Penrith property.

Caroma has continued to develop its relationship with overseas sanitaryware suppliers and is assessing opportunities for strategic associations with international companies. During the year Caroma rationalised its domestic sanitaryware manufacturing with the closure of the Coburg factory. The upgrading of the Wetherill Park sanitaryware factory has progressed to plan. The companion project at this site, a new warehouse has been completed and is in use, generating savings in lease and distribution costs. The cost competitiveness of Caroma's domestic manufacturing has been significantly improved with these initiatives. Caroma is also in an improved cost competitive and supply position to service its international markets. Offshore supply is now in place to service these markets.

Sebel has reorganised the supply of metal and timber furniture to international suppliers with low input costs and scale of operations to maintain cost competitiveness. Sales to Sebel's international markets will also benefit from this sourcing of product.

GWA Trading (Shanghai) Co Ltd, the Group's business in China is now well established and is assisting our Australian and international operations in the development of effective strategic partnerships with suppliers in the Asia Pacific region.

Each of the Group's businesses continues to assess opportunities for business reorganisation aimed at improving cost competitiveness and adding to the value of product and service offerings to the Group's markets.

→ Corporate

The Group is continuing to invest in key initiatives in information technology, people development and employee health and safety.

→ Information Technology

Following on the successful implementation of the Movex Enterprise Resource Planning system at Dux in 2005, an expanded implementation team has been assembled for the Movex roll out in Caroma Dorf. The initial planning and preparation phases of the implementation program have been completed and the system is planned to be progressively installed across the business commencing in the second half of the 2006/07 year. The Movex system is a critical component in enabling the business to meet the challenges of increasingly complex and integrated supply chains. The system will also provide the capability to reduce transaction costs and build value in the Group's trading relationships into the future.

During the year, the Group has implemented a new information technology system to record, monitor and assess workplace health and safety issues, risks and mitigation plans.

Costs incurred to date on the Caroma Dorf implementation of $737,000 were capitalised in the 2005/06 year.

Talent Identification and Development

The collaboration with Monash University has progressed significantly through the 2005/06 year with extensive assessment and feedback for employees across the Group's businesses. Development programs are being established for participating staff. This program is designed to identify, develop, mentor and encourage our talented people to ensure the sustainability of our business and the on-going creation of shareholder wealth. Costs incurred and expensed on this program in the 2005/06 year were $280,000.

Employee Health and Safety

During the year, the Group has implemented a new information technology system to record, monitor and assess workplace health and safety issues, risks and mitigation plans. This new system incorporates the Group's already well defined policy framework.

The Group has established a risk management and mitigation strategy for asbestos in the workplace and during the year the asbestos roof at the Wetherill Park facility was completely replaced at a cost of $2.5 million. Of this amount $1.16 million related to the removal of the asbestos sheeting and was expensed.

Environmental

In the 2005/06 year, the Group has commenced a program to realise improved energy efficiency in association with a tertiary institution. The Group has ongoing activities at each business aimed at minimising waste and hazardous materials.

Outlook for the 2006/07 Year

I expect the new year to present a challenging trading environment, however, the Group's businesses are improving their market competitiveness and are creating growth opportunities.

Recent, and expected further increases in interest rates together with the continued low level of housing affordability are expected to defer the recovery of domestic dwelling construction. Oil and metal price driven inflation may also result in a further contraction of domestic renovation activity. Consequently, demand from the domestic market is expected to decline further in the 2006/07 year.

I am confident that the Group's businesses will progressively realise the benefits of the business transformation initiatives effected to date and our aim is to achieve a trading EBIT for the Group above the $95.2 million achieved in 2005/06.

Further business reorganisation initiatives may result in costs which reduce the Group's 2006/07 consolidated profit and such costs will add to business performance in future years.

Longer Term Outlook

GWA International Limited's earnings are predominantly generated from the Building Fixtures and Fittings segment businesses which contribute 84% of Group sales revenue. The principal drivers of demand for the segment's products are domestic construction, commercial building projects, renovation and replacement activity.

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At 30 June 2006, the company had cash assets of $156.5 million, an increase of $21.6 million over the financial year.

Recent trends driving the number and value of dwellings constructed have included population growth, lower family sizes and larger houses. Renovation activity is expected to continue to grow as the stock of existing homes age further. Commercial construction activity is limited to national economic growth levels.

Over the long-term, growth is expected to continue in line with overall population and economic growth. However activity will be subject to economic cycles.

The benefits of supply reorganisation across the Group's businesses are improved product cost competitiveness, improved supply flexibility and reduced exchange risk in international markets. The volatility of the Australian currency has been a significant disadvantage over time in the development and maintenance of profitable export markets for the Group's businesses. The small scale of the domestic production relative to overseas market volumes has also restricted supply to international markets especially when domestic market demand has been high.

I expect the Group to build its international markets over time utilising its overseas supply partners and creating profitable growth opportunities into the future.

Over the longer term, I expect our current portfolio of businesses may change through acquisition and divestment as markets and supply chains continue to create new opportunities for strategic partnerships and association.

The GWA Group is in a very strong financial position to acquire businesses complementary to our core activities and to invest further in our existing businesses.

I am confident that the current portfolio of businesses have sufficient growth opportunities for the company to continue to grow shareholder wealth.

→ Financial Condition

At 30 June 2006, the company had cash assets of $156.5 million, an increase of $21.6 million over the financial year.

Cash flow from operating activities for the year of $60 million includes the cash expenditures on business reorganisation of $10.6 million which will contribute to future profits.

Over the year, $31 million was expended on new investments, these being principally the new warehouse and production technology at the Wetherill Park site. These investments will also add to future profitability. The sale of the Penrith and Bankstown properties, receipt of proceeds from the Coburg property sold in the prior year and plant sales contributed investing cash inflows of $46.4 million over the financial year.

Dividends paid in cash during the year were $55.66 million with part of this amount reducing the employee share plan loans.

The company's operating cash flow is expected to continue to exceed the operational funding requirements of the business and contribute further funds for investment. The cash assets of $156.5 million at balance date provide the funding for a significant business acquisition when the opportunity arises.

Debt funding and other financing facilities are provided to the company under a Master Financing Agreement. At balance date, bank loans were made up of:

- → Australian Currency $285 million
- → Euro €7.3 million

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

The Euro loan is a currency hedge with respect to the Group's investment in the Wisa business. At balance date the Group held Euro currency of 2.6 million as a hedge with respect to equipment for the Wetherill Park factory project. The major part of this amount was expended in July 2006. Other cash assets are held predominantly in

The 2005/06 year has been a year of sound performance and strategic progress for the company.

Australian currency placed on deposit for terms up to 90 days.

At balance date, the company held interest rate swaps totalling $125 million at rates between 5.50% and 5.67% with expiry dates from August 2007 to September 2008. Each of the contract swap rates is below the relevant market rate for the Group's domestic borrowings at balance date and represents a hedge of near 75% of the Group's net interest bearing debt.

The Group's businesses have entered into foreign currency hedges at balance date as set out in the Financial Statements. These hedges are for the purchase of components and finished products and sales in overseas currencies.

The ratio undertakings under the Master Financing Agreement have been comfortably met throughout the 2005/06 year and the Group has the capability to increase borrowings significantly, within the ratio undertakings, to fund acquisition opportunities of scale.

In addition to further borrowing the company has the option to raise further equity funds by reinstating the Dividend Reinvestment and Share Purchase Plans.

The company did not issue any further employee shares during the year. At balance date the number of shares on issue under this plan was 3.1 million and the loan amount was $6.2 million, a reduction of $1.8 million on the opening balance made up of dividends and loan repayments.

In the year, the company has not issued any further shares and no share options have been issued by the company.

The further steps taken in the reorganisation of supply of components and products over the year has increased the Group's imports and reduced the Group's relative exposure to import competition to further increases in the domestic currency rate. The Group's major currency exposures are to the US dollar and Euro currencies. Movements in these currency rates over this financial year and the prior year are set out in the table below.

1 Aus Dollar		Jun	Sep	Dec	Mar	Jun
US$	- 2005/06	0.7637	0.7615	0.7337	0.7159	0.7433
	- 2004/05	0.6889	0.7147	0.7790	0.7719	0.7637
Euro	- 2005/06	0.6315	0.6326	0.6175	0.5889	0.5841
	- 2004/05	0.5702	0.5794	0.5717	0.5973	0.6315

→ Summary

The 2005/06 year has been a year of sound performance and strategic progress for the company. I am very pleased with the Group's trading performance for the year and particularly so with Caroma Dorf, Gainsborough and Dux. The excellent trading performance for the fourth quarter which underpinned the sound full year result is an indication of the progress made in transforming the businesses and the opportunities being created through improved cost competitiveness and expanded reach.

The company's management and staff achieved record results in recent years assisted by domestic market growth and are now maintaining a sound trading performance in difficult market conditions whilst undertaking the significant changes necessary for the businesses to meet the challenges and realise the opportunities of their developing markets.

I congratulate our management and staff on their performance and achievements in the 2005/06 year.

P C Crowley
Managing Director

Strategic Direction and Business Divisions

Business Divisions	Main Products and Services	Brand Names	Websites
caroma dorf	Vitreous china toilet suites, urinals, bidets, basins, plastic cisterns, bathroom accessories and fittings. Acrylic and pressed steel spas, baths and shower trays. Tapware and accessories, stainless steel sinks and laundry tubs	**Owned:** Caroma, Fowler, Stylus, Wisa, Clark, Radiant, Myttons, Epure, Dorf, Caroma Taps, Irwell, Donson **Exclusive:** Hansa, Keuco, Schell, KWC, Virtu	www.caroma.com.au www.caroma.smartflush.com.au www.fowler.com.au www.stylus.com.au www.wisa-sanitair.com www.starion-industries.com www.dorf-clark.com.au
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	**Owned:** Dux, EcoSmart	www.dux.com.au www.ecosmart.com.au
Gainsborough	A comprehensive range of door hardware comprising door handles (knobs and levers), door locks, door closers, hinges and other metal door accessories	**Owned:** Gainsborough, (Architectural Hardware, Stronghold Series, Contractor Series, Aspect Series), Trilock	www.gainsboroughhardware.com.au
ROVER MOWERS	Range of walk-behind and ride-on mower equipment, garden chip and shred products and spare parts	**Owned:** Rover	www.rovermowers.com.au
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.	**Owned:** Sebel	www.sebel.com.au

FOWLER stylus WISA CLARK RADIANT EPURE by CLARK Irwell Donson tapware HANSA KEUCO

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GWA International Limited's primary objective is to grow shareholder wealth. This objective will be achieved by continuing to invest in people, products and technology to sustain and build premium profitability of the businesses over time.

Operating Locations	Major Markets	Strategic Direction
Australia, New Zealand, China, North America, Europe	New dwellings, renovation, replacement and commercial markets in Australia, New Zealand and selected international markets	Caroma Dorf will maintain leadership in the domestic market through its focus on the development and release of innovative and environmentally friendly products, and will expand its international business through new product development and promotion of leading brands
Australia, overseas distributors	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
Australia, New Zealand, export markets	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
Australia, New Zealand, overseas distributors	Domestic, commercial, lawn care and garden products and equipment, marketed in over 35 countries	Rover will continue to target market growth segments in Australia and overseas
Australia, New Zealand, Hong Kong, United Kingdom	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 Innovations

→ Research and Development

Caroma Dorf has recently opened a new "state of the art" R&D Centre, situated in the company's head office at Epping in Sydney. The centre employs a team of fifteen professionals, involved in industrial and ceramic design, engineering design using 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.

Caroma Dorf has focused its R&D efforts in extending its highly successful Smartflush® dual flush sanitaryware and W.E.T.® (Water Efficient Tapware) technology into most product ranges on offer to the market. Concurrently, extensive R&D work has been undertaken by the company to ensure that all products are in compliance with the Federal Government's WELS (Water Efficiency Labelling and Standards Scheme) that by legislation, commenced on 1 July 2006.

Caroma Dorf has recently launched two new urinals that are the undisputed leaders in water saving technology.

The Caroma Cube 0.8 litre Smartflush® Urinal is Australia's first 6-star rated urinal and uses up to 60% less water compared to standard 2 litre single stall models.

The Caroma H2Zero Cube Urinal transforms the way you think about waterless urinals and heralds a major breakthrough in waterless technology. This product is the first truly viable and sustainable high performance waterless option.

Dux hot water systems have been providing the Australian and International markets with quality heating systems since 1915.

The priority for R&D has been on developing a range of environmentally friendly products, and there has been intensive development focus throughout the year on solar products and heat pumps.

The focus was needed due to rapidly changing political environments that are mandating both solar and ever increasing levels of energy efficiency.

To achieve the required increases in energy efficiency and to also not allow a drop in customer satisfaction, Dux has developed a range of highly sophisticated energy management systems unparalleled in the industry.

These systems typify a transition from "dumb" control to "intelligent" management of energy.

The approach and products produced have set Dux as a market leader in this field, and as an innovator.

The first product onto the market taking this intelligent approach has been the Sunpro 305. The Sunpro has been met with eager acceptance by the builder and new home markets and represents an innovative and technological advance.

This energy management technology is now being applied across the full range of Dux products (electricity, gas and heat pump) lifting the perception of the brand in the market.

Caroma Dorf has focused its R&D efforts in extending its highly successful Smartflush® dual flush sanitaryware and W.E.T.® (Water Efficient Tapware) technology into most product ranges on offer to the market.

caroma smartflush WATER-SAVING TECHNOLOGY

dorf WATER EFFICIENT TAPWARE

dux HOT WATER

H2ZERO WATERLESS URINAL

SUNPRO 305

The Caroma H2Zero Cube Urinal transforms the way you think about waterless urinals and heralds a major breakthrough in waterless technology.

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.

Widely recognised as a market leader in the development of water efficient products, Caroma Dorf has become among the first to embrace WELS, the Federal Government's new Water Efficiency Labelling and Standards Scheme, which sets out a national water efficiency rating and labelling criteria to a range of water-using products.

As water restrictions and the WELS scheme are to become 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 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 half flush, will save the average household an estimated 35,000 litres of water each year.

All Caroma Smartflush® toilet suites carry a WELS 4 star rating, while Caroma 6/3 litre dual flush toilet suites are 3 star rated for water efficiency.

The Caroma Smartflush® system 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'

Dorf Water Efficient Tapware (W.E.T.®)

Dorf W.E.T.® products are also contributing to a sustainable future by saving water, energy and the environment. A WELS 3 star rating has been achieved for tapware, mixers and showers.

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 up to 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

Dux Solar Hot Water Systems

Dux has continued to develop its range of environmental products under the 'Sunpro' brand.

The Sunpro 305 product has become the benchmark in the Victorian housing market as it combines the simplicity of a conventional gas storage unit with solar collectors and a patented 'Hot Logic' controller. This product provides a relatively low capital cost product that meets the stringent requirements of the SEAV whilst ensuring consumers have sufficient hot water, even on cloudy days.

The Sunpro Gas Boosted solar products remain at the forefront of the market and continue to provide solutions at the performance end of the market. These products have gained wide acceptance in Victoria, New South Wales and Queensland, where legislation is driving the market towards higher efficiency products.

Sunpro Electric Boosted solar products are gaining ground in Queensland, along with the new heat pump technology, Airoheat, which reduces demand for electricity compared with conventional water heaters. In South Australia, Electric Boosted solar heaters have established a niche in the market and are assisting to reduce demand for energy compared with conventional electric hot water heaters.

Another innovative environmental product developed by Dux is Readyhot, a new water reticulation pump which reduces water being wasted. Readyhot won the HIA Greensmart Award in Western Australia and is now a national finalist.

Dux remains at the forefront of environmental product development and will continue to differentiate from competitors by taking this leading role in the market.

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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:

- Suncorp-Metway Limited* since 1997
- Australian Stock Exchange Limited* since 1990
- Macquarie Goodman Funds Management Limited : 1994 – 2004
- Qantas Airways Limited resigned June 2006

* 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 was appointed a director of GWA Limited in 1979, and was primarily responsible for one of its major divisions involved in importation, wholesaling and retailing.

Mr Barry was appointed a Non-Executive Director of GWA International Limited 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

R M Anderson

Non-Executive Director

Elected to the Board 1992

Expertise: Property investment and transport logistics

Mr Anderson was appointed a director of GWA Limited in 1979 after joining the Group in 1955 where he gained wide experience in management, investment and property matters.

Mr Anderson was appointed a Non-Executive Director of GWA International Limited in 1992.

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.

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.

→ Corporate Governance Statement for the year ended 30 June 2006

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 meet or exceed 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 responsibilities, the Board has ensured that management has put in place a comprehensive system of risk management and internal controls. These are outlined in more detail below – *refer Risk Management and Internal Controls*.

The Board continues to review and monitor the company's risk management and internal control practices to ensure that best practice is maintained.

For further information on the corporate governance practices of the company, please refer to the 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. The Board charter has been posted on the company's website in the Corporate Governance section.

2. Board Meetings

The Board meets at least 11 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. To assist with the Board's understanding of the businesses, the Board regularly conducts Board meetings at the factories, followed by management presentations and factory tours.

The General Managers of the business divisions are required to regularly attend and present at

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the Board meetings on corporate strategies and performance. A Group strategy meeting is held annually, 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 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 a 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 has developed 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 has 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.

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** AO CBE DUniv (QUT) FCA FCPA (Chairman)
- **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. 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, Group Commercial Manager and other company executives (as required) attend Audit Committee meetings, by invitation, to present the relevant statutory information, financial statements, reports, and to answer the questions of the Audit Committee members. 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

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- 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 current 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** KSJ FCA FAICD FAIM FCIS (Chairman)
- **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. 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 the Board is functioning effectively by reference to current 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.

(iii) Remuneration Committee

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

- **M D E Kriewaldt** BA LLB FAICD (Chairman)
- **G J McGrath** MIIE
- **D R Barry** FAIM

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. 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 new employees' induction training and an acceptance form is signed by 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 and internal control practices. The Code of Conduct is regularly reviewed and updated to ensure that it reflects current best practice, and to promote the ethical behaviour of all employees. The Code of Conduct has been posted on the company's website in the About GWA section.

9. Share Trading 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, unless otherwise determined by the directors.

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. The policy also requires the directors to notify the Company Secretary within three business days after trading, to enable the Company Secretary to lodge the required disclosures with the Australian Stock Exchange.

10. Risk Management and Internal Controls

The Board recognises that effective risk management processes help ensure the business is more likely

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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 addresses 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 in accordance with its main responsibilities as outlined in the Audit Committee charter (refer above);
- an Executive Risk Committee, comprising the senior management of the company, which has been established to review and monitor the day to day risk activities, and to report to the Audit Committee on such matters;
- a Group Commercial Manager who has primary responsibility for designing, implementing and co-ordinating the overall risk management and internal control practices of the company. Whilst reporting to the Chief Financial Officer on a day to day basis, the Group Commercial Manager has the authority 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 current best practice is maintained, and to preserve and create value within the organisation. In recent years, the Board has reviewed the risk management policies and practices within the company, and the recommendations arising from this review have been implemented.

Improvements to the identification, reporting and monitoring of actions in relation to health, safety and environmental risks have also been implemented 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 Committee takes advice from external advisers to assist in determining appropriate remuneration levels. 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 26 of the Annual Report.

The Employee Share Plan does not provide for the issue of options and no options have been issued by the company.

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 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 6 of the Financial Statements.

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 Report, Half Year Report and Notice of Annual General Meeting) 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. Currently, shareholders are able to register to receive company communications electronically (eg Annual Report), although not all company communications are made available electronically.
- 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.

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 2006.

→ Directors' Report as at 30 June 2006

→ 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

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 2005/06 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	10,000	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	420,458	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 30 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 124, this being 57,317,081 shares (last year 49,370,949 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 2006, which are outlined in note 28 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 2,226 employees as at 30 June 2006 (last year 2,474 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.

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The company remains committed to ensuring that staff are provided access to appropriate training and development programs.

Segment Sales and Profit

The segment sales and profit of the company for the financial year ended 30 June 2006 were as follows:

Business Segment	Segment Sales		Segment Profit	
	2006 $'000	**2005** $'000	**2006** $'000	**2005** $'000
Building fixtures and fittings	523,100	523,850	102,858	105,535
Commercial furniture	56,738	61,608	4,655	5,781
Other	40,151	41,408	(12,316)	(7,963)
Total	**619,989**	**626,866**	**95,197**	**103,353**
Reorganisation expenses			(5,944)	-
Profit before interest and tax			**89,253**	**103,353**

Earnings Per Share

	2006 cents	**2005** cents
Basic earnings per share	20.4	23.0

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 2006 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 2005, 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 2.0 cents per share, fully franked at the 30% corporate income tax rate was paid on 3 October 2005 to the holders of fully paid ordinary shares.

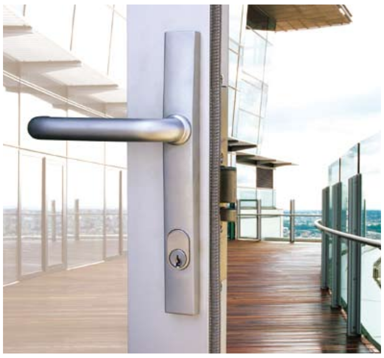
In respect of the financial year ended 30 June 2006, an interim ordinary dividend of 10.0 cents per share, fully franked at the 30% corporate income tax rate was paid on 3 April 2006 to the holders of fully paid ordinary shares.

In respect of the financial year ended 30 June 2006, the directors recommend the payment on 3 October 2006 to the holders of fully paid ordinary shares of a final ordinary dividend of 8.0 cents per share and a special dividend of 3.5 cents per share, fully franked at the 30% corporate income tax rate.

Significant Events after Balance Date

On 15 August 2006, the directors of GWA International Limited declared a final ordinary dividend of 8.0 cents per share and a special dividend of 3.5 cents per share in respect of the financial year ended 30 June 2006. The dividends will be fully franked at the 30% corporate income tax rate. The total amount of the dividend is $32,005 million (last year $27,830 million). In accordance with Accounting Standards, the dividends have not been provided for in the Financial Statements for the year ended 30 June 2006.

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.



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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.

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.

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 2006.

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

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). 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.

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 2006, 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
  - Medium-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 medium-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 medium-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 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.

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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 20% to 30% of their base salary.

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 2006 there are currently 3.08 million shares issued under the GWA International Employee Share Plan, which have an outstanding loan balance of $6.16 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 shareholder wealth table set out on page 27 of the Annual Report provides a summary of key shareholder wealth statistics for the company over the last five years.

As can be seen from the table, aside from the year ended 30 June 2006, the company has improved operating performance in each of the years, enabling increased cash dividends to be paid to shareholders. The softening external market conditions and record raw material prices resulted in a reduced level of profitability for the year ended 30 June 2006. This was a commendable result in the circumstances, and together with the current reorganisation activities, will underpin profitability growth into the future.

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 shareholder returns as set out in the above table, including a total of 15.5 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.

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.

Shareholder Wealth

	EBIT[1] $m	EPS cents	Total DPS[2] cents	Share Price $
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	103.4	23.0	22.5	2.92
30 June 2006	95.2[3]	21.6[3]	21.5	3.11

Notes: (1) EBIT for financial years 2002 to 2004 has been calculated in accordance with previous Australian GAAP. EBIT for financial years 2005 and 2006 has been calculated in accordance with Australian equivalents to IFRS (AIFRS). For impact on EBIT of transition to AIFRS, see note 32 to the Financial Statements

(2) Includes special dividends

(3) Prior to reorganisation costs

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	166,173	-	-	250	101,640	-	268,063	-
J J Kennedy	137,477	-	-	250	-	-	137,727	-
D R Barry	86,814	-	-	250	7,813	-	94,877	-
R M Anderson	81,900	-	-	250	7,371	-	89,521	-
M D E Kriewaldt	98,280	-	-	250	8,845	-	107,375	-
G J McGrath	86,814	-	-	250	7,813	-	94,877	-
Executive Director								
P Crowley	917,997	-	(190,000)	169,643	36,000	-	933,640	-

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 %
S Wright Group Operations Manager	387,089	-	(70,945)	64,838	100,592	-	481,574	-
E Harrison Chief Financial Officer	447,268	-	(70,546)	92,664	-	-	469,386	-
G Oliver General Manager, Gainsborough	177,333	79,425	(47,505)	64,262	138,475	-	411,990	7.7
R Watkins General Manager, Rover	281,171	-	-	54,088	58,725	-	393,984	-
J Measroch General Manager, Sebel	275,764	-	-	70,348	25,485	-	371,597	-

Notes: **Incentives**

The incentive for Mr G Oliver is based on his entitlement under the yearly Executive Incentive Scheme. The incentives for the Executive Director and executives under the three year Executive Incentive Scheme were provided for in the 2004/05 year and written back in the 2005/06 year as the targets are not currently expected to be achieved.

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 incentive for Mr G Oliver under the yearly Executive Incentive Scheme is fully vested in the 2005/06 year.

INNOVATION = FUTURE GROWTH

Directors' Meetings

The number of meetings of directors (including meetings of Committees of directors) held during the financial year ended 30 June 2006 and the number of meetings attended by each director were as follows:

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration	Nomination
Number of Meetings held:	11	3	2	1
Number of Meetings attended:				
B Thornton	11	3	-	1
J J Kennedy	10	3	-	1
P C Crowley	11	-	-	-
D R Barry	10	-	2	-
R M Anderson	10	-	-	-
M D E Kriewaldt	11	3	2	1
G J McGrath	10	-	2	-

Notes: 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**
- **Mr M D E Kriewaldt**

The members of the Remuneration Committee are:

- **Mr M D E Kriewaldt** (Chairman)
- **Mr G J McGrath**
- **Mr D R Barry**

The members of the Nomination Committee are:

- **Mr B Thornton** (Chairman)
- **Mr J J Kennedy**
- **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 2006 are outlined in note 6 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.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out adjacent and forms part of the Directors' Report for the financial year ended 30 June 2006.

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, 15 August 2006

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 2006 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

KPMG

Mark Epper
Partner
Sydney, 15 August 2006

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Income Statements

For the year ended 30 June 2006

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000	The Company 2006 $'000	The Company 2005 $'000
Revenue	2	619,989	626,866	-	-
Cost of sales		(326,128)	(330,499)	-	-
Gross profit		293,861	296,367	-	-
Other income	3	15,797	3,032	30,734	141,256
Distribution expenses		(135,818)	(130,845)	-	-
Administrative expenses		(61,004)	(63,143)	(1)	(6)
Restructuring expenses	8	(21,963)	-	-	-
Other expenses	4	(1,620)	(2,058)	-	-
Results from operating activities		89,253	103,353	30,733	141,250
Financial income	7	6,096	5,874	27	3
Financial expenses	7	(17,586)	(17,011)	-	-
Net financing costs		(11,490)	(11,137)	27	3
Profit before tax		77,763	92,216	30,760	141,253
Income tax expense	9	(20,911)	(28,328)	624	12
Profit for the year		56,852	63,888	31,384	141,265
Basic and diluted earnings per share (cents per share)	10	20.4	23.0		
Dividends per share					
Ordinary shares (cents per share)	22	20.0	23.0		

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 34 to 74.

Statements of Recognised Income and Expense

For the year ended 30 June 2006

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000	The Company 2006 $'000	The Company 2005 $'000
Foreign exchange translation differences		688	(2,183)	-	-
Net gains/(losses) on hedge of net investment in foreign subsidiary		-	100	-	-
Cash flow hedges:					
Gains taken to equity		385	-	-	-
Net income recognised directly in equity		1,073	(2,083)	-	-
Profit for the year		56,852	63,888	31,384	141,265
Total recognised income and expense for the period	22	57,925	61,805	31,384	141,265
Effects of change in accounting policy- financial instruments	33	157	-	-	-

Other movements in equity arising from transactions with owners as owners are set out in note 22.

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 34 to 74.

Balance Sheets

As at 30 June 2006

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000	The Company 2006 $'000	The Company 2005 $'000
Assets					
Cash and cash equivalents	11	156,498	134,854	-	-
Trade and other receivables	12	67,853	69,221	518	900
Inventories	13	95,342	97,491	-	-
Income tax receivable	14	2,512	30	2,512	-
Other		4,399	5,750	413	-
Total current assets		326,604	307,346	3,443	900
Receivables	12	3,676	5,142	512,482	489,938
Deferred tax assets	15	26,496	26,565	-	-
Investment in subsidiaries	28	-	-	325,646	325,646
Property, plant and equipment	16	117,839	133,918	-	-
Intangible assets	17	343,786	342,031	-	-
Other		2,333	3,018	1,771	-
Total non-current assets		494,130	510,674	839,899	815,584
Total assets		820,734	818,020	843,342	816,484
Liabilities					
Trade and other payables	18	48,664	51,889	54	48
Employee benefits	20	17,451	17,612	-	-
Income tax payable	14	258	6,311	-	6,311
Provisions	21	19,586	13,263	-	-
Total current liabilities		85,959	89,075	54	6,359
Interest-bearing loans and borrowings	19	297,498	296,560	-	-
Deferred tax liabilities	15	1,462	875	-	-
Payables	18	-	-	458,018	400,579
Employee benefits	20	12,503	11,600	-	-
Provisions	21	11,344	10,364	-	-
Total non-current liabilities		322,807	319,399	458,018	400,579
Total liabilities		408,766	408,474	458,072	406,938
Net assets		411,968	409,546	385,270	409,546
Equity					
Issued capital		346,853	346,853	346,853	346,853
Reserves		(853)	(2,083)	-	-
Retained earnings		65,968	64,776	38,417	62,693
Total equity	22	411,968	409,546	385,270	409,546

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 34 to 74.

Statements of Cash Flows

For the year ended 30 June 2006

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000	The Company 2006 $'000	The Company 2005 $'000
Cash flows from operating activities					
Cash receipts from customers		683,805	705,099	-	-
Dividends and trust distributions received		-	-	13,142	141,256
Cash paid to suppliers and employees		(585,571)	(574,942)	(1)	(6)
Cash generated from operations		98,234	130,157	13,141	141,250
Interest paid		(14,717)	(20,960)	-	-
Interest received		5,540	5,748	27	3
Income taxes paid		(29,019)	(31,178)	(27,927)	(29,957)
Net cash from operating activities	29	60,038	83,767	(14,759)	111,296
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		46,422	2,294	-	-
Acquisition of property, plant and equipment		(30,228)	(19,420)	-	-
Acquisition of intangibles		(738)	(1,911)	-	-
Net cash from investing activities		15,456	(19,037)	-	-
Cash flows from financing activities					
Issue of employee share loans		-	(5,627)	-	(5,627)
Repayment of employee share loans		1,792	1,524	1,792	1,524
Repayment of loans by controlled entities		-	-	68,621	-
Repayment of loans from controlled entities		-	-	-	(43,179)
Issue of loans to other parties		(7)	-	-	-
Repayment of loans by other parties		284	54	-	-
Dividends paid		(55,660)	(64,010)	(55,660)	(64,010)
Net cash from financing activities		(53,591)	(68,059)	14,753	(111,292)
Net increase in cash and cash equivalents		21,903	(3,329)	(6)	4
Cash and cash equivalents at 1 July		134,854	138,352	(48)	(52)
Effect of exchange rate fluctuations on cash held		(259)	(169)	-	-
Cash and cash equivalents at 30 June	11	156,498	134,854	(54)	(48)

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 34 to 74.

Notes to the Consolidated Financial Statements

1. Significant accounting policies

GWA International Limited (the 'company') is a company domiciled in Australia. The consolidated financial report of the company for the financial year ended 30 June 2006 comprises the company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 15 August 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the company is provided in note 32.

(b) Basis of preparation

The financial report is presented in Australian dollars. The entity has elected not to early adopt any accounting standards or amendments.

Issued standards not early adopted

Various standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements as they will not impact the results of the company or consolidated entity in future financial periods.

The financial report is prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by all entities in the consolidated entity.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the company's financial statements.

Notes to the Consolidated Financial Statements

1. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations including goodwill and fair value adjustments arising on consolidation are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the translation reserve. They are released into the income statement upon disposal.

In respect of all foreign operations, any differences that arose before 1 July 2004, the date of transition to AIFRS, were deemed to be zero in accordance with the exemption available under AASB 1. All differences arising after 1 July 2004 are presented as a separate component of equity.

(e) Derivative financial instruments

Current accounting policy

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised in profit or loss, unless the derivative qualifies for hedge accounting, in which case the recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (f)).

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Comparative period policy

The consolidated entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The consolidated entity uses the following derivative financial instruments to hedge these risks: interest rate swaps and forward foreign exchange contracts. Derivative financial instruments are not held for speculative purposes.

The quantitative effect of the change in accounting policy is set out in note 33.

Notes to the Consolidated Financial Statements

1. Significant accounting policies (continued)

(f) Hedging

Current accounting policy

On entering into a hedging relationship, the consolidated entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly or fully effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For cash flow hedges, other than those described above, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(ii) Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

(iii) Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

Comparative period policy

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 taken directly to equity where the amount is part of a net investment in a self-sustaining foreign operation.

(g) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation (see accounting policy g(ii)) and impairment losses (see accounting policy (l)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes to the Consolidated Financial Statements

1. Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

(i) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(ii) Depreciation

With the exception of freehold land, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

• buildings	40 years
• plant and equipment	3-10 years
• fixtures and fittings	7-15 years

The residual value, the useful life and the deprecation method applied to an asset are reassessed annually.

(h) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development. Capitalised development expenditure is stated at cost less accumulated amortisation (see accounting policy h(v)) and impairment losses (see accounting policy (l)).

(ii) 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 the brand names have an indefinite useful life. The carrying value of these brand names is reviewed each year to ensure that no impairment exists.

(iii) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (l)).

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

• capitalised software development costs	5 years

(i) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (l)).

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity date of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the Consolidated Financial Statements

1. Significant accounting policies (continued)

(l) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (j)) and deferred tax assets (see accounting policy (t)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Indefinite-lived intangible assets were tested for impairment at 1 July 2004, the date of transition to AIFRSs. An impairment loss of $14,558,000 was recognised as a decrease to retained earnings on transition to AIFRS in relation to the Stylus brand name.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Share capital

(i) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(ii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(n) Interest-bearing borrowings

Current accounting policy

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Comparative period policy

Bank loans are recognised at their principal amount. Interest is recognised as an expense as it accrues.

Notes to the Consolidated Financial Statements

1. Significant accounting policies (continued)

(o) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(ii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted to present value.

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

(p) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Restructuring

A provision for restructuring is recognised when the consolidated entity has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(iii) Site restoration

A provision for restoration and dismantling in respect of leased premises is recognised when the obligation to restore or dismantle arises. The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation and the asset dismantling costs at the reporting date. Future restoration and dismantling costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

The amount of the provision for future restoration and dismantling costs is capitalised and is depreciated in accordance with the policy set out in note (g). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(q) Trade and other payables

Trade and other payables are stated at their amortised cost.

(r) Revenue

Goods sold

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(s) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (f)). Borrowing costs are expensed as incurred and included in net financing costs. Interest income is recognised in the income statement as it accrues, using the effective interest method.

Notes to the Consolidated Financial Statements

1. Significant accounting policies (continued)

(t) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is GWA International Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the company as an equity contribution or distribution.

Nature of tax funding arrangements and tax sharing arrangements

The members of the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement GWA International Limited and each of the entities in the tax consolidated group recognise inter-entity receivables (payables) equal in amount to the tax liability (asset) assumed by the head entity.

(u) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the Consolidated Financial Statements

1. Significant accounting policies (continued)

(v) Goods and services tax

Revenue, 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 balance sheet.

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.

(w) Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of intangibles with indefinite useful lives

The consolidated entity assesses whether intangibles with indefinite useful lives are impaired at least annually in accordance with the accounting policy (refer accounting policy (l)). These calculations involve an estimation of the recoverable amount of the cash-generating units to which the intangibles with indefinite useful lives are allocated.

2. Segment reporting

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the mower business, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises the following main business segments:

- *Building fixtures and fittings*
  Sanitaryware
  Building hardware products
  Baths and spas
  Household accessories, sinks and tapware
  Hot water products
- *Commercial furniture*
  Education products
  Hospitality products
  Stadia seating
- *Unallocated*
  Domestic and ride-on mowers
  Corporate administration

Geographical segments

The business segments are managed on a worldwide basis, but operate mainly in one geographical area being Australia. Sales offices are operated in New Zealand, Asia, United States and Europe, however the sales revenue from these geographical areas comprise only 15% of the consolidated entity's total sales revenue and are individually less than 10%.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Notes to the Consolidated Financial Statements

2. Segment reporting (continued)

Business segments

	Building fixtures and fittings*		Commercial furniture*		Unallocated*		Eliminations		Consolidated*	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Revenue:										
External sales	523,100	523,850	56,738	61,608	40,151	41,408	-	-	619,989	626,866
Inter-segment sales	-	-	2,810	1,947	-	-	(2,810)	(1,947)	-	-
Total sales revenue	523,100	523,850	59,548	63,555	40,151	41,408	(2,810)	(1,947)	619,989	626,866
Segment result	102,858	105,535	4,655	5,781	(12,316)	(7,963)	-	-	95,197	103,353
Restructuring income/(expenses)	(12,228)	-	6,284	-	-	-	-	-	(5,944)	-
Segment result after restructuring expenses	90,630	105,535	10,939	5,781	(12,316)	(7,963)	-	-	89,253	103,353
Net financing costs									(11,490)	(11,137)
Income tax expense									(20,911)	(28,328)
Profit for the period									56,852	63,888
Segment assets	570,143	567,530	36,941	52,738	213,650	197,752	-	-	820,734	818,020
Segment liabilities	92,655	82,196	8,316	6,663	307,795	319,615	-	-	408,766	408,474
Depreciation	17,023	21,632	3,418	3,412	1,488	1,452	-	-	21,929	26,496
Amortisation	276	-	-	-	215	218	-	-	491	218
Capital expenditure	28,121	17,636	1,024	1,241	1,083	1,681	-	-	30,228	20,558
Impairment losses	1,206	-	1,610	-	-	-	-	-	2,816	-

* All segments are continuing operations

Geographical segments

	Australia*		Unallocated*		Consolidated*	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
External sales revenue	521,265	532,369	95,724	94,497	619,989	626,866
Segment assets	760,329	762,474	60,405	55,546	820,734	818,020
Capital expenditure	28,437	19,468	1,791	1,090	30,228	20,558

* All segments are continuing operations

Notes to the Consolidated Financial Statements

	Consolidated		The Company	
	2006 $'000	2005 $'000	**2006** $'000	2005 $'000
3. Other income				
Foreign currency gains – realised	116	313	-	-
Foreign currency gains – unrealised	551	1,835	-	-
Net gain on disposal of property, plant and equipment	14,471	-	-	-
Impairment reversals	-	-	17,592	-
Dividends received from controlled companies	-	-	-	139,300
Distributions received from controlled trusts	-	-	13,142	1,956
Other	659	884	-	-
	15,797	3,032	30,734	141,256
4. Other expenses				
Foreign currency losses – realised	432	549	-	-
Foreign currency losses – unrealised	1,188	559	-	-
Net loss on disposal of property, plant and equipment	-	950	-	-
	1,620	2,058	-	-
5. Personnel expenses				
Wages and salaries – including annual leave, long service leave and on-costs	138,251	137,074	-	-
	$	$	$	$
6. Auditors' remuneration				
Audit services				
Auditors of the company				
KPMG Australia:				
Audit and review of financial reports	260,000	260,000	10,000	10,000
Other regulatory audit services	36,329	20,700	-	-
Overseas KPMG Firms:				
Audit and review of financial reports	62,559	48,163	-	-
	358,888	328,863	10,000	10,000
Other services				
Auditors of the company				
KPMG Australia				
Due diligence services	101,500	-	-	-
Other	27,500	51,367	-	-
	129,000	51,367	-	-
	$'000	$'000	$'000	$'000
7. Net financing costs				
Interest income	(6,096)	(5,874)	(27)	(3)
Interest expense	17,586	17,011	-	-
Net financing costs/(income)	11,490	11,137	(27)	(3)

Notes to the Consolidated Financial Statements

	Consolidated		The Company	
	2006 $'000	2005 $'000	**2006** $'000	2005 $'000
8. Restructuring expenses				
Restructuring expenses	21,963	-	-	-
Gains on property sales (included in other income)	(16,019)	-	-	-
Net expense before tax	5,944	-	-	-
Tax benefit	(2,717)	-	-	-
Net restructuring expense after tax	3,227	-	-	-
9. Income tax expense				
Recognised in the income statement				
Current tax expense				
Current year	21,898	29,596	8	608
Adjustments for prior years	(1,411)	(585)	(632)	(620)
	20,487	29,011	(624)	(12)
Deferred tax expense				
Origination and reversal of temporary differences	434	(556)	-	-
Benefit of tax losses recognised	(10)	(127)	-	-
	424	(683)	-	-
Total income tax expense/(benefit) in income statement	20,911	28,328	(624)	(12)
Numerical reconciliation between tax expense and pre-tax net profit				
Profit before tax	77,763	92,216	30,760	141,253
Income tax using the domestic corporation tax rate of 30% (2005: 30%)	23,329	27,665	9,228	42,376
Increase in income tax expense due to:				
Non-deductible building depreciation	76	382	-	-
Non-deductible expenses	381	898	-	22
Effect of tax rate in foreign jurisdictions	156	95	-	-
Decrease in income tax expense due to:				
Effect of tax losses recognised	(10)	(127)	-	-
Non-assessable income	(576)	-	-	-
Non-assessable capital profits	(934)	-	-	-
Rebateable research and development	(100)	-	-	-
Impairment reversals	-	-	(5,278)	-
Rebateable trust distributions	-	-	(3,942)	-
Rebateable dividends	-	-	-	(41,790)
	22,322	28,913	8	608
Under/(over) provided in prior years	(1,411)	(585)	(632)	(620)
Income tax expense/(benefit) on pre-tax net profit	20,911	28,328	(624)	(12)
Deferred tax recognised directly in equity				
Relating to the recognition of the fair value of hedge derivatives	232	-	-	-

Notes to the Consolidated Financial Statements

10. Earnings per share

	Consolidated 2006	Consolidated 2005
Basic and diluted earnings per share		
Cents per share	20.4	23.0
	$'000	$'000
Profit attributable to ordinary shareholders		
Profit for the period	56,852	63,888
	In thousands of shares	In thousands of shares
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	278,303	278,303
Weighted average number of ordinary shares at 30 June	278,303	278,303

	Consolidated		The Company	
	2006 $'000	2005 $'000	**2006** $'000	2005 $'000
11. Cash and cash equivalents				
Bank balances	93,011	51,011	-	-
Call deposits	63,487	83,843	-	-
Cash and cash equivalents in the statement of cash flows	156,498	134,854	-	-
12. Trade and other receivables				
Current				
Trade receivables	65,407	57,927	-	-
Provision for impairment	(1,126)	(1,394)	-	-
Fair value derivatives	920	-	-	-
Other	2,652	12,688	518	900
	67,853	69,221	518	900
Non-current				
Receivables due from controlled entities	-	-	509,021	507,530
Provision for impairment	-	-	-	(17,592)
Other	3,676	5,142	3,461	-
	3,676	5,142	512,482	489,938
13. Inventories				
Raw materials and consumables	19,930	21,807	-	-
Work in progress	8,396	10,702	-	-
Finished goods	67,016	64,982	-	-
	95,342	97,491	-	-

Notes to the Consolidated Financial Statements

14. Current tax assets and liabilities

The current tax asset for the consolidated entity of $2,512,000 (2005: $30,000) and for the company of $2,512,000 (2005: $nil) represents the amount of income taxes recoverable in respect of prior periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority. The current tax liability for the consolidated entity of $258,000 (2005: $6,311,000) and for the company of $nil (2005: $6,311,000) represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the company as the head entity of the Australian tax-consolidated group has assumed the current tax asset/(liability) initially recognised by the members in the tax-consolidated group.

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Consolidated						
Property, plant and equipment	444	535	(438)	(302)	6	233
Intangible assets	-	65	(95)	-	(95)	65
Inventories	5,001	5,641	-	-	5,001	5,641
Employee benefits	8,987	9,005	-	-	8,987	9,005
Provisions	10,747	9,857	(119)	(7)	10,628	9,850
Other items	1,180	1,335	(810)	(566)	370	769
Tax value of loss carry-forwards recognised	137	127	-	-	137	127
Tax assets/(liabilities)	26,496	26,565	(1,462)	(875)	25,034	25,690
Set off of tax	-	-	-	-	-	-
Net tax assets/(liabilities)	26,496	26,565	(1,462)	(875)	25,034	25,690

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		The Company	
	2006 $'000 (net)	2005 $'000 (net)	**2006 $'000 (net)**	2005 $'000 (net)
Tax losses	2,160	2,123	-	-

The deductible tax losses accumulated at balance date do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which to offset the tax benefit of these losses.

Notes to the Consolidated Financial Statements

15. Deferred tax assets and liabilities (continued)

	Consolidated				The Company			
	Balance 1July 04 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 30 June 05 $'000	Balance 1 July 04 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 30 June 05 $'000
Movement in temporary differences during the year								
Property, plant and equipment	(10)	243	-	233	-	-	-	-
Intangible assets	-	65	-	65	-	-	-	-
Inventories	5,355	286	-	5,641	-	-	-	-
Employee benefits	8,701	304	-	9,005	-	-	-	-
Provisions	10,377	(527)	-	9,850	-	-	-	-
Other items	584	185	-	769	-	-	-	-
Tax value of loss carry-forwards recognised	-	127	-	127	-	-	-	-
	25,007	683	-	25,690	-	-	-	-
	Balance 1July 05 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 30 June 06 $'000	Balance 1 July 05 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 30 June 06 $'000
Property, plant and equipment	233	(227)	-	6	-	-	-	-
Intangible assets	65	(160)	-	(95)	-	-	-	-
Inventories	5,641	(640)	-	5,001	-	-	-	-
Employee benefits	9,005	(18)	-	8,987	-	-	-	-
Provisions	9,850	778	-	10,628	-	-	-	-
Other items	769	(167)	(232)	370	-	-	-	-
Tax value of loss carry-forwards recognised	127	10	-	137	-	-	-	-
	25,690	(424)	(232)	25,034	-	-	-	-

Notes to the Consolidated Financial Statements

16. Property, plant and equipment

	Consolidated					The Company				
	Land and buildings $'000	Plant and equip-ment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000	Land and buildings $'000	Plant and equip-ment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost										
Balance at 1 July 2004	71,088	220,935	14,070	6,905	312,998	-	-	-	-	-
Acquisitions	414	13,337	4,280	2,527	20,558	-	-	-	-	-
Disposals	(11,999)	(15,104)	(4,170)	-	(31,273)	-	-	-	-	-
Effect of movements in foreign exchange	(748)	(2,961)	58	(15)	(3,666)	-	-	-	-	-
Balance at 30 June 2005	58,755	216,207	14,238	9,417	298,617	-	-	-	-	-
Balance at 1 July 2005	58,755	216,207	14,238	9,417	298,617	-	-	-	-	-
Acquisitions	14,415	7,085	2,463	6,265	30,228	-	-	-	-	-
Disposals	(18,469)	(17,179)	(2,603)	-	(38,251)	-	-	-	-	-
Effect of movements in foreign exchange	287	2,066	(54)	25	2,324	-	-	-	-	-
Balance at 30 June 2006	54,988	208,179	14,044	15,707	292,918	-	-	-	-	-
Depreciation and impairment losses										
Balance at 1 July 2004	(8,583)	(146,236)	(4,460)	-	(159,279)	-	-	-	-	-
Depreciation charge for the year	(1,145)	(22,668)	(2,683)	-	(26,496)	-	-	-	-	-
Disposals	1,203	14,255	2,321	-	17,779	-	-	-	-	-
Effect of movements in foreign exchange	653	2,638	6	-	3,297	-	-	-	-	-
Balance at 30 June 2005	(7,872)	(152,011)	(4,816)	-	(164,699)	-	-	-	-	-
Balance at 1 July 2005	(7,872)	(152,011)	(4,816)	-	(164,699)	-	-	-	-	-
Depreciation charge for the year	(961)	(18,317)	(2,651)	-	(21,929)	-	-	-	-	-
Disposals	2,449	12,386	1,555	-	16,390	-	-	-	-	-
Impairment losses	-	(2,816)	-	-	(2,816)					
Effect of movements in foreign exchange	(222)	(1,788)	(15)	-	(2,025)	-	-	-	-	-
Balance at 30 June 2006	(6,606)	(162,546)	(5,927)	-	(175,079)	-	-	-	-	-
Carrying amounts										
At 1 July 2004	62,505	74,699	9,610	6,905	153,719	-	-	-	-	-
At 30 June 2005	50,883	64,196	9,422	9,417	133,918	-	-	-	-	-
At 1 July 2005	50,883	64,196	9,422	9,417	133,918	-	-	-	-	-
At 30 June 2006	48,382	45,633	8,117	15,707	117,839	-	-	-	-	-

Impairment losses

During the 2006 financial year decisions were made to close certain operating sites. The consolidated entity assessed the recoverable amount of plant and equipment at these sites. Based on this assessment, the carrying amount of this plant and equipment was written down by $2,816,000.

Notes to the Consolidated Financial Statements

17. Intangible assets

	Consolidated			The Company		
	Software $'000	Brand names $'000	Total $'000	Software $'000	Brand names $'000	Total $'000
Cost						
Balance at 1 July 2004	-	342,394	342,394	-	-	-
Acquisitions	1,911	-	1,911	-	-	-
Effect of movements in foreign exchange	-	(2,056)	(2,056)	-	-	-
Balance at 30 June 2005	1,911	340,338	342,249	-	-	-
Balance at 1 July 2005	1,911	340,338	342,249	-	-	-
Acquisitions	738	-	738	-	-	-
Effect of movements in foreign exchange	-	1,508	1,508	-	-	-
Balance at 30 June 2006	2,649	341,846	344,495	-	-	-
Amortisation and impairment losses						
Balance at 1 July 2004	-	-	-	-	-	-
Amortisation for the year	(218)	-	(218)	-	-	-
Balance at 30 June 2005	(218)	-	(218)	-	-	-
Balance at 1 July 2005	(218)	-	(218)	-	-	-
Amortisation for the year	(491)	-	(491)	-	-	-
Balance at 30 June 2006	(709)	-	(709)	-	-	-
Carrying amounts						
At 1 July 2004	-	342,394	342,394	-	-	-
At 30 June 2005	1,693	340,338	342,031	-	-	-
At 1 July 2005	1,693	340,338	342,031	-	-	-
At 30 June 2006	1,940	341,846	343,786	-	-	-

In relation to the indefinite life brand names, the recoverable amounts are based on value in use calculations. Those calculations use cash flow projections based on actual operating results and the three-year budget forecast.Management used a growth rate of 2.5% in determining these forecasts. Pre-tax discount rates ranging between 11.0% and 17.5% have been used in discounting the projected cash flows depending on the industry.

18. Trade and other payables

	Consolidated		The Company	
	2006 $'000	2005 $'000	**2006** $'000	2005 $'000
Current				
Trade payables and accrued expenses	42,363	47,972	54	48
Fair value derivatives	146	-	-	-
Non-trade payables and accrued expenses	6,155	3,917	-	-
	48,664	51,889	54	48
Non-current				
Payables to controlled entities	-	-	458,018	400,579

Notes to the Consolidated Financial Statements

19. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 23.

	Consolidated		The Company	
	2006 $'000	2005 $'000	**2006** $'000	2005 $'000
Non-current liabilities				
Unsecured bank loans	297,498	296,560	-	-
Financing facilities				
Bank overdraft	6,370	6,413	-	-
Standby letters of credit	27,320	26,797	-	-
Unsecured bank facility	312,498	311,560	-	-
	346,188	344,770	-	-
Facilities utilised at reporting date				
Bank overdraft	-	-	-	-
Standby letters of credit	6,967	2,273	-	-
Unsecured bank facility	297,498	296,560	-	-
	304,465	298,833	-	-
Facilities not utilised at reporting date				
Bank overdraft	6,370	6,413	-	-
Standby letters of credit	20,353	24,524	-	-
Unsecured bank facility	15,000	15,000	-	-
	41,723	45,937	-	-

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 of GWA International Limited 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.

Bank overdraft

The bank overdraft facility available to the consolidated entity is unsecured. Interest on the bank overdraft facility is charged at prevailing market rates. No drawdowns against this facility had been made as at 30 June 2006.

Notes to the Consolidated Financial Statements

19. Interest-bearing loans and borrowings (continued)

Bank loans

Bank loans are provided to GWA Finance Pty Limited under the facility agreements. The bank loans are denominated in Australian dollars, except for the Euro facility which is denominated in Euros. The bank loans are unsecured and have a maximum three year rolling maturity, subject to annual review.

The loans bear interest at market rates and interest is payable every 30 to 90 days. The consolidated entity hedges its exposure to variable interest rates through interest rate swap transactions.

Letter of credit

The letter of credit facilities are committed facilities available to be drawn down under the facility agreements. The limits are specified in the facility agreements.

20. Employee benefits

	Consolidated		The Company	
	2006 $'000	2005 $'000	**2006** $'000	2005 $'000
Current				
Liability for long service leave	2,048	2,717	-	-
Liability for annual leave	11,985	11,652	-	-
Liability for on-costs	3,418	3,243	-	-
	17,451	17,612	-	-
Non-current				
Liability for long-service leave	11,734	10,724	-	-
Liability for on-costs	769	876	-	-
Total employee benefits	12,503	11,600	-	-

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $10,101,000 for the financial year ended 30 June 2006 (2005: $10,071,000).

21. Provisions

	Warranties $'000	Restructuring $'000	Site restoration $'000	Other $'000	Total $'000
Consolidated					
Balance at 1 July 2005	9,233	-	4,337	10,057	23,627
Provisions made during the year	4,364	21,963	149	1,801	28,277
Provisions used during the year	(4,261)	(12,787)	-	(2,898)	(19,946)
Provisions reversed during the year	(232)	-	-	(796)	(1,028)
Balance at 30 June 2006	9,104	9,176	4,486	8,164	30,930
Current	4,316	9,176	-	6,094	19,586
Non-current	4,788	-	4,486	2,070	11,344
	9,104	9,176	4,486	8,164	30,930

Warranties

The total provision for warranties at balance date of $9,104,000 relates to future warranty expense on products sold during the current and previous financial years. The major warranty expense relates to hot water systems. The provision is based on estimates made from historical warranty data associated with similar products and services. The consolidated entity expects to expend $4,316,000 of the total provision in the financial year ending 30 June 2007, and the majority of the balance of the liability over the following four years.

Notes to the Consolidated Financial Statements

21. Provisions (continued)

Restructuring

During the financial year ended 30 June 2006, provisions of $21,963,000 were made to cover the estimated costs of redundancies and related costs with respect to the closure of manufacturing operations and other business restructuring. Of this amount, $9,176,000 remains provided for at balance date and this amount represents the estimate of costs to be expended in the financial year ending 30 June 2007. The restructuring is expected to be completed by December 2006.

Site restoration

At balance date the balance of the site restoration provision was $4,486,000. No expenditures were made in the current financial year, the only movement being an adjustment to reflect the net present value of this provision. This provision relates to the removal of plant installed in leased premises where there is a liability under the lease for the plant to be removed on expiry and the leased premises made good. The net present value of the provision has been calculated using a discount rate of 6.5 per cent.

22. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

	Consolidated				
	Share capital $'000	Translation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2004	346,853	-	-	64,898	411,751
Total recognised income and expense	-	(2,083)	-	63,888	61,805
Dividends to shareholders	-	-	-	(64,010)	(64,010)
Balance at 30 June 2005	346,853	(2,083)	-	64,776	409,546
Balance at 1 July 2005	346,853	(2,083)	-	64,776	409,546
Effect of change in accounting policy	-	-	157	-	157
Balance at 1 July 2005 restated	346,853	(2,083)	157	64,776	409,703
Total recognised income and expense	-	688	385	56,852	57,925
Dividends to shareholders	-	-	-	(55,660)	(55,660)
Balance at 30 June 2006	346,853	(1,395)	542	65,968	411,968

Notes to the Consolidated Financial Statements

22. Capital and reserves (continued)

Reconciliation of movement in capital and reserves

	The Company		
	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2004	346,853	(14,562)	332,291
Total recognised income and expense	-	141,265	141,265
Dividends to shareholders	-	(64,010)	(64,010)
Balance at 30 June 2005	346,853	62,693	409,546
Balance at 1 July 2005	346,853	62,693	409,546
Total recognised income and expense	-	31,384	31,384
Dividends to shareholders	-	(55,660)	(55,660)
Balance at 30 June 2006	346,853	38,417	385,270

	The Company Ordinary shares	
	2006 In thousands of shares	2005 In thousands of shares
Share capital		
On issue at 30 June – fully paid	278,303	278,303

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regard to the company's residual assets.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different from the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the company's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes to the Consolidated Financial Statements

22. Capital and reserves (continued)

Dividends

Dividends recognised in the current year by the company are:

	Cents per share	Total amount $'000	Franked %	Date of payment
2006				
Interim 2006 ordinary	10.0	27,830	100	3rd April 2006
Final 2005 ordinary	8.0	22,264	100	3rd Oct 2005
Final 2005 special	2.0	5,566	100	3rd Oct 2005
Total amount	20.0	55,660		
2005				
Interim 2005 ordinary	10.0	27,830	100	1st April 2005
Interim 2005 special	2.5	6,958	100	1st April 2005
Final 2004 ordinary	8.0	22,264	100	1st Oct 2004
Final 2004 special	2.5	6,958	100	1st Oct 2004
Total amount	23.0	64,010		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.
After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

	Cents per share	Total amount $'000	Franked %
Final ordinary	8.0	22,264	100
Final special	3.5	9,741	100
Total amount	11.5	32,005	

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2006 and will be recognised in subsequent financial reports.

	The Company	
	2006 $'000	2005 $'000
Dividends		
Dividend franking account:		
30 per cent franking credits available to shareholders of GWA International Limited for subsequent financial years	37,532	42,282

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits/debits that will arise from the payment/settlement of the current tax liabilities/assets; and

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date, but not recognised as a liability, is to reduce it by $13,716,000 (2005: $11,927,000). In accordance with the tax consolidation legislation, the company as the head entity in the tax-consolidated group has also assumed the benefit of $37,532,000 (2005: $42,282,000) franking credits.

Notes to the Consolidated Financial Statements

23. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers within the industries it trades. A risk assessment process is used for customers requiring credit over $50,000 and credit insurance is utilised for major concentrations of trade debts. The consolidated entity does not require collateral in respect of financial assets.

Transactions involving derivative financial instruments are with counterparties with sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no uninsured concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

Hedging

The consolidated entity adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is reduced. Interest rate swaps, denominated in Australian dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure. The swaps mature over the next 2 years and have fixed swap rates ranging from 5.50 per cent to 5.67 per cent. At 30 June 2006, the consolidated entity had interest rate swaps with a notional contract amount of $125,000,000 (2005: $175,000,000).

The consolidated entity classifies interest rate swaps as cash flow hedges and states them at fair value. The fair value of swaps at 1 July 2005 was adjusted against the opening balance of the hedging reserve at that date.

The net fair value of swaps at 30 June 2006 was $920,000 (2005: $302,000). These amounts were recognised as fair value derivative assets in the current financial year.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

Consolidated 2006

	Effective interest rate %	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Cash and cash equivalents	5.57	156,498	156,498	-	-	-	-
Effect of interest rate swap derivatives*	(0.21)	-	125,000	-	(100,000)	(25,000)	-
Unsecured bank loans	5.80	(297,498)	(297,498)	-	-	-	-
		(141,000)	(16,000)	-	(100,000)	(25,000)	-

Consolidated 2005

	Effective interest rate %	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Cash and cash equivalents	5.42	134,854	134,854	-	-	-	-
Effect of interest rate swap derivatives*	(0.37)	-	175,000	(50,000)	-	(125,000)	-
Unsecured bank loans	5.58	(296,560)	(296,560)	-	-	-	-
		(161,706)	13,294	(50,000)	-	(125,000)	-

* These assets/liabilities bear interest at a fixed rate.

Notes to the Consolidated Financial Statements

23. Financial instruments (continued)

Foreign currency risk

The consolidated entity is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily NZD, USD and EUR.

The consolidated entity hedges its foreign currency exposure in respect of forecasted sales and purchases by entering into forward exchange contracts. The forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

Forecasted transactions

The consolidated entity classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value. The fair value of forward exchange contracts at 1 July 2005 was adjusted against the opening balance of the hedging reserve at that date.

The net fair value of forward exchange contracts used as hedges of forecasted transactions at 30 June 2006 was $146,000 (2005: $78,000). These amounts were recognised as fair value derivative liabilities in the current financial year.

Hedge of net investment in foreign subsidiary

The consolidated entity's EUR denominated bank loan is designated as a hedge of the consolidated entity's investment in its subsidiary in the Netherlands. The carrying amount of the loan at 30 June 2006 was $12,556,000 (2005: $11,560,000).

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Consolidated			
	Carrying amount **2006** $'000	Fair value **2006** $'000	Carrying amount 2005 $'000	Fair value 2005 $'000
Trade and other receivables	70,609	70,609	74,363	74,363
Cash and cash equivalents	156,498	156,498	134,854	134,854
Interest rate swaps:				
Assets	920	920	-	302
Forward exchange contracts:				
Liabilities	(146)	(146)	-	(78)
Unsecured bank loans	(297,498)	(297,498)	(296,560)	(296,560)
Trade payables and accrued expenses	(48,518)	(48,518)	(51,889)	(51,889)
	(118,135)	(118,135)	(139,232)	(139,008)
Unrecognised (losses)/gains		-		224

	The Company			
	Carrying amount **2006** $'000	Fair value **2006** $'000	Carrying amount 2005 $'000	Fair value 2005 $'000
Trade and other receivables	518	518	900	900
Receivables due from controlled entities	512,482	512,482	489,938	489,938
Payables to controlled entities	(458,018)	(458,018)	(400,579)	(400,579)
Trade payables and accrued expenses	(54)	(54)	(48)	(48)
	54,928	54,928	90,211	90,211
Unrecognised (losses)/gains		-		-

Notes to the Consolidated Financial Statements

23. Financial instruments (continued)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

Forward exchange contracts are marked to market by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps broker quotes are obtained. These quotes are back tested using discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Interest-bearing loans and borrowings

The notional amount of the interest-bearing loans is deemed to reflect the fair value. The interest-bearing loans have a maximum three-year rolling maturity, however are rolled for periods no longer than 90 days. At balance date, the AUD loans were rolled over to 28 July 2006 and the EUR loan was rolled over to 28 August 2006.

Trade and other receivables/payables

All receivables/payables are either repayable within twelve months or repayable on demand. Accordingly, the notional amount is deemed to reflect the fair value.

Employee share loans and other employee loans

Employee share loans and other employee loans are carried at fair value using discounted cash flow techniques.

Interest rates used for determining fair value

The entity uses the government yield curve as of 30 June 2006 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2006	2005
Derivatives	5.98% – 6.21%	5.51% – 5.58%
Employee share loans and other loans	7.05% – 7.05%	7.05% – 7.05%
Interest bearing loans and borrowings	5.53% – 5.80%	5.36% – 5.61%

24. Operating leases

	Consolidated		**The Company**	
	2006 $'000	2005 $'000	**2006** $'000	2005 $'000
Leases as lessee				
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	10,055	6,671	-	-
Between one and five years	23,440	13,707	-	-
More than five years	1,868	1,774	-	-
	35,363	22,152	-	-

The consolidated entity leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of 5 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

Two of the leased properties have been sublet by the consolidated entity. The two leases and subleases expire in June 2007 and November 2009 respectively. Sublease payments of $429,000 will be received during the following financial year.

During the financial year ended 30 June 2006, $9,497,000 (2005: $7,565,000) was recognised as an expense in the income statement in respect of operating leases, which was net of sub-lease income.

Notes to the Consolidated Financial Statements

	Consolidated		The Company	
	2006 $'000	2005 $'000	**2006** $'000	2005 $'000
25. Capital and other commitments				
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Within one year	10,636	29,360	-	-
26. Contingencies				
The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.				
Contingent liabilities considered remote				
Guarantees				
(i) Under the terms of a Deed of Cross Guarantee, described in note 27, the company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed is wound up. No deficiency in net assets exists in these companies at reporting date.				
(ii) Bank guarantees	3,243	2,833	-	-

27. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries as listed in Note 28 are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the company is wound up.

A consolidated income statement and consolidated balance sheet, comprising the company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2006 is set out below.

Summarised income statement and retained profits

	Consolidated	
	2006 $'000	2005 $'000
Profit before tax	63,137	87,619
Income tax expense	(17,972)	(27,149)
Profit after tax	45,165	60,470
Retained profits at beginning of year	43,747	65,119
Adjustment to retained profits on transition to IFRS, net of tax	-	(17,832)
Dividends recognised during the year	(55,660)	(64,010)
Retained profits at end of year	33,252	43,747

Notes to the Consolidated Financial Statements

27. Deed of cross guarantee (continued)

Balance Sheet

	Consolidated 2006 $'000	Consolidated 2005 $'000
Assets		
Cash and cash equivalents	138,298	124,002
Trade and other receivables	61,045	62,933
Inventories	85,869	87,487
Income tax receivable	4,905	-
Other	3,969	6,003
Total current assets	294,086	280,425
Receivables	3,677	4,561
Intercompany receivables	31,252	37,456
Investments	16,280	16,280
Deferred tax assets	25,330	25,394
Property, plant and equipment	92,896	105,977
Intangible assets	319,066	318,819
Other	2,326	3,018
Total non-current assets	490,827	511,505
Total assets	784,913	791,930
Liabilities		
Trade and other payables	45,257	48,772
Employee benefits	16,400	16,412
Income tax payable	-	5,618
Provisions	19,219	14,801
Total current liabilities	80,876	85,603
Interest-bearing loans and borrowings	297,498	296,560
Deferred tax liabilities	967	346
Employee benefits	12,369	11,598
Provisions	11,344	10,600
Total non-current liabilities	322,178	319,104
Total liabilities	403,054	404,707
Net assets	381,859	387,223
Equity		
Issued capital	346,853	346,853
Reserves	1,754	(3,377)
Retained earnings	33,252	43,747
Total equity	381,859	387,223

Notes to the Consolidated Financial Statements

28. Consolidated entities

	Parties to Cross Guarantee	Country of incorporation	Ownership interest 2006	Ownership interest 2005
Parent entity				
GWA International Limited	Y	Australia		
Subsidiaries				
GWA Group Limited	Y	Australia	100%	100%
Gainsborough Hardware Industries Limited	Y	Australia	100%	100%
Caroma Holdings Limited	Y	Australia	100%	100%
GWA (North America) Pty Ltd	Y	Australia	100%	100%
Sebel Furniture Inc	N	USA	100%	100%
Caroma Industries Limited	Y	Australia	100%	100%
G Subs Pty Ltd	Y	Australia	100%	100%
Sebel Furniture (Hong Kong) Ltd	N	Hong Kong	100%	100%
GWA Trading (Shanghai) Co Ltd	N	China	100%	100%
GWA International (Hong Kong) Limited	N	Hong Kong	100%	100%
Stylus Pty Ltd	Y	Australia	100%	100%
Ecohome Pty Ltd	Y	Australia	100%	100%
Fowler Manufacturing Pty Ltd	Y	Australia	100%	100%
Starion Tapware Pty Ltd	Y	Australia	100%	100%
Dorf Clark Industries Ltd	Y	Australia	100%	100%
Dorf Industries (NZ) Ltd	N	New Zealand	100%	100%
McIlwraith Davey Pty Ltd	Y	Australia	100%	100%
Stylus Sales Limited	N	New Zealand	100%	100%
Caroma Industries Europe BV	N	Netherlands	100%	100%
Wisa Beheer BV	N	Netherlands	100%	100%
Wisa BV	N	Netherlands	100%	100%
Wisa Systems BV	N	Netherlands	100%	100%
Wisa GmbH	N	Germany	100%	100%
Stokis Kon Fav. Van Metaalwerken NV	N	Netherlands	100%	100%
Caroma International Pty Ltd	Y	Australia	100%	100%
Caroma USA Inc	N	USA	100%	100%
Caroma Canada Industries Ltd	N	Canada	100%	100%
Caroma Industries (UK) Ltd	N	UK	100%	100%
Canereb Pty Ltd	N	Australia	100%	100%
Dux Manufacturing Limited	Y	Australia	100%	100%
GWA Taps Manufacturing Limited	Y	Australia	100%	100%
Lake Nakara Pty Ltd	N	Australia	100%	100%
Mainrule Pty Ltd	N	Australia	100%	100%
Warapave Pty Ltd	N	Australia	100%	100%
Rover Mowers (NZ) Limited	N	New Zealand	100%	100%
Caroma Industries (NZ) Limited	N	New Zealand	100%	100%
GWAIL (NZ) Ltd	N	New Zealand	100%	100%
Rover Mowers Limited	Y	Australia	100%	100%
Industrial Mowers (Australia) Limited	Y	Australia	100%	100%
Olliveri Pty Ltd	Y	Australia	100%	100%
Sebel Service & Installations Pty Ltd	Y	Australia	100%	100%

Notes to the Consolidated Financial Statements

28. Consolidated entities (continued)

	Parties to Cross Guarantee	Country of incorporation	Ownership interest 2006	Ownership interest 2005
Subsidiaries (continued)				
Sebel Properties Pty Ltd	Y	Australia	100%	100%
Sebel Furniture Limited (NZ)	N	New Zealand	100%	100%
Sebel Furniture Limited	Y	Australia	100%	100%
Sebel Furniture (SEA) Pte Ltd	N	Singapore	100%	100%
Sebel Sales Pty Limited	Y	Australia	100%	100%
Caroma Singapore Pte Limited	N	Singapore	100%	100%
GWA Finance Pty Limited	Y	Australia	100%	100%
Hetset (No. 5) Pty Ltd	Y	Australia	100%	100%
Gainsborough Hardware Limited	N	UK	100%	100%
Bankstown Unit Trust	Y	Australia	100%	100%

29. Reconciliation of cash flows from operating activities

	Consolidated 2006 $'000	Consolidated 2005 $'000	The Company 2006 $'000	The Company 2005 $'000
Cash flows from operating activities				
Profit for the period	56,852	63,888	31,384	141,265
Adjustments for:				
Depreciation	21,929	26,496	-	-
Amortisation	491	218	-	-
Impairment/(reversal of) losses	2,816	-	(17,592)	-
Foreign exchange (gains)/losses	755	(1,250)	-	-
Interest expense/(income)	11,490	11,137	(27)	(3)
Dividends from controlled entities			-	(139,300)
Distributions from controlled trusts			(13,142)	(1,956)
(Gain)/loss on sale of property, plant and equipment	(14,471)	950	-	-
Income tax expense/(benefit)	20,911	28,328	(624)	(12)
Operating profit before changes in working capital and provisions	100,773	129,767	(1)	(6)
(Increase)/decrease in trade and other receivables	(8,235)	6,619	(41,778)	78,011
(Increase)/decrease in inventories	2,148	(1,111)	-	-
Increase/(decrease) in trade and other payables	(4,498)	(5,012)	54,920	63,245
Increase/(decrease) in provisions and employee benefits	8,046	(106)	-	-
	98,234	130,157	13,141	141,250
Interest received/(paid)	(9,177)	(15,212)	27	3
Income taxes paid	(29,019)	(31,178)	(27,927)	(29,957)
Net cash from operating activities	60,038	83,767	(14,759)	111,296

Notes to the Consolidated Financial Statements

30. Related parties

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

B Thornton (Chairperson)
J Kennedy
M Kriewaldt
D Barry
R Anderson
G McGrath

Executive directors

P Crowley (Managing Director)

Executives

E Harrison (Chief Financial Officer)
S Wright (Group Operations Manager)
A Rusten (Group Marketing Manager) – appointed 27 June 2005
R Watkins (General Manager – Rover)
J Measroch (General Manager – Sebel)
G Oliver (General Manager – Gainsborough)
D Duncan (General Manager – Dorf Clark)
L Patterson (General Manager – Dux)
C Bizon (General Manager – Caroma) – terminated 30 November 2004

Key management personnel compensation

	Consolidated		The Company	
	2006 $	2005 $	**2006** $	2005 $
The key management personnel compensation included in 'personnel expenses' (see note 5) are as follows:				
Short-term employee benefits	4,263,776	5,519,767	-	-
Post-employment benefits	570,997	452,263	-	-
Termination benefits	-	300,000	-	-
Other benefits	39,054	36,839	-	-
	4,873,827	6,308,869	-	-

Notes to the Consolidated Financial Statements

30. Related parties (continued)

Key management personnel compensation (continued)

Individual directors and executives compensation

Apart from the details disclosed in this note, no director has entered into a material contract with the company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Details of the nature and amount of each major element of remuneration of each director of the company and other key management personnel are:

		Short-term					Post-employment		
		Salary and fees $	1 year incentive $	Non-monetary benefits $	3 year* incentive $	Total $	Superannuation benefits $	Other $	Total $
Directors:									
Non-executive									
B Thornton	**2006**	166,173	-	-	-	166,173	101,640	250	268,063
	2005	159,080	-	-	-	159,080	95,980	250	255,310
J Kennedy	**2006**	137,477	-	-	-	137,477	-	250	137,727
	2005	127,327	-	-	-	127,327	3,603	250	131,180
M Kriewaldt	**2006**	98,280	-	-	-	98,280	8,845	250	107,375
	2005	93,600	-	-	-	93,600	8,424	250	102,274
D Barry	**2006**	86,814	-	-	-	86,814	7,813	250	94,877
	2005	82,680	-	-	-	82,680	7,441	250	90,371
R Anderson	**2006**	81,900	-	-	-	81,900	7,371	250	89,521
	2005	78,000	-	-	-	78,000	7,020	250	85,270
G McGrath	**2006**	86,814	-	-	-	86,814	7,813	250	94,877
	2005	82,290	-	-	-	82,290	7,371	250	89,911
Executive directors									
P Crowley	**2006**	917,997	-	158,916	(190,000)	886,913	36,000	10,727	933,640
	2005	877,263	332,500	183,230	190,000	1,582,993	36,000	9,519	1,628,512
Total – directors	**2006**	**1,575,455**	**-**	**158,916**	**(190,000)**	**1,544,371**	**169,482**	**12,227**	**1,726,080**
Total – directors	**2005**	**1,500,240**	**332,500**	**183,230**	**190,000**	**2,205,970**	**165,839**	**11,019**	**2,382,828**

* The incentives for the Executive Director and Executives under the three year Executive Incentive Scheme were provided for in the 2004/05 year and written back in the 2005/06 year as the targets are not currently expected to be achieved.

Notes to the Consolidated Financial Statements

30.Related parties (continued)

Key management personnel compensation (continued)

Individual directors and executives compensation (continued)

		Short-term					Post-employment			
		Salary and fees $	1 year incentive $	Non-monetary benefits $	3 year* incentive $	Total $	Super-annuation benefits $	Other $	Termin-ation benefits $	Total $
Executives										
E Harrison	**2006**	447,268	-	87,546	(70,546)	464,268	-	5,118	-	469,386
	2005	425,251	105,819	82,738	70,546	684,354	-	4,975	-	689,329
S Wright	**2006**	387,089	-	60,845	(70,945)	376,989	100,592	3,993	-	481,574
	2005	383,747	106,418	79,663	70,945	640,773	35,472	4,704	-	680,949
A Rusten	**2006**	263,209	-	23,835	-	287,044	25,288	3,070	-	315,402
	2005	-	-	-	-	-	-	-	-	-
R Watkins	**2006**	281,171	-	50,936	-	332,107	58,725	3,152	-	393,984
	2005	303,154	-	52,155	-	355,309	27,555	3,598	-	386,462
J Measroch	**2006**	275,764	-	67,223	-	342,987	25,485	3,125	-	371,597
	2005	257,283	-	67,911	-	325,194	24,370	2,999	-	352,563
G Oliver	**2006**	177,333	79,425	62,289	(47,505)	271,542	138,475	1,973	-	411,990
	2005	180,207	71,258	56,462	47,505	355,432	119,110	2,056	-	476,598
D Duncan	**2006**	258,151	-	123,019	(50,000)	331,170	27,420	3,266	-	361,856
	2005	246,785	62,500	112,197	50,000	471,482	44,567	2,849	-	518,898
L Patterson	**2006**	250,744	-	62,554	-	313,298	25,530	3,130	-	341,958
	2005	214,364	-	47,976	-	262,340	20,850	2,602	-	285,792
C Bizon (terminated 30 November 2004)	**2006**	-	-	-	-	-	-	-	-	-
	2005	134,551	-	84,362	-	218,913	14,500	2,037	300,000	535,450
Total – executives	**2006**	**2,340,729**	**79,425**	**538,247**	**(238,996)**	**2,719,405**	**401,515**	**26,827**	**-**	**3,147,747**
Total – executives	**2005**	**2,145,342**	**345,995**	**583,464**	**238,996**	**3,313,797**	**286,424**	**25,820**	**300,000**	**3,926,041**
Total – directors and executives	**2006**	**3,916,184**	**79,425**	**697,163**	**(428,996)**	**4,263,776**	**570,997**	**39,054**	**-**	**4,873,827**
Total – directors and executives	**2005**	**3,645,582**	**678,495**	**766,694**	**428,996**	**5,519,767**	**452,263**	**36,839**	**300,000**	**6,308,869**

* The incentives for the Executive Director and Executives under the three year Executive Incentive Scheme were provided for in the 2004/05 year and written back in the 2005/06 year as the targets are not currently expected to be achieved.

Notes to the Consolidated Financial Statements

30. Related parties (continued)

Loans to key management personnel and their related parties (consolidated)

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

	Balance 1 July 2005 $	Balance 30 June **2006** $	Interest paid and payable in the reporting period $	Highest balance in period $
Directors				
P Crowley	1,195,000	1,085,000	-	1,195,000
Executives				
E Harrison	701,505	610,255	-	701,505
S Wright	626,505	141,269	-	626,505
R Watkins	115,750	95,750	-	115,750
J Measroch	379,745	339,745	-	379,745
G Oliver	409,150	362,900	-	409,150
D Duncan	800,991	780,991	-	800,991
L Patterson	300,991	280,991	-	300,991
C Bizon	240,000	-	-	240,000

No loans (2005: $1,959,320) were made to key management personnel or their related parties during the year. The loans made in the previous financial year related to the Employee Share Scheme.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the consolidated entity to key management personnel and their related parties, and the number of individuals in each group, are as follows:

	Opening balance $	Closing balance $	Interest paid and payable in the reporting period $	Number in group at 30 June
Total for key management personnel 2006	4,769,637	3,696,901	-	8
Total for key management personnel 2005	3,477,837	4,769,637	-	9

Mr D Duncan has a housing loan of $500,000 secured by a registered second mortgage. Mr E Harrison has an unsecured housing loan of $75,000. Each of these loans is interest free and repayable on termination. Mr C Bizon repaid a $240,000 housing loan during the current financial year. 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.

Notes to the Consolidated Financial Statements

30. Related parties (continued)

Other key management personnel transactions with the company or its controlled entities

The consolidated entity purchased components and tooling of $304,009 (2005: $582,608) from Great Western Corporation Pty Ltd, a company of which Mr B Thornton is a director. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms. Amounts receivable from and payable to key management personnel at reporting date arising from these transactions were as follows:

	Consolidated		The Company	
	2006 $	2005 $	**2006** $	2005 $
Trade creditors	3,982	137,089	-	-

From time to time, key management personnel of the company or its controlled entities, or their related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

Movements in shares

The movement during the reporting period in the number of ordinary shares in GWA International Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Purchases	Sales	Held at 30 June **2006**
Directors: non-executive				
B Thornton	15,025,902	-	(2,500)	15,023,402
J Kennedy	50,000	-	(40,000)	10,000
M Kriewaldt	100,000	-	-	100,000
D Barry	12,409,189	-	(36,800)	12,372,389
R Anderson	20,692,832	8,198,000	-	28,890,832
G McGrath	593,026	-	(172,568)	420,458
Executive directors				
P Crowley	500,000	-	-	500,000
Executives				
E Harrison	620,975	-	-	620,975
S Wright	418,750	-	(250,000)	168,750
A Rusten	-	-	-	-
R Watkins	100,000	-	-	100,000
J Measroch	200,000	-	-	200,000
G Oliver	231,250	-	-	231,250
D Duncan	100,000	-	-	100,000
L Patterson	100,000	-	-	100,000

Notes to the Consolidated Financial Statements

30. Related parties (continued)

Movements in shares (continued)

	Held at 1 July 2004	Purchases	Sales	Held at 30 June 2005
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 directors				
P Crowley	500,000	-	-	500,000
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

No shares were granted to key management personnel during the reporting period as compensation. The aggregate number of shares held by key management person related parties at 30 June 2006 was 57,036,806 (2005: 48,863,874).

31. Subsequent events

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

Notes to the Consolidated Financial Statements

32. Explanation of transition to AIFRSs

Reconciliation of equity

	Note	Consolidated Previous GAAP $'000	Consolidated Effect of transition to AIFRSs $'000	Consolidated AIFRSs $'000	The Company Previous GAAP $'000	The Company Effect of transition to AIFRSs $'000	The Company AIFRSs $'000
		1 July 2004					
Assets							
Cash and cash equivalents		138,352	-	138,352	-	-	-
Trade and other receivables		66,625	-	66,625	501	-	501
Inventories		96,380	-	96,380	-	-	-
Other		1,594	-	1,594	-	-	-
Total current assets		302,951	-	302,951	501	-	501
Receivables	e,g	4,288	-	4,288	461,471	6,523	467,994
Deferred tax assets	f,g	25,258	567	25,825	24,780	(24,780)	-
Investment in subsidiaries		-	-	-	325,646	-	325,646
Property, plant and equipment	a,c	153,454	265	153,719	-	-	-
Intangible assets	c,e	357,827	(15,433)	342,394	-	-	-
Total non-current assets		540,827	(14,601)	526,226	811,897	(18,257)	793,640
Total assets		843,778	(14,601)	829,177	812,398	(18,257)	794,141
Liabilities							
Trade and other payables		57,552	-	57,552	52	-	52
Employee benefits		17,784	-	17,784	-	-	-
Income tax payable		8,448	-	8,448	8,774	-	8,774
Provisions		14,191	-	14,191	-	-	-
Total current liabilities		97,975	-	97,975	8,826	-	8,826
Interest-bearing loans and borrowings		297,803	-	297,803	-	-	-
Payables		-	-	-	453,024	-	453,024
Deferred tax liabilities	g	818	-	818	665	(665)	-
Employee benefits		10,937	-	10,937	-	-	-
Provisions	a	7,735	2,158	9,893	-	-	-
Total non-current liabilities		317,293	2,158	319,451	453,689	(665)	453,024
Total liabilities		415,268	2,158	417,426	462,515	(665)	461,850
Net assets		428,510	(16,759)	411,751	349,883	(17,592)	332,291
Equity							
Issued capital		346,853	-	346,853	346,853	-	346,853
Reserves	b	918	(918)	-	-	-	-
Retained earnings	h	80,739	(15,841)	64,898	3,030	(17,592)	(14,562)
Total equity		428,510	(16,759)	411,751	349,883	(17,592)	332,291

Notes to the Consolidated Financial Statements

32. Explanation of transition to AIFRSs (continued)

Reconciliation of equity (continued)

	Note	Consolidated			The Company		
		Previous GAAP $'000	Effect of transition to AIFRSs $'000	AIFRSs $'000	Previous GAAP $'000	Effect of transition to AIFRSs $'000	AIFRSs $'000
		30 June 2005					
Assets							
Cash and cash equivalents		134,854	-	134,854	-	-	-
Trade and other receivables		69,221	-	69,221	900	-	900
Inventories		97,491	-	97,491	-	-	-
Income tax receivable		30	-	30	-	-	-
Other	c	6,732	(982)	5,750	-	-	-
Total current assets		308,328	(982)	307,346	900	-	900
Receivables	e	5,142	-	5,142	507,530	(17,592)	489,938
Deferred tax assets	f,g	25,937	628	26,565	24,766	(24,766)	-
Investment in subsidiaries		-	-	-	325,646	-	325,646
Property, plant and equipment	a,c	134,643	(725)	133,918	-	-	-
Intangible assets	c,e	354,896	(12,865)	342,031	-	-	-
Other	c	2,800	218	3,018	-	-	-
Total non-current assets		523,418	(12,744)	510,674	857,942	(42,358)	815,584
Total assets		831,746	(13,726)	818,020	858,842	(42,358)	816,484
Liabilities							
Trade and other payables		51,889	-	51,889	48	-	48
Employee benefits		17,612	-	17,612	-	-	-
Income tax payable		6,311	-	6,311	6,311	-	6,311
Provisions		13,263	-	13,263	-	-	-
Total current liabilities		89,075	-	89,075	6,359	-	6,359
Interest-bearing loans and borrowings		296,560	-	296,560	-	-	-
Payables	g	-	-	-	424,993	(24,414)	400,579
Deferred tax liabilities	g	875	-	875	352	(352)	-
Employee benefits		11,600	-	11,600	-	-	-
Provisions	a	8,066	2,298	10,364	-	-	-
Total non-current liabilities		317,101	2,298	319,399	425,345	(24,766)	400,579
Total liabilities		406,176	2,298	408,474	431,704	(24,766)	406,938
Net assets		425,570	(16,024)	409,546	427,138	(17,592)	409,546
Equity							
Issued capital		346,853	-	346,853	346,853	-	346,853
Reserves	b	(1,165)	(918)	(2,083)	-	-	-
Retained earnings	h	79,882	(15,106)	64,776	80,285	(17,592)	62,693
Total equity		425,570	(16,024)	409,546	427,138	(17,592)	409,546

Notes to the Consolidated Financial Statements

32. Explanation of transition to AIFRSs (continued)

As stated in significant accounting policies note 1(a), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the previous and following tables and the notes that accompany the tables.

Notes to the reconciliation of equity

a) Restoration and dismantling provision

An obligation exists to restore certain sites for the effect of the consolidated entity's operations. Under previous GAAP, the cost of rectification was recognised as an expense when incurred. In accordance with AIFRSs, restoration costs should be recognised as part of the cost of assets and as a provision at the time of the obligating event.

The effect in the consolidated entity is to increase *Property, plant and equipment* by $265,000 at 1 July 2004 and by $204,000 at 30 June 2005, to increase *Provisions* by $2,158,000 at 1 July 2004 and by $2,298,000 at 30 June 2005 and to increase *Distribution expenses* by $61,000 and *Financial expenses* by $140,000 for the financial year ended 30 June 2005.

b) Cumulative foreign exchange differences

Translation differences that arose prior to the date of transition to AIFRSs in respect of all foreign entities have been reversed to zero. Accordingly the foreign currency translation reserve as at 1 July 2004 of $918,000 was transferred to retained earnings.

c) Software development costs

Software assets developed for internal use have been reclassified from property, plant and equipment and prepayments to intangible assets. The effect was to increase *Intangible assets* by $1,693,000 at 30 June 2005; to increase *Other assets* by $218,000 at 30 June 2005; to decrease *Property, plant and equipment* by $929,000 at 30 June 2005; and to decrease *Prepayments* by $982,000 at 30 June 2005.

d) Gain/loss on disposal of property, plant an equipment

Under AIFRS the gain or loss on the disposal of property, plant and equipment is recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue. For the consolidated entity the effect of this is to decrease *Other operating income* and *Other operating expenses* by $12,544,000 for the year ended 30 June 2005.

e) Impairment

Under AASB3 *Business Combinations* goodwill is no longer amortised but instead is subject to annual impairment testing. The goodwill booked by the consolidated entity with the purchase of Gainsborough has a written down value on transition of $875,000. Under the new methodology in impairment testing cash-generating units, this goodwill has been treated as impaired. The effect of this was to decrease *Retained earnings* and *Intangible assets* by $875,000 at 1 July 2004 for the consolidated entity. The effect was also to decrease *Other operating expenses* by $875,000 for the year ended June 2005 for the consolidated entity.

Notes to the Consolidated Financial Statements

32. Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity (continued)

e) Impairment (continued)

Under AASB136 *Impairment*, intangible assets that have an indefinite useful life 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 is determined.

A cash generating unit is 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.

As a result of the impairment testing being on a cash generating unit level under AIFRS which is a lower level than under previous GAAP, an impairment loss was recognised in relation to the Stylus brand name. The effect of this was to decrease *Retained earnings* and *Intangible assets* by $14,558,000 at 1 July 2004 and 30 June 2005 for the consolidated entity.

As a consequence of this and other AIFRS adjustments, an impairment of intercompany receivables of $17,592,000 was recognised in the company. The effect of this was to decrease *Retained earnings* and *Inter-company receivable* by $17,592,000 at 1 July 2004 and 30 June 2005.

f) Deferred tax

The above changes increased the deferred tax asset as follows:

	Consolidated		The Company	
	1 July 2004 $'000	30 June 2005 $'000	1 July 2004 $'000	30 June 2005 $'000
Restoration and dismantling costs	567	628	-	-

The effect on the income statement for the financial year ended 30 June 2005 was to decrease the previously reported tax charge for the period by $61,000 in the consolidated entity and Nil in the company.

g) Tax consolidations

The consolidated entity had applied UIG 52 for tax consolidation purposes under previous GAAP, resulting in the company as the head entity of the tax-consolidated group recognising both current and deferred tax in relation to the wholly-owned subsidiaries in the tax-consolidated group.

Under AIFRS, the consolidated entity has adopted UIG 1052 which requires the subsidiaries to initially recognise both current and deferred taxes before recognising the head entity's assumption of the current tax liability (asset) and deferred tax assets from tax losses. Under AIFRS the subsidiaries are now required to recognise deferred tax assets relating to temporary differences, other than for tax losses.

Notes to the Consolidated Financial Statements

32. Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity (continued)

g) Tax consolidations (continued)

Under previous GAAP, the tax funding arrangements assets and liabilities were recognised as inter-entity tax-related balances whereas tax funding arrangements expenses and revenues were recognised as a component of income tax expense or revenue.

Upon adoption of UIG 1052 under AIFRS, all tax funding arrangements amounts are recognised as inter-entity amounts, giving rise to a contribution by or distribution to equity participants to the extent they differ from the amounts assumed by the head entity from subsidiaries. The entities in the Australian tax-consolidated group have revised the tax funding arrangement to address only current tax amounts and deferred tax assets from tax losses/credits so that no net contributions or distributions to equity participants are expected to arise in the future.

The effect of the above in the company at 1 July 2004 is to increase *Inter-company receivable* by $24,115,000, decrease *Deferred tax liability* by $665,000 and decrease *Deferred tax asset* by $24,780,000. The effect in the company at 30 June 2005 is to decrease *Inter-company payable* by $24,414,000, decrease *Deferred tax liability* by $352,000 and decrease *Deferred tax asset* by $24,766,000.

For the consolidated entity, the impact of moving from UIG 52 to UIG 1052 is the same as the impact of moving to AASB 112. There is nil impact on the consolidated entity from the tax funding arrangement changes as upon consolidation the inter-company balances are eliminated.

h) Retained earnings

The effect of the above adjustments on retained earnings is as follows:

		Consolidated		The Company	
	Note	1 July 2004 $'000	30 June 2005 $'000	1 July 2004 $'000	30 June 2005 $'000
Impairment	*e*	(15,433)	(14,558)	(17,592)	(17,592)
Restoration and dismantling costs	*a*	(1,893)	(2,094)	-	-
Deferred tax	*f*	567	628	-	-
Transfer from foreign currency translation reserve	*b*	918	918	-	-
Total adjustment to retained earnings		(15,841)	(15,106)	(17,592)	(17,592)

Notes to the Consolidated Financial Statements

32. Explanation of transition to AIFRSs (continued)

Explanation of material adjustments to the cash flow statement for 2005

There are no material differences between the cash flow statement presented under AIFRSs and the cash flow statement presented under previous GAAP.

Reconciliation of profit for 2005

		Consolidated			The Company		
	Note	Previous GAAP $'000	Effect of transition to AIFRSs $'000	AIFRSs $'000	Previous GAAP $'000	Effect of transition to AIFRSs $'000	AIFRSs $'000
Revenue		626,866	-	626,866	-	-	-
Cost of sales		(330,499)	-	(330,499)	-	-	-
Gross profit		296,367	-	296,367	-	-	-
Other income	d	15,576	(12,544)	3,032	141,256	-	141,256
Distribution expenses	a	(130,784)	(61)	(130,845)	-	-	-
Administrative expenses		(63,143)	-	(63,143)	(6)	-	(6)
Other expenses	d,e	(15,477)	13,419	(2,058)	-	-	-
Results from operating activities		102,539	814	103,353	141,250	-	141,250
Financial income		5,874	-	5,874	3	-	3
Financial expenses	a	(16,871)	(140)	(17,011)	-	-	-
Net financing costs		(10,997)	(140)	(11,137)	3	-	3
Profit before tax		91,542	674	92,216	141,253	-	141,253
Income tax expense	f	(28,389)	61	(28,328)	12	-	12
Profit for the period		63,153	735	63,888	141,265	-	141,265
Basic and diluted earnings per share (cents per share)		22.7		23.0			

Notes to the Consolidated Financial Statements

33. Changes in accounting policy

In the current financial year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure & Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement*. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the Group recognising all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of the hedging reserve at 1 July 2005.

The impact on the balance sheet in the comparative period is set out below as an adjustment to the opening balance sheet at 1 July 2005. The impact on the income statement of the comparative period would have been to increase financial expenses and decrease profit for the period to the extent that cash flow hedges were not 100 per cent effective. The transitional provisions will not have any effect in future reporting periods.

Derivatives

Under previous Australian GAAP, the consolidated entity did not recognise any derivatives at fair value on the balance sheet. In accordance with AIFRSs all derivatives would be recognised at fair value. At 1 July 2005, the fair value of the forward exchange contracts was $(78,000) and the fair value of the interest rate swaps was $302,000. The effect in the consolidated entity is to decrease *Fair value derivatives* by $224,000, increase *Hedging reserve* by $157,000 and increase *Deferred tax liabilities* by $67,000 at 1 July 2005. No adjustment has arisen for the company.

Employee share loans

Under previous Australian GAAP, the consolidated entity recognised loans made to employees under the Employee Share Scheme at face value. In accordance with AIFRSs, the loans have been measured at present value discounted at 7.05 per cent. The discount has been recognised as a prepayment as the loans are full recourse and dependant on future employment by the consolidated entity.

The effect in the consolidated entity and the company is to decrease *Current receivables* by $244,000 at 1 July 2005, decrease *Non-current receivables* by $2,713,000 at 1 July 2005, to increase *Current prepayments* by $537,000 at 1 July 2005 and to increase *Non-current prepayments* by $2,420,000 at 1 July 2005.

Employee loans

Under previous Australian GAAP, the consolidated entity recognised loans made to employees at face value. In accordance with AIFRSs, the loans have been measured at present value discounted at 7.05 per cent. The discount has been recognised as a prepayment as the loans are full recourse and dependent on future employment by the consolidated entity.

The effect in the consolidated entity is to increase *Current receivables* by $244,000 at 1 July 2005, decrease *Non-current receivables* by $668,000 at 1 July 2005, to increase *Current prepayments* by $43,000 at 1 July 2005 and to increase *Non-current prepayments* by $381,000 at 1 July 2005. No adjustment has arisen for the company.

Directors' Declaration

1 In the opinion of the directors of GWA International Limited ('the company'):

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *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 There are reasonable grounds to believe that the company and the controlled entities identified in Note 27 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 between the company and those controlled entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations by the Managing Director and Chief Financial Officer for the financial year ended 30 June 2006 pursuant to Section 295A of the *Corporations Act 2001*.

Dated at Brisbane on 15 August 2006.

Signed in accordance with a resolution of the directors:

Barry Thornton

Director

Peter Crowley

Director

Independent Audit Report to the Members of GWA International Limited

Scope

The Financial Report and Directors' responsibility

The Financial Report comprises the Income Statements, Statements of Recognised Income and Expense, Balance Sheets, Statements of Cash Flows, accompanying notes 1 to 33 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 financial year ended 30 June 2006. The Consolidated Entity comprises GWA International Limited ("the Company") and the entities it controlled during that financial 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. The Directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time adoption of Australian equivalents to International Financial Reporting Standards*.

Audit approach

We conducted an independent audit in order to express an opinion 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 from material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, 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 performed, 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 control 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 Ltd is in accordance with:

(a) the *Corporations Act 2001*, including:

i. giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2006 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

Mark Epper

Partner

Sydney, 15 August 2006

Other Statutory Information

As at 15 August 2006

Statement of shareholding

In accordance with the Australian Stock Exchange Listing Rules, the directors state that, as at 15 August 2006, the share capital in the company was held as follows:-

Range	Ordinary shareholders	Ordinary shares	%
1 – 1,000	1,555	1,060,861	0.4
1,001 – 5,000	7,080	21,696,949	7.8
5,001 – 10,000	3,626	27,451,551	9.9
10,001 – 100,000	2,167	45,554,806	16.4
100,001 and over	122	182,538,828	65.5
Total	**14,550**	**278,302,995**	**100.0**

The number of shareholders with less than a marketable parcel of shares is 153.

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 2006:

Shareholder	Number of shares	% of shares on issue
HGT Investments Pty Ltd	14,448,152	5.19

Other Statutory Information

As at 15 August 2006

20 Largest shareholders

Shareholder	Number of Shares	% of Shares on Issue
JP Morgan Nominees Australia Limited	14,708,023	5.28
HGT Investments Pty Ltd	14,448,152	5.19
National Nominees Limited	10,280,559	3.69
Erand Pty Ltd	9,898,229	3.56
KFA Investments Pty Ltd	9,863,817	3.54
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/C)	9,755,670	3.51
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
Citicorp Nominees Pty Limited	7,514,060	2.70
Theme (No 3) Pty Ltd	7,201,160	2.59
Australian Foundation Investment Company Limited	6,612,136	2.38
Westpac Custodian Nominees Limited	5,674,906	2.04
ITA Investments Pty Ltd	5,152,338	1.85
Mr Barry Thornton and Mr Chris Hamlin (The Sharp Family A/C)	4,740,033	1.70
Dabary Investments Pty Ltd	3,398,961	1.22
Cogent Nominees Pty Limited	3,306,758	1.19
ANZ Nominees Limited (Cash Income A/C)	2,869,642	1.03
Harvest Home Holdings Pty Ltd	2,586,416	0.93
Mr Michael John McFadyen (Michael McFadyen A/C)	2,497,990	0.90
Total	**147,207,926**	**52.89**

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 26 October 2006 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 Annual General Meeting and other legally required information. 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.

A final ordinary dividend of 8.0 cents per share, and a special dividend of 3.5 cents per share will be paid on 3 October 2006. 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 Information

Shareholder timetable 2006

30 June	Financial year end
15 August	Year end result and final dividend announcement
15 September	Record date for determining final dividend entitlement
22 September	Notice of Annual General Meeting, Proxy Form and Annual Report mailed to shareholders
3 October	Final ordinary dividend and special dividend paid
24 October	Proxy returns close 10:30 am Brisbane
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 Brisbane QLD 4000 AUSTRALIA

Telephone 61 7 3109 6000
Facsimile 61 7 3236 0522

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

Level 19 307 Queen Street Brisbane QLD 4000 AUSTRALIA
GPO Box 523 Brisbane QLD 4001 AUSTRALIA

Telephone 1300 552 270
Facsimile 61 7 3237 2152

www.computershare.com

→ Group Bankers

BNP Paribas
Citibank
Commonwealth Bank of Australia
National Australia Bank

→ Head Office Locations

→ GWA INTERNATIONAL LIMITED

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AUSTRALIA

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→ CAROMA DORF

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www.fowler.com.au
www.stylus.com.au
www.wisa-sanitair.com
www.starion-industries.com
www.dorf-clark.com.au

→ DUX MANUFACTURING LIMITED

Collins Road
Moss Vale NSW 2577
AUSTRALIA

Telephone 61 2 4868 0200
Facsimile 61 2 4868 2014
Websites www.dux.com.au
www.ecosmart.com.au

→ GAINSBOROUGH HARDWARE INDUSTRIES LIMITED

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

→ ROVER MOWERS LIMITED

155 Fison Avenue West
Eagle Farm QLD 4009
AUSTRALIA

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Facsimile 61 7 3868 1010
Website www.rovermowers.com.au

→ SEBEL FURNITURE LIMITED

96 Canterbury Road
Bankstown NSW 2200
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Telephone 61 2 9780 2222
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