GWA INTERNATIONAL LIMITED
2007 ANNUAL REPORT

BUILT ON STRONG BRANDS

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 incorporating water saving technologies, 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. Dux has developed an extensive range of innovative environmental products to meet the changing regulatory requirements, and which assist in reducing domestic energy consumption.

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, importers and distributors of domestic and commercial lawn and garden care equipment.

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

GWA International Limited was listed on the Australian Securities Exchange in May 1993 and is one of Australia's largest designers, manufacturers, importers and distributors of household consumer products. The Company is the owner of an extensive range of well-known brands including Caroma, Dorf, Fowler, Stylus, Clark, Radiant, Irwell, Dux, Gainsborough, Sebel and Rover, and is the exclusive Australian distributor of other brands including Hansa and KWC.

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. The Company is a significant Australian employer and has manufacturing facilities located throughout Australia.

GWA International Limited invests significantly in research and new product development which has enabled the businesses to maximise opportunities in a competitive marketplace. The Company is committed to the research and development of innovative environmental products which provide sustainable solutions for reducing domestic and commercial water consumption, and greenhouse gas emissions.

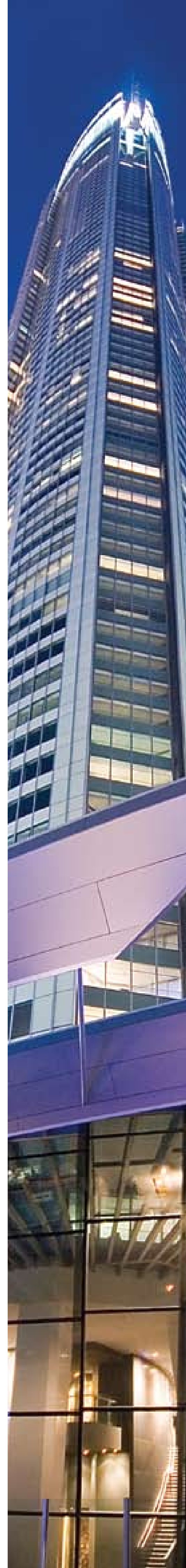
GWA International Limited has grown significantly since listing as a result of the strong operating performance of the businesses and successful acquisitions. The Company remains committed to growing long term shareholder wealth through improved business performance and the pursuit of further appropriate domestic acquisitions that add value to its existing businesses, and that support expansion into new markets.

Mission Statement

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

The Company's core business segment is building fixtures and fittings which will focus on the research and development of innovative new products to maximise market opportunities for the businesses. The Company will continue to develop products which provide sustainable solutions for reducing domestic and commercial water consumption, and greenhouse gas emissions.

GWA International Limited will grow the profitability of its businesses by investing for sustainable growth and adapting its business models for a changing market. The Company will continue the pursuit of appropriate domestic acquisitions that add value to its existing businesses, and that support expansion into new markets.



2006/07 YEAR PERFORMANCE HIGHLIGHTS

- Sales revenue up 4.1% to $645.7 million
- Trading earnings before interest and tax up 3.7% to $98.75 million
- Trading earnings per share of 22.0 cents
- Fully franked dividend of 22.0 cents per share (including 4.0 cents in special dividends)

Five Year Financial Summary	2002/03 $'000	2003/04 $'000	2004/05 $'000	2005/06 $'000	2006/07 $'000
Revenue	666,525	677,393	626,866	619,989	645,669
Earnings before interest, tax, depreciation, amortisation and restructuring costs	120,426	131,564	130,067	117,617	118,533
(%)	18.1	19.4	20.7	19.0	18.4
Depreciation and amortisation	28,034	30,549	26,714	22,420	19,779
Earnings before interest, tax and restructuring costs	92,392	101,015	103,353	95,197	98,754
(%)	13.9	14.9	16.5	15.4	15.3
Interest (net)	13,816	12,614	11,137	11,490	12,366
Trading profit before tax	78,576	88,401	92,216	83,707	86,388
(%)	11.8	13.1	14.7	13.5	13.4
Tax expense	23,569	26,348	28,328	23,628	24,975
(%)	30.0	29.8	30.7	28.2	28.9
Trading profit after tax	55,007	62,053	63,888	60,079	61,413
Restructuring costs after tax	-	-	-	3,227	5,095
Net profit after tax	55,007	62,053	63,888	56,852	56,318
Net cash flow provided from operating activities before debt cost and tax	128,200	162,104	130,157	98,234	63,584
Capital expenditure	24,392	20,579	21,331	30,966	21,516
Research and development	5,770	5,485	6,488	5,775	5,360
Net debt	207,678	159,451	161,706	141,000	191,146
Shareholders' equity	413,787	428,510	409,546	411,968	408,802

Other Ratios and Statistics						
Return on shareholders' equity	(%)	13.3	14.5	15.6	13.8	13.8
Interest cover	(times)	6.7	8.0	9.3	8.3	8.0
Net debt / equity	(%)	50.2	37.2	39.5	34.2	46.8
Earnings per share	(cents)	19.8	22.3	23.0	20.4	20.2
Trading earnings per share	(cents)	19.8	22.3	23.0	21.6	22.0
Ordinary dividend per share	(cents)	15.5	18.0	18.0	18.0	18.0
Special dividend per share	(cents)	2.5	2.5	4.5	3.5	4.0
Total dividend per share	(cents)	18.0	20.5	22.5	21.5	22.0
Franking	(%)	100	100	100	100	100
Ordinary dividend payout ratio	(%)	78.3	80.7	78.3	88.2	89.1
Share price (30 June)	($)	2.70	2.95	2.92	3.11	4.42
Dividend yield (total dividend)	(%)	6.7	6.9	7.7	6.9	5.0
Number of employees		2,646	2,565	2,474	2,226	1,957

Note: EBIT for financial years 2003 and 2004 has been calculated in accordance with previous Australian GAAP.
EBIT for financial years 2005 to 2007 has been calculated in accordance with Australian equivalents to IFRS (AIFRS).

Barry Thornton
Chairman

CHAIRMAN'S REVIEW

A sound financial performance was achieved for the 2006/07 financial year against the backdrop of the extensive restructuring activities of the Group's businesses and a continued soft domestic dwelling construction and renovation market. The decline in market demand, particularly in the major markets of New South Wales and Victoria, together with rising business input costs contributed to difficult domestic market conditions during the year. Importantly, the Group is beginning to realise the benefits of the restructuring activities undertaken to date to reduce costs and improve the long term competitiveness and profitability of the businesses.

The Group achieved a trading profit after tax of $61.4 million for the 2006/07 year on sales revenue of $645.7 million. Restructuring expenses after tax of $5.1 million were incurred during the year, reducing net profit after tax to $56.3 million. Trading earnings before interest and tax of $98.75 million represents a 3.7% increase from the prior year, and was in line with guidance provided to the market in February 2007. This is a commendable financial result and demonstrates the strength of the Group's core building fixtures and fittings businesses in challenging market conditions.

DIVIDENDS

The Board recognises the importance of fully franked cash dividends to shareholders, and aims to increase ordinary dividends in line with growth in trading profitability. The sound financial performance for the 2006/07 year has enabled the Board to declare a final fully franked dividend of 10.5 cents per share comprising an ordinary dividend of 8.0 cents per share and a special dividend of 2.5 cents per share, which will be paid in October 2007. Together with the interim dividend of 11.5 cents per share paid in April 2007, this brings the total dividend for the 2006/07 year to 22.0 cents per share which represents an after tax yield of 5.0% based on the closing share price at 30 June of $4.42.

The payment of further special dividends of in total 4.0 cents per share for the 2006/07 year continues the Group's impressive track record in delivering fully franked special dividends to shareholders. In this regard, a total of 17.0 cents per share in fully franked special dividends has been paid to shareholders in the past 5 years. The Group will give consideration to further special dividends and other capital management initiatives in future periods as a means of distributing surplus cash and franking credits to shareholders.

The Dividend Reinvestment and Share Purchase Plans remain suspended, but the Board will give consideration to the re-introduction of these plans when a major acquisition is undertaken.

RESTRUCTURING ACTIVITIES

The Group has realised opportunities to restructure the businesses aimed at reducing costs and creating further competitive advantage. These activities will increase shareholder wealth into the future through improved business performance, and the Group is beginning to realise the benefits of these changes as demonstrated by the sound financial result for the 2006/07 year in difficult market conditions. Some of the restructuring activities undertaken to date include the following:

- Upgrade of the Caroma sanitaryware factory at Wetherill Park, including the significant investment in plant automation and a new Caroma Dorf National Distribution Centre;
- Closure of the sanitaryware factory at Coburg and the movement of the production to the upgraded Wetherill Park factory;
- The establishment of a wholly-owned China subsidiary, GWA Trading (Shanghai) Co Ltd, to provide sourcing and quality assurance services to the Australian businesses;
- Closure of the Dorf tapware factory at Penrith with the movement of production to overseas suppliers;
- Closure of the Rover lawn mower assembly operation at Eagle Farm with the activities moved to overseas suppliers; and
- Closure of the acrylic bath and shower tray factory at Smithfield with product sourced from overseas suppliers.

The restructuring activities are an ongoing transformation process of the businesses to meet the challenges of the changing market place. Opportunities will be considered for further restructuring activities in future periods that are consistent with the Group's strategic objectives. The restructuring activities undertaken to date will place the Group in a strong position when the domestic dwelling construction and renovation market recovers in future periods.

PRODUCT INNOVATIONS

The Group is a significant investor in research and new product development. This has enabled the Group to remain at the forefront of product innovation, particularly in the area of water efficiency through dual flush sanitaryware and tapware products developed by the Caroma Dorf business.

It is well known that Caroma was the first sanitaryware company in the world to introduce dual flush technology, and continues to lead the market in developing water efficient dual flush sanitaryware and tapware products. Recent examples include Caroma Smartflush which was the first Water Efficiency Labelling Standards (WELS) 4A rated dual flush sanitaryware product on the market, and Caroma Profile with Integrated Hand Basin which was developed in collaboration with the Brisbane City Council and was the first WELS 5A rated dual flush sanitaryware product on the market.

In May 2007, Caroma Dorf was the inaugural recipient of the Standards Australia Award for Excellence in Sustainable Design for the Caroma H2Zero Cube Urinal. This product is a waterless urinal and has the potential to save billions of litres of water, further enhancing Caroma Dorf's environmental credentials.

Caroma Dorf continues to work with all levels of Government in Australia and its overseas markets in developing solutions to reduce domestic and commercial water consumption. In this regard, Caroma Dorf has assisted with consumer and commercial retrofit programs of water efficient dual flush toilets and tapware. These measures have had a substantial impact on reducing domestic and commercial water consumption which in turn has reduced pressure on the country's water infrastructure. This is an immediate solution to address this critical water shortage problem, rather than infrastructure solutions which can take many years to have an impact.

The Board is proud of Caroma Dorf's achievements in developing sustainable solutions through the development of innovative products incorporating world leading water saving technologies. The Board is committed to the significant investment in research and development to maintain Caroma Dorf's position as the market leader in water efficient sanitaryware and tapware.

For further information on the Group's environmental product innovations, I refer you to page 15 of the Annual Report.

CORPORATE GOVERNANCE

The Board of GWA International Limited comprises long serving directors who have overseen the growth of the Company since listing. A stable and effective Board is critical to a successful business, and is particularly important during the current Group restructuring activities. Succession plans have been developed by the Board for the future retirement plans of individual Board members, whilst ensuring the necessary skills and experience are maintained on the Board.

In accordance with the Board's succession plans, Mr Bill Bartlett joined the Board of GWA International Limited on 21 February 2007. Mr Bartlett is a valuable addition to the Board and his skills and experience as a company director will ensure that shareholders are well served by his appointment. Mr Bartlett is a Fellow of the Institute of Chartered Accountants and has been appointed a member of the Audit Committee. Mr Bartlett will hold office until the 2007 Annual General Meeting where he will be eligible for re-election.

The Board continues to review and monitor the corporate governance practices of the Group to ensure that current good practice is maintained. A review will be conducted on the corporate governance practices in light of the recent release of the revised ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Group will report by reference to these revised guidelines in next year's Annual Report. For a comprehensive overview of the Group's corporate governance practices, I refer you to page 20 of the Annual Report.

STAFF DEVELOPMENT

The Board recognises the benefits to the Group from investing in the development of staff to improve productivity and individual skills. During the year, the Group has continued the investment in the GWA Leadership Development Program in

conjunction with Monash University. The program's objectives are to identify and develop talent within the organisation for the benefit of both the Group's businesses and the individuals. The Board views the program as critical in developing future leaders in the organisation which is essential to the Group's future success.

STRATEGIC DIRECTION

The sound financial performance for the 2006/07 year demonstrates the strength of the Group's core building fixtures and fittings businesses in a difficult operating environment. Based on recent housing indicators, it is unlikely there will be a sustained recovery in domestic dwelling construction during the 2007/08 year.

Together with the recent interest rate increases, rising business input costs and record low housing affordability, this means a continued difficult operating environment for the Group's core businesses.

The upturn in the domestic dwelling construction market is forecast to commence during the 2008/09 year, and the introduction of Federal and State Government initiatives to address the housing affordability problem will assist the recovery. I am confident that the Group's businesses are well managed with good prospects for growth, and can build on the sound financial performance of the 2006/07 year as the domestic dwelling construction market recovers.

The restructuring activities undertaken by the Group to date will underpin the future success of the business and provide the Group with flexibility in meeting the needs of a changing market place. The Group is beginning to realise the benefits of the restructuring activities, as evidenced by the sound financial performance for the 2006/07 year in difficult market conditions. The full benefits of the restructuring activities will be realised over future periods and will add to shareholder wealth in the long term.

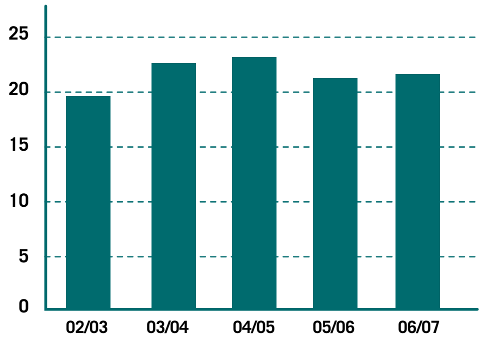
During the year, the Group announced that following a strategic review, the Sebel Furniture and Rover Mowers businesses would be divested. These businesses are small contributors to Group profitability and are non-core in the Group's business portfolio. To date, the Group has been unsuccessful in divesting the businesses, and the opportunity has been taken to restructure the businesses to improve their competitiveness and profitability.

The Group is focused on maximising the long term profitability of its businesses, which are all well established businesses with strong brand names and market positions. The Group is committed to acquiring another major domestic business division or bolt-on acquisitions to add value to the existing core businesses and to support expansion into new markets. The Group will continue to review and evaluate potential acquisitions, but will only proceed with acquisitions which are in the best interests of shareholders.

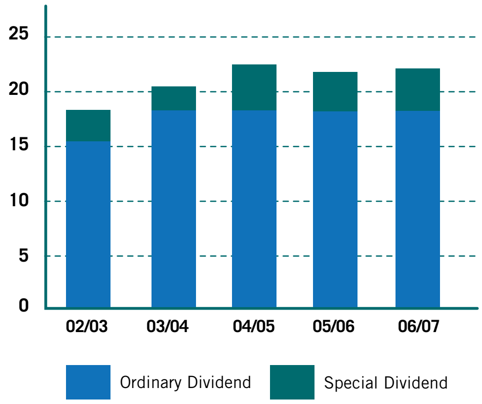
In closing, I would like to thank management and staff for their contributions towards the commendable 2006/07 year financial result. The Group has undergone significant change over the past few years and I am confident that the Group will realise the benefits of the changes in future periods through the generation of increasing shareholder returns.

B Thornton
Chairman

Trading Earnings Per Share
cents



Dividend Per Share
cents



MANAGING DIRECTOR'S REVIEW OF OPERATIONS

The GWA Group has recorded a sound trading result for the 2006/07 year in tight domestic trading conditions and has completed further business restructuring for sustainable cost competitiveness. The trading highlights for the year were the performances of the Caroma Dorf and Gainsborough businesses in a market where new dwelling completions tightened further and raw material costs rose significantly, with this impact being partly offset by the rising Australian dollar.

Following on the extensive business transformation initiatives of the prior year, two further supply reorganisation opportunities were realised during the year. The continuing development of international supply markets enabled Rover to access sustainably lower cost supply from China, and Rover closed its mower production facility at the end of the 2006/07 season. In the first half of the year, Caroma Dorf transferred production of its acrylic products, baths and shower trays, to manufacturers of greater scale in China.

The Group's overall trading performance for the year demonstrates the value of scale and market position which is being leveraged with supply restructuring to build sustainable total cost competitiveness. The year's result also highlights the impact of industry change with the trading results of both Rover and Dux being significantly reduced on the prior year.

The 2006/07 year is the third consecutive year of reduced domestic demand from dwelling construction and the Group's businesses have contributed sound earnings through this tight trading period in changing markets whilst also delivering extensive successful business restructuring.

The Group's businesses expected a challenging trading environment for the 2006/07 year with continued low levels of domestic dwelling construction, legislation driven market change in the hot water business and rising raw materials and energy prices.

Peter Crowley
Managing Director

2006/07 TRADING EBIT UP 3.7% TO $98.75 million

Trading EBIT for the Group of $98.75 million was a pleasing result on sales revenue of $645.7 million up 4.1% on the prior year. Property rentals increased in the year with the sale and leaseback of Sebel's Bankstown site at a rental of $1.8 million for the 2006/07 year.

	2006/07 $M	2005/06 $M
Trading EBIT	98.75	95.2
Trading Profit after Tax	61.4	60.1
Reorganisation costs net of tax	(5.1)	(3.2)
Profit after Tax	56.3	56.9

The growth in sales revenue was in the Building Fixtures and Fittings segment. Sebel recorded sales in line with the prior year and Rover's sales reduced on lower market demand in the drought season.

	Building Fixtures & Fittings $M	Sebel $M	Rover $M	Total $M
Sales revenue				
2006/07	555.6	57.0	33.1	645.7
2005/06	523.1	56.7	40.2	620.0

The sales revenue for Building Fixtures and Fittings was a very good result including revenue growth in hot water flowing from environmental products. Sales growth in Caroma Dorf and Gainsborough was in a market where dwelling construction was at low levels for the third consecutive year.

	2003/04	2004/05	2005/06	2006/07
Dwelling construction				
Starts	172,400	157,500	150,600	149,300
Completions	157,900	160,600	155,800	147,400

Sales revenue includes increases in selling prices as rising product costs are being recovered in market prices.

	2006/07 $000's	2005/06 $000's
Interest paid	18,084	17,586
Interest received	(5,718)	(6,096)
Interest Net	12,366	11,490

Borrowing costs, net of interest income, increased over the prior year by 7.6%. The effect of increased interest rates was partly offset by the interest rate swaps in place during the year. Interest income was reduced by a repayment of borrowings from funds on deposit during the year, also reducing interest expense, and the lower funds on deposit flowing principally from an increase in working capital across the year.

Income tax expense for the year, and in the prior year, benefited from recoveries of past capital losses, consequent to the capital gains flowing from the sale of properties under the business reorganisation initiatives.

Profit after tax of $56.3 million is after the expensing of reorganisation costs net of tax of $5.1 million.

CASH FLOW

Net cash from operating activities was $28.3 million for the year and this result is net of cash expenditures relating to reorganisation costs of $12.1 million.

Trading cash flow from operations was reduced for the year by the increase in stocks across the Group's businesses of $32.9 million. Cash receipts from customers of $714.4 million was 4.5% above the prior year reflecting the sound debtors management performance.

New plant capital expenditures of $18.2 million were well below the prior year's $30.2 million which included the Wetherill Park warehouse construction costs.

OPERATING PERFORMANCE

Strong sales revenue and trading EBIT results were achieved even though the difficult domestic trading conditions of the first half continued through the full year across the Group's businesses.

Caroma Dorf and Gainsborough recorded strong sales performances in these trading conditions contributing increased profits over the prior year. Caroma Dorf is continuing to implement initiatives aimed at strengthening total cost competitiveness and extending market reach, through leveraging on the supply reorganisation and investment of prior years. The Group's European business, Wisa, performed strongly in the 2006/07 year growing sales revenue by 23% and recording an increased profit also in tight market conditions. Caroma Dorf's international business in North America continues to realise its opportunities for growth within niche market segments with all product now competitively supplied ex Asia.

Dux, the Group's hot water business, suffered a significant decline in profit contribution for the year even though sales revenue increased by 7.9%. The changes in market demand flowing from energy conservation legislation are reducing market sales of electric water heaters and whilst sales of environmental products are growing, the profitability of these new products was reduced by a number of factors. The severe fall in the market value of Renewable Energy Certificates in the first half impacted on profitability, combined with the development expenditures and increased marketing and distribution costs of these new products. The expanded product range and more complex supply channels also resulted in higher stock levels which will be reduced to a sustainably lower level in the 2007/08 year. Going forward higher stock levels is one outcome of these changes in the hot water industry.

The Rover business has been transforming to meet the new challenges of its industry. Rover's profitability suffered from the impacts of further reduction in industry margins as imports benefited from the rising exchange rate combined with the impact on demand of the drought. At the end of the season, Rover closed its mower production facility and its products will be cost competitively produced in China. To reflect this outsourcing for both its domestic and international markets, mower stocks have been increased at year end and these stocks will progressively reduce over the 2007/08 selling season. The early winter rains stimulated sales in May and June and Rover has now established a strong cost competitive position going forward, however, industry profitability is likely to remain at a low level in the 2007/08 year.

In the 2005/06 year, Sebel, the Group's commercial furniture business, reorganised supply of its timber and metal products and also sold and leased back its Bankstown site, preparatory to relocating. The 2006/07 year profit contribution is reduced by this leasing cost with assets employed significantly lower. This business contributed a sound sales result, in line with the prior year, with the weakness of its core New South Wales market offsetting growth in other markets. A strong international sales result was achieved even though

competitiveness in these markets was impacted by the rising Australian dollar.

INVESTMENT IN FUTURE PERFORMANCE

In the 2006/07 year, the Group has realised opportunities to improve cost competitiveness and build competitive advantage through further restructuring. The Group's businesses are continuing to invest with new plant capital expenditure projects approved in the year of $9 million.

RESTRUCTURING

In the first half of the year, Caroma Dorf ceased manufacturing acrylic products (baths, shower trays) at the leased Smithfield site. Remaining activities at this site will be progressively relocated prior to termination of the lease in the 2007/08 year. Acrylic products are now entirely sourced cost competitively from Asia.

The mower manufacturing facilities of Rover at Eagle Farm were closed in the second half. The Rover business is now transformed to a significantly lower investment base with competitive operating costs in this highly price competitive market.

The cost incurred in these reorganisation activities in the 2006/07 year were $7.3 million and this cost was expensed in the year's results.

OVERSEAS SOURCING SERVICE

GWA Trading (Shanghai) Co. Ltd, the Group's operating entity in China, has expanded its resources and scope through the 2006/07 year to meet the growing needs of the Group's businesses within China and the Asia region. This Company now employs 24 personnel in quality assurance, vendor management and trading.

NEW PRODUCT DEVELOPMENT

Each of the Group's businesses conducts ongoing research and product development. In the 2006/07 year Caroma's H2Zero Cube waterless urinal won the Award for Excellence in Sustainable Design at the Australian Design Awards. This product features another successful innovation in Caroma's long history of the development of water saving Sanitaryware products.

In April 2007, Caroma Dorf launched the first toilet suite in Australia to achieve a WELS 5 star rating. The Caroma Profile™ Toilet Suite with Integrated Hand Basin is an all-in one toilet, basin and tapware system. The Profile incorporates an innovative system whereby water used for hand washing is re-used to fill the toilet's cistern following flushing. The flush cycle activation controls the flow of fresh water through the basin tap allowing time for thorough hand washing before the water fills the cistern tank. This product offers upwards of a 70% water saving when compared with older style toilet suites used in combination with a separate hand basin and tap.

INFORMATION TECHNOLOGY

Caroma Dorf is currently preparing for the implementation of the Movex Enterprise Resource Planning systems and the amount expended during the 2006/07 year of $2.7 million has been capitalised to Intangibles in the financial accounts. The Movex system will be progressively implemented through Caroma Dorf's activities and subsequently across the Group's other businesses.

TALENT IDENTIFICATION AND DEVELOPMENT

The collaboration with Monash University, which commenced in the 2004/05 year, has successfully progressed further in the current year with more than 150 senior staff having participated in the programs conducted to date.

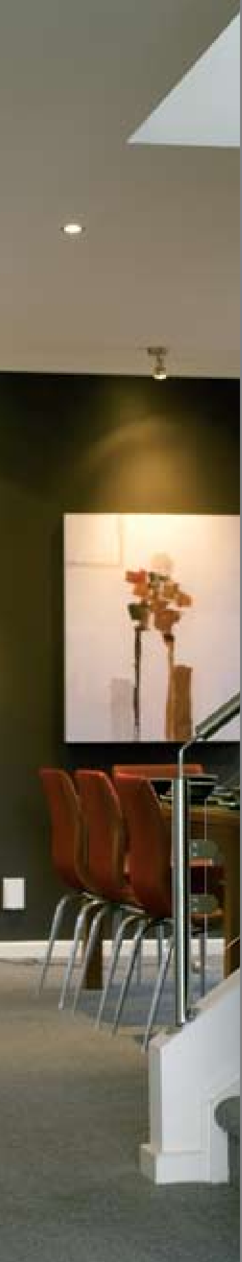
EMPLOYEE HEALTH AND SAFETY

The Group's OH&S information systems were successfully upgraded during the 2006/07 year and these improved systems are assisting to identify areas of risk and to track the actions implemented to mitigate these risks, and also to improve the reporting and escalation of priority risks.

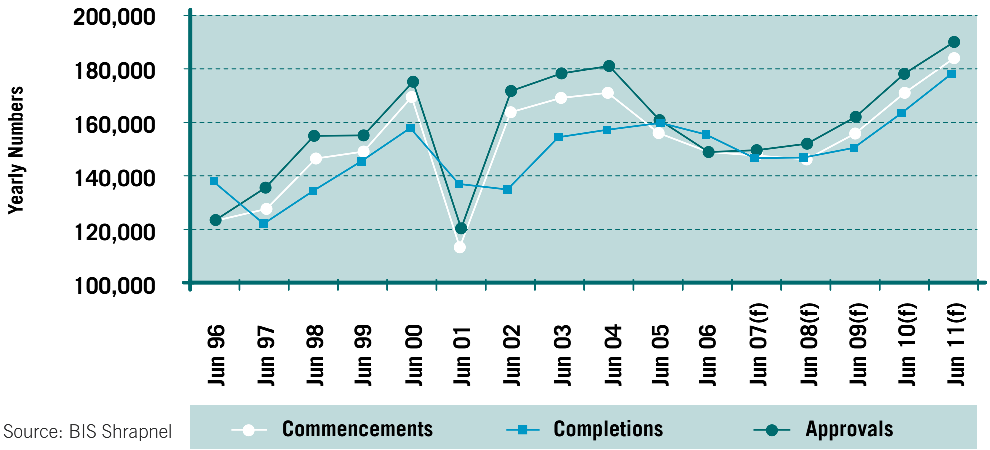
The Group's businesses have undertaken capital projects to mitigate identified risks and management recognise the challenges in creating and maintaining the workplace behaviour and management emphasis required to achieve a safe working environment.

ENVIRONMENTAL SUSTAINABILITY

The Company is committed to reducing energy and water usage. By way of example, during the 2006/07 year Gainsborough has reduced liquid waste by 22.7%, solid waste by 13.4% and water usage by 38.7%. Capital expenditure has recently been approved for two major recycling initiatives at Caroma's Wetherill Park factory. The first involves the recycling of water on site to be used for both process and cleaning activities. When commissioned in February 2008 an estimated 166,000 litres per day of water will be saved and recycled. The second initiative involves the recycling of the glaze over-spray. This will reduce glaze use by 30% (approximately 500 tonnes per year), which in turn will further reduce water use and solid waste disposal.



HOUSING INDICATORS



Source: BIS Shrapnel

OUTLOOK FOR THE 2007/08 YEAR

The strong and improving trading performance of the Group's Building Fixtures and Fittings segment and, in particular, the Caroma Dorf business will underpin another sound performance for the Group in the 2007/08 year.

I expect some recovery in the trading performance of Dux and Rover over the reduced contributions of the 2006/07 year and also expect the Gainsborough and Sebel businesses to contribute sound results for the 2007/08 year.

Dwelling commencements are forecast to weaken further in the 2007/08 year. No real improvement in dwelling construction activity is expected until the 2008/09 year.

With the benefit of major restructuring initiatives flowing through the business, I expect that Trading EBIT for the 2007/08 year will exceed the 2006/07 result of $98.75 million.

The Group's businesses continue to consider and evaluate further opportunities for restructuring and the Group's 2007/08 profit after tax may be reduced by such initiatives with the benefits boosting profitability in future years.

LONGER TERM OUTLOOK

The current growth in profitability of the GWA Group has been generated from the Building Fixtures and Fittings segment and, within that segment, principally by the Caroma Dorf business.

Dwelling construction and renovation activity are major drivers of market demand for this segment. The level of dwelling construction has been at low levels relative to underlying demand for the last three years and is expected to remain so through the 2007/08 year. Dwelling completions are forecast to grow from the 2008/09 year as illustrated in the chart above and this recovery will be positive to the Group's longer term outlook. The findings of the recent census suggest that underlying demand may be near 180,000 new dwellings per annum whereas dwelling starts in the 2006/07 year were slightly under 150,000 dwellings.The current and ongoing water crisis in Australia and other countries provides a significant market opportunity for Caroma Dorf, which is recognised as a world leader in the development and sale of water efficient plumbing products.

Community, business and Government stakeholders are all increasing their efforts to replace inefficient toilets, showers and tapware, as water demand management is recognised as the critical first step in the execution of large scale water capital programs.

The community water grants program has seen hundreds of schools replace inefficient products, with many hundreds still to go. Businesses are increasingly adopting a "green" position and retrofitting their bathrooms and washrooms. All levels of Government and water authorities are developing and implementing aggressive demand management plans that target product replacement, and consumers are showing a real willingness to support the changes.

We expect retrofitting of inefficient toilets, tapware and showers will gain momentum over the coming years.

The benefits of the Group's extensive business reorganisation initiatives which have strengthened cost competitiveness and competitive advantage will enable the Company to harness the market positions of the businesses to grow domestic market profitability in the long term. The Company also has opportunities in international markets which, with the sustainable low cost supply established through supply reorganisation, offer profitable growth in niche market segments.

GWA International Limited continues to strengthen its strong financial position and is in a position to acquire businesses complementary to our core activities and also to invest further in our industries and markets.

I remain confident that the Company has the growth opportunities to continue to build shareholder wealth through both profitable growth from the current portfolio of businesses and through further acquisitions as opportunities arise.

FINANCIAL CONDITION

The Group's financial condition remains strong with Cash Assets of $80.4 million at balance date. During the 2006/07 year, Cash Assets reduced with increases in working capital, principally higher levels of stock and the repayment of $25 million in borrowings.

The increased stock levels result from a number of factors and include both short term, related to supply restructuring initiatives, and underlying, reflecting expanded product range requirements. Stock levels will reduce through the 2007/08 year from the current high levels.

The major expenditures in the current year were with respect to the factory upgrade project at Wetherill Park and further investment in this factory is committed for the 2007/08 year.

The Company paid $64 million in dividends in the 2006/07 year, all fully franked. The balance of franking credits at year end was $30.2 million and the Company remains in a position to continue to pay fully franked ordinary and special dividends.

During the year, the Group's businesses expended $12.1 million in cash relating to business reorganisation initiatives, having expended $10.6 million in the prior year. These cash expenditures have been funded from the Group's operating cash flow.

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	$260 million
Euro	€7.3 million

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

Over the 2006/07 year the Company held interest rate swaps totalling $125 million at rates between 5.50% and 5.67% and these swaps have deferred the impact of domestic interest rate rises through the year on the amount of the swaps.

The major proportion of these swaps will expire in the 2007/08 year in the period August 2007 to November 2007.

The Group's businesses enter into foreign currency hedges with respect to purchases of goods. At balance date the Group held forward exchange contracts principally in US dollars.

The ratio undertakings under the Master Financing Agreement have been comfortably met throughout the 2006/07 year and the Group has maintained the capability to increase borrowings to fund acquisition opportunities.

In the 2006/07 year, the Company issued 1.6 million ordinary shares with respect to an employee share issue which added $6.2 million to share capital. At balance date, 3.4 million shares were on issue under the scheme with a nominal loan value of $9.6 million.

SUMMARY

The 2006/07 year has been challenging for the Group's businesses and the trading results have been very pleasing in the context of the scope and scale of business restructuring and industry change.

The domestic dwelling construction market has now operated at low levels for the past three years and the increasing interest rates and low housing affordability environment can be expected to hold back any recovery through the 2007/08 year. With underlying demand for new dwellings estimated at up to 180,000 per annum, I am confident that dwelling construction levels will increase progressively and sustainably to the level of underlying demand in the medium term.

The Company's management and staff have achieved sound trading results whilst strengthening the Group's businesses through restructuring initiatives, and further benefits of these initiatives are expected to flow through to profitability in the near term.

I am confident that the improved cost competitiveness and strong market positions of the Group's businesses will contribute sustainable and profitable growth going forward for the benefit of our shareholders, customers and staff.

P C Crowley
Managing Director

STRATEGIC DIRECTION AND BUSINESS DIVISIONS

Business Division	
Business Description	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 incorporating water saving technologies, and is the market leader in water efficient sanitaryware and tapware
Main Products and Sevices	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
Major Brands	Owned: Caroma, Dorf, Fowler, Stylus, Clark, Radiant, Irwell, Wisa Exclusive: Hansa, Keuco, Schell, KWC, Virtu
Operating Locations	Australia, New Zealand, North America, Europe, China
Major Markets	New dwellings, renovation, replacement and commercial markets in Australia, New Zealand and selected international markets
Strategic Direction	Caroma Dorf will maintain leadership in the domestic market through its investment in the research and development of innovative products incorporating water saving technologies. Caroma Dorf is world leading in water efficient sanitaryware and tapware and will continue to work with authorities in Australia and its overseas markets in developing solutions for reducing domestic and commercial water consumption
Head Office Location	Caroma Dorf 4 Ray Road EPPING NSW 2121 Telephone: 61 2 9202 7000 Facsimile: 61 2 9869 0625 Websites: www.caroma.com.au www.smartflush.com.au www.dorf.com.au www.fowler.com.au www.stylus.com.au www.clark.com.au www.wisa-sanitair.com www.starion-industries.com

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

Business Division	
Business Description	Dux is an Australian designer, manufacturer, importer and distributor of a range of hot water systems. The range includes mains pressure gas and electric storage, continuous flow gas, electric and gas boosted solar and heat pump products. Dux has developed an extensive range of innovative environmental products to meet the changing regulatory requirements, and which assist in reducing domestic energy consumption
Main Products and Sevices	Range of hot water systems including mains pressure gas and electric storage, continuous flow gas, electric and gas boosted solar and heat pump products
Major Brands	Owned: Dux, EcoSmart
Operating Locations	Australia, overseas distributors
Major Markets	Dux participates actively in the new home and replacement markets. The primary market for hot water systems is the replacement or breakdown market
Strategic Direction	Dux will continue to focus on improving business performance by developing new innovative environmental products to meet emerging market requirements and regulations, and that will assist in reducing domestic energy consumption. Dux will continue to strengthen its key customer relationships, and reduce costs through improved factory performance and selective sourcing of products and components
Head Office Location	Dux Manufacturing Limited Lackey 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

STRATEGIC DIRECTION AND BUSINESS DIVISIONS

Business Division	
Business Description	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
Main Products and Sevices	A comprehensive range of door hardware comprising door handles (knobs and levers), door locks, door closers, hinges and other metal door accessories
Major Brands	Owned: Gainsborough, Trilock, Homecraft, Stronghold Series, Contractor Series, In Style, Mode, Aspect
Operating Locations	Australia, New Zealand, export markets
Major Markets	Domestic home builders, DIY and building projects, commercial buildings and multi-dwelling developments
Strategic Direction	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
Head Office Location	Gainsborough Hardware Industries Limited 31-33 Alfred Street Blackburn VIC 3130 AUSTRALIA Telephone: 61 3 9877 1555 Facsimile: 61 3 9894 1599 Website: www.gainsboroughhardware.com.au

GWA International Limited invests significantly in research and new product development which has enabled the businesses to maximise opportunities in a competitive marketplace. The Company is committed to the research and development of innovative environmental products which provide sustainable solutions for reducing domestic and commercial water consumption, and greenhouse gas emissions.

Business Division	ROVER™ GREAT START – GREAT FINISH
Business Description	Rover is a leading Australian designer, importer and distributor of domestic and commercial lawn and garden care equipment
Main Products and Sevices	Range of walk-behind and ride-on mower equipment, garden chip and shred products and spare parts
Major Brands	Owned: Rover
Operating Locations	Australia, overseas distributors
Major Markets	Domestic and commercial lawn care and garden products and equipment, marketed in over 35 countries
Strategic Direction	Rover will continue to target market growth segments in Australia and overseas through its focus on new product development and its relationships with its key customers
Head Office Location	Rover Mowers Limited 155 Fison Avenue West Eagle Farm QLD 4009 AUSTRALIA Telephone: 61 7 3213 0222 Facsimile: 61 7 3868 1010 Website: www.rovermowers.com.au

caroma thinking bathrooms

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RADIANT

Gainsborough fine quality door hardware

dux thinkhotwater

CLARK

sebel

stylus

Irwell

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STRATEGIC DIRECTION AND BUSINESS DIVISIONS

Business Division sebel form function balance	
Business Description	Sebel is at the forefront of Australian design, manufacture, import and distribution of quality commercial furniture and seating
Main Products and Services	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
Major Brands	Owned: Sebel
Operating Locations	Australia, New Zealand, Hong Kong, United Kingdom, export markets
Major Markets	Entertainment, hospitality, healthcare, public seating, sports stadia, corporate and educational markets. Sells direct to builders, developers, clubs and hotels
Strategic Direction	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
Head Office Location	Sebel Furniture Limited 96 Canterbury Road Bankstown NSW 2200 AUSTRALIA Telephone: 61 2 9780 2222 Facsimile: 61 2 9793 3152 Website: www.sebel.com.au

THE GWA SUSTAINABILITY STORY

Leading the way in eco efficient technology

SAVING WATER FROM THE BEGINNING

Caroma Dorf has always been at the forefront of product innovation, corporate responsibility and the development of environmentally sound technologies. A long-standing commitment to helping Australians save water has made Caroma Dorf an international market leader in the development of water efficient products.

A HISTORY OF WATER SAVING INNOVATION

Over the last 25 years, as shown in the below chart, Caroma has designed toilets that have progressively reduced water consumption, from the 11/6 litre, to the 9/4.5 litre, to the 6/3 litre dual flush to today's Caroma Smartflush®, Australia's first 4.5/3 litre dual flush toilet, which can save the average household 35,000 litres of water per year.

CAROMA DORF ECO LOGICAL SOLUTIONS

Given the nature of our product portfolio, Caroma Dorf has a vested interest in ongoing water saving opportunities. Devising sustainable solutions for homes and businesses is key to our market positioning, whilst ensuring we maintain a leadership position in water saving product innovation.

With around 156,000 new dwellings built in Australia every year, there remains an existing stock of seven million dwellings where there is significant potential to replace inefficient fittings and appliances with the latest water efficient technologies.

The practise of retrofitting inefficient toilets and urinals is often overlooked or considered too hard, as part of a 'demand management' water saving strategy, both within the community and within various levels of government.

It is Caroma Dorf's endeavour to change this perception by devising fully installed solutions that can easily be adopted and implemented by the relevant party resulting in greater levels of water saving, as flushing a toilet involves no behavioural changes and the savings are immediate and profound.

Ongoing government lobbying to recognise the potential water saving benefits of retrofitting and as a result legislate the mandatory retrofitting of water saving products and innovations in established households, is a key objective of our sustainability business.

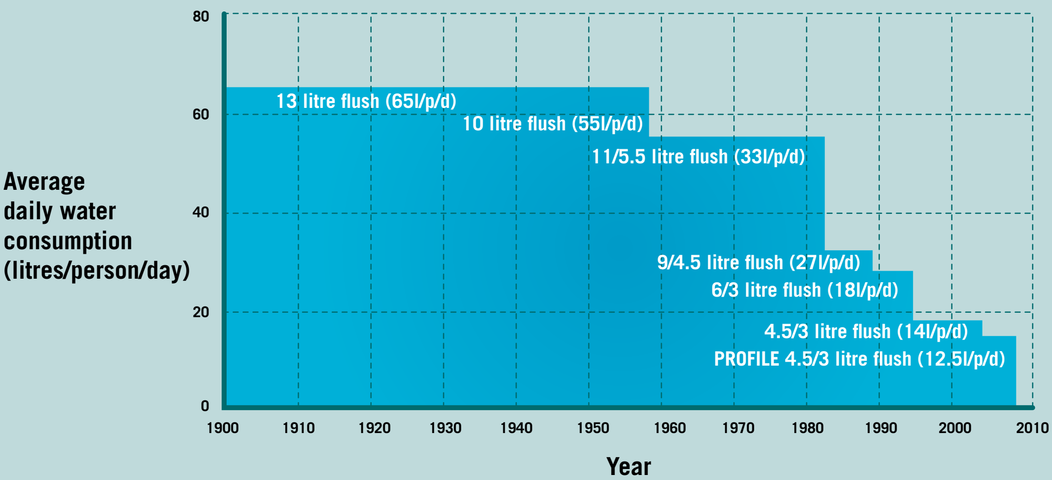
ECO LOGICAL SOLUTIONS

To support the development of our sustainability business, a dedicated team has been appointed both at a national and state level to drive the new initiatives. A Caroma Dorf Eco Logical Solutions™ brand platform has been devised to sell the concept at a high level.

ECO LOGICAL SOLUTIONS CASE STUDIES

Locally

- Queanbeyan Council utilised Caroma dual flush toilet suites to retrofit over 6,000 toilet suites, resulting in significant water and waste savings
- In NSW Caroma Dorf managed a toilet retrofit pilot program for Sydney Water
- In Victoria Caroma Dorf devised a fully installed retrofit program with the Green Plumbers and have retrofitting in excess of 2,000 suites to Smartflush



Reduction in maximum WC flush volumes (for new installations) and corresponding average daily per capita WC water usage in Australia with particular reference to the period since 1982.

- In coordination with the QLD Department of Public Works Caroma Dorf managed a commercial retrofit program, which has lead the way to numerous QLD government buildings being made more water efficient
- In Brisbane Caroma Dorf conducted a mail out to 5,000 swimming pool owners to coincide with moving to Level 4 water restrictions, resulting in over 100 toilet retrofits

Internationally

- In San Antonio, Texas over 50,000 toilet suites have been converted to Smartflush
- Consulting with the Beijing Olympics Committee on water saving initiatives

OUR HIGHLY AWARDED PRODUCT PORTFOLIO

- 2004 Green Plumbers 'Product of the Year' – Caroma Smartflush®
- 2005 Australian Design Award – Caroma Smartflush®
- 2005 Green Plumbers 'Water Efficient Product of the Year' – Smartflush® Urinals
- 2005 Home Beautiful 'Product of the Year' – Caroma Smartflush®
- 2007 Inaugural winner of the 'Excellence in Sustainable Design' Australian Design Award
- 2007 Winner Australian Design Award for 'Excellence in Australian Design' in the Housing & Building category
- 2007 nominee for 'Global Index' Award – Copenhagen (International Design Competition) H2Zero Waterless Urinal

Caroma Profile™ Toilet Suite with Integrated Hand Basin

The first toilet in Australia to achieve a 5-star Water Efficiency Labelling Standards WELS rating, the Caroma Profile™ Toilet Suite with Integrated Hand Basin provides a simple, effective way to re-use water in the bathroom. Profile™ achieves this leading water rating by using the same water twice, for hand washing followed by toilet flushing. Resulting in water saving 10% greater than that of the 4.5/3L Smartflush® System.

Given the high degree of innovation of the Profile™ Toilet Suite, the launch of this product has further consolidated Caroma Dorf's position both in Australia and internationally as a leader in water saving technology. The Profile™ has enhanced Caroma Dorf's already extensive range of water efficient bathroom products, whilst ensuring Caroma Dorf sets the innovation benchmarks within the markets in which it operates.

The 'demand management' approach to bathroom water usage demonstrates the company is well connected with the market place needs. The innovation attached to the Profile™ Toilet Suite is providing new opportunities for new sustainability based discussions with new and existing audiences.

Researched and designed in Australia, Caroma Dorf are ensuring this unique technology is fully accessible to the Australian market from a distribution, ease of installation and price position so the water saving benefits of this innovation can be carried through to our environment.

Caroma H2Zero™ Cube Urinal

The Caroma H2Zero™ Cube Urinal won the inaugural **Award for Excellence in Sustainable Design** at the Australian Design Awards. The H2Zero™ Cube Urinal was selected from a shortlist of 32 environmentally friendly entries for its breakthrough design, allowing it to be the first truly viable and sustainable high-performance, waterless urinal option.

The H2Zero™ Urinal also won the **Australian Design Award for Excellence in Australian Design** in the Housing and Building category, as well as being one of six products nominated for Australian Design Award of the year. Entries were judged against a common set of criteria, including innovation, visual appeal, functionality, originality, quality, ergonomics, safety, sustainability, and commercial viability. In addition, the urinal remains in the running for the International Index Award, which will be awarded in October this year.

Australian Designed Mixers Deliver Serious Style & 5 Star Water Rating – Dorf Eclipse mixer range

The Eclipse Basin Mixer releases a low 6 litres of water per minute to achieve a superior WELS 5 star rating, while the WELS 3 star rated Eclipse Sink Mixer is durable enough to withstand even the most demanding of kitchen duties. The contemporary good looks of the Eclipse Bath/Shower Mixer, available with optional diverter, will make a stylish addition to any bathroom space.

Smartflush – Brand Relaunch

With the market focus on water efficiency we are in the process of re-launching the Smartflush brand, to reinforce our market leading position and to continue educating the market on our superior level of innovation, teamed with the level of industry recognition in the form of awards the Smartflush® System has won.

We have also enhanced the system to include new XPV technology for even greater flushing power. The XPV (Express Power Valve) increases flushing

performance a further 25%, maximising flow rate performance and minimising water usage.

Dorf Smart – Brand Relaunch

Additionally, the Dorf range is being enhanced to have Dorf smart as the next phase of the original Water Efficient Tapware W.E.T campaign.

The Dorf smart™ range combines visual appeal with elegant style, advanced technology with innovative thinking, water-saving ideas with energy efficient solutions, and the reliability and reputation of Australia's most respected brand of tapware.

Smart Styling – Wide range of innovative designs to suit all bathroom and kitchen styles

Smart Performance – Special features to improve water savings, water flow and temperature control

Smart Engineering – Beautifully crafted from solid brass for durability and longevity

Caroma Dorf is proud to be embracing the water saving aspect of our business and building a sustainable business around making water efficient decisions easier for Australians and beyond.

Dux Hot Water – At the Forefront of Energy Efficient Water Heating

The Market Environment

"Energy Efficient", previously this term meant different things to different people.

For manufacturers of water heaters, the term energy efficiency is a constant. It reflects the regulatory standards, which set minimum performance and efficiency targets that all water heaters must comply if they are to be sold in the Australian market place.

Given the need to reduce the levels of greenhouse gas emissions, these performance standards are becoming tougher, asking for greater gains in efficiency levels. As a result, manufacturers must look to develop new and better ways to heat water without compromising the consumer's level of comfort.

State Regulation

Over and above the minimum performance standards set for these appliances are the new state regulations, which only allow the most efficient water heaters to be installed into new homes.

Further to these restrictions, state based regulations are being implemented over a broader section of the community and are now putting limitations on the type of water heater that is used to replace an existing unit.

Dux Approach to this Challenge

Given this challenging regulatory environment the Dux approach is to drive new product innovation, which addresses all regulatory standards, provides the tradesperson with a product that is simple to install and importantly provides the consumer with no compromise to their hot water experience.

Product Development

In simple terms water heaters are viewed by their energy source, either Gas or Electric.

Gas Fuel Source

With the gas market in mind, Dux offers 5 star storage heaters, and 5 star continuous flow heaters, the award winning Sunpro continuous gas boosted solar heater, and now the Sunpro 305 gas boosted heater. The Sunpro 305 takes a different approach to traditional gas boosted solar units, by using a pre-boost system. This means that the consumer receives full flow mains pressure hot water, meeting their expectations.

Electric Fuel Source

Most efficiency arguments are focused toward electric powered water heaters, and the challenge for Dux is to maintain our share of this critical market. Our electric boosted solar market continues to grow strongly where Gas fuel is not available. Recently the Solarone was launched in Queensland, which is a single panel solar water heater, perfect for the new home market.

Airoheat

The most significant event for Dux was the release of the new Dux Airoheat, heat pump water heater.

The Dux Airoheat, features NHT (new heat technology), and through this offers the most efficient domestic heat pump water heater available. Over the years heat pump water heaters have developed a reputation as being noisy, Airoheat on the other hand is the quiet achiever, registering half the sound level of some other units tested. It has been described as being "as quiet as a refrigerator" providing lots of appeal to the consumer. Airoheat reportedly reduces the electricity consumption by approx 65%, compared to an electric water heater.

Water Recirculation

Although Dux is in the business of creating hot water, substantial water and energy can be wasted waiting for hot water to be delivered. As a result Dux released the Readyhot water recirculation system. Proudly, this innovative system won the HIA Greensmart "Product of the Year" Award, in September 2006. In the same month Readyhot also won the Green Plumbers "Water Saving Product of the Year" Award.

Regulation and Government incentives continues to impact on all areas of the water heater market and Dux is proud to be at the leading edge of this change.

BOARD OF DIRECTORS

Barry 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 a member of the Brisbane Advisory Board of the Salvation Army, and is the former Chairman of the Brisbane Airport Corporation Limited where he served from 1997 to January 2007.

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

Jim 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 1997 – 2006
> Australian Stock Exchange Limited 1990 – 2006
> Macquarie Goodman Funds Management Limited 1994 – 2004
> Qantas Airways Limited 1995 – 2006

Peter 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.

David 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.

Robert 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.

Martin 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: Member 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 2003 – 2007

*denotes current directorship

Geoff McGrath MIIE

Non-Executive Director, Elected to the Board 2004

Expertise: Manufacturing and general management.

Special Responsibilities: Chairman 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
* denotes current directorship
+ denotes Chairman

Bill Bartlett FCA, CPA, FCMA, CA(SA)

Non-Executive Director, Elected to the Board 21 February 2007

Expertise: Chartered Accountant, actuarial, insurance and financial services.
Special Responsibilities: Member of Audit Committee.

Mr Bartlett is a Fellow of the Institute of Chartered Accountants, with over 35 years experience in accounting, and was a partner at Ernst & Young in Australia for 23 years, retiring on 30 June 2003. He is a director of the Bradman Foundation and Museum and Moneyswitch Limited.

During the past three years, Mr Bartlett 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 2003
> Reinsurance Group of America Inc (NYSE) *since 2004
> Peptech Limited* since 2004
> Abacus Property Group* since 14 February 2007
> Retail Cube Limited 2004 - 2006

*denotes current directorship

Company Secretary

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

Appointed 4 July 2003

Expertise: Chartered Accountant, taxation and finance.

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

CORPORATE GOVERNANCE STATEMENT
for the year ended 30 June 2007

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 systems and procedures and ensuring that integrity prevails within the Company. The governance principles adopted by the Board are designed to achieve this outcome.

The corporate governance practices of the Company have been in place since listing and are constantly reassessed in the light of experience (within the Company and in other organisations), contemporary views and good practice guidelines on 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") of 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 good 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, 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 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 Managing Director. 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 8 Directors, 7 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 18 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
- Mr Bill Bartlett, 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 Non-Executive Board members have been in office for many years, as disclosed on page 18 of the Annual Report (excluding Mr Geoff McGrath and Mr Bill Bartlett who were appointed in the 2003/04 and 2006/07 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.

In accordance with the succession plans, Mr Bill Bartlett was appointed Non-Executive Director of GWA International Limited on 21 February 2007. Mr Bartlett is a Fellow of the Institute of Chartered Accountants and is an experienced company director, and has been appointed a member of the Audit Committee.

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 (Chairman) AO CBE DUniv (QUT) FCA FCPA
- M D E Kriewaldt BA LLB FAICD
- B Thornton KSJ FCA FAICD FAIM FCIS
- W J Bartlett FCA, CPA, FCMA, CA (SA)

The Audit Committee meets as required and on several occasions throughout the year. For attendance details of the Audit Committee, refer to page 37 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
- 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.

Certification of Financial Reports

The Managing Director and Chief Financial Officer state in writing to the Board each reporting period that in their opinion the Company's financial reports present a true and fair view of the Company's financial position and performance, and are in accordance with relevant Accounting Standards. The statements from the Managing Director and Chief Financial Officer are based on a formal sign-off framework established throughout the Company and reviewed by the Audit Committee as part of the financial reporting process.

(ii) Nomination Committee

The Nomination Committee consists of the following Non-Executive Directors:

- B Thornton (Chairman) KSJ FCA FAICD FAIM FCIS
- J J Kennedy AO CBE DUniv (QUT) FCA FCPA
- M D E Kriewaldt BA LLB FAICD

The Nomination Committee meets as required and on several occasions throughout the year. For attendance details of the Nomination Committee, refer to page 37 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
- The Board members consent 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 a formal evaluation of the performance of Board members to determine whether the Board and Committees are functioning effectively by reference to current good 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:

- G J McGrath (Chairman) MIIE
- M D E Kriewaldt BA LLB FAICD
- 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 37 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 advice from external remuneration 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 good practice, and to promote the ethical behaviour of all employees. The Code of Conduct has been posted on the Company's website in the Corporate Governance section. In addition, a whistleblowing policy has been put in place to enable employees to report unacceptable workplace behaviour.

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 30 June until the release of the Company's full year results to the Australian Securities Exchange and 31 December until the release of the Company's half year results to the Australian Securities 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 Securities Exchange.

10. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises that effective risk management processes help ensure the business is more likely to achieve its business objectives, and that the Board meets its Corporate Governance responsibilities. In meeting its responsibilities, the Board has ensured that management has put in place comprehensive risk management policies and practices across the Company which 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 (ERC), comprising the senior management of the Company, which has been established to review and monitor the day to day risk activities of the businesses. The ERC reports to the Audit Committee on its activities as outlined in the ERC Charter
- 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 Managing Director on a day to day basis, the Group Commercial Manager has the authority to report directly to the Board on any matter
- A Group Risk Manager, who has specific responsibilities in respect of employee health and safety, business continuity and environmental risks. The Group Risk Manager reports to the Managing Director on such matters
- 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 Company has implemented risk management software across the Group for the purpose of identifying and managing employee health and safety, business continuity and environmental risks. The software is a critical tool for senior management and has enhanced the identification, reporting and monitoring of actions in this important area, in order to support management's objectives.

Risk management is embedded in the Company's policies and procedures which has enabled the Company to pro-actively identify and manage all types of risk within the organisation. The Board aims to continually evaluate and re-assess the risk management and internal control practices of the Company to ensure current good practice is maintained, and to preserve and create value within the organisation.

Certification of Risk Management Controls

In conjunction with the certification of financial reports (refer 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
- 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 remuneration consultants to assist in determining market remuneration levels. The remuneration and incentive arrangements have been structured to ensure that performance is fairlyrewarded 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 32 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 32 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 37 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
- 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. SHAREHOLDER COMMUNICATIONS

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. Shareholders are able to register with its Share Registry to receive Company communications electronically, although not all Company communications are made available electronically. Electronic communications is a developing area for all publicly listed companies and the Company will continue to monitor what is happening in the market place, particularly regarding cost savings, take-up rates and service features
- Pursuant to new legislation recently passed by the Federal Government, the Company has communicated to shareholders that Annual Reports will no longer be mailed to shareholders, unless specifically requested. Annual Reports are made available to shareholders on the Company's website at www.gwail.com.au in an easily accessible and user friendly format. Shareholders are mailed the Notice of Annual General Meeting and Proxy Form, which include details on accessing the online Annual Report
- The Company encourages shareholders to attend the Company's Annual General Meeting to canvass the relevant issues of interest. If shareholders are unable to attend the Annual General Meeting personally, they are encouraged to participate through the appointment of a proxy or proxies. The Company endeavours to set the timing and the location of the Annual General Meeting so that it is convenient for shareholders generally
- The attendance at the Annual General Meeting by the External Auditor to answer questions from shareholders about the conduct of the audit and the preparation and content of the Independent Audit Report. Shareholders attending the Annual General Meeting are made aware they can ask questions of the External Auditor concerning the conduct of the audit.

DIRECTORS' REPORT as at 30 June 2007

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 2007.

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

W J Bartlett
Non-Executive Director

Mr W J Bartlett was appointed Non-Executive Director of GWA International Limited on 21 February 2007.

Details of the Directors' qualifications, experience and special responsibilities are located on page 18 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 2006/07 financial year, and the period for which each directorship has been held, are listed on page 18 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 19 of the Annual Report.

DIRECTORS' INTEREST

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
B Thornton	Nil	Note 4
J J Kennedy	1,000	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	300,000	Notes 1 and 4
W J Bartlett	Nil	Note 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 57,221,623 shares (last year 57,317,081 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 2007, 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 1,957 employees as at 30 June 2007 (last year 2,226 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.

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 2007 is provided in the Managing Director's Review of Operations which is located on page 5 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.

SEGMENT SALES AND PROFIT

The segment sales and profit of the Company for the financial year ended 30 June 2007 is as follows:

Business Segment	Segment Sales		Segment Profit	
	2006/07 $'000	2005/06 $'000	2006/07 $'000	2005/06 $'000
Buildings, fixtures and fittings	555,633	523,100	110,521	102,858
Commercial furniture	56,973	56,738	3,619	4,655
Other	33,063	40,151	(15,386)	(12,316)
Total	**645,669**	**619,989**	**98,754**	**95,197**
Restructuring expenses			(7,279)	(5,944)
Profit before interest and tax			91,475	89,253

EARNINGS PER SHARE

	2006/07 cents	2005/06 cents
Basic earning per share	20.2	20.4
Basic earnings per share (prior to restructuring expenses)	22.0	21.6

DIVIDENDS

Dividends paid or declared by the Company to shareholders since the end of the previous financial year were:

Declared and paid during 2006/07 financial year

Dividends	Cents per share	Total amount $'000	Franked/unfranked	Date of payment
Final 2005/06 ordinary	8.0	22,264	Franked	3 Oct 2006
Special 2005/06	3.5	9,741	Franked	3 Oct 2006
Interim 2006/07 ordinary	10.0	27,830	Franked	2 April 2007
Special 2006/07	1.5	4,175	Franked	2 April 2007
	23.0	**64,010**		

Franked dividends declared and paid during the year were franked at the corporate tax rate of 30%

Declared after end of the 2006/07 financial year

Dividends	Cents per share	Total amount $'000	Franked/unfranked	Date of payment
Final 2006/07 ordinary	8.0	22,394	Franked	2 Oct 2007
Special 2006/07	2.5	6,998	Franked	2 Oct 2007
	10.5	**29,392**		

After the balance sheet date the above dividends were proposed by the directors. The dividends have not been provided and there are no income tax consequences.

The financial effect of these dividends has not been brought to account in the Financial Statements for the year ended 30 June 2007 and will be recognised in subsequent Financial Reports.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 21 August 2007, the directors of GWA International Limited declared a final ordinary dividend of 8.0 cents per share and a special dividend of 2.5 cents per share in respect of the financial year ended 30 June 2007. The dividends will be fully franked at the 30% corporate tax rate. The total amount of the dividend is $29.392 million (last year $32.005 million). In accordance with Accounting Standards, the dividends have not been provided for in the Financial Statements for the year ended 30 June 2007.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments and expected results of the operations of the Company are provided in the Managing Director's Review of Operations which is located on page 05 of the Annual Report.

In the next financial year, the Company will continue to pursue strategies for increasing the profitability and market share of the businesses. There will be further investment in research and new product development to ensure that the Company generates the best possible returns from the 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

Environmental Licences

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

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

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 2007.

Environmental Remediation

During the year, the Company investigated and reported two environmental contamination issues at factory sites at Eagle Farm, Queensland and Revesby, NSW. The Eagle Farm site is an owned site and is currently occupied by Rover Mowers Limited and the Revesby site is a leased site and is currently occupied by McIlwraith Davey Pty Ltd. Both entities are wholly owned subsidiaries of GWA International Limited.

In conjunction with the Company's external environmental consultant, investigations and testing at both the sites is continuing, the results of which will form the basis of any remediation plans for the sites. For further information in relation to these environmental contamination issues, please refer to Note 26 of the Financial Statements.

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 18 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. The Company permits directors to salary sacrifice directors' fees into superannuation.

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 remuneration consultants to determine market remuneration levels, with the objective of ensuring that the levels are market based and 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 2007, refer to the Remuneration Tables on page 35 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 remuneration consultants 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 advice from external remuneration consultants 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 35 of the Annual Report.

Variable Remuneration

To assist in achieving the objective of retaining a high quality executive team, the Remuneration Committee links the nature and amount of the executive emoluments to the Company's financial and operating performance. Executives have the opportunity to qualify for participation in the Executive Incentive Scheme. Under the scheme there are two incentives, one based on yearly performance and one based on discrete three year periods. All performance plan payments are subject to maximum amounts.

Executive Incentive Scheme

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

The Operating Performance Incentive operates from divisional operating profit targets for divisional executives, and group earnings before interest and tax targets for corporate executives. Where the yearly profit targets are achieved, participating executives receive an incentive payment, subject to a cap of 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 yet achievable, and will assist in

focusing divisional and corporate executives on maximising operating performance of the Company's businesses.

The Strategic Growth Incentive rewards progressive growth in underlying divisional profitability and earnings per share over time. The incentive is calculated based on divisional profit targets for divisional executives, and earnings per share targets 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 yet 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 2007 there are currently 3.44 million shares issued under the GWA International Employee Share Plan, which have an outstanding loan balance of $9.6 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 represents a long term financial commitment to their employment with the Company.

Shareholder Wealth

The table on page 35 is a summary of key shareholder wealth statistics for the Company over the last five years.

EBIT has been flat since the year ended 30 June 2004 due to the softer domestic dwelling construction and renovation market, and rising business input costs. Despite the difficult market conditions, the Company's core building fixtures and fittings businesses have performed strongly enabling the Company to maintain its high dividend pay-out ratio, and continue its track record in paying fully franked dividends to shareholders including special dividends. The Company has realised opportunities to restructure the businesses aimed at reducing costs and creating further competitive advantage. The restructuring activities will place the Company in a strong position when the market recovers and 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 below table, including a total of $1.045 in fully franked dividends paid to shareholders in the last five financial years, which includes 17.0 cents in special dividends.

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 36 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

Financial Year	EBIT(3) ($m)	EPS(3) (cents)	DPS(2) (cents)	Share Price ($)
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	21.6	21.5	3.11
30 June 2007	98.8	22.0	22.0	4.42

Notes: **(1)** EBIT for financial years 2003 and 2004 has been calculated in accordance with previous Australian GAAP. EBIT for financial years 2005 to 2007 has been calculated in accordance with Australian equivalents to IFRS (AIFRS)
(2) Total dividends per share including special dividends
(3) EBIT and EPS is prior to restructuring costs

REMUNERATION TABLES

Table 1: Emoluments of the Directors of GWA International Limited

	Directors' Fees $	Incentives $	Other Benefits $	Superannuation $	Termination Payments $	Total $	Proportion Emoluments Performance Related %
Non-Executive Directors							
B Thornton	177,873	-	250	102,693	-	280,816	-
J J Kennedy	144,024	-	250	-	-	144,274	-
D R Barry	90,948	-	250	8,185	-	99,383	-
R M Anderson	85,800	-	250	7,722	-	93,772	-
M D E Kriewaldt	102,960	-	250	9,266	-	112,476	-
G J McGrath	22,737	-	250	76,396	-	99,383	-
W J Bartlett	-	-	250	36,434	-	36,684	-

Table 1: Emoluments of the Directors of GWA International Limited (Continued)

	Salary and Leave Entitlements $	Incentives 1 Year Plan $	Incentives 3 Year Plan $	Other Benefits $	Super-annuation $	Termination Payments $	Total $	Proportion of Emoluments Performance Related %
Executive Director								
P Crowley	1,057,228	-	-	164,730	36,000	-	1,257,958	-

Table 2: Emoluments of the Five Most Highly Paid Executives of the Company and the Consolidated Entity

	Salary and Leave Entitlements $	Incentives 1 Year Plan $	Incentives 3 Year Plan $	Other Benefits $	Super-annuation $	Termination Payments $	Total $	Proportion of Emoluments Performance Related %
Executives								
S Wright Group Operations Manager	417,957	-	-	54,542	123,420	-	595,919	-
E Harrison Chief Financial Officer	365,707	-	-	87,605	105,000	-	558,312	-
R Watkins General Manager, Rover	161,844	-	-	47,235	70,000	250,000	529,079	-
G Oliver General Manager, Gainsborough	194,603	84,810	-	49,119	147,695	-	476,227	17.8
L Patterson General Manager, Dux	285,269	-	-	79,903	28,163	-	393,335	-

Notes: Incentives and Vesting

The incentive for Mr G Oliver of $84,810 is based on his entitlement under the yearly Executive Incentive Scheme, and is fully vested in the 2006/07 year. None of the other executives are entitled to any incentive payments under the Executive Incentive Scheme for the 2006/07 year.

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.

Termination Payments

Mr R Watkins received a payment from the Company of $250,000 on termination of employment on 14 February 2007.

DIRECTORS' MEETING

The number of meetings of directors (including meetings of Committees of directors) held during the financial year ended 30 June 2007 and the number of meetings attended by each director are outlined in the table on page 37.

Director	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
B Thornton	11	11	3	3			3	3
J J Kennedy	10	11	3	3			3	3
P C Crowley [(2)]	11	11						
D R Barry	11	11			2	2		
R M Anderson	11	11						
M D E Kriewaldt	11	11	3	3	2	2	3	3
G J McGrath	9	11			2	2		
W J Bartlett [(1)]	3	3	1	1				

Notes: **A** - Number of meetings attended
B - Number of meetings held during the time the director held office during the year
[(1)] W J Bartlett was appointed Non-Executive Director on 21 February 2007
[(2)] P C Crowley attends Committee meetings by invitation of the Board

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 20 of the Annual Report.

The members of the Audit Committee are:

- Mr J J Kennedy (Chairman)
- Mr B Thornton
- Mr M D E Kriewaldt
- Mr W J Bartlett

Mr W J Bartlett was appointed a member of the Audit Committee on 21 February 2007.

The members of the Remuneration Committee are:

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

During the year, the Chairman of the Remuneration Committee was rotated and Mr Geoff McGrath was appointed the new Chairman, in replace of Mr Martin Kriewaldt who remains a member of the Committee.

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 18 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 2007 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 DECLARTION

The Lead Auditor's Independence Declaration is set out below and forms part of the Directors' Report for the financial year ended 30 June 2007.

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
Brisbane, 21 August 2007

P C Crowley
Managing Director

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 2007 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
21 August 2007

Mark Epper
Partner

CONTENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	**2006**	**2007**	**2006**
Revenue	2	645,669	619,989	–	–
Cost of sales		(345,222)	(326,128)	–	–
Gross profit		300,447	293,861	–	–
Other income	3	4,998	15,797	75,000	30,734
Distribution expenses		(139,709)	(135,818)	–	–
Administrative expenses		(62,440)	(61,004)	(502)	(1)
Restructuring expenses	8	(7,279)	(21,963)	–	–
Other expenses	4	(4,542)	(1,620)	–	–
Results from operating activities		91,475	89,253	74,498	30,733
Financial income	7	5,718	6,096	502	27
Financial expenses	7	(18,084)	(17,586)	–	–
Net financing costs		(12,366)	(11,490)	502	27
Profit before tax		79,109	77,763	75,000	30,760
Income tax expense	9	(22,791)	(20,911)	–	624
Profit for the year		56,318	56,852	75,000	31,384
Basic and diluted earnings per share (cents per share)	10	20.2	20.4		
Dividends per share					
Ordinary shares (cents per share)	22	23.0	20.0		

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 43 to 80.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2007		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	**2006**	**2007**	**2006**
Foreign exchange translation differences		(1,158)	688	–	–
Cash flow hedges:					
Gains/(losses) taken to equity		(525)	385	–	–
Net income recognised directly in equity		(1,683)	1,073	–	–
Profit for the year		56,318	56,852	75,000	31,384
Total recognised income and expense for the period	22	54,635	57,925	75,000	31,384
Effects of change in accounting policy – adjustment on adoption of AASB 132 and 139		–	**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 43 to 80.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
BALANCE SHEETS

AS AT 30 JUNE 2007		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	2007	2006	2007	2006
Assets					
Cash and cash equivalents	11	80,421	156,498	232	–
Trade and other receivables	12	75,508	67,853	576	518
Inventories	13	128,211	95,342	–	–
Income tax receivable	14	1,440	2,512	348	2,512
Other – prepayments		5,043	4,399	724	413
Total current assets		290,623	326,604	1,880	3,443
Receivables	12	4,983	3,676	598,992	512,482
Deferred tax assets	15	24,531	25,034	–	–
Investment in subsidiaries	28	–	–	325,646	325,646
Property, plant and equipment	16	113,019	117,839	–	–
Intangible assets	17	344,463	343,786	–	–
Other – prepayments		3,549	2,333	3,381	1,771
Total non–current assets		490,545	492,668	928,019	839,899
Total assets		781,168	819,272	929,899	843,342
Liabilities					
Trade and other payables	18	51,440	48,664	–	54
Employee benefits	20	16,056	17,451	–	–
Income tax payable	14	–	258	–	–
Provisions	21	13,570	19,586	–	–
Total current liabilities		81,066	85,959	–	54
Interest–bearing loans and borrowings	19	271,567	297,498	–	–
Payables	18	–	–	527,430	458,018
Employee benefits	20	11,015	12,503	–	–
Provisions	21	8,718	11,344	–	–
Total non–current liabilities		291,300	321,345	527,430	458,018
Total liabilities		372,366	407,304	527,430	458,072
Net assets		408,802	411,968	402,469	385,270
Equity					
Issued capital		353,062	346,853	353,062	346,853
Reserves		(2,536)	(853)	–	–
Retained earnings		58,276	65,968	49,407	38,417
Total equity	22	408,802	411,968	402,469	385,270

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 43 to 80.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2007		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	2007	2006	2007	2006
Cash flows from operating activities					
Cash receipts from customers		714,364	683,805	–	–
Dividends and trust distributions received		–	–	75,000	13,142
Cash paid to suppliers and employees		(650,780)	(585,571)	(1)	(1)
Cash generated from operations		63,584	98,234	74,999	13,141
Interest paid		(19,366)	(14,717)	–	–
Interest received		5,180	5,540	–	27
Income taxes paid		(21,100)	(29,019)	(18,220)	(27,927)
Net cash from operating activities	29	28,298	60,038	56,779	(14,759)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		1,719	46,422	–	–
Acquisition of property, plant and equipment		(18,161)	(30,228)	–	–
Acquisition of intangibles		(2,717)	(738)	–	–
Net cash from investing activities		(19,159)	15,456	–	–
Cash flows from financing activities					
Issue of employee shares		(7,828)	–	(7,828)	–
Proceeds from issue of shares		6,208	–	6,208	–
Repayment of employee share loans		4,387	1,792	4,387	1,792
Repayment of loans by controlled entities		–	–	4,750	68,621
Repayment of loans from controlled entities		–	–	–	–
Issue of loans to other parties		–	(7)	–	–
Repayment of loans by related parties		510	284	–	–
Repayment of bank bills		(25,000)	–	–	–
Dividends paid		(64,010)	(55,660)	(64,010)	(55,660)
Net cash from financing activities		(85,733)	(53,591)	(56,493)	14,753
Net increase/(decrease) in cash and cash equivalents		(76,594)	21,903	286	(6)
Cash and cash equivalents at 1 July		156,498	134,854	(54)	(48)
Effect of exchange rate fluctuations on cash held		517	(259)	–	–
Cash and cash equivalents at 30 June	11	80,421	156,498	232	(54)

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 43 to 80.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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 2007 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 21 August 2007.

(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. The consolidated entity's financial report and the financial report of the Company comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standard Board.

(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.

The financial report is prepared on the historical cost basis except that derivative financial instruments are measured 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.

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

Accounting standards not yet effective

The AASB has issued additional standards and interpretations that are effective for periods commencing after the date of this financial report. The following standards have been identified as those which are relevant to the consolidated entity. These standards are available for early adoption at 30 June 2007, but have not yet been adopted by the consolidated entity:

- AASB 7 Financial Instruments and Disclosures – applicable to annual reporting periods beginning on or after 1 January 2007. Adoption of AASB 7 will result in additional disclosures in respect of financial instruments.
- AASB 8 Operating Segments – and consequential amendments to other accounting standards resulting from this issue – applicable to annual reporting periods beginning on or after 1 January 2009. This standard relates to disclosure only.

The consolidated entity does not anticipate that adoption of these standards will have a material impact on its financial reports on initial adoption.

(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.

(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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

(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 the foreign currency translation reserve.

(iii) Net investment in foreign operations

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

(e) Derivative financial instruments

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.

(f) Hedging

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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

(f) Hedging (continued)

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.

(g) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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.

(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 and impairment losses.

(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 and impairment losses.

(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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

(h) Intangible assets (continued)

(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.

(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.

(l) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories and deferred tax assets, 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.

(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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

(l) Impairment (continued)

(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.

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

The unwinding of the effect of discounting on the provision is recognised as a finance cost.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

(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 measured at the fair value of the consideration received or receivable, net of returns, discounts and rebates and 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. 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.

(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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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. 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 16% 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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Segment reporting (continued)

Business segments

	Building fixtures and fittings *		Commercial furniture*		Unallocated*		Eliminations		Consolidated*	
In thousands of AUD	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Revenue:										
External sales	555,633	523,100	56,973	56,738	33,063	40,151	–	–	645,669	619,989
Inter–segment sales	–	–	1,993	2,810	–	–	(1,993)	(2,810)	–	–
Total sales revenue	555,633	523,100	58,966	59,548	33,063	40,151	(1,993)	(2,810)	645,669	619,989
Segment result	110,521	102,858	3,619	4,655	(15,386)	(12,316)	–	–	98,754	95,197
Restructuring income/(expenses)	(3,158)	(12,228)	–	6,284	(4,121)	–	–	–	(7,279)	(5,944)
Segment result after restructuring expenses	107,363	90,630	3,619	10,939	(19,507)	(12,316)	–	–	91,475	89,253
Net financing costs									(12,366)	(11,490)
Income tax expense									(22,791)	(20,911)
Profit for the period									56,318	56,852
Segment assets	595,294	570,143	34,498	36,941	151,376	213,650	–	–	781,168	820,734
Segment liabilities	76,517	92,655	6,331	8,316	289,518	307,795	–	–	372,366	408,766
Depreciation	15,689	17,023	2,325	3,418	1,226	1,488	–	–	19,240	21,929
Amortisation	276	276	–	–	263	215	–	–	539	491
Capital expenditure	18,726	28,569	156	1,024	2,634	1,373	–	–	21,516	30,966
Impairment losses	1,227	1,206	–	1,610	–	–	–	–	1,227	2,816

* All segments are continuing operations

Geographical segments

	Australia*		Unallocated*		Consolidated *	
In thousands of AUD	**2007**	2006	**2007**	2006	**2007**	2006
External sales revenue	544,939	521,265	100,730	95,724	645,669	619,989
Segment assets	718,230	760,329	63,491	60,405	781,721	820,734
Capital expenditure	18,666	29,175	2,850	1,791	21,516	30,966

* All segments are continuing operations

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	2007	2006	2007	2006
3. Other income				
Foreign currency gains – realised	2,288	116	–	–
Foreign currency gains – unrealised	204	551	–	–
Net gain on disposal of property, plant and equipment	–	14,471	–	–
Impairment reversals	–	–	–	17,592
Dividends received from controlled companies	–	–	75,000	–
Distributions received from controlled trusts	–	–	–	13,142
Other	2,506	659	–	–
	4,998	15,797	75,000	30,734
4. Other expenses				
Foreign currency losses – realised	969	432	–	–
Foreign currency losses – unrealised	2,278	1,188	–	–
Net loss on disposal of property, plant and equipment	1,295	–	–	–
	4,542	1,620	–	–
5. Personnel expenses				
Wages and salaries – including annual leave, long service leave and on–costs	140,785	138,251	–	–

	CONSOLIDATED		THE COMPANY	
In AUD	2007	2006	2007	2006
6. Auditors' remuneration				
Audit services				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	340,000	260,000	10,000	10,000
Other regulatory audit services	–	36,329	–	–
Overseas KPMG Firms:				
Audit and review of financial reports	60,000	62,559	–	–
	400,000	358,888	10,000	10,000
Other services				
Auditors of the Company				
KPMG Australia:				
Due diligence services	30,000	101,500	–	–
Taxation services	102,819	–	–	–
Other	–	27,500	–	–
	132,819	129,000	–	–

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	2007	2006	2007	2006
7. Net financing costs				
Interest income	(5,718)	(6,096)	(502)	(27)
Interest expense	18,084	17,586	–	–
Net financing costs/(income)	12,366	11,490	(502)	(27)

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	2007	2006	2007	2006
8. Restructuring expenses				
Restructuring expenses	7,279	21,963	–	–
Gains on property sales (included in other income)	–	(16,019)	–	–
Net expense before tax	7,279	5,944	–	–
Tax benefit	(2,184)	(2,717)	–	–
Net restructuring expense after tax	5,095	3,227	–	–
9. Income tax expense				
Recognised in the income statement				
Current tax expense				
Current year	23,487	21,898	–	8
Adjustments for prior years	(1,539)	(1,411)	–	(632)
	21,948	20,487	–	(624)
Deferred tax expense				
Origination and reversal of temporary differences	706	434	–	–
Benefit of tax losses recognised	137	(10)	–	–
	843	424	–	–
Total income tax expense/(benefit) in income statement	22,791	20,911	–	(624)
Numerical reconciliation between tax expense and pre–tax net profit				
Profit before tax	79,109	77,763	75,000	30,760
Income tax using the domestic corporation tax rate of 30% (2006: 30%)	23,733	23,329	22,500	9,228
Increase in income tax expense due to:				
Non–deductible building depreciation	63	76	–	–
Non–deductible expenses	636	381	–	–
Effect of tax rate in foreign jurisdictions	39	156	–	–
Decrease in income tax expense due to:				
Effect of tax losses recognised	–	(10)	–	–
Non–assessable income	–	(576)	–	–
Non–assessable capital profits	–	(934)	–	–
Rebateable research and development	(141)	(100)	–	–
Impairment reversals	–	–	–	(5,278)
Rebateable trust distributions	–	–	–	(3,942)
Rebateable dividends	–	–	(22,500)	–
	24,330	22,322	–	8
Under / (over) provided in prior years	(1,539)	(1,411)	–	(632)
Income tax expense/(benefit) on pre–tax net profit	22,791	20,911	–	(624)
Deferred tax recognised directly in equity				
Derivatives	(340)	232	–	–

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Earnings per share

	CONSOLIDATED	
	2007	2006
Basic and diluted earnings per share		
Cents per share	20.2	20.4
Profit attributable to ordinary shareholders		
In thousands of AUD		
Profit for the period	56,318	56,852
Weighted average number of ordinary shares		
In thousands of shares		
Issued ordinary shares at 1 July	278,303	278,303
Effect of shares issued	453	–
Weighted average number of ordinary shares at 30 June	278,756	278,303

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	2007	2006	2007	2006

11. Cash and cash equivalents

Bank balances	47,497	93,011	232	–
Call deposits	32,924	63,487	–	–
Cash and cash equivalents in the statement of cash flows	80,421	156,498	232	–

12. Trade and other receivables

Current				
Trade receivables	73,520	65,407	–	–
Provision for impairment	(804)	(1,126)	–	–
Fair value derivatives	637	920	–	–
Employee share loans	576	518	576	518
Other	1,579	2,134	–	–
	75,508	67,853	576	518
Non–current				
Receivables due from controlled entities	–	–	594,069	509,021
Employee share loans	4,923	3,461	4,923	3,461
Other	60	215	–	–
	4,983	3,676	598,992	512,482

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	2007	2006	2007	2006

13. Inventories

Raw materials and consumables	22,205	19,930	–	–
Work in progress	10,220	8,396	–	–
Finished goods	95,786	67,016	–	–
	128,211	95,342	–	–

14. Current tax assets and liabilities

The current tax asset for the consolidated entity of $1,440,000 (2006: $2,512,000) and for the Company of $348,000 (2006: $2,512,000) represents the amount of income taxes recoverable in respect of prior periods and the current period. No current tax liability exists for the consolidated entity at balance date (2006: $258,000). The current tax asset for both the prior and current periods arise from the payment of tax in excess of the amounts due to the relevant tax authorities and also payment of non–resident withholding tax on payment of a dividend from a New Zealand subsidiary company to an Australian subsidiary company. This tax will be claimable against current year profits by New Zealand subsidiary companies. 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.

	ASSETS		LIABILITIES		NET	
In thousands of AUD	2007	2006	2007	2006	2007	2006

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated

Property, plant and equipment	948	56	(1)	(50)	947	6
Intangible assets	–	–	(197)	(95)	(197)	(95)
Inventories	3,979	5,001	–	–	3,979	5,001
Employee benefits	7,524	8,987	–	–	7,524	8,987
Provisions	10,653	10,628	–	–	10,653	10,628
Other items	1,626	370	(1)	–	1,625	370
Tax loss carry–forwards	–	137	–	–	–	137
Tax assets / (liabilities)	24,730	25,179	(199)	(145)	24,531	25,034
Set off of tax	(199)	(145)	199	145	–	–
Net tax assets / (liabilities)	24,531	25,034	–	–	24,531	25,034

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In thousands of AUD (net)	CONSOLIDATED 2007	CONSOLIDATED 2006	THE COMPANY 2007	THE COMPANY 2006

15. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

	CONSOLIDATED 2007	CONSOLIDATED 2006	THE COMPANY 2007	THE COMPANY 2006
Tax losses	403	2,160	–	–

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.

Movement in temporary differences during the year

	CONSOLIDATED				THE COMPANY			
In thousands of AUD	Balance 1 July 05	Recognised in income	Recognised in equity	Balance 30 June 06	Balance 1 July 05	Recognised in income	Recognised in equity	Balance 30 June 06
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 loss carry–forwards	127	10	–	137	–	–	–	–
	25,690	(424)	(232)	25,034	–	–	–	–

In thousands of AUD	Balance 1 July 06	Recognised in income	Recognised in equity	Balance 30 June 07	Balance 1 July 06	Recognised in income	Recognised in equity	Balance 30 June 07
Property, plant and equipment	6	941	–	947	–	–	–	–
Intangible assets	(95)	(102)	–	(197)	–	–	–	–
Inventories	5,001	(1,022)	–	3,979	–	–	–	–
Employee benefits	8,987	(1,463)	–	7,524	–	–	–	–
Provisions	10,628	25	–	10,653	–	–	–	–
Other items	370	915	340	1,625	–	–	–	–
Tax loss carry–forwards	137	(137)	–	–	–	–	–	–
	25,034	(843)	340	24,531	–	–	–	–

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED					THE COMPANY				
In thousands of AUD	Land and buildings	Plant and equipment	Motor vehicles	Work in progress	Total	Land and buildings	Plant and equipment	Motor vehicles	Work in progress	Total
16. Property, plant and equipment										
Cost										
Balance at 1 July 2005	58,755	216,207	14,238	9,417	298,617	–	–	–	–	–
Additions	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	–	–	–	–	–
Balance at 1 July 2006	54,988	208,179	14,044	15,707	292,918	–	–	–	–	–
Additions	518	16,173	2,108	–	18,799	–	–	–	–	–
Transfers	–	4,929	–	(4,929)	–	–	–	–	–	–
Disposals	(976)	(38,554)	(2,885)	–	(42,415)	–	–	–	–	–
Effect of movements in foreign exchange	(303)	(1,765)	54	(96)	(2,110)	–	–	–	–	–
Balance at 30 June 2007	54,227	188,962	13,321	10,682	267,192	–	–	–	–	–
Depreciation and impairment losses										
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)	–	–	–	–	–
Balance at 1 July 2006	(6,606)	(162,546)	(5,927)	–	(175,079)	–	–	–	–	–
Depreciation charge for the year	(1,025)	(15,746)	(2,469)	–	(19,240)	–	–	–	–	–
Disposals	–	37,262	2,010	–	39,272	–	–	–	–	–
Impairment losses	–	(1,227)	–	–	(1,227)	–	–	–	–	–
Effect of movements in foreign exchange	229	1,903	(31)	–	2,101	–	–	–	–	–
Balance at 30 June 2007	(7,402)	(140,354)	(6,417)	–	(154,173)	–	–	–	–	–
Carrying amounts										
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	–	–	–	–	–
At 1 July 2006	48,382	45,633	8,117	15,707	117,839	–	–	–	–	–
At 30 June 2007	46,825	48,608	6,904	10,682	113,019	–	–	–	–	–

Impairment losses
During the 2007 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 $1,227,000 (2006: $2,816,000).

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED			THE COMPANY		
In thousands of AUD	Software	Brand names	Total	Software	Brand names	Total
17. Intangible assets						
Cost						
Balance at 1 July 2005	1,911	340,338	342,249	–	–	–
Additions	738	–	738	–	–	–
Effect of movements in foreign exchange	–	1,508	1,508	–	–	–
Balance at 30 June 2006	2,649	341,846	344,495	–	–	–
Balance at 1 July 2006	2,649	341,846	344,495	–	–	–
Additions	2,717	–	2,717	–	–	–
Effect of movements in foreign exchange	–	(1,501)	(1,501)	–	–	–
Balance at 30 June 2007	5,366	340,345	345,711	–	–	–
Amortisation and impairment losses						
Balance at 1 July 2005	(218)	–	(218)	–	–	–
Amortisation for the year	(491)	–	(491)	–	–	–
Balance at 30 June 2006	(709)	–	(709)	–	–	–
Balance at 1 July 2006	(709)	–	(709)	–	–	–
Amortisation for the year	(539)	–	(539)	–	–	–
Balance at 30 June 2007	(1,248)	–	(1,248)	–	–	–
Carrying amounts						
At 1 July 2005	1,693	340,338	342,031	–	–	–
At 30 June 2006	1,940	341,846	343,786	–	–	–
At 1 July 2006	1,940	341,846	343,786	–	–	–
At 30 June 2007	4,118	340,345	344,463	–	–	–

Impairment testing for brand names

The values of brand names in the building fixtures and fittings segment were assessed by an independent valuer effective 30 June 2006 and no impairment was identified. The carrying values of the CaromaDorf brand names at 30 June 2007 are $284,200,000 (2006: $284,200,000). The carrying value of the multiple units without significant brand name value is $60,263,000 (2006: $59,586,000). Business valuations were based on the capitalisation of earnings approach and brand name valuations on the relief from royalty approach.

Maintainable earnings were based on current divisional profitability adjusted for an allocation of corporate overheads. Earnings before interest and tax (EBIT) multiples for the cash generating units ranged from 8.1 to 9.2 except for the CaromaDorf cash generating unit for which the EBIT multiple was 12.7.

The royalty rates applied for brand name value calculation were in the range of 4% to 6.5% except for the CaromaDorf brand names for which the royalty rate was 12.5%.

The 30 June 2006 business valuation and brand name valuations with respect to the CaromaDorf brand names were significantly above the carrying values for the business and brand names respectively. The circumstances of the CaromaDorf business have not significantly changed during the 2007 financial year.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	2007	2006	2007	2006

18. Trade and other payables

	2007	2006	2007	2006
Current				
Trade payables and accrued expenses	47,372	42,363	–	54
Fair value derivatives	998	146	–	–
Non–trade payables and accrued expenses	3,070	6,155	–	–
	51,440	48,664	–	54
Non–current				
Payables to controlled entities	–	–	527,430	458,018

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.

	2007	2006	2007	2006
Non–current liabilities				
Unsecured bank loans	271,567	297,498	–	–
Financing facilities				
Bank overdraft	6,408	6,370	–	–
Standby letters of credit	25,378	27,320	–	–
Unsecured bank facility	271,567	312,498	–	–
	303,353	346,188	–	–
Facilities utilised at reporting date				
Bank overdraft	–	–	–	–
Standby letters of credit	1,440	6,967	–	–
Unsecured bank facility	271,567	297,498	–	–
	273,007	304,465	–	–
Facilities not utilised at reporting date				
Bank overdraft	6,408	6,370	–	–
Standby letters of credit	23,938	20,353	–	–
Unsecured bank facility	–	15,000	–	–
	30,346	41,723	–	–

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Interest–bearing loans and borrowings (continued)

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 2007.

Unsecured 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	
In thousands of AUD	2007	2006	2007	2006
Current				
Liability for long service–leave	1,792	2,048	–	–
Liability for annual leave	11,773	11,985	–	–
Liability for on–costs	2,491	3,418	–	–
	16,056	17,451	–	–
Non – current				
Liability for long–service leave	10,157	11,734	–	–
Liability for on–costs	858	769	–	–
	11,015	12,503	–	–

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Employee benefits (continued)

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $9,326,000 for the financial year ended 30 June 2007 (2006: $10,101,000).

Employee share plan

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

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

Under the Plan, shares can either be issued to employees or purchased on market, and in both cases the employee will pay market price for the shares. During 2007, 540,000 ordinary shares were purchased on market for employees at an average share price of $2.98 and 1,620,000 ordinary shares were issued to employees at the market price of $3.84, being total market value of $7,828,000. In the prior year, no ordinary shares were issued to employees.

As at 30 June 2007, loans are issued for 3,436,561 (2006: 3,081,250) shares and the remaining balances of these loans is $9,605,000 (2006: $6,163,000) or $5,499,000 (2006: $3,979,000) at net present value. During 2007, dividends of $640,000 (2006: $735,000) were paid against the loans and a further $3,747,000 (2006: $1,057,000) was paid by employees against these loans.

21. Provisions

In thousands of AUD	Warranties	Restructuring	Site restoration	Other	Total
Consolidated					
Balance at 1 July 2006	9,104	9,176	4,486	8,164	30,930
Provisions made during the year	5,489	7,279	160	158	13,086
Provisions used during the year	(5,611)	(13,857)	–	(899)	(20,367)
Provisions reversed during the year	(594)	–	–	(711)	(1,305)
Effect of movements in foreign exchange	(56)	–	–	–	(56)
Balance at 30 June 2007	8,332	2,598	4,646	6,712	22,288
Current	5,644	2,598	–	5,328	13,570
Non–current	2,688	–	4,646	1,384	8,718
	8,332	2,598	4,646	6,712	22,288

Warranties

The total provision for warranties at balance date of $8,332,000 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 $3,541,000 of the total provision in the financial year ending 30 June 2008, and the majority of the balance of the liability over the following four years.

Restructuring

During the financial year ended 30 June 2007, provisions of $7,279,000 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, $2,598,000 remains provided for at balance date and this amount represents the estimate of costs to be expended in the financial year ending 30 June 2008. The restructuring is expected to be completed by May 2008.

Site restoration

At balance date the balance of the site restoration provision was $4,646,000. 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, and for site remediation required. The net present value of the provision has been calculated using a discount rate of 6.5 per cent.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Capital and reserves

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

	CONSOLIDATED				
In thousands of AUD	Share capital	Translation reserve	Hedging reserve	Retained earnings	Total
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
Balance at 1 July 2006	346,853	(1,395)	542	65,968	411,968
Total recognised income and expense	–	(1,158)	(525)	56,318	54,635
Issue of ordinary shares	6,209	–	–	–	6,209
Dividends to shareholders	–	–	–	(64,010)	(64,010)
Balance at 30 June 2007	353,062	(2,553)	17	58,276	408,802

Reconciliation of movement in capital and reserves

	THE COMPANY		
In thousands of AUD	Share capital	Retained earnings	Total equity
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
Balance at 1 July 2006	346,853	38,417	385,270
Total recognised income and expense	–	75,000	75,000
Issue of ordinary shares	6,209	–	6,209
Dividends to shareholders	–	(64,010)	(64,010)
Balance at 30 June 2007	353,062	49,407	402,469

Share capital

	THE COMPANY	
	Ordinary shares	
In thousands of shares	2007	2006
On issue at 1 July – fully paid	278,303	278,303
Issue of shares under the employee share plan	1,620	–
On issue at 30 June – fully paid	279,923	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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Capital and reserves (continued)

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.

Dividends

Dividends recognised in the current year by the Company are:

In thousands of AUD	Cents per share	Total amount	Franked	Date of payment
2007				
Interim 2007 ordinary	10.0	27,830	100%	2nd April 2007
Interim 2007 special	1.5	4,175	100%	2nd April 2007
Final 2006 ordinary	8.0	22,264	100%	3rd Oct 2006
Final 2006 special	3.5	9,741	100%	3rd Oct 2006
Total amount	23.0	64,010		
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		

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 approved by the directors. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

In thousands of AUD	Cents per share	Total amount	Franked	Date of payment
Final ordinary	8.0	22,394	100%	2nd Oct 2007
Final special	2.5	6,998	100%	2nd Oct 2007
Total amount	10.5	29,392		

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2007 and will be recognised in subsequent financial reports.

Dividends

	THE COMPANY	
In thousands of AUD	**2007**	**2006**
Dividend franking account:		
30 per cent franking credits available to shareholders of GWA International Limited for subsequent financial years	30,225	37,274

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 $12,597,000 (2006: $13,716,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $30,225,000 (2006: $37,274,000) franking credits.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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

The consolidated entity's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

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 5.52 per cent to 5.67 per cent. At 30 June 2007, the consolidated entity had interest rate swaps with a notional contract amount of $125,000,000 (2006: $125,000,000).

The consolidated entity classifies interest rate swaps as cash flow hedges and states them at fair value.

The net fair value of swaps at 30 June 2007 was $637,000 (2006: $920,000). These amounts were recognised as fair value derivative assets in the current financial year.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial instruments (continued)

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			2007				
In thousands of AUD	Average effective interest rate	Total	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Cash and cash equivalents	6.10%	80,421	80,421	–	–	–	–
Effect of interest rate swap derivatives*	(0.79)%	–	25,000**	–	(25,000)	–	–
Unsecured bank loans	6.34%	(271,567)	(271,567)	–	–	–	–
		(191,146)	(166,146)	–	(25,000)	–	–

CONSOLIDATED			2006				
In thousands of AUD	Average effective interest rate	Total	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
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)	–

COMPANY			2007				
In thousands of AUD	Average effective interest rate	Total	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Cash and cash equivalents	6.00%	232	232	–	–	–	–

COMPANY			2006				
In thousands of AUD	Average effective interest rate	Total	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
	5.57%	–	–	–	–	–	–

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

** As at 30 June 2007, the consolidated entity holds interest rate swaps of $125,000,000. Of this total, $100,000,000 reprice within the next 6 months and $25,000,000 reprice within the next 2 years.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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 net fair value of forward exchange contracts used as hedges of forecasted transactions at 30 June 2007 was $728,000 (2006: $146,000). 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 2007 was $11,567,000 (2006: $12,556,000). A foreign exchange gain of $989,000 (2006: loss of $996,000) was recognised in the foreign currency translation reserve on translation of the loan to AUD.

Fair values

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

Consolidated	Carrying amount	Fair value	Carrying amount	Fair value
In thousands of AUD	2007	2007	2006	2006
Trade and other receivables	79,854	79,854	70,609	70,609
Cash and cash equivalents	80,421	80,421	156,498	156,498
Interest rate swaps:				
Assets	637	637	920	920
Forward exchange contracts:				
Liabilities	(998)	(998)	(146)	(146)
Unsecured bank loans	(271,567)	(271,567)	(297,498)	(297,498)
Trade payables and accrued expenses	(50,442)	(50,442)	(48,518)	(48,518)
	(162,095)	(162,095)	(118,135)	(118,135)

The Company	Carrying amount	Fair value	Carrying amount	Fair value
In thousands of AUD	2007	2007	2006	2006
Cash and cash equivalents	232	232	–	–
Trade and other receivables	599,568	599,568	513,000	513,000
Payables to controlled entities	(527,430)	(527,430)	(458,018)	(458,018)
Trade payables and accrued expenses	–	–	(54)	(54)
	72,370	72,370	54,928	54,928

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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 27 August 2007 and the EUR loan was rolled over to 28 August 2007.

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 2007 plus an adequate constant credit spread to discount financial instruments.

The interest rates used are as follows:

	2007	2006
Derivatives	6.49% – 6.96%	5.98% – 6.21%
Employee share loans and other loans	7.05% – 7.30%	7.05% – 7.05%
Interest bearing loans and borrowings	5.80% – 6.35%	5.53% – 5.80%

24. Operating leases

Leases as lessee

Non–cancellable operating lease rentals are payable as follows:

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	2007	2006	2007	2006
Less than one year	8,838	10,055	–	–
Between one and five years	19,116	23,440	–	–
More than five years	–	1,868	–	–
	27,954	35,363	–	–

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.

One of the leased properties has been sublet by the consolidated entity. The lease and sublease expire in November 2009. Sublease payments of $273,000 will be received during the following financial year.

During the financial year ended 30 June 2007, $9,770,000 (2006: $9,497,000) was recognised as an expense in the income statement in respect of operating leases, which was net of sub–lease income.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	2007	2006	2007	2006

25. Capital and other commitments

Capital expenditure commitments

Plant and equipment

Contracted but not provided for and payable:				
Within one year	2,274	10,636	–	–

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.

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	2007	2006	2007	2006
Contingent liabilities not considered remote				
During the year, environmental testing conducted by the consolidated entity identified levels of contamination at two sites. Rectification costs of $200,000 have been expensed with respect to the Eagle Farm site. Two types of contaminants have been identified at the leased Revesby site and the scope and scale of rectification are being assessed. Further testing is proceeding at both sites and all costs incurred to date have been expensed. The costs of future rectification activities were not able to be reliably estimated with respect to either site and at balance date no amount has been provided in the consolidated accounts.	–	–	–	–
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	**4,387**	**3,243**	**–**	**–**

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2007, is set out below.

Summarised income statement and retained profits

	CONSOLIDATED	
In thousands of AUD	2007	2006
Profit before tax	80,072	63,137
Income tax expense	(21,751)	(17,972)
Profit after tax	58,321	45,165
Retained profits at beginning of year	33,252	43,747
Dividends recognised during the year	(64,010)	(55,660)
Retained profits at end of year	27,563	33,252

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Deed of cross guarantee (continued)

Balance Sheet

	CONSOLIDATED	
In thousands of AUD	2007	2006
Assets		
Cash and cash equivalents	66,332	138,298
Trade and other receivables	65,627	61,045
Inventories	116,511	85,869
Income tax receivable	320	4,905
Other	4,636	3,969
Total current assets	253,426	294,086
Receivables	4,982	3,677
Intercompany receivables	44,179	31,252
Investments	15,600	16,280
Deferred tax assets	24,673	25,330
Property, plant and equipment	77,287	92,896
Intangible assets	321,244	319,066
Other	3,542	2,326
Total non–current assets	491,507	490,827
Total assets	744,933	784,913
Liabilities		
Trade and other payables	46,132	45,257
Employee benefits	14,618	16,400
Provisions	13,329	19,219
Total **current liabilities**	74,079	80,876
Interest–bearing loans and borrowings	271,567	297,498
Deferred tax liabilities	512	967
Employee benefits	10,871	12,369
Provisions	8,720	11,344
Total non–current liabilities	291,670	322,178
Total liabilities	365,749	403,054
Net assets	379,184	381,859
Equity		
Issued capital	353,062	346,853
Reserves	(1,441)	1,754
Retained earnings	27,563	33,252
Total equity	379,184	381,859

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Parties to Cross Guarantee	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2007	2006
28. Consolidated entities				
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%
Sebel Properties Pty Ltd	Y	Australia	100%	100%

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Consolidated entities (continued)

	Parties to Cross Guarantee	Country of Incorporation	Ownership Interest 2007	Ownership Interest 2006
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

In thousands of AUD	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Cash flows from operating activities				
Profit for the period	56,318	56,852	75,000	31,384
Adjustments for:				
Depreciation	19,240	21,929	–	–
Amortisation	539	491	–	–
Impairment/(reversal of) losses	1,227	2,816	–	(17,592)
Foreign exchange (gains)/losses	755	755	–	–
Interest expense/(income)	12,366	11,490	–	(27)
Dividends from controlled entities	–	–	(75,000)	–
Distributions from controlled trusts	–	–	–	(13,142)
(Gain)/loss on sale of property, plant and equipment	1,295	(14,471)	–	–
Income tax expense/(benefit)	22,791	20,911	–	(624)
Operating profit before changes in working capital and provisions	114,531	100,773	–	(1)
(Increase)/decrease in trade and other receivables	(8,380)	(8,235)	12,806	(41,778)
(Increase)/decrease in inventories	(32,869)	2,148	–	–
Increase/(decrease) in trade and other payables	1,986	(4,498)	62,193	54,920
Increase/(decrease) in provisions and employee benefits	(11,684)	8,046	–	–
	63,584	98,234	74,999	13,141
Interest received/(paid)	(14,186)	(9,177)	–	27
Income taxes paid	(21,100)	(29,019)	(18,220)	(27,927)
Net cash from operating activities	28,298	60,038	56,779	(14,759)

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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

W Bartlett – appointed 21 February 2007

Executive Directors

P Crowley (Managing Director)

Executives

E Harrison (Chief Financial Officer)

S Wright (Group Operations Manager)

A Rusten (Group Marketing Manager)

R Watkins (General Manager – Rover) – terminated 14 February 2007

J Measroch (General Manager – Sebel)

G Oliver (General Manager – Gainsborough)

D Duncan (General Manager – Dorf Clark) – ceased key management personnel status 30 June 2006

L Patterson (General Manager – Dux)

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 5) are as follows:

	CONSOLIDATED		THE COMPANY	
In AUD	2007	2006	2007	2006
Short–term employee benefits	4,318,898	4,263,776	–	–
Post–employment benefits	804,337	570,997	–	–
Termination benefits	250,000	–	–	–
Other benefits	39,076	39,054	–	–
	5,412,311	4,873,827	–	–

Principles of compensation

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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Related parties (continued)

Principles of compensation (continued)

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 remuneration consultants to determine market remuneration levels, with the objective of ensuring that the levels are market based and 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.

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 remuneration consultants 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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Related parties (continued)

Principles of compensation (continued)

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 advice from external remuneration consultants for determining market remuneration levels, as well as having regard to Company, divisional and individual performance.

Variable remuneration

To assist in achieving the objective of retaining a high quality executive team, the Remuneration Committee links the nature and amount of the executive emoluments to the Company's financial and operating performance. Executives have the opportunity to qualify for participation in the Executive Incentive Scheme. Under the scheme there are two incentives, one based on yearly performance and one based on discrete three year periods. All performance plan payments are subject to maximum amounts.

Executive incentive scheme

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

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

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

The Strategic Growth Incentive rewards progressive growth in underlying divisional profitability and earnings per share over time. The incentive is calculated based on divisional profit targets for divisional executives, and earnings per share targets 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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Related parties (continued)

Principles of compensation (continued)

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 2007 there are currently 3.44 million shares issued under the GWA International Employee Share Plan, which have an outstanding loan balance of $9.6 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 represents a long term financial commitment to their employment with the Company.

Termination of employment

The executives 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 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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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 & fees $	1 year incentive $	Non-monetary benefits $	3 year * incentive $	Total $	Super-annuation benefits $	Other $	Total $
Directors:									
Non-Executive									
B Thornton	**2007**	177,873	–	–	–	177,873	102,693	250	280,816
	2006	166,173	–	–	–	166,173	101,640	250	268,063
J Kennedy	**2007**	144,024	–	–	–	144,024	–	250	144,274
	2006	137,477	–	–	–	137,477	–	250	137,727
M Kriewaldt	**2007**	102,960	–	–	–	102,960	9,266	250	112,476
	2006	98,280	–	–	–	98,280	8,845	250	107,375
D Barry	**2007**	90,948	–	–	–	90,948	8,185	250	99,383
	2006	86,814	–	–	–	86,814	7,813	250	94,877
R Anderson	**2007**	85,800	–	–	–	85,800	7,722	250	93,772
	2006	81,900	–	–	–	81,900	7,371	250	89,521
G McGrath	**2007**	22,737	–	–	–	22,737	76,396	250	99,383
	2006	86,814	–	–	–	86,814	7,813	250	94,877
W Bartlett (appointed	**2007**	–	–	–	–	–	36,434	250	36,684
21 February 2007)	2006	–	–	–	–	–	–	–	–
Executive Directors									
P Crowley	**2007**	1,057,228	–	152,875	–	1,210,103	36,000	11,855	1,257,958
	2006	917,997	–	158,916	(190,000)	886,913	36,000	10,727	933,640
Total – Directors	**2007**	**1,681,570**	**–**	**152,875**	**–**	**1,834,445**	**276,696**	**13,605**	**2,124,746**
Total – Directors	**2006**	**1,575,455**	**–**	**158,916**	**(190,000)**	**1,544,371**	**169,482**	**12,227**	**1,726,080**

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

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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 & fees	1 year incentive	Non-monetary benefits	3 year * incentive	Total	Super-annuation benefits	Other	Termin-ation benefits	Total
		$	$	$	$	$	$	$	$	$
Executives										
E Harrison	**2007**	365,707	–	83,345	–	449,052	105,000	4,260	–	558,312
	2006	447,268	–	87,546	(70,546)	464,268	–	5,118	–	469,386
S Wright	**2007**	417,957	–	50,473	–	468,430	123,420	4,069	–	595,919
	2006	387,089	–	60,845	(70,945)	376,989	100,592	3,993	–	481,574
A Rusten	**2007**	272,087	–	74,310	–	346,397	26,700	3,262	–	376,359
	2006	263,209	–	23,835	–	287,044	25,288	3,070	–	315,402
R Watkins (terminated 14 February 2007)	**2007**	161,844	–	42,132	–	203,976	70,000	5,103	250,000	529,079
	2006	281,171	–	50,936	–	332,107	58,725	3,152	–	393,984
J Measroch	**2007**	278,245	–	50,168	–	328,413	26,663	3,258	–	358,334
	2006	275,764	–	67,223	–	342,987	25,485	3,125	–	371,597
G Oliver	**2007**	194,603	84,810	47,027	–	326,440	147,695	2,092	–	476,227
	2006	177,333	79,425	62,289	(47,505)	271,542	138,475	1,973	–	411,990
D Duncan (ceased key management personnel status 30 June 2006)	**2007**	–	–	–	–	–	–	–	–	–
	2006	258,151	–	123,019	(50,000)	331,170	27,420	3,266	–	361,856
L Patterson	**2007**	285,269	–	76,476	–	361,745	28,163	3,427	–	393,335
	2006	250,744	–	62,554	–	313,298	25,530	3,130	–	341,958
Total – Executives	**2007**	**1,975,712**	**84,810**	**423,931**	**–**	**2,484,453**	**527,641**	**25,471**	**250,000**	**3,287,565**
Total – Executives	**2006**	**2,340,729**	**79,425**	**538,247**	**(238,996)**	**2,719,405**	**401,515**	**26,827**	**–**	**3,147,747**
Total –Directors and Executives	**2007**	**3,657,282**	**84,810**	**576,806**	**–**	**4,318,898**	**804,337**	**39,076**	**250,000**	**5,412,311**
Total – Directors and Executives	**2006**	**3,916,184**	**79,425**	**697,163**	**(428,996)**	**4,263,776**	**570,997**	**39,054**	**–**	**4,873,827**

* 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 expected to be achieved.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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 2006 $	Balance 30 June 2007 $	Interest paid and payable in the reporting period $	Highest balance in period $
Directors				
P Crowley	1,095,000	980,000	–	1,095,000
Executives				
E Harrison	610,255	97,303	–	845,986
S Wright	141,269	486,457	–	486,457
A Rusten	–	858,540	–	893,040
J Measroch	339,745	–	–	379,745
G Oliver	362,900	–	–	362,900
L Patterson	280,991	1,025,991	–	1,025,991
D Duncan	780,991	–	–	780,991

Loans totalling $2,525,040 (2006: $nil) were made to key management personnel or their related parties during the year. The loans made in the current financial year related to the Employee Share Plan.

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 2007	3,706,901	5,830,110	–	5
Total for key management personnel 2006	4,769,637	3,706,901	–	8

Mr E Harrison has an unsecured housing loan of $75,000. This loan is interest free and repayable on termination. Mr D Duncan repaid a $500,000 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.

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

The consolidated entity purchased components and tooling of $355,128 (2006: $304,009) 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	
In AUD	**2007**	**2006**	**2007**	**2006**
Trade creditors	41,679	3,982	–	–

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.

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Related parties (continued)

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 2006	Purchases	Sales	Held at 30 June 2007
Directors: Non–Executive				
B Thornton	15,023,402	52,000	(1,500)	15,073,902
J Kennedy	10,000	–	(9,000)	1,000
M Kriewaldt	100,000	–	–	100,000
D Barry	12,372,389	–	(16,500)	12,355,889
R Anderson	28,890,832	–	–	28,890,832
G McGrath	420,458	–	(120,458)	300,000
W Bartlett	–	–	–	–
Executive Directors				
P Crowley	500,000	–	–	500,000
Executives				
E Harrison	620,975	100,000	(607,064)	113,911
S Wright	168,750	100,000	–	268,750
A Rusten	–	300,000	–	300,000
R Watkins	100,000	–	(100,000)	–
J Measroch	200,000	–	(200,000)	–
G Oliver	231,250	25,000	(100,000)	156,250
L Patterson	100,000	200,000	–	300,000

	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

No shares were granted to key management personnel during the reporting period as compensation. The aggregate number of shares held by key management personnel or their related parties at 30 June 2007 was 58,360,534 (2006: 57,036,806).

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Related parties (continued)

Subsidiaries

Loans are made by the Company to its wholly owned subsidiaries. The loans have no fixed date of repayment and are non–interest bearing.

Loans are made by wholly owned subsidiaries to other wholly owned subsidiaries. These loans are categorised as funding or trading depending on the nature of transactions.

The funding loans represent funding for tax, capital expenditure and initial investment transactions. Where the funding loans are for tax or capital expenditure and are also between different countries, interest is charged on these loans at market rates. Where the funding loans are in relation to initial investment transactions, these loans are considered part of the net investment in the wholly owned foreign subsidiary and accordingly these loans have no fixed date of repayment and are non–interest bearing. All other funding loans have no fixed date of repayment and are non–interest bearing.

Trading transactions between wholly owned subsidiaries are generally transacted on 30 day credit terms.

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.

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 2007 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

(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 2007 pursuant to Section 295A of the Corporations Act 2001.

Dated at Brisbane on 21 August 2007.

Signed in accordance with a resolution of the directors:

Barry Thornton
Director

Peter Crowley
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GWA INTERNATIONAL LIMITED

We have audited the accompanying financial report of GWA International Limited (the "Company"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense, and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 to the financial statements, and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the consolidated entity and the Company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control.

An audit also involves evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of GWA International Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date
- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the consolidated entity also complies with International Financial Reporting Standards as disclosed in note 1(a).

KPMG

Mark Epper

Sydney, 21 August 2007

Partner

OTHER STATUTORY INFORMATION AS AT 20 AUGUST 2007

Statement of shareholding

In accordance with the Australian Securities Exchange Listing Rules, the directors state that, as at 20 August 2007, the share capital in the Company was held as follows:

Range	Ordinary Shareholders	Ordinary Shares	%
1 – 1,000	1,679	1,117,710	0.4
1,001 – 5,000	6,889	20,913,050	7.5
5,001 – 10,000	3,495	26,436,065	9.4
10,001 – 100,000	2,165	45,904,363	16.4
100,001 and over	122	185,551,807	66.3
Total	14,350	279,922,995	100.0

The number of shareholders with less than a marketable parcel of shares is 116.

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;
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 20 August 2007:

Shareholder	Number of Shares	% of Shares on Issue
HGT Investments Pty Ltd	14,448,152	5.16

OTHER STATUTORY INFORMATION AS AT 20 AUGUST 2007

20 Largest shareholders as at 20 August 2007

Shareholder	Number of Shares	% Shares on Issue
J P Morgan Nominees Australia Limited	18,439,775	6.59
HGT Investments Pty Ltd	14,448,152	5.16
National Nominees Limited	13,209,411	4.72
Erand Pty Ltd	9,898,229	3.54
KFA Investments Pty Ltd	9,863,817	3.52
CJZ Investments Pty Ltd	9,700,651	3.47
JMB Investments Pty Ltd	8,800,425	3.14
Ashberg Pty Ltd	8,198,000	2.93
Theme (No 3) Pty Ltd	7,201,160	2.57
Australian Foundation Investment Company Limited	6,612,136	2.36
Citicorp Nominees Pty Limited	6,193,456	2.21
HSBC Custody Nominees (Australia) Limited	6,014,585	2.15
RBC Dexia Investor Services Australia Nominees Pty Limited (Bkcust A/c)	5,774,569	2.06
ITA Investments Pty Ltd	5,152,338	1.84
Mr Barry Thornton & Mr Chris Hamlin (The Sharp Family Account)	4,740,033	1.69
Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/c)	3,842,940	1.37
Dabary Investments Pty Ltd	3,398,961	1.21
Cogent Nominees Pty Limited	2,656,460	0.95
Harvest Home Holdings Pty Ltd	2,586,416	0.92
ANZ Nominees Limited	2,286,165	0.82
Total	**149,017,679**	**53.24**

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 25 October 2007 commencing at 10:30 am. Shareholders will be mailed their Notice of Annual General Meeting and Proxy Form during September 2007.

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

Annual Reports are made available to shareholders on the Company's website. Shareholders wishing to be mailed an Annual Report should notify the Company's share registry in writing. Shareholders will be mailed the Notice of Annual General Meeting and Proxy Form which will include details on accessing the online Annual Report.

Dividends

Dividends are determined by the Board, having regard to the financial circumstances of the Company. Dividends are normally paid in April and October each year following the release of the Company's half year and full year results to the market. The latest dividend details can be found on the Company's website.

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, or emailed where shareholders have requested this form of communication.

To ensure the timely 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 Securities 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 2007

30 June	Financial year end
21 August	Year end result and final dividend announcement
10 September	Ex dividend date for final dividend
14 September	Record date for determining final dividend entitlement
17 September	Notice of Annual General Meeting and Proxy Form mailed to shareholders
2 October	Final ordinary dividend and special dividend paid
23 October	Proxy returns close 10:30 am Brisbane
25 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
W J Bartlett, Non-Executive Director

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

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

Auditor
KPMG
10 Shelley Street
Sydney NSW 2000
AUSTRALIA
Telephone: 61 2 9335 7000
Facsimile: 61 2 9299 7077

Share Registry
Computershare Investor Services Pty Ltd
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
Website: www.computershare.com.au

Group Bankers
BNP Paribas
Citibank
Commonwealth Bank of Australia
National Australia Bank

HEAD OFFICE LOCATIONS

GWA INTERNATIONAL LIMITED
Level 14
10 Market Street
Brisbane QLD 4000
AUSTRALIA

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

CAROMA DORF
4 Ray Road
EPPING NSW 2121
Telephone: 61 2 9202 7000
Facsimile: 61 2 9869 0625
Websites: www.caroma.com.au
www.smartflush.com.au
www.fowler.com.au
www.stylus.com.au
www.wisa-sanitair.com
www.starion-industries.com
www.dorf.com.au
www.clark.com.au

DUX MANUFACTURING LIMITED
Lackey 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
31-33 Alfred Street
Blackburn VIC 3130
AUSTRALIA
Telephone: 61 3 9877 1555
Facsimile: 61 3 9894 1599
Website: www.gainsboroughhardware.com.au

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

SEBEL FURNITURE LIMITED
96 Canterbury Road
Bankstown NSW 2200
AUSTRALIA
Telephone: 61 2 9780 2222
Facsimile: 61 2 9793 3152
Website: www.sebel.com.au

GWA INTERNATIONAL LIMITED

ABN 15 055 964 380

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