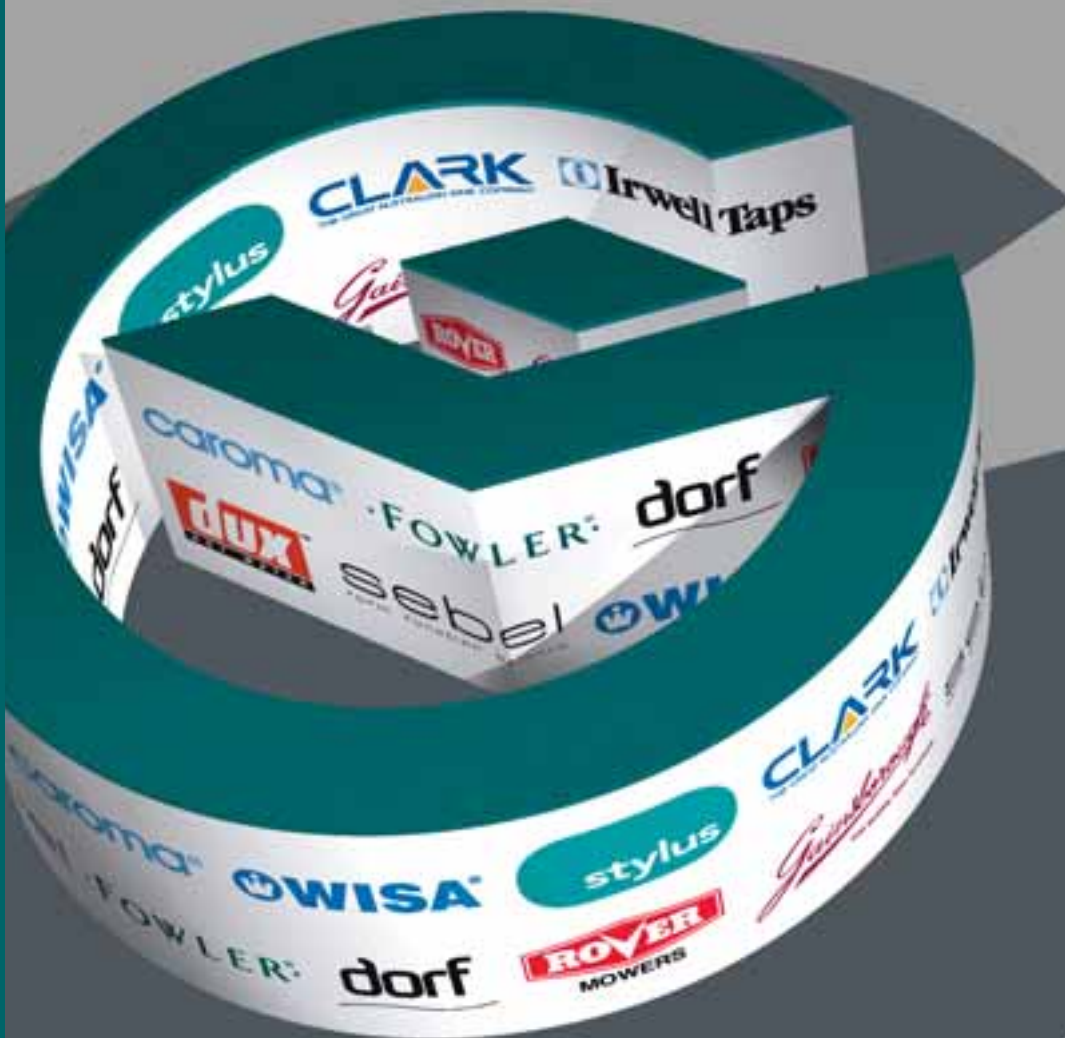




Built on strong brands



caroma®

·FOWLER®

dorf

ROVER
MOWERS

Gainsborough
fine quality door furniture

sebel
form function balance

dux™
HOT WATER

WISA®

stylus

CLARK
THE GREAT AUSTRALIAN SINK COMPANY

Irwell Taps



Built on Strong Brands



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→ COMPANY PROFILE

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

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

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

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

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

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

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

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

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

2004

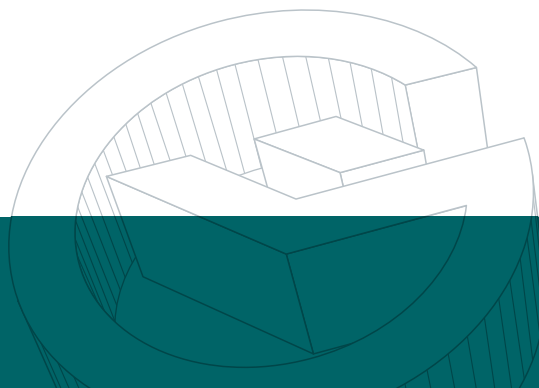
Performance Highlights



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







→ FIVE YEAR FINANCIAL SUMMARY

	1999/00 \$'000	2000/01 \$'000	2001/02 \$'000	2002/03 \$'000	2003/04 \$'000	
Operating revenue	607,897	570,072	615,843	666,525	677,393	
Earnings before depreciation, interest and tax (%)	109,448 18.0	103,137 18.1	108,527 17.6	118,978 17.9	130,025 19.2	
Depreciation and amortisation	26,450	26,924	28,812	28,034	30,549	
Earnings before interest and tax (%)	82,998 13.7	76,213 13.4	79,715 12.9	90,944 13.6	99,476 14.7	
Interest	12,042	13,305	13,070	12,368	11,075	
Operating profit before tax (%)	70,956 11.7	62,908 11.0	66,645 10.8	78,576 11.8	88,401 13.1	
Tax expense (%)	29,555 41.7	21,457 34.1	19,995 30.0	23,569 30.0	26,348 29.8	
Operating profit after tax	41,401	41,451	46,650	55,007	62,053	
Net cash flow provided from operating activities before debt cost and tax	98,569	78,719	116,807	128,200	162,104	
Capital expenditure	30,144	24,550	32,976	24,392	20,579	
Research and development	5,558	5,228	5,064	5,770	5,485	
Net debt	201,571	237,759	229,435	207,678	159,451	
Shareholders' equity	387,473	386,058	387,849	413,787	428,178	
Other Ratios and Statistics						
Return on shareholders' equity	%	10.7	10.7	12.0	13.3	14.5
Interest cover	times	6.9	5.7	6.1	7.4	9.0
Net debt/equity	%	52.0	61.6	59.2	50.2	37.2
Earnings per share	cents	15.1	15.0	16.8	19.8	22.3
Ordinary dividend per share	cents	13.0	13.5	14.5	15.5	18.0
Special dividend per share	cents	5.0	2.5	2.5	2.5	2.5
Total dividend per share	cents	18.0	16.0	17.0	18.0	20.5
Franking	%	100	100	100	100	100
Ordinary dividend payout ratio	%	86.1	90.0	86.3	78.3	80.7
Share price (30 June)	\$	2.20	2.35	2.35	2.70	2.95
Dividend yield	%	8.2	6.8	7.2	6.7	6.9



Strategic Direction and Business Divisions

→ GWA International Limited is committed to growing shareholder value over time. This objective will be achieved by continuing to invest in our people, products and technology to maximise the company's performance and to create value building opportunities for our businesses.

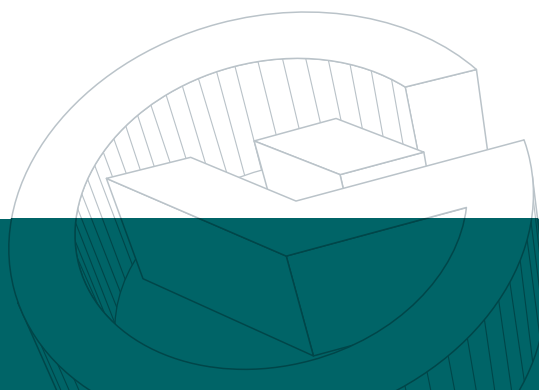
Business Divisions	Main Products and Services	Brand Names	Operating Locations
→ 	Vitreous china suites, urinals, bidets and basins. Plastic cisterns, basins, bathroom accessories and fittings. Acrylic and pressed steel spas, baths and shower trays	Caroma, Fowler, Stylus, Wisa, Starion	Australia, New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



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

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

Barry Thornton
Chairman



Chairman's Review

→ 2003/04 Year Result

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

I congratulate the company's management team and staff on this outstanding financial performance. The result inspires confidence in the underlying strength of the company's businesses and lays a solid platform for further growth in shareholder value.

The 2003/04 year was the first full financial year under the stewardship of the new Managing Director, Mr Peter Crowley, who succeeded the former Managing Director, Mr Geoff McGrath on 6 May 2003. As demonstrated by the record result, Mr Crowley has continued to grow the profitability of the company's businesses through improved business performance.

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

→ Dividends

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

"I am pleased to report that the 2003/04 year net profit after tax was another record for the company – sales revenue rose 1.3% to \$667.9 million, and the company achieved net profit after tax of \$62.05 million, a 12.8% increase from the previous year."

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

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

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

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

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

→ Corporate Governance

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

The corporate governance practices were implemented by the Board, who are long serving members (excluding Mr Crowley, who was appointed on 6 May 2003) with complementary skills and experience, and have an in-depth knowledge of the company's businesses. The Board has developed succession plans for the future retirement of individual directors, whilst recognising the importance of maintaining an efficient and effective Board with the appropriate balance of skills and experience.

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



caroma®

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

→ Directors' Remuneration

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

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

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

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

→ Audit Tender

Following on from my announcement at last year's Annual General Meeting, the Board conducted an audit tender during the year. After a comprehensive audit tender process, the Board selected KPMG as the new external auditor, commencing for the financial year beginning 1 July 2004, subject to shareholder approval at the next Annual General Meeting.

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

→ Strategic Direction

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

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

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

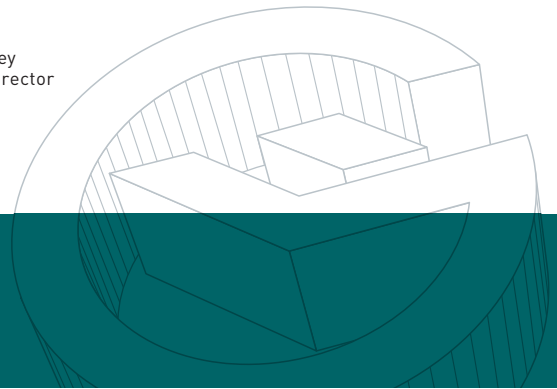
→ Future

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

B Thornton
Chairman



Peter Crowley
Managing Director



Managing Director's Review of Operations

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

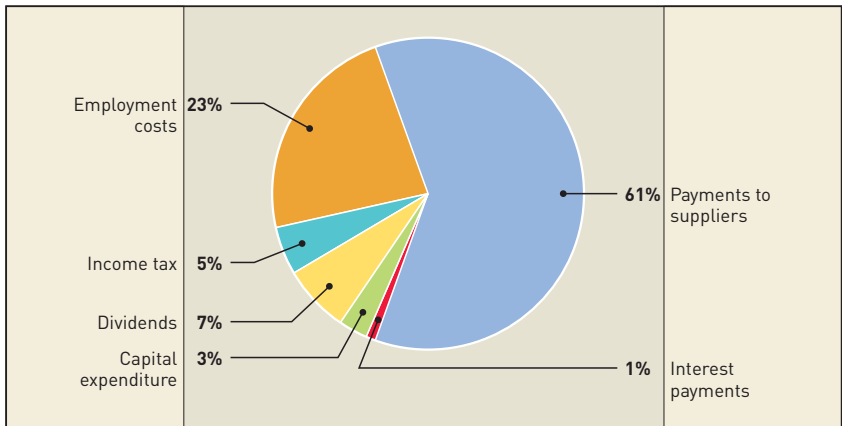
The Group makes a significant contribution to the Australian community through the supply of high quality, innovative products with many of these products offering water saving, energy conservation and other tangible benefits. The Group currently employs approximately 2,600 staff, in Australia and overseas,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

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

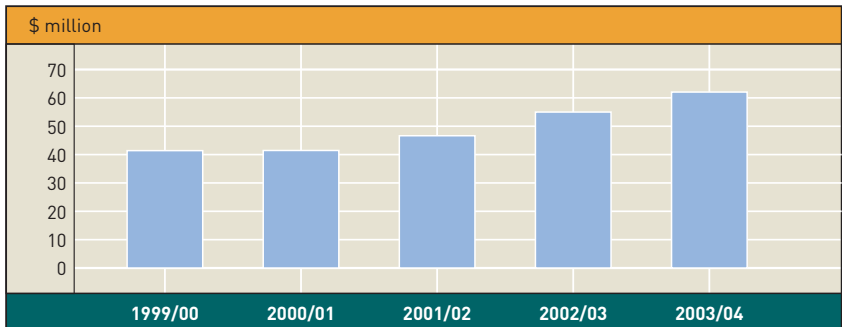
The Building Fixtures and Fittings segment contributed 82.7% of the Group's total sales revenue in the 2003/04 year. The Group's other business segments, Commercial Furniture and Domestic and Ride-on mowers, contributed 10.2% and 7.1% of the Group sales revenue.

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

➔ 2003/04 CASH PAYMENTS (EXCLUDING GST)



➔ PROFIT AFTER TAX

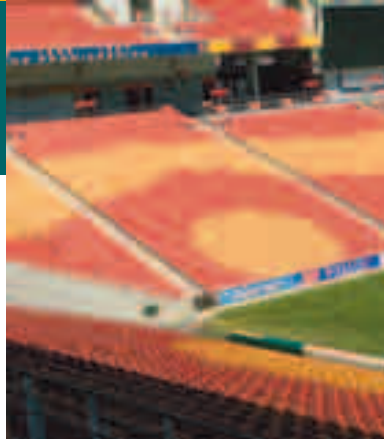


➔ Record Profit in 2003/04 ➔ Operating Cash Flow

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

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

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



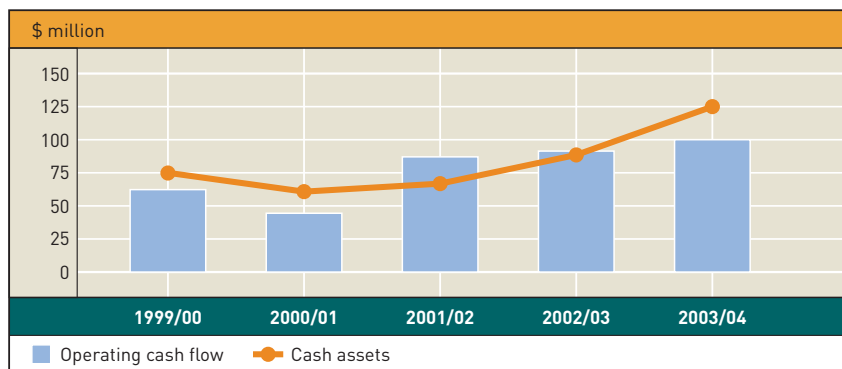
produced an Operating Cash Flow of \$114.7 million a 25.4% increase on the previous year. Largely as a result of this focus on cash flow management our cash assets increased to \$138.4 million at year end.

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

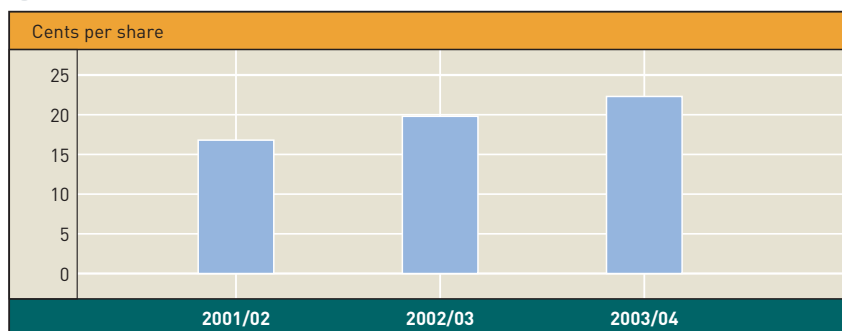
→ Earnings Per Share

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

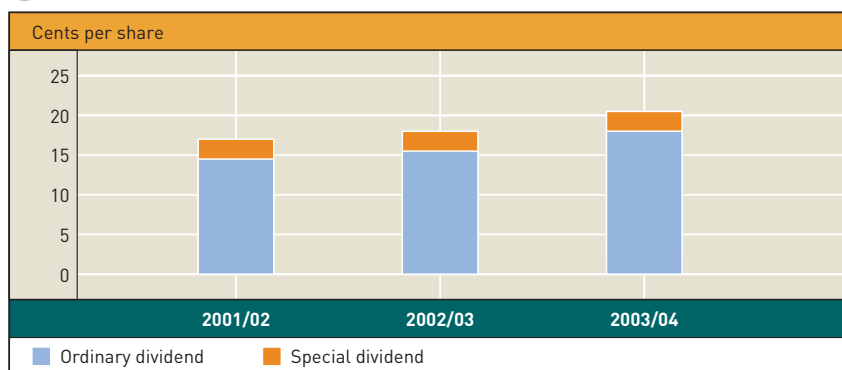
→ OPERATING CASH FLOW AND CASH ASSETS



→ EARNINGS PER SHARE



→ DIVIDENDS



Managing Director's Review of Operations CONTINUED

→ Operating Performance

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

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

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

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

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

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

→ SEGMENT SALES REVENUE AND PROFIT

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

→ Investments in Future Performance

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

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

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

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

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

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

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

→ PROPERTY, PLANT AND EQUIPMENT EXPENDITURE

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

Managing Director's Review of Operations CONTINUED

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

→ Outlook for 2004/05 Year

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

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

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

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

→ Longer Term Outlook

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

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

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

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

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

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

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

→ Financial Condition

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

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

At balance date, bank loans were made up of:

- Australian Currency \$285.0 million
- Euro 7.3 million

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

→ Summary

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

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

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

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

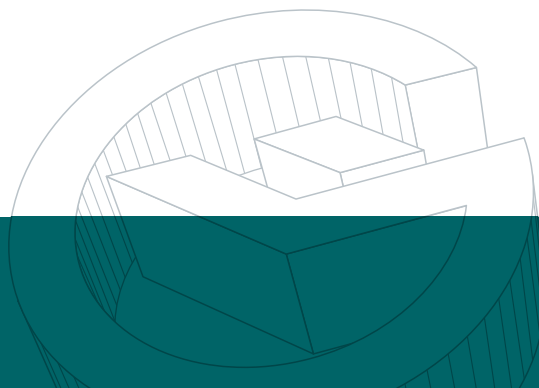
→ AUSTRALIAN CURRENCY BORROWINGS

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

→ EXCHANGE RATES

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

P C Crowley
Managing Director



Board of Directors

→ **B Thornton** KSJ FCA FAICD FAIM FCIS

Chairman

– Elected to the Board 1992

Expertise: Chartered accountant, corporate and financial management

Special Responsibilities:

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

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

Previous appointments include:

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

Commissioner – Queensland Commission of Audit

→ **J J Kennedy** AO CBE DU^{univ} (QUT) FCA FCPA

Deputy Chairman

– Elected to the Board 1992

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

Special Responsibilities:

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

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

→ **P C Crowley** BA BEcon FAICD

Managing Director

– Elected to the Board 2003

Expertise: Broad manufacturing experience in Australia and overseas

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

→ **D R Barry** FAIM

Non-Executive Director

– Elected to the Board 1992

Expertise: Importation, distribution and retailing

Special Responsibilities: Member of the Remuneration Committee

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

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

→ **R M Anderson**

Non-Executive Director

– Elected to the Board 1992

Expertise: Property investment and transport logistics

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

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

→ **M D E Kriewaldt** BA LLB FAICD

Non-Executive Director

– Elected to the Board 1992

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

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

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

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

→ **G J McGrath** MIIIE

Non-Executive Director

– Appointed to the Board 6 July 2004

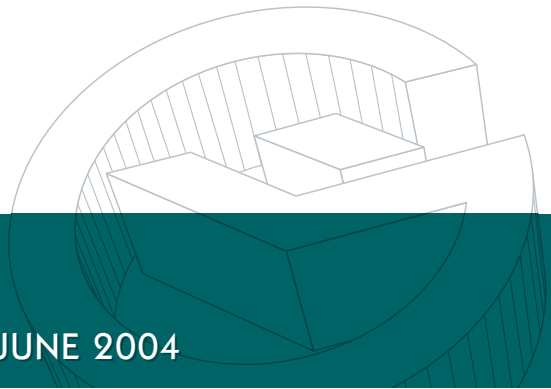
Expertise: Manufacturing and general management

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

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

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

Corporate Governance Statement FOR THE YEAR ENDED 30 JUNE 2004



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

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

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

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

→ 1. Role of the Board

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

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

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

→ 2. Board Meetings

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

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

Corporate Governance Statement CONTINUED

→3. Composition of the Board

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

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

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

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

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

→4. Independence of the Board

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

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

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

(i) New Director Appointment

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

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

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

(ii) Director Tenure

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

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

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

→ 5. Conflicts of Interest

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

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

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

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

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

→ 6. Access to Independent Advice

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

→ 7. Board Committees

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

The standing Board Committees are:

Audit Committee

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

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

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

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

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

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

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

Corporate Governance

Statement CONTINUED

The main responsibilities of the Audit Committee include:

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

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

Certification of Financial Reports

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

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

Nomination Committee

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

- **B Thornton** (Chairman)
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 24 of the Annual Report.

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

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

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

The main responsibilities of the Committee include:

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

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

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

Remuneration Committee

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

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

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

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

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

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

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

The main responsibilities of the Committee include:

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

In performing its responsibilities, the Remuneration Committee receives

appropriate advice from external consultants and other advisers as required.

→ 8. Code of Conduct

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

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

→ 9. Share Trading

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

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

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

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

→ 10. Risk Management and Internal Control

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

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

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

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

Corporate Governance

Statement CONTINUED

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

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

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

Certification of Risk Management Controls

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

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

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

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

→ 11. Remuneration Policies

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

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

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

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

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

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

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

→ 12. Employee Share Plan

The company has not issued share options at any time.

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

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

→ 13. Audit and Auditor Independence

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

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

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

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

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

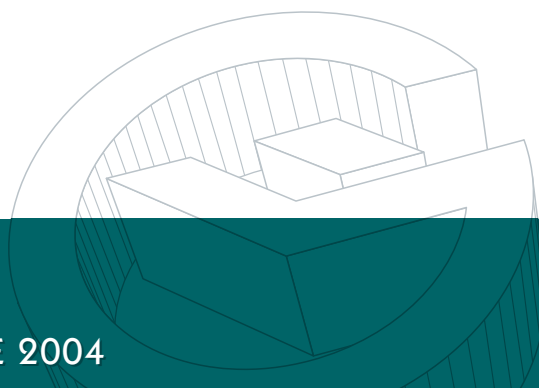
→ 14. Communication with Shareholders

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

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

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

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



Directors' Report AS AT 30 JUNE 2004

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

→ Directors

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

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

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

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

→ Directors' Interests

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

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

Note 1: Beneficially and legally owned.

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

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

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

→ Corporate Structure

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

→ Principal Activities

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

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

→ Employees

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

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

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

→ Consolidated Results

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

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

Earnings Per Share

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

→ Review of Operations and State of Affairs

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

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

→ Dividends

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

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

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

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

→ Significant Events after Balance Date

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

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

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

→ Likely Developments and Expected Results

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

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

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

Directors' Report CONTINUED

→ Environmental Regulation and Performance

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

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

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

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

→ Indemnification and Insurance of Directors and Officers

Indemnification

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

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

Insurance Premiums

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

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

→ Directors' and Other Officers' Emoluments

Directors' Remuneration Policy

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

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

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

company, other than statutory superannuation.

Executives' Remuneration Policy

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

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

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

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

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

➔ EMOLUMENTS OF THE DIRECTORS OF GWA INTERNATIONAL LIMITED

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

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

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

Notes:

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

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

Directors' Report CONTINUED

→ Directors' Meetings

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

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

Note:

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

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

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

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

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

→ Rounding

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

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

→ Corporate Governance

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

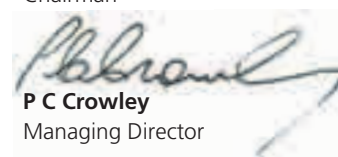
→ Auditor Independence

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

Signed in accordance with a resolution of the directors.



B Thornton
Chairman



P C Crowley
Managing Director

Brisbane 31 August 2004