GWA INTERNATIONAL LIMITED ANNUAL REPORT 2003

caroma

FOWLER

dorf

ROVER

Gainsborough

sebel

dux HOT WATER

caroma taps

WISA

stylus

CLARK

Irwell Taps

G W A I N T E R N A T I O N A L L I M I T E D

The Annual General Meeting of GWA International Limited will be held in The Grand Ballroom, Stamford Plaza Brisbane, Cnr Edward and Margaret Streets Brisbane on Thursday 30 October 2003 commencing at 10:30am. A formal notice of meeting and proxy form is enclosed with this report.

ABN 15 055 964 380

- Excellent performance which reflects the strong domestic construction activity
- Operating businesses with strong brand names and market positions
- Well-positioned for future growth through operating cash flows and funding capacity for acquisitions
- Revenues increased by 8.2% to $666.5 million
- Net operating profit after tax increased by 17.9% to $55 million
- Earnings per share increased by 17.9% to 19.8 cents
- Fully franked final dividend of 8 cents, compared to 7.5 cents in the prior year
- Total fully franked dividend for the year of 18 cents (which includes a special dividend of 2.5 cents paid in April 2003)

Financial Summary Year Ended June	**1999 $'000**	**2000 $'000**	**2001 $'000**	**2002 $'000**	**2003 $'000**	**% Change**
Operating Revenue	524,095	607,897	570,072	615,843	666,525	8.2
Earnings before depreciation, interest and tax	100,624	109,448	103,137	108,527	118,978	9.6
(%)	19.2	18.0	18.1	17.6	17.9	
Depreciation and amortisation	24,110	26,450	26,924	28,812	28,034	-2.7
Earnings before interest & tax	76,514	82,998	76,213	79,715	90,944	14.1
(%)	14.6	13.7	13.4	12.9	13.6	
Interest	10,977	12,042	13,305	13,070	12,368	-5.4
Operating profit before tax	65,537	70,956	62,908	66,645	78,576	17.9
(%)	12.5	11.7	11.0	10.8	11.8	
Tax expense	22,681	29,555	21,457	19,995	23,569	17.9
(%)	34.6	41.7	34.1	30.0	30.0	
Operating profit after tax	42,856	41,401	41,451	46,650	55,007	17.9
Net cash flow provided from operating activities before debt cost and tax	93,195	98,569	78,719	116,807	128,200	9.8
Capital expenditure	29,913	30,144	24,550	32,976	24,392	-26.0
Research and development	4,608	5,558	5,228	5,064	5,770	13.9
Net debt	204,158	201,571	237,759	229,435	207,678	-9.5
Shareholders' equity	381,524	387,473	386,058	387,849	413,787	6.7
Other ratios						
Return on average shareholders' equity (%)	12.7	10.8	10.7	12.1	13.7	13.2
Interest cover (times)	7.0	6.9	5.7	6.1	7.4	
Net debt: equity (%)	54	52	62	59	50	

2002/03 Year Results

I am very pleased to report that GWA International Limited in the 2002/03 financial year surpassed the previous year's record result with profit after tax rising 17.9% to $55.0 million, on the back of a 8.2% rise in sales revenue to $660 million.

This excellent result demonstrates the outstanding performance over many years of Geoff McGrath and his management team. Mr McGrath retired from his position as Managing Director in May 2003, completing more than 40 years' service with the Group's businesses.

Under Mr McGrath's stewardship, GWA International has prospered with long term growth in profits, cash dividends and share price and we thank him for his great service to the Group.

In May, your directors appointed the very experienced manager Peter Crowley as Managing Director and he will build on Mr McGrath's achievements in creating significant shareholder value in the long term.

I am delighted to advise that the Group will continue to have access to the experience and skills of Mr McGrath, who will now act as an advisor to the Board on a retainer.

The Group's trading results, coupled with its strong operating cash flow and cash position, provide the opportunity to continue GWA International's growth in paying fully franked dividends.

Dividends

In April 2003, the Interim Dividend of 7.5 cents per share was paid together with a further Special Dividend of 2.5 cents per share. The final dividend, payable in October 2003, will be increased to 8 cents per share fully franked.

Our intentions are to continue to increase the total dividend with further growth in profits and to discontinue the special dividends.

		2002/03 $000's	2001/02 $000's	2000/01 $000's
Profit after tax		$55,007	$46,650	$41,451
Dividends –	Interim	20,835	19,435	18,021
	Special	6,945	6,941	6,931
	Final	22,224	20,835	19,407
	Total	50,004	47,211	44,359

Corporate Governance

GWA International Limited has the benefit of a stable Board of Directors, who bring together complementary skills and strong experience, as well as a deep knowledge of the Group's businesses.

The Board supports the Principles of Good Corporate Governance and Best Practice Recommendations of the ASX Corporate Governance Council which were released on 31 March 2003. I would like to highlight to shareholders that these recommendations already form the basis of the Group's corporate governance policies and procedures which have been in place for many years, and ensure that the highest standards of corporate governance is achieved by the Group.

The Board is committed to the continual review and updating of the Group's corporate governance practices to ensure that GWA International continues to comply with best practice. For more detailed information on the corporate governance practices of the Group, I refer you to our Corporate Governance Statement.

Strategic Direction

GWA International is committed to growing shareholder value. This objective will be achieved by continuing to invest in people, products and technology to maximize the Group's performance and create value building opportunities for our business.

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

The Company has access to significant additional borrowings for acquisitions and Directors intend to reopen the Dividend Reinvestment and Share Purchase plans when a major acquisition is undertaken.

Future

Your Board and management remain committed to creating shareholder value. We believe there are significant opportunities both with the existing businesses and via acquisition to achieve this objective.

B Thornton
Chairman

The primary objective of the Company is to create and sustain shareholder wealth in the long term through continuing our investment in, and sound management of, the Group's business.

In the pursuit of creating sustainable growth in value for shareholders, the Group has built through investment and acquisition, a diversified portfolio of strong businesses operating principally within Australia.

During the 2002/03 year a high level of activity was sustained across all of the Group's businesses to deliver a net profit after tax of $55.0 million up 17.9% on last year and on sales revenue of $659.6 million up 8.2% on last year.

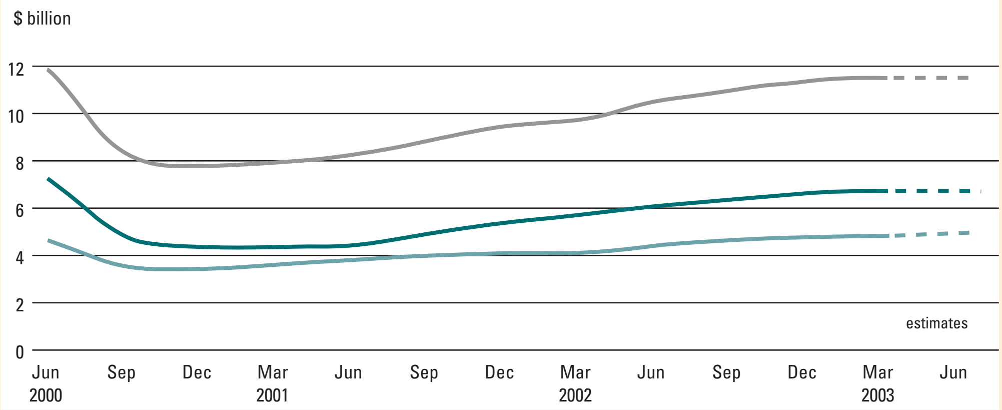
The strong overall sales performance was underpinned by $546.6 million worth of sales to the building fixtures and fittings segment, where the Group's Caroma, Dorf Clark, Gainsborough and Dux businesses have long established and strong market positions. Our commercial furniture business, Sebel, also achieved good revenue and profit growth for the year.

There were predictions at the beginning of the 2002/03 year that domestic housing activity would decline during the year. However, with continued low interest rates, housing activity actually increased over the year as illustrated by the graph below, titled Work Done on Housing.

Business Segment	**Segment Result**			**Segment Sales Revenue**		
$000's	**2003**	**%**	**2002**	**2003**	**%**	**2002**
Building Fixtures & Fittings	95,801	+10.3%	86,889	546,614	+9.8%	497,736
Commercial Furniture	6,246	+21.8%	5,127	70,146	+11.4%	62,943
Other	(23,471)		(25,371)	42,829	-12.3%	48,856
Profit before tax	78,576	+17.9%	66,645			
Income tax expense	(23,569)		(19,995)			
Profit after tax	**55,007**	**+17.9%**	**46,650**			

Work Done on Housing, Australia

Chain volume measures, base 2000/01, seasonally adjusted



Source: ABS, 5206.0 & 8752.0, HIA estimates

	2002/03	2001/02	2000/01
Return on Average Equity	13.7%	12.0%	10.7%
Earnings per share	19.8 cents	16.8 cents	15.0 cents

In the housing market, the products of the Group's businesses are installed near completion and therefore lag the rest of the sector. Construction approvals and starts in the 2002/03 year were higher than in 2001/02, while the home renovation market also rose strongly by an estimated 15% over the prior year. Non-residential construction was also strong throughout the period.

Growth in domestic demand was the principal driver for our strong 14.5% increase in profit before borrowing costs and tax for the year to $93.4 million.

This profit growth has boosted the Company's return on equity and earnings per share for the year.

The Dorf Clark business improved significantly on last year's disappointing full year performance, surpassing our expectations in 2002/03. Successful new product introductions and operational savings raised the underlying profitability of this business, which have flowed through to the current year.

Caroma, incorporating the Starion and Stylus brands, also achieved profit growth, being driven by domestic market demand and assisted by an excellent manufacturing performance during the year. However, a poor performance in the Stylus operations and the adverse impact of exchange rates in the North America market, reduced Caroma's overall increase in profit for the year. The Stylus business has been restructured to a lower operating cost base, while the manufacturing and supply performance has lifted. A significantly improved profit contribution is expected from Stylus in the 2003/04 year. Caroma has achieved good sales growth in North America during the 2002/03 year however the benefit of this growth has been lost with the increasing value of the Australian dollar.

Gainsborough's management is building a stronger business with a higher level of underlying profitability through the targeting of new market opportunities and the introduction of a wider range of products.

The profitability of the Dux business has continued to grow through good management, with improved product quality and a stronger product range. This business is continuing to strengthen and there is further opportunity for profit growth.

Sebel, the Group's commercial furniture business, is also benefiting from strong domestic demand, particularly in education and stadia, as well as commercial renovation. Sebel is also the Group's largest exporter - relative to sales. Sebel's management is continuing to improve the business's strong sales and profit growth.

Rover, the Group's mower business, suffered from a severe drought year in the domestic market. Whilst profit was down on the prior year, Rover's management achieved growth in exports, which enabled the business to record a sound profit result, excellent cash flow and return on investment.

Overall the Group's trading performance was an outstanding result in a strong domestic market, demonstrating the strength of the Group's businesses, brands and management.

This overall result is very pleasing, however our opportunities were not fully realised. Over the year, $8.8 million was provided for in additional stock provisions with the actual write off of stocks in the year being $3.1 million.

The additional provisioning was across the Group's businesses and reflects the increasingly complex supply chain and more volatile market change at the product level. These effects have most impact at Dorf Clark, Gainsborough and Caroma. Improved management of demand forecasting and the supply chain is expected to reduce stock provisioning below this level in the 2003/04 year.

	2002/03	2001/02	2000/01	1999/2000	1998/99
Payments for Property Plant & Equipment $000's	$24,392	$32,976	$24,550	$30,144	$29,913

Investments for Future Performance

Each of the Group's businesses invests in brands, new products, business systems, and the development of our staff.

Expenditures related to brand equity including advertising, promotion and displays are treated as incurred expenses.

The level of capital expenditure can vary year to year with major investment projects, particularly with respect to new technologies as is reflected in the above table.

Expenditure in 2003/04 is being focused on new systems to improve business performance across all businesses.

The introduction of systems and measures to improve productivity across the group will result in heightened staff training, as well as marketing and supply chain management.

Outlook for 2003/04 Year

In the domestic market, the Group's Building Fixtures and Fittings businesses will benefit from continuing high levels of construction activity and renovations which will reduce the impact of an expected decline in dwelling completions. The Caroma, Dorf Clark and Dux businesses each have internal profit growth opportunities to build profitability further on the excellent performance in 2002/03. Gainsborough will feel the greatest impact from a fall in demand from new dwellings, however this business also has opportunities for growth in other areas.

The longer term outlook for the domestic construction market is sound with the underlying demand for new housing now estimated at 162,000 dwellings a year. The Sebel business is expected to grow profit further across its wide range of products and markets and the Rover business requires only an average domestic climatic season to boost profitability in the 2003/04 year if the currency appreciation is maintained.

In overseas operations, the New Zealand market is cyclical and is expected to maintain demand in the short term. Wisa is expected to perform better with market demand similar to the 2002/03 year and North America and other markets allied to the US dollar exchange rate are expected to reduce contribution in the 2003/04 year.

GWA International has further opportunity to grow profitability both from its existing businesses and from future acquisitions.

Longer Term Outlook

GWA International has built a portfolio of strong businesses in building fixtures and fittings. Sebel commercial furniture and Rover Mowers have different demand drivers, providing diversified earnings.

In the building fixtures and fittings segment, all businesses have significant market shares and established brand names such as Caroma, Fowler, Stylus, Dorf, Clark, Gainsborough, Dux and Irwell.

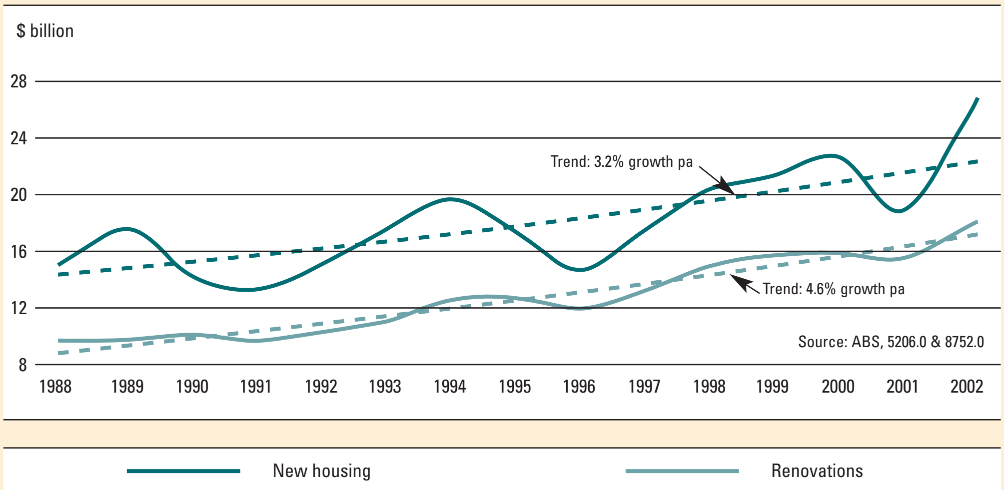
The major drivers of the building fixtures and fittings segment are new dwellings, commercial construction, renovations and replacement.

The longer term trends influencing construction activity include a potential fall in the number of persons per dwelling which has generated a demand for new dwellings above that required by population growth. This trend reflects smaller families and an ageing population.

The real value of work done on new housing has grown strongly with people building bigger and better quality homes. The average size of houses being built today is 240 square metres, 26% larger than the 1994 average.

New Housing v Housing Renovations, Australia

Value of work done, chain volume measures, base 2000/01



Over the past 14 years the housing renovations market has grown at an average rate of about 4.6% a year, which is faster than the growth in work done in new housing and faster than the 3.5% a year growth in the Australian economy. The reasons for this growth in renovations include:

- Transaction costs associated with moving house are high, with better value derived for owners through extending or renovating their existing homes
- 45% of Australia's dwellings are over 40 years old and many are in need of renovation
- Many people prefer to stay in the area they know and like rather than move
- Improvements in the style and quality of building materials, products and fittings available, make renovation an attractive proposition

Renovations are an increasingly important driver of demand for the Group's products. More bathrooms and kitchens are installed each year through renovations than in the construction of new homes.

The Australian market places in which the Group's businesses operate are open and competitive.

The Group is a significant domestic manufacturer and is also a major importer of components and finished goods. Our cost competitiveness is impacted by sustained movements in currency exchange rates. Over the last two years the Australian dollar has appreciated against the US dollar from around 50 cents in early 2001 to around 65 cents in July 2003 - returning to the levels of mid-1999.

Financial Condition

The Company's share capital consists of ordinary shares of which 277,802,995 were on issue at balance date. During the year 160,000 additional shares were issued under the Employee Share Plan at the market price at the time of issue of $2.31. Shareholder funds increased over the year to $413.8 million inclusive of this issue of employee shares and retained earnings.

The Company's Dividend Reinvestment and Share Purchase plans were suspended with effect from February 2000. Share options have not been issued by the Company.

The cash flow from the Group's businesses is expected to continue to provide the operational funding requirements of the Company and further capital funding requirements may arise with future acquisitions.

The Company's debt funding and facilities are provided by major banks under a Master Financing Agreement as described in Note 17 of the Financial Statements. At balance date, bank loans were made up of:

Australian Currency	$285.0 million
Euro	€11.18 million

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

The total Australian currency borrowing at balance date $285 million
(of which the following amounts were fixed at balance date)

Amount	Period	Rate
$200 million	July 2003 to October 2004	@ 4.98%
$100 million	October 2004 to March 2005	@ 4.84%
$50 million	March 2005 to March 2006	@ 4.63%

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

Properties are leased by the Group's businesses principally for distribution and sales offices. The future commitments for lease payments are set out in Note 24.

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 the 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 principal hedges are with respect to imported components and products, and sales revenue in New Zealand.

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).

The company's cash flow from operating activities for the 2002/03 year of $91.4 million has funded the Group's capital expenditures and dividends for the year and cash at the end of the year has increased by $22.6 million. The Group's cash is held predominantly in Australian dollars.

GWA International is well placed to increase its borrowings to fund new acquisition opportunities as they arise, with net debt to equity ratio of 50.2% and interest cover, as defined in the Master Financing Agreement of 9 times.

The company has not undertaken a debt rating, however, an indicative debt rating is near BBB.

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

With respect to the Employee Share Plan, at balance date, there were 3.30 million shares on issue under this Plan, with the loan of $4.3 million having been reduced by $1.067 million during the year through dividends and payments.

During the 2002/03 year, there has been a significant appreciation of the Australian dollar against the US dollar, particularly in the second half of the year. This movement in currency rate will lower the cost of the Group's US dollar denominated purchases and reduce the Australian dollar value of US dollar denominated overseas sales.

Exchange Rate Movements
of $US and Euro since June 1999 are set out in the table below:

	July 2003	Dec 2002	June 2002	June 2001	June 2000	June 1999
US$	.6680	.5598	.5595	.5076	.6022	.6572
Euro	.5902	.5290	.5599	.6037	.6363	.6418

The net effect on the Group of these two items is positive. The relative cost of competitiveness of the Group's Australian manufacturing operations has declined relative to competitors where product cost is tied to the US dollar. Any effect of this shift on market pricing will flow through during the 2003/04 year.

Summary

The GWA International Group performed well in the 2002/03 year with record profit and sales results. All businesses, other than Rover which had severely adverse seasonal conditions, contributed profit results above the prior year. Long term prospects in the domestic construction market are sound, with increasing renovations expected to underpin growth in domestic demand for the Group's products.

From our strong financial position, further growth through acquisition is being sought with the priority being a large domestic business. The Group's earnings, cash flow and current low gearing will support increased borrowings.

The Company is committed to creating and sustaining shareholder wealth and a sound performance in the 2003/04 year is expected with 2002/03's level of demand continuing well into the 2003/04 year. We are confident that the Group's businesses have opportunities to further improve their profitability over time.

PC Crowley

P C Crowley
Managing Director

B Thornton KSJ FCA FAICD FAIM

Chairman, Elected to the Board 1992

Expertise: Chartered accountant, corporate and financial management

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

Mr Thornton joined the GWA Group in 1974 as Finance Director and was appointed Chief Executive in 1981. In 1986, he was appointed Executive Chairman and, following the privatisation of the GWA Group in 1989 and the Public Float of the Manufacturing Division as GWA International Limited in 1993, he became non-executive Chairman. He is also Chairman of the Brisbane Airport Corporation Limited and a Director of Stockland Trust Group. He is Chairman of the Brisbane Advisory Board of the Salvation Army and Deputy Chancellor of Bond University Limited.

Previous appointments include: Director - Suncorp-Metway Ltd, Queensland Cement & Lime Ltd, Power Brewing Ltd, Ports Corporation of Queensland, Commissioner -Queensland Commission of Audit

J J Kennedy AO CBE DUniv (QUT) FCA FCPA

Deputy Chairman, Elected to the Board 1992

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

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

Mr Kennedy is a Director of Qantas Airways Limited, Macquarie Goodman Funds Management Limited, Suncorp-Metway Limited, Australian Stock Exchange Limited and member of Blake Dawson Waldron National Advisory Board.

P C Crowley BA BEcon FAICD

Appointed Managing Director on 6 May 2003

Expertise: Broad manufacturing experience in Australia and overseas.

2001: Managing Director and Chief Executive, Austrim Nylex Limited, a diversified industrial company; 1999: Executive Director, Cement and Lime, The Rubgy Group PLC 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). Perth based Cockburn Cement Limited was Western Australia's largest cement producer and Australia's biggest 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: Non-Executive Director and member of Remuneration Committee.

Mr Barry joined the GWA Group as a Director in 1979. During his involvement with the GWA Group, he 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

Special Responsibilities: Non-Executive Director

Mr Anderson has more than 48 years experience with the GWA Group, having joined the organisation in 1955. His expertise covers management, transport logistics, investment and property matters. Mr Anderson was appointed as a Director of the GWA Group in 1979, and joined the Board of GWA International Limited as a Non-Executive Director in 1992.

M D E Kriewaldt BA LLB

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 is a Consultant 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 Ltd and a Director of Campbell Brothers Ltd, Oil Search Limited, Suncorp-Metway Ltd and Australian Major Performing Arts Group.

The Board of Directors is responsible for the corporate governance of GWA International Limited. Corporate governance is a part only 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.

The Board has had its practices and procedures in place prior to listing and constantly reassesses them in the light of experience (in the company and in other organisations) and contemporary views on good governance practices. The Board adopts those it considers to be superior and which will lead to better outcomes for this company's shareholders, whilst endevouring to avoid those which are based on unsound principles or represent temporary fads. The Board's current practices conform with the Principles of Good Corporate Governance and Best Practice Recommendations ("the Recommendations") released by the ASX Corporate Governance Council on 31 March 2003.

During the year, a detailed review was performed of the current corporate governance practices of the company to compare them with the Recommendations. The Board has determined that the current corporate governance practices of the company are in accordance with the Recommendations, and that there are no departures from the Recommendations which should be disclosed to shareholders.

The company's website address is www.gwail.com.au

1. Role of the Board

The Board is responsible for the long-term growth and profitability of the company. The Board charts the 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 performance of the Managing Director
- Liaison with company auditors 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 has been reviewed this year to ensure that the company is complying with the Recommendations of the ASX Corporate Governance Council. The Board is currently reviewing its policies and practices in this area, as it does regularly, and will publish its revised Board charter on the company's website when this review is concluded.

2. Board Meetings

The Board meets at least 11 times each year for scheduled meetings and may, on other occasions, meet to deal with specific matters that require attention between scheduled meetings. Visits are regularly made to the company's business operations to enhance the Board's understanding of operations and strategies. Together with the Board Committees, the directors use the Board meetings to challenge and fully understand the business and operational issues.

3. Composition of the Board

The Board presently comprises six directors, five of whom, including the Chairman and Deputy Chairman, are non-executive directors and one, the Managing Director, is an executive director.

Profiles of the directors are set out on page 10 of the Annual Report. The profiles outline the skills, experience and expertise of each Board member.

Composition of the Board is determined by the Board 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

4. Independence of the Board

The company has reviewed the independence of the Board in light of the Recommendations of the ASX Corporate Governance Council. In applying the definition of independence as outlined in the Recommendations, it has been determined that the Board members of GWA International Limited are independent.

The Board considers that directors must be independent from management in order to ensure that the judgement of the Board is not influenced. During the year, a new Managing Director of the company, Mr Peter Crowley, was appointed on the retirement of Mr Geoff McGrath.

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 below.

The current Board members have been in office for many years, as disclosed in the Directors Report (excluding Mr Crowley who was appointed on 6 May 2003). 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 over the past 10 years and in the Board's view 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.

In regard to the future retirement plans of individual directors, the Board will consider the maintenance of corporate memory and 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 might arise. A director who has 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 or trading relationships, dealings with the directors, dealings with companies with common directors or 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.

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. All members of Board Committees are independent non-executive directors.

The standing Board Committees are:

Audit Committee

During the year, the Accounts and Audit Committee was renamed to the Audit Committee. The Audit Committee consists of the following independent 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

The Audit Committee meets as required and on several occasions throughout the year. For attendance details of the Audit Committee, refer to the Directors' 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 governed by a charter which outlines the Committee's role and responsibilities, composition, structure and membership requirements. The charter has been reviewed this year to ensure that the company is complying with the Recommendations of the ASX Corporate Governance Council. The Board is currently reviewing its policies and practices in this area, as it does regularly, and will publish its revised Audit Committee charter on the company's website when this review is concluded.

The main responsibilities of the Audit Committee include:

- Assess the management process to support the 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 financial statements and external financial reporting
- 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 assurance and compliance process
- Reporting to the Board on the Committee's role and responsibilities covering all the functions in its charter

Nomination Committee

During the year the Chairman's Committee was renamed to the Nomination Committee. The Nomination Committee consists of the following independent non-executive directors:

B Thornton (Chairman) KSJ FCA FAICD FAIM

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 the Directors' 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 role and responsibilities, composition, structure and membership requirements. The charter has been reviewed this year to ensure that the company is complying with the Recommendations of the ASX Corporate Governance Council. The Board is currently reviewing its policies and practices in this area, as it does regularly, and will publish its revised Nomination Committee charter on the company's website when this review is concluded.

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

During the year, the Nomination Committee conducted an evaluation of the performance of Board members in accordance with the responsibilities of the Committee. Each Board member was required to complete a detailed performance questionnaire, the results of which were collated and analysed by the Board. There were no issues to report to shareholders from this process.

Remuneration Committee

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

M D E Kriewaldt (Chairman) BA LLB FAICD

B Thornton KSJ FCA FAICD FAIM

D R Barry FAIM

The Remuneration Committee meets as required and on several occasions throughout the year. For attendance details of the Remuneration Committee, refer to the Directors 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 role and responsibilities, composition, structure and membership requirements. The charter has been reviewed this year to ensure that the company is complying with the Recommendations of the ASX Corporate Governance Council. The Board is currently reviewing its policies and practices in this area, as it does regularly, and will publish its revised Remuneration Committee charter on the company's website when this review is concluded.

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 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. The company has adopted the principles as set out in the booklet *Corporate Practice and Conduct* published by the Business Council of Australia.

A code of conduct is incorporated as part of all new employees induction training. The code of conduct states the values and policies of the company and complements the company's risk management practices. During the year, a review has been performed of the code of conduct to ensure compliance with best practice and to promote the ethical behaviour of all employees.

9. Risk Management

The Board is responsible for ensuring that adequate measures are in place to manage risk. The Board has delegated this responsibility to the Audit Committee which reports regularly to the Board on all risk management matters.

The Board has implemented a risk management program that is supported by policies and procedures to enable the businesses to identify and assess risk and respond appropriately. The company regularly reviews and monitors risks and related management controls and techniques.

The Board is responsible for ensuring that adequate measures are undertaken to manage compliance. To facilitate compliance, an appropriate range of legal and regulatory requirements are incorporated in corporate policies. These policies are subject to review on an annual basis.

10. Remuneration Policies

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 the Directors' Report.

Subject to shareholders approval at the Annual General Meeting on 30 October 2003, the current Board retirement allowance arrangements, which were approved by shareholders at the Annual General Meeting on 28 October 1998, will be terminated. The effect of this proposal is that no retirement benefits will be available for any new non-executive directors of the company, other than statutory superannuation. This proposal complies with guidelines for non-executive remuneration, as outlined in the Recommendations of the ASX Corporate Governance Council.

If the above proposal is approved by shareholders, the retirement allowance which is currently accrued to each director will continue to be held on behalf of that director. At 30 June 2003, the total retirement allowance accrued to the non-executive directors of the company was $1,214,700.

11. Share and Option Schemes

The company does not have a Share Option Scheme and has therefore not issued share options to employees.

The company has operated an Employee Share Plan since listing in 1993 as part of the remuneration and incentive arrangements for Executives and Senior Management.

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

12. 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.

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.

During the year, the Board also conducted a review of the rotation of the audit partner and audit firm focusing on the independence and competency of the audit firm, rather than automatic rotation of the audit firm.

The audit firm of Ernst & Young was appointed as a result of a comprehensive tender conducted for the year ended 30 June 1995 for audit and other services. Mr Banham has assumed the role of audit partner from 1 July 2003, from Mr Eddy, the audit partner for the previous years.

The Board is not aware of any matter during the year which has affected the independence of Ernst & Young as auditors of the company

13. 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 in Australia. The company has for many years included continuous disclosure as a permanent item on the agenda for Board meetings. The company's continuous disclosure policy has been reviewed this year to ensure that the company is complying with the Recommendation of the ASX Corporate Governance Council. The Board is currently reviewing its policies and practices in this area, as it does regularly, and will publish its revised continuous disclosure policy on the company's website when this review is concluded.
- Ensuring that all stakeholders have the opportunity to receive externally available information issued by the company. During the year, the company has developed a website (www.gwail.com.au) to enhance communication with shareholders. 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 various other company information.
- 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 audit report.

Your Directors present their report on the consolidated entity of GWA International Limited and the entities it controlled during the year ended 30 June 2003.

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

G J McGrath was Managing Director from the beginning of the financial year until 6 May 2003 when he retired. P C Crowley was appointed Managing Director on 6 May 2003.

Directors' qualifications, experience and responsibilities are shown on page 10.

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 2,646 employees as at 30 June 2003 (last year 2,757 employees).

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

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

Interest in shares of the company and related body corporate

At the date of this report, the interest of Directors in shares of the company were:

Director	Ordinary Shares	Interest (see notes below)
B Thornton	Nil	
J J Kennedy	5,000	Note 1
P C Crowley	Nil	
D R Barry	3,126,061	Note 2
R M Anderson	Nil	
M D E Kriewaldt	100,000	Note 2

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: Note 26 to the Financial Statements sets out the number of shares held directly, indirectly or beneficially by Directors or their related entities at balance date, this being 46,705,306 shares.

Consolidated Results

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

Consolidated Results ($000's)	Segment Revenues		Segment Results	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Building fixtures and fittings	549,716	501,381	95,801	86,889
Commercial furniture	73,427	65,577	6,246	5,127
Unallocated	45,637	50,540	(23,471)	(25,371)
Eliminations	(2,255)	(1,655)	-	-
Total	**666,525**	**615,843**	**78,576**	**66,645**
Consolidated results after tax			55,007	46,650

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 Chairman's Review and the Managing Director's Review of Operations which are located on pages 2 and 4 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.

Earnings Per Share

	2003	2002
Basic earnings per share	19.8	16.8

Dividends

	2003 $'000	2002 $'000
Final dividend recommended on ordinary shares 8 cents per fully paid ordinary share fully franked at 30% corporate tax rate (last year 7.5 cents at 30% corporate tax rate)	22,224	20,823

A special dividend of 2.5 cents per share fully franked at a corporate tax rate of 30% was paid with the interim dividend on 1 April 2003.

At 30 June 2003, the balance of franking credits was $19.987M.

Risk Management

The Group takes a pro-active approach to risk management. The Board has the responsibility for ensuring that risks, and also opportunities, are identified on a timely basis so that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has a number of risk management mechanisms in place, including the following:

- Board approval of the Group Strategic Plan which includes strategy statements, designed to meet stakeholder needs and manage risk.
- Implementation and monitoring of operating plans and budgets approved by the Board, and the establishment and monitoring of key performance indicators of both a financial and non-financial nature.
- Regular review of corporate policies and procedures to ensure that legal and regulatory requirements are effectively addressed.
- Consideration of periodic reports on environmental and occupational health and safety matters.
- Review of the coverage and adequacy of the Group's insurance policies.
- Management of financial risks is discharged by the Board at each meeting by considering such matters as liquidity, interest rate and currency risks and credit policies.

Significant Events after Balance Date

On 2 September 2003, the Directors of GWA International Limited declared a final dividend on ordinary shares in respect of the 2003 financial year. The total amount of the dividend is $22.224M, which represents a fully franked dividend of 8.0 cents per share. The dividend has not been provided for in the 30 June 2003 financial statements.

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

Likely Developments and Expected Results

Likely developments and expected results of the operations of the consolidated entity are provided in the Managing Director's Review of Operations (page 4).

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.

Environmental Regulation and Performance

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

These licenses 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 license conditions is made by external advisors.

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

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

Indemnification and Insurance of Directors and Officers

During the financial year, the company has paid premiums of $96,825 in respect of directors' and officers' liability (including employment practices) and supplementary legal expense insurance contracts insuring against certain liabilities (subject to exclusions) for all officers of the company and its controlled entities including the directors named in the report, the Company Secretary, and all persons concerned or taking part in the management of the company and its controlled entities. The amount is included in the directors and executives remuneration shown in Notes 21 and 26 of the consolidated financial statements.

The insurance is for costs and expenses incurred in defending proceedings brought against the directors and officers and all persons acting in their capacity or taking part in the management of the company and its controlled entities.

Directors' and Other Officers' Emoluments

Remuneration Policy

The Remuneration Committee of the board of directors is responsible for determining and reviewing compensation arrangements for the Managing Director and the executive team. The Remuneration Committee assesses the appropriateness of the nature of amounts 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. Senior 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 Limited Employee Share Plan ("Share Plan"). Under the Share Plan, employees are issued shares in the company at market value, which are 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 each emolument 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

Annual Emoluments

	Base Pay $	2002/03 1 Year Plan $	2002/05 3 Year Plan $	Other Benefits $	Termination & Similar Payments $	Super annuation $	Total $
B Thornton	172,500	-	-	250	-	15,525	188,275
J J Kennedy	86,250	-	-	250	-	7,763	94,263
G J McGrath	750,910	297,500	412,500	227,112	1,317,000	79,403	3,084,425
P C Crowley	268,073	200,000	-	23,169	-	14,641	505,883
D R Barry	59,450	-	-	250	-	5,351	65,051
R M Anderson	57,500	-	-	250	-	5,175	62,925
M D E Kriewaldt	69,000	-	-	250	-	5,675	74,925

Notes:

The retirement benefit for Mr McGrath includes an amount of $850,000 which Directors have determined in recognition of Mr McGrath's 43 years' service to the Group's businesses.

The bonus paid to Mr McGrath in relation to the 2002/05 three-year plan is on a pro rata basis. The amount of $200,000 was provided in the 2001/02 year and the balance in 2002/03.

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

	Base Pay $	Bonuses $	Other Benefits $	Termination & Similar Payments $	Super annuation $	Total $
K G Schroder Company Secretary	208,600	-	78,789	331,650	21,100	640,139
E J Harrison Chief Financial Officer	302,163	84,600	106,087	-	-	492,851
S R Wright Group Operations Manager	269,772	80,400	99,333	-	27,377	476,882
T Doyle General Manager Caroma	354,708	-	75,273	-	35,471	465,452
J Pearce General Manager Dorf Clark	238,977	70,500	111,963	-	23,898	445,337

Emoluments to Executives

The bonuses relate to the yearly incentive payable based on the 2002/03 year results. Amounts with respect to the 3 year incentive plan (1 July 2001 to 30 June 2004) have been provided for in the 2002/03 year and prior year, but are not included in executive remuneration as the incentive is not yet determined and therefore the amounts provided are not due and payable.

Directors' Meetings

Mr McGrath retired as Managing Director on 6 May 2003. Mr Crowley was appointed Managing Director on 6 May 2003.

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 B Thornton 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.

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: Number of Meetings attended:	11	3	2	4
B Thornton	11	3	2	4
J J Kennedy	11	3	-	4
G J McGrath	10	-	-	-
P C Crowley	3	-	-	-
D R Barry	11	-	2	-
R M Anderson	11	-	-	-
M D E Kriewaldt	11	3	2	4

Rounding

The company is of a kind referred to in Class Order 98/0100 issued by 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 Board's current practices conform 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 page 11 of the Annual Report.

Auditor

Ernst & Young continues in office in accordance with section 327 of the Australian Corporations Regulations 2003.

Ernst & Young have confirmed to the Directors that their independence as auditor has not been compromised.

This report is made in accordance with a resolution of the directors.

Signed in accordance with a resolution of the Directors

B Thornton	**P C Crowley**
Chairman	Managing Director

Brisbane 2 September 2003