Financial Statements

As at 30 June 2004

GWA INTERNATIONAL LIMITED
and Controlled Entities

CONTENTS

Statements of Financial Performance

For the year ended 30 June 2004

	Note	Consolidated		Chief Entity	
		2004 $'000	2003 $'000	2004 $'000	2003 $'000
Revenues from Ordinary Activities	2	**677,393**	**666,525**	**52,315**	**29,974**
Expenses related to ordinary activities	3(a)	(574,160)	(573,093)	(7)	(6)
Borrowing costs related to ordinary activities	3(b)	(14,832)	(14,856)	-	(684)
Profit from Ordinary Activities before Income Tax Expense		**88,401**	**78,576**	**52,308**	**29,284**
Income tax expense relating to ordinary activities	4(a)	(26,348)	(23,569)	(595)	(377)
Net Profit Attributable to Members of GWA International Limited	20	**62,053**	**55,007**	**51,713**	**28,907**
Net exchange difference on translation of financial statements of foreign controlled entities	20	1,032	(1,646)	-	-
Total Revenues, Expenses and Valuation Adjustments Attributable to Members of GWA International Limited and recognised directly in Equity		**1,032**	**(1,646)**	**-**	**-**
Total Changes in Equity other than those resulting from Transactions with Owners as Owners		**63,085**	**53,361**	**51,713**	**28,907**
Basic earnings per share (cents per share)	31	22.3	19.8		
Franked dividends per share					
- Ordinary (cents per share)	5	18.0	15.5		
- Special (cents per share)	5	2.5	2.5		

Statements of Financial Position

As at 30 June 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	Chief Entity 2004 $'000	Chief Entity 2003 $'000
Current Assets					
Cash assets	6	138,352	88,505	-	-
Receivables	7	66,625	72,439	501	495
Inventories	8	96,380	117,638	-	-
Other - Prepayments		1,594	2,884	-	-
Total Current Assets		**302,951**	**281,466**	**501**	**495**
Non-current Assets					
Receivables	9	4,288	4,367	461,471	400,541
Investments	10	-	-	325,646	325,646
Property, plant and equipment	11	153,122	166,152	-	-
Brand names and other intellectual property	12	356,952	356,212	-	-
Goodwill	13	875	1,775	-	-
Deferred tax assets	4(b)	25,258	22,105	24,780	-
Total Non-current Assets		**540,495**	**550,611**	**811,897**	**726,187**
Total Assets		**843,446**	**832,077**	**812,398**	**726,682**
Current Liabilities					
Payables	14	57,552	58,827	-	-
Interest bearing liabilities	15	-	-	52	28
Current tax liabilities	4(b)	8,448	16,127	8,774	377
Provisions	16	31,975	30,742	-	-
Total Current Liabilities		**97,975**	**105,696**	**8,826**	**405**
Non-current Liabilities					
Interest bearing liabilities	17	297,803	296,183	-	11,750
Non-interest bearing liabilities	17	-	-	453,024	367,663
Deferred tax liabilities	4(b)	818	1,179	665	-
Provisions	18	18,672	15,232	-	-
Total Non-current Liabilities		**317,293**	**312,594**	**453,689**	**379,413**
Total Liabilities		**415,268**	**418,290**	**462,515**	**379,818**
Net Assets		**428,178**	**413,787**	**349,883**	**346,864**
Equity					
Contributed equity	19(a)	346,853	345,493	346,853	345,493
Reserves	20(a)	918	(114)	-	-
Retained profits	20(b)	80,407	68,408	3,030	1,371
Total Equity		**428,178**	**413,787**	**349,883**	**346,864**

Statements of Cash Flows

For the year ended 30 June 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	Chief Entity 2004 $'000	Chief Entity 2003 $'000
Cash Flows from Operating Activities					
Receipts from customers		830,292	806,110	1,915	1,874
Payments to suppliers and employees		(668,188)	(677,910)	-	-
Dividends received	2(b)	-	-	50,400	28,100
Interest received	2(b)	3,757	2,488	-	-
Borrowing costs		(13,667)	(13,281)	(7)	(690)
Income tax paid		(37,541)	(26,000)	(376)	(395)
Net Cash from Operating Activities	30	**114,653**	**91,407**	**51,932**	**28,889**
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(20,579)	(24,392)	-	-
Proceeds from sale of property, plant and equipment	2(b)	2,781	1,849	-	-
Net Cash used in Investing Activities		**(17,798)**	**(22,543)**	**-**	**-**
Cash Flows from Financing Activities					
Proceeds from borrowings		1,186	508	-	-
Proceeds from issue of shares		1,360	370	1,360	370
Employee share plan loans		(1,360)	(370)	(1,360)	(370)
Repayment of employee share plan loans		1,813	1,067	1,813	1,067
Dividends paid		(50,054)	(48,615)	(50,054)	(48,615)
Proceeds from loans from related parties		-	-	-	18,643
Loans to related parties		-	-	(3,715)	-
Loan repaid by other parties		1,456	778	-	-
Loans to other parties		(1,837)	-	-	-
Net Cash used in Financing Activities		**(47,436)**	**(46,262)**	**(51,956)**	**(28,905)**
Net Increase/(Decrease) in Cash Held		49,419	22,602	(24)	(16)
Cash/(overdraft) at the beginning of the financial period		88,505	66,817	(28)	(12)
Effects of exchange rate changes on cash		428	(914)	-	-
Cash/(Overdraft) at the End of the Financial Period	6, 15	**138,352**	**88,505**	**(52)**	**(28)**

Notes to the Financial Statements

As at 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial statements have been prepared in accordance with the historical cost convention.

(a) Changes in Accounting Policy

The accounting policies adopted are consistent with those of the previous year.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by GWA International Limited ('the chief entity') as at 30 June 2004 and the results of all controlled entities for the year then ended. GWA International Limited and its controlled entities together are referred to in this financial report as the economic entity. The effects of all transactions between entities in the economic entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(c) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the net profit is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entities were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

The income tax expense for the year is calculated using the 30% tax rate (2003: 30%).

(d) Foreign Currency Translation

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit and loss for the year.

Specific commitment

Forward exchange contracts of generally less than 12 months are entered into to hedge the purchase of components, trading stock and major plant and equipment. Gains or costs arising on entry into a hedge transaction and subsequent exchange gains and losses resulting from those transactions up to the date of purchase are deferred and included in the measurement of the purchase cost.

Foreign controlled entities

As the foreign controlled entities are all self-sustaining, financial data at balance date is translated into Australian currency at rates of exchange current at balance date. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

(e) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

(f) Receivables

Trade debtors are reported net of trade discounts and volume rebates. This is consistent with the reporting and measurement of revenue from sale of goods (see Note 1 (w)).

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed manufacturing overhead expenditure for work in progress and finished goods. Costs are assigned to individual items of stock, mainly on the basis of weighted average costs.

(h) Recoverable Amount

Non-current assets are not carried at an amount above their recoverable amount and where carrying values exceed this recoverable amount assets are written-down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

(i) Investments

Interests in companies, other than controlled entities and investments in listed companies, are shown as investments at cost, and dividend income is recognised in the statement of financial performance when received.

(j) Leasehold Improvements

The cost of improvements to or on leasehold properties is capitalised and amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Notes to the Financial Statements

As at 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased Non-current Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of non-current assets (finance leases), and operating leases under which the lessor effectively retains substantially all such risks and benefits of ownership.

Where a non-current asset is acquired by means of a finance lease, the asset is established at its fair value at the inception of the lease. The liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are recognised in profit from ordinary activities in equal instalments over the lease term.

(l) Non-current Assets Constructed by the Economic Entity

The cost of non-current assets constructed by the economic entity includes the cost of all materials used in the construction, direct labour on the project and an appropriate proportion of variable and fixed overhead including borrowing costs.

(m) Depreciation

Depreciation is calculated on a straight line basis to write off the cost of each item of property, plant and equipment over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets.

Major depreciation periods are:	*2004*	*2003*
Freehold buildings	40 years	40 years
Plant and equipment	3 – 10 years	3 – 10 years
Motor vehicles	5 years	5 years

Major spares purchased specifically for particular plant are included in the cost of plant and are depreciated accordingly.

(n) Brand Names and Other Intellectual Property

Brand names and other intellectual property include brand names, trademarks, patents and registered designs. Expenditure incurred in developing, maintaining or enhancing brand names is written-off against profit from ordinary activities in the year in which it is incurred.

The brand names are not amortised as the directors believe that their useful lives are of such duration that the amortisation charge, if any, would not be material. The carrying value of these brand names and other intellectual property is reviewed each year to ensure that it is not in excess of their recoverable amount.

(o) Maintenance and Repairs

Maintenance, repair costs and minor renewals are recognised as expenses as incurred.

(p) Service Warranties

Provision is made, out of revenue, for the estimated liability on all products still under warranty at balance date. This provision is estimated having regard to service warranty experience on each class of products.

(q) Cash

For the purposes of the statements of cash flows, cash includes cash on hand, in transit and in banks and money market investments readily convertible to cash, net of outstanding bank overdrafts.

Goods and Services Tax received from customers is included in receipts from customers while Goods and Services Tax paid on supplies, acquisitions and plant and equipment is included in payments to suppliers and employees.

Goods and Services Tax is not included in revenue or expenses and is included in receivables and payables.

(r) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee benefits,

are recognised against profits in their respective categories.

(s) Earnings per Share

Basic earnings per share is determined by dividing the profit from ordinary activities by the weighted average number of ordinary shares outstanding during the financial year.

(t) Financial Instruments

The economic entity has non-current borrowings and operates internationally, giving rise to significant exposure to market risks from changes in interest rates and foreign exchange rates. Derivative financial instruments are utilised by the economic entity to reduce those risks, as explained in this note.

Notes to the Financial Statements

As at 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial Instruments (continued)

Interest rate related derivatives

Entities within the economic entity enter into various types of interest rate contracts with the major banks in managing its floating interest rate risk on a portion of its non-current borrowings. Gains and losses on these contracts are accounted for on the same basis as the underlying borrowing they are hedging.

Exchange rate related derivatives

Entities within the economic entity enter into various types of foreign exchange contracts with the major banks in managing its foreign exchange risk with purchases of raw materials and finished goods for resale. Gains or costs arising on entry into a hedge transaction are included in the measurement of the purchase cost. Subsequent exchange gains and losses resulting from those transactions up to the date of purchase are deferred and included in the measurement of the purchase cost, where the hedge is of a specified commitment. Where the hedge is general in nature, exchange gains and losses are included in the statement of financial performance when they arise.

(u) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired at the time of acquisition of shares in the controlled entity. Goodwill is amortised on a straight line basis over the shorter of 20 years and the minimum period during which the benefits are expected to arise. The goodwill purchased with the Gainsborough Hardware Industries Limited acquisition was first amortised in the 1995/96 year on a straight line basis over a period of 10 years. The goodwill purchased with the acquisition of the exclusive import and distribution rights to Hansa tapware products has been fully amortised on a straight line basis over a period of 5 years. Amortisation periods are reviewed at each balance date. No goodwill was acquired during the year ended 30 June 2004.

(v) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Control of the goods has passed to the buyer.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends

Control of a right to receive consideration for the investment in assets is attained, and dividend income is recognised in the statement of financial performance when received.

(w) Revenue Measurement

The measurement of revenue from the sale of goods is sales revenue net of trade discounts and volume rebates.

(x) Provision for Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Notes to the Financial Statements

As at 30 June 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	Chief Entity 2004 $'000	Chief Entity 2003 $'000
2. REVENUES FROM ORDINARY ACTIVITIES					
(a) Revenues from Operating Activities					
- Sale of goods	1(w)	667,926	659,589	-	-
(b) Revenues from Non-operating Activities					
- Dividends received/receivable – Controlled entities		-	-	50,400	28,100
- Interest received/receivable – Other corporations		3,757	2,488	-	-
- Proceeds from the sale of property, plant and equipment		2,781	1,849	-	-
- Foreign exchange gains		2,446	1,220	-	-
- Unit Trust distribution		-	-	1,915	1,874
- Other		483	1,379	-	-
Total revenues from non-operating activities		9,467	6,936	52,315	29,974
Total revenues from ordinary activities		**677,393**	**666,525**	**52,315**	**29,974**
3. EXPENSES FROM ORDINARY ACTIVITIES					
(a) Expenses related to Ordinary Activities (excluding borrowing costs)					
- Cost of Sales		358,802	368,211	-	-
- Selling and distribution		129,075	125,408	-	-
- Administration		76,514	72,986	7	6
- Other		9,769	6,488	-	-
Total expenses related to ordinary activities (excluding borrowing costs)		**574,160**	**573,093**	**7**	**6**
(b) Borrowing Costs					
Interest expense					
- Controlled entities		-	-	-	684
- Other corporations		14,832	14,856	-	-
Total borrowing costs expensed		**14,832**	**14,856**	**-**	**684**
Profit from ordinary activities before income tax expense		**88,401**	**78,576**	**52,308**	**29,284**
Income tax expense relating to ordinary activities	4(a)	(26,348)	(23,569)	(595)	(377)
Net profit attributable to members of GWA International Limited		**62,053**	**55,007**	**51,713**	**28,907**
Retained earnings at beginning of year	20(b)	68,408	41,193	1,371	256
Adjustment arising from the adoption of revised Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'		-	20,823	-	20,823
Total available for appropriation		**130,461**	**117,023**	**53,084**	**49,986**
Dividends paid	20(b)	(50,054)	(48,615)	(50,054)	(48,615)
Retained earnings		**80,407**	**68,408**	**3,030**	**1,371**
Employer contributions to a defined benefit fund		162	70	-	-

Notes to the Financial Statements
As at 30 June 2004

	Consolidated		Chief Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
3. EXPENSES FROM ORDINARY ACTIVITIES (continued)				
(c) Losses/(Gains)				
Net loss/(gain) on sale of property, plant and equipment	1,265	1,059	-	-
Net foreign exchange (gain)/loss - Other				
- Realised	(1,208)	(355)	-	-
- Unrealised	33	221	-	-
(d) Other Expenses				
Amortisation – Goodwill	900	900	-	-
Depreciation of non-current assets				
- Freehold buildings	1,135	1,137	-	-
- Plant and equipment: depreciation	23,648	23,255	-	-
- Plant and equipment: write-down to net realisable value	2,291	-	-	-
- Motor vehicles	2,575	2,742	-	-
Total depreciation and amortisation expense	**30,549**	**28,034**	**-**	**-**
Other charges against assets				
- Write-down of inventories	6,496	8,766	-	-
- Provision for doubtful debts and bad debts written-off	33	472	-	-
Total other charges against assets	**6,529**	**9,238**	**-**	**-**
Other provisions				
- Service warranties	5,877	3,587	-	-
- Employee benefits and on costs	15,904	15,583	-	-
- Other	5,820	4,853	-	-
Total other provisions	**27,601**	**24,023**	**-**	**-**
Rental expense relating to operating leases				
- Properties	8,473	7,446	-	-
- Plant	369	688	-	-
Research and development	5,485	5,770	-	-
4. INCOME TAX				
(a) Reconciliation of Income Tax Expense				
Profit from ordinary activities before income tax	88,401	78,576	52,308	29,284
Prima facie tax on profit from ordinary activities (30%, 2003 – 30%)	26,520	23,573	15,693	8,785
Tax effect of permanent differences:				
- Non-deductible building depreciation and allowances	141	134	22	22
- Non-allowable expenditure	578	1,246	-	-
- Goodwill amortisation	270	270	-	-
- Research and development allowance	(128)	(34)	-	-
- Rebateable dividends	-	-	(15,120)	(8,430)
Income tax adjusted for permanent differences	27,381	25,189	595	377
Effect of different rates of tax on overseas income	226	96	-	-
Under/(over) provision in previous year	(1,259)	(1,716)	-	-
Income tax expense attributable to ordinary activities	**26,348**	**23,569**	**595**	**377**

Notes to the Financial Statements

As at 30 June 2004

4. INCOME TAX (continued)

	Consolidated 2004 $'000	Consolidated 2003 $'000	Chief Entity 2004 $'000	Chief Entity 2003 $'000
(b) Deferred Tax Assets and Liabilities				
Current tax payable	8,448	16,127	8,774	377
Provision for deferred income tax – Non-current	818	1,179	665	-
Future income tax benefit – Non-current	25,258	22,105	24,780	-

(c) No Part of the Future Income Tax Benefit shown in (b) is Attributable to Tax Losses

(d) Tax Consolidation

For the purposes of income tax, GWA International Limited and its wholly owned Australian subsidiaries propose to form a tax consolidated group, effective 1 July 2003. The company is not required to formally notify the Australian Taxation Office of its election to form a tax consolidated group, until the lodgement of the 2004 income tax return.

The income tax calculation in Note 4 of the Financial Statements has been prepared on the basis that a tax consolidated group was formed, effective 1 July 2003. The Head Entity of the tax consolidated group will be GWA International Limited.

It is further proposed that the members of the tax consolidated group will enter into a tax sharing agreement in order to allocate the income tax liabilities between the entities in the tax consolidated group.

In forming a tax consolidated group, there will be no material impact on the deferred tax balances of the subsidiaries as a result of the resetting of tax values of certain assets of the subsidiaries.

5. DIVIDENDS

	Consolidated 2004 $'000	Consolidated 2003 $'000	Chief Entity 2004 $'000	Chief Entity 2003 $'000
Ordinary				
Franked dividends paid:				
- Final dividend 2002 under provided	-	12	-	12
- Final dividend 2003 (8c per share)	22,224	-	22,224	-
- Interim (10c per share, 2003: 7.5c)	27,830	20,835	27,830	20,835
- Special (nil, 2003: 2.5c)	-	6,945	-	6,945
Total dividends paid	**50,054**	**27,792**	**50,054**	**27,792**
Dividends proposed and not recognised as a liability:				
Final dividend (8 cents per share, 2003: 8 cents) – 100% franked	22,264	22,224	22,264	22,224
Special divided (2.5 cents per share, 2003: nil) – 100% franked	6,958	-	6,958	-
Total dividends proposed	**29,222**	**22,224**	**29,222**	**22,224**
The franked portions of the proposed dividends will be franked out of existing franking credits.				
The amount of franking credits available for the subsequent financial year are:				
- Franking account balance as at the end of the financial year	33,190	19,987		
- Franking credits that will arise from the payment of the income tax payable after the end of the financial year	8,700	14,550		
	41,890	**34,537**		

The tax rate at which paid dividends have been franked is 30% (2003: 30%).

The proposed final and special dividends will be franked at 30% when paid in October 2004.

Notes to the Financial Statements
As at 30 June 2004

	Consolidated 2004 $'000	Consolidated 2003 $'000	Chief Entity 2004 $'000	Chief Entity 2003 $'000
6. CASH ASSETS				
Cash at bank and on hand	51,482	41,889	-	-
Deposits at call	86,870	46,616	-	-
	138,352	**88,505**	**-**	**-**
7. RECEIVABLES (CURRENT)				
Trade debtors	65,848	73,108	-	-
Provision for doubtful debts	(2,523)	(2,703)	-	-
	63,325	70,405	-	-
Other debtors	2,799	1,539	-	-
Unsecured other loans				
- Employee share plan	501	495	501	495
	66,625	**72,439**	**501**	**495**
Included in unsecured other loans - employee share plan, are loans to Specified Directors and Specified Executives (refer Note 21).				
Movement in provision for doubtful debts				
Balance at beginning of the year	2,703	2,488	-	-
- Net foreign currency movements arising from self-sustaining foreign operations	14	(21)	-	-
- Bad debts previously provided for written-off during the year	(127)	(202)	-	-
- Bad and doubtful debts provided for during the year	(67)	438	-	-
Balance at the end of the year	2,523	2,703	-	-
Reconciliation of prior year trade debtors				
Trade debtors		85,851		-
Adjustment for rebates		(11,538)		-
Adjustment for credit claims		(1,205)		-
Trade debtors		73,108		-
Reconciliation of prior year provision for doubtful debts				
Provision for doubtful debts		(3,908)		-
Adjustment for credit claims		1,205		-
Provision for doubtful debts		(2,703)		-

Notes to the Financial Statements

As at 30 June 2004

	Consolidated		Chief Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
8. INVENTORIES				
Raw materials – At cost	25,906	26,793	-	-
Provision for diminution in value	(3,808)	(3,832)	-	-
	22,098	22,961	-	-
Finished goods – At cost	77,455	91,093	-	-
Provision for diminution in value	(14,043)	(9,357)	-	-
	63,412	81,736	-	-
Work in progress – At cost	10,870	12,941	-	-
Total inventories at lower of cost and net realisable value	**96,380**	**117,638**	**-**	**-**
Movement in inventory provisions				
Opening balance	13,189	7,489	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(16)	(33)	-	-
Additional provisions	7,296	8,766	-	-
Stock written-off against provision	(2,618)	(3,033)	-	-
Closing balance	17,851	13,189	-	-
9. RECEIVABLES (NON-CURRENT)				
Amount owing by controlled entities	-	-	458,120	396,730
Unsecured other loans				
- Employee share plan	3,351	3,811	3,351	3,811
- Other	937	556	-	-
	4,288	**4,367**	**461,471**	**400,541**
Included in unsecured other loans – employee share plan, are loans to specified directors and specified executives (refer Note 21).				
10. INVESTMENTS				
Unlisted investments				
- Shares in controlled entities – At cost (refer Note 27).	-	-	325,646	325,646
	-	**-**	**325,646**	**325,646**
11. PROPERTY, PLANT AND EQUIPMENT				
Freehold land – At cost	**29,122**	**29,119**	-	-
Freehold buildings – At cost	41,966	41,471	-	-
Less accumulated depreciation	(8,915)	(7,675)	-	-
	33,051	**33,796**	**-**	**-**
Plant and equipment – At cost	226,245	225,461	-	-
Less accumulated depreciation	(144,906)	(131,158)	-	-
	81,339	**94,303**	**-**	**-**
Motor vehicles – At cost	14,070	13,999	-	-
Less accumulated depreciation	(4,460)	(5,065)	-	-
	9,610	**8,934**	**-**	**-**
Total written-down amount	**153,122**	**166,152**	**-**	**-**

Notes to the Financial Statements

As at 30 June 2004

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Recent valuations

Land and buildings are progressively, and independently assessed over a 3-year period. During the financial year ended 30 June 2004, two properties received independent valuations as follows:

Date of Valuation	Base of Valuation	Amount of Valuation
15 April 2004	Market value for existing use	$3.6 million
15 April 2004	Market value for existing use	$0.5 million

	Consolidated		Chief Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
The most recent valuations for all land and buildings are as follows (note valuations have not been recognised):				
- Freehold land	47,240	47,550	-	-
- Buildings	38,510	37,220	-	-
Reconciliations				
Freehold land				
Carrying amount at beginning	29,119	29,124	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	-	-	-
Net foreign currency movements arising from self-sustaining foreign operations	3	(5)	-	-
	29,122	29,119	-	-
Freehold buildings				
Carrying amount at beginning	33,796	34,920	-	-
Additions/improvements	372	75	-	-
Disposals	(7)	-	-	-
Depreciation	(1,135)	(1,137)	-	-
Net foreign currency movements arising from self-sustaining foreign operations	25	(62)	-	-
	33,051	33,796	-	-
Plant and equipment				
Carrying amount at beginning	94,303	98,662	-	-
Additions	14,652	20,437	-	-
Disposals	(1,594)	(1,304)	-	-
Depreciation (incl. write-down to net realisable value)	(25,939)	(23,255)	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(83)	(237)	-	-
	81,339	94,303	-	-
Motor vehicles				
Carrying amount at beginning	8,934	9,468	-	-
Additions	5,555	3,880	-	-
Disposals	(2,479)	(1,664)	-	-
Depreciation	(2,575)	(2,742)	-	-
Net foreign currency movements arising from self-sustaining foreign operations	175	(8)	-	-
	9,610	8,934	-	-
Total written-down amount	**153,122**	**166,152**	**-**	**-**

12. BRAND NAMES AND OTHER INTELLECTUAL PROPERTY

As at 30 June 2004 Brand Names and Other Intellectual Property of $357 million (2003: $356.2 million) are being carried at cost (2003: at cost). PricewaterhouseCoopers Securities Limited provided GWA International Limited with an opinion dated 25 August 2004 that the fair market value of the Brand Names and Other Intellectual Property was not less than its carrying value of $357 million as at 30 June 2004 (2003: $356.2 million) and the directors would be justified in continuing to carry it at that amount.

The directors are of the opinion that no events have occurred that would diminish the above carrying value.

	Consolidated		Chief Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
13. GOODWILL				
Goodwill	8,975	8,975	-	-
Accumulated amortisation	(8,100)	(7,200)	-	-
	875	**1,775**	**-**	**-**
14. PAYABLES (CURRENT)				
Trade creditors	51,118	50,971	-	-
Other creditors	6,434	7,856	-	-
	57,552	**58,827**	**-**	**-**
Reconciliation of prior year trade creditors				
Trade creditors		59,516		-
Adjustment for rebates		(11,538)		-
Reclassification from provisions		2,993		-
Trade creditors		50,971		-
15. INTEREST BEARING LIABILITIES (CURRENT)				
Unsecured bank overdraft	-	-	52	28
16. PROVISIONS (CURRENT)				
Employee benefits and on costs	17,784	18,632	-	-
Warranty	4,561	4,633	-	-
Other	9,630	7,477	-	-
	31,975	**30,742**	**-**	**-**

17. NON-CURRENT LIABILITIES

	Consolidated 2004 $'000	Consolidated 2003 $'000	Chief Entity 2004 $'000	Chief Entity 2003 $'000
Interest bearing liabilities				
Unsecured				
- Bank loans	297,803	296,183	-	-
- Loans from controlled entities	-	-	-	11,750
Total interest bearing liabilities	**297,803**	**296,183**	**-**	**11,750**
Non-interest bearing liabilities				
- Unsecured loans from controlled entities	-	-	453,024	367,663
Total non-interest bearing liabilities	**-**	**-**	**453,024**	**367,663**

Financing arrangements

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

This document provides for the following:

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

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

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

	Consolidated 2004 $'000	Consolidated 2003 $'000	Chief Entity 2004 $'000	Chief Entity 2003 $'000
Total facilities				
- Bank overdrafts	6,410	6,000	-	-
- Other bank facilities	312,803	312,542	-	-
	319,213	**318,542**	**-**	**-**
Used at balance date				
- Bank overdrafts	-	-	-	-
- Other bank facilities	297,803	296,183	-	-
	297,803	**296,183**	**-**	**-**
Unused at balance date				
- Bank overdrafts	6,410	6,000	-	-
- Other bank facilities	15,000	16,359	-	-
	21,410	**22,359**	**-**	**-**

Notes to the Financial Statements
AS AT 30 June 2004

18. PROVISIONS (NON-CURRENT)

	Consolidated 2004 $'000	Consolidated 2003 $'000	Chief Entity 2004 $'000	Chief Entity 2003 $'000
Employee benefits and on costs	10,937	10,446	-	-
Warranty	4,701	2,424	-	-
Other	3,034	2,362	-	-
	18,672	**15,232**	**-**	**-**
Total employee benefits and on costs	28,721	29,078	-	-
Movement in total provisions (current and non-current)				
(i) Employee benefits and on costs				
Opening balance	29,078	25,713	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(54)	(36)	-	-
Additional provisions	15,904	15,583	-	-
Provisions utilised	(16,207)	(12,182)	-	-
Closing balance	28,721	29,078	-	-
(ii) Warranty				
Opening balance	7,057	6,723	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(13)	(1)	-	-
Additional provisions	5,877	3,587	-	-
Provisions utilised	(3,659)	(3,252)	-	-
Closing balance	9,262	7,057	-	-
(iii) Other				
Opening balance	9,839	8,800	-	-
Net foreign currency movements arising from self-sustaining foreign operations	(6)	73	-	-
Additional provisions	5,820	4,853	-	-
Provisions utilised	(2,989)	(3,887)	-	-
Closing balance	12,664	9,839	-	-

Notes to the Financial Statements

As at 30 June 2004

19. CONTRIBUTED EQUITY

(a) Issued and Fully Paid Up Capital

	Consolidated		Chief Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
278,302,995 (2003: 277,802,995) ordinary shares fully paid	**346,853**	**345,493**	**346,853**	**345,493**

	2004 Number	2004 $'000	2003 Number	2003 $'000
Movements in issued paid up capital				
Ordinary shares				
Balance at 1 July 2003	277,802,995	345,493	277,642,995	345,124
Issue of shares to employees at $2.72 per share (2003: $2.31)	500,000	1,360	160,000	369
Balance at 30 June 2004	278,302,995	346,853	277,802,995	345,493

Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to 1 vote, either in person or by proxy, at a meeting of the company.

(b) Dividend Reinvestment Plan and Share Purchase Plan

Suspended

On the 8 February 2000 the directors suspended the Dividend Reinvestment Plan and the Share Purchase Plan.

(c) Employee Share Plan

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

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

The prices of shares issued under the Plan are the market price at the time of issue. During the 2003/04 year, 500,000 (2003: 160,000) ordinary shares were issued at a price of $2.72 (2003: $2.31), a total market value of $1,360,000 (2003: $369,600).

As at 30 June 2004, loans are issued for 2,785,000 (2003: 3,300,000) shares and the remaining balances of these loans were $3,852,370 (2003: $4,305,865).

During the 2003/04 year, dividends of $541,650 (2003: $607,187) were paid against the loans and a further $1,271,845 (2003: $459,637) was paid by employees against these loans.

Under the three year incentive plan for specified executives for the period ended 30 June 2004, there are entitlements to further allotments of up to 980,000 shares which will be issued in the 2004/05 year subject to acceptance of the allotments by the respective employees.

(d) Options

No options have been issued at any time.

Notes to the Financial Statements
As at 30 June 2004

	Consolidated		Chief Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
20. RESERVES AND RETAINED PROFITS				
(a) Foreign Currency Translation Reserve				
(i) Nature and purpose of reserve				
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.				
(ii) Movements in reserve				
Balance at beginning of year	(114)	1,532	-	-
Net exchange gain/(loss) on translation of foreign controlled entities	1,032	(1,646)	-	-
Balance at end of year	**918**	**(114)**	**-**	**-**
(b) Retained Profits				
Balance at beginning of year	68,408	41,193	1,371	256
Net profit attributable to members	62,053	55,007	51,713	28,907
Adjustment arising from adoption of revised Accounting Standard AASB1044 'Provisions, Contingent Liabilities and Contingent Assets'	-	20,823	-	20,823
Total available for appropriation	130,461	117,023	53,084	49,986
Dividends paid	(50,054)	(48,615)	(50,054)	(48,615)
Balance at end of year	**80,407**	**68,408**	**3,030**	**1,371**

21. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

Non-executive

B Thornton – Chairman

J J Kennedy – Deputy Chairman

D R Barry

R M Anderson

M D E Kriewaldt

Executive

P C Crowley – Managing Director

(ii) Specified executives

E Harrison – Chief Financial Officer

S Wright – Group Operations Manager

C Bizon – General Manager – Caroma – appointed 1 May 2004 (previously General Manager – Dux)

D Duncan – General Manager – Dorf Clark – appointed 1 January 2004 (previously Group Marketing Manager)

G Oliver – General Manager – Gainsborough

L Patterson – General Manager – Dux – joined 19 January 2004

R Watkins – General Manager – Rover

J Measroch – General Manager – Sebel

J Pearce – General Manager – Dorf Clark – to 31 December 2003

Notes to the Financial Statements

As at 30 June 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration policy

Nature and amount of remuneration

The Remuneration Committee has determined that the Group's executive remuneration will consist of:

- Salary and Leave
- Executive Performance Plan
- Employee Share Scheme
- Other benefits

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

The Executive Performance Plan has been structured into 2 bonus schemes based on performance targets, which are set at the beginning of the bonus period, and subject to maximum amounts.

Under the Employee Share Scheme, executives are granted an interest free loan to fund the purchase of shares in the company. Executives purchase the shares at the market price at time of issue. Executives receive share allocations up to maximum numbers determined by position in the company and by further entitlements on the achievement of 3 year bonus scheme targets. The loans provided by the company are repaid from dividends paid and are repayable on termination.

Other benefits, which include statutory leave, the provision of motor vehicles, medical benefits membership, and life and disability insurance, are all regularly benchmarked with salaries and reviewed yearly.

Relationship between remuneration and company performance

The yearly and 3 year bonus schemes, together with the Employee Share Scheme, establish relationships between the short, medium and long term performance of the company and each executive's remuneration.

Cash bonuses

The grant date of the yearly bonus scheme operating in this reporting period was 1 July 2003 and the nature of the remuneration granted is cash. Performance criteria were divisional operating profit for divisional executives and group earnings before interest and tax for corporate executives. There were no alterations of the terms and conditions after the grant date.

The grant date for the 3 year bonus scheme was 1 July 2001 and the nature of the remuneration is cash and additional loans with respect to further allocations of employee shares. The benefits of this scheme are subject to employment throughout the performance period and the performance criteria were divisional profits for divisional executives and earnings per share for corporate executives. There were no alterations of terms and conditions after the grant date.

Contract for services

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

3 Year Bonus

The 3 year bonus will be paid in 2004/05. The amounts accrued in prior periods for the 3 year bonus, and not shown in Note 21 (b) (ii) regarding current financial year remuneration, and that will be paid in 2004/05 are:

	Accrued 2001/02	Accrued 2002/03
E Harrison	53,600	56,400
S Wright	51,000	53,600
C Bizon	36,000	40,000
G Oliver	39,600	42,000
R Watkins	32,550	33,880
J Measroch	42,000	44,400
	254,750	270,280#

Refer to Note 21 (b) (ii)

Notes to the Financial Statements

As at 30 June 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives (continued)

(ii) Remuneration of specified directors and specified executives

	Primary				Post Employment		Other		Total
	Salary fees and leave	1 Year bonus	3 Year bonus#	Non monetary	Super-annuation	Retirement benefits	Termination benefits	Benefits	$
Specified directors									
Non-executive									
B Thornton	214,500	-	-	-	19,305	-	-	250	234,055
J Kennedy	108,810	-	-	-	9,793	-	-	250	118,853
M Kriewaldt	85,800	-	-	-	7,722	-	-	250	93,772
D Barry	75,790	-	-	-	6,821	-	-	250	82,861
R Anderson	71,500	-	-	-	6,435	-	-	250	78,185
Executive									
P Crowley	815,079	412,500	-	59,772	36,000	-	-	9,035	1,332,386
Total remuneration:									
Specified directors									
2004	1,371,479	412,500	-	59,772	86,076	-	-	10,285	1,940,112
2003*	1,508,908	960,000	-	190,018	133,532	-	1,317,000	16,287	4,125,745
Specified executives									
E Harrison	390,300	90,000	60,000	59,519	-	-	-	3,888	603,707
S Wright	369,534	88,200	58,800	62,863	29,512	-	-	3,572	612,481
R Watkins	276,309	75,600	35,280	54,236	25,040	-	-	3,063	469,528
C Bizon	287,583	-	44,000	67,906	26,375	-	-	3,225	429,089
J Pearce	126,493	-	-	38,629	12,849	-	300,000	2,202	480,173
D Duncan	188,029	60,000	-	27,089	19,936	-	-	2,348	297,402
J Measroch	246,530	69,600	46,400	62,911	23,200	-	-	2,867	451,508
L Patterson	99,285	30,000	-	11,461	9,102	-	-	1,277	151,125
G Oliver	217,266	66,900	44,600	42,250	40,883	-	-	2,326	414,225
Total remuneration:									
Specified executives									
2004	2,201,329	480,300	289,080	426,864	186,897	-	300,000	24,768	3,909,238
2003*	2,121,121	425,100	270,280	556,221	195,705	-	-	29,613	3,598,040

* Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

Notes to the Financial Statements

As at 30 June 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives (continued)

(iii) Shareholdings of specified directors and specified executives

	Shares held in GWA International Limited (number)				
	Balance 1 July 03 Ord	Received as remuneration Ord	On exercise of options Ord	Net change other Ord	Balance 30 June 04 Ord
Specified directors					
Non-executive					
B Thornton	14,368,075	-	-	(12,173)	14,355,902
J Kennedy	5,000	-	-	45,000	50,000
M Kriewaldt	100,000	-	-	-	100,000
D Barry	11,537,149	-	-	-	11,537,149
R Anderson	20,695,082	-	-	(2,250)	20,692,832
Executive					
P Crowley	-	-	-	500,000	500,000
Specified executives					
E Harrison	443,728	-	-	27,247	470,975
S Wright	268,750	-	-	7,000	275,750
R Watkins	268,750	-	-	-	268,750
C Bizon	210,000	-	-	-	210,000
J Measroch	150,000	-	-	-	150,000
G Oliver	156,250	-	-	-	156,250
D Duncan	2,000	-	-	-	2,000
Total	**48,204,784**	**-**	**-**	**564,824**	**48,769,608**

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

The directors' shareholdings shown above differ to those listed in the Directors' Report. This is due to the wider scope of the AASB 1046 definition where shareholdings comprise those of the individual and their "personally-related entities" which includes their spouse, relatives and the spouses of the relatives. Also included are the shareholdings of any other entity under the control or significant influence of the individual, their spouse, relatives and the spouses of the relatives.

Notes to the Financial Statements

As at 30 June 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration of Specified Directors and Specified Executives (continued)

(iv) Loans to specified directors and specified executives

(a) Details of aggregates of loans to specified directors and specified executives are as follows:

		Balance 1 July 2003 $	Interest charged	Interest not charged	Write-off	Balance 30 June 2004 $	Number in group 30 June 2004
Specified directors							
	2004	NIL	-	43,721	-	1,310,000	1
	2003	267,962	-	16,713	-	242,369	1
Specified executives							
	2004	2,284,268	-	165,921	-	2,167,837	8
	2003	3,277,264	-	182,158	-	2,284,782	7
Total specified directors and specified executives							
	2004	2,284,268	-	209,642	-	3,477,837	9
	2003	3,545,226	-	198,871	-	2,527,151	8

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

	Balance 1 July 2003 $	Interest charged	Interest not charged	Write-off	Balance 30 June 2004 $	Highest owing in period
Specified directors						
P Crowley	NIL	-	43,721	-	1,310,000	1,360,000
Specified executives						
E Harrison	319,206	-	19,913	-	288,831	319,206
S Wright	244,206	-	15,001	-	213,831	244,206
R Watkins	226,706	-	13,265	-	178,331	226,706
C Bizon	530,750	-	70,369	-	503,750	1,867,750
J Pearce	425,181	-	13,925	-	NIL	425,181
J Measroch	290,750	-	18,160	-	263,750	290,750
G Oliver	247,469	-	15,288	-	219,344	247,469
D Duncan	NIL	-	NIL	-	500,000	500,000

Mr C Bizon has an unsecured housing loan of $240,000 and received a bridging loan during the year relating to his relocation from New South Wales to Queensland and this loan was repaid during the year. Mr D Duncan has received a housing loan of $500,000 secured by a registered second mortgage on his relocation from Queensland to New South Wales. Mr J Pearce repaid an unsecured housing loan of $76,000 during the year. Mr E Harrison has an unsecured housing loan of $75,000. Each of these loans is interest free and repayable on termination.

All other loans are with respect to the Employee Share Scheme. Reductions in the loan balance during the year were due to dividends paid and for Mr J Pearce, repayment on termination. The Employee Share Plans are interest free and repayable over 15 years or earlier in certain circumstances. Dividends paid on the shares acquired under the Plan are applied against the balance of the loan outstanding.

(v) Other transactions and balances with specified directors and specified executives

Transactions with specified directors

Mr B Thornton is a director of Great Western Corporation Pty Ltd. Certain entities in the economic entity have purchased and sold components and tooling from and to Great Western Corporation Pty Ltd on normal commercial terms and conditions during the year for a net purchase consideration of $297,393 (2003: $485,197). At reporting date $14,278 (2003: $99,471) formed part of trade creditors.

Notes to the Financial Statements

As at 30 June 2004

	Consolidated		Chief Entity	
	2004 $	2003 $	2004 $	2003 $
22. REMUNERATION OF AUDITORS				
Amounts received or due and receivable by the auditors of GWA International Limited for:				
- an audit or review of the financial report of the entity and any other entity in the economic entity	300,400	258,100	8,400	8,400
- other services in relation to the entity and any other entity in the economic entity				
Tax advisory and compliance	72,370	68,420	-	-
Acquisition due diligence services	4,400	66,000	-	-
Superannuation advice and assistance	8,650	11,500	-	-
Other	72,809	28,150	-	-
	458,629	**432,170**	**8,400**	**8,400**
Amounts received or due and receivable by auditors other than the auditors of GWA International Limited for:				
- an audit or review of the financial report of subsidiary entities	54,369	90,424	-	-
	512,998	**522,594**	**8,400**	**8,400**
23. CONTINGENT LIABILITIES				
Details and estimates of maximum amounts of contingent liabilities, classified in accordance with the party from whom the liability could arise and for which no provisions are included in the accounts, are as follows:				
Bank guarantees	**1,078**	**618**	**-**	**-**
Cross guarantee by GWA International Limited as described in Note 28. All these companies have assets in excess of liabilities.				
The previous freight carrier for Dux has lodged an action in the Industrial Relations Commission of NSW with claims totaling $3.6 million. Dux is defending the claim. No provision has been made in the financial report for the claimed compensation.				
24. COMMITMENTS FOR EXPENDITURE				
(a) Capital Expenditure Commitments				
Total capital expenditure contracted for at balance date but not provided for in the accounts payable:				
Not later than 1 year	**2,768**	**3,886**	**-**	-
(b) Lease Expenditure Commitments				
Operating lease (non-cancelable) expenditure contracted for at balance date:				
Not later than 1 year	6,894	6,830	-	-
Later than 1 year but not later than 5 years	14,575	15,382	-	-
Later than 5 years	2,237	1,080	-	-
Aggregate lease expenditure contracted for at balance date	**23,706**	**23,292**	**-**	**-**
Aggregate expenditure commitments comprise:				
Amounts not provided for:				
- Rental commitments	23,706	23,292	-	-
Total not provided for	23,706	23,292	-	-
Aggregate lease expenditure contracted for at balance date	**23,706**	**23,292**	**-**	**-**

Notes to the Financial Statements

As at 30 June 2004

25. SUPERANNUATION COMMITMENTS

GWAIL Group Retirement Fund

The Defined Benefits categories of the GWAIL Group Retirement Fund were discontinued effective 30 June 2002. Members have transferred their benefits to other superannuation funds.

As at 30 June 2004 all members had transferred from the fund. During the 2003/04 year, additional company contributions of $161,500 were paid into the fund to meet a higher assessment of contributions surcharge than expected.

Following payment of these liabilities, the fund had no remaining assets or liabilities at 30 June 2004 and will now be wound up.

26. RELATED PARTIES

Transactions concerning wholly owned group

The wholly owned group consists of GWA International Limited and its wholly owned controlled entities.

Transactions between GWA International Limited and wholly owned controlled entities during the year ended 30 June 2004 consisted of:

(i) loans advanced by and to GWA International Limited;

(ii) loans repaid to and by GWA International Limited; and

(iii) the payment of dividends to GWA International Limited.

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with wholly owned controlled entities were as follows:

	Chief Entity	
	2004 $'000	2003 $'000
Dividend revenue	50,400	28,100
Trust revenue	1,915	1,874
Interest expense	-	684
Aggregate amounts receivable from and payable to wholly owned controlled entities at balance date were as follows:		
Non-current receivables	458,120	396,730
Non-current borrowings	453,024	379,413

Controlling entities

The ultimate controlling entity and the ultimate Australian controlling entity in the wholly owned group is GWA International Limited.

Ownership interests in related parties

Interests held in controlled entities are set out in Note 27.

Notes to the Financial Statements

As at 30 June 2004

27. INVESTMENT IN CONTROLLED ENTITIES

(a) Name of Entity

		Country of Incorporation	Class of Shares	2004 %	2003 %	Parties to Cross Guarantee
Chief Entity						
GWA International Limited		Aust	Ord			Y
Controlled Entities						
GWA Group Limited	(ii)	Aust	Ord	100	100	Y
Gainsborough Hardware Industries Limited	(ii)	Aust	Ord	100	100	Y
Gainsborough Hardware Limited	(iii)	UK	Ord	100	100	N
Caroma Holdings Limited	(ii)	Aust	Ord	100	100	Y
GWA (North America) Pty Ltd	(ii)	Aust	Ord	100	100	Y
Sebel Furniture Inc	(iii)	USA	Ord	100	100	N
Caroma Industries Limited	(ii)	Aust	Ord	100	100	Y
G Subs Pty Ltd	(ii)	Aust	Ord	100	100	Y
Sebel Furniture (Hong Kong) Ltd	(i)	HK	Ord	100	100	N
GWA International (Hong Kong) Limited	(i)	HK	Ord	100	100	N
Stylus Pty Ltd	(ii)	Aust	Ord	100	100	Y
Stylus Industries Pty Limited	(ii)	Aust	Ord	100	100	Y
Fowler Manufacturing Pty Ltd	(ii)	Aust	Ord	100	100	Y
Starion Tapware Pty Ltd	(ii)	Aust	Ord	100	100	Y
Dorf Clark Industries Ltd	(ii)	Aust	Ord	100	100	Y
Dorf Industries (NZ) Ltd		NZ	Ord	100	100	N
McIlwraith Davey Pty Ltd	(ii)	Aust	Ord	100	100	Y
Stylus Sales Limited		NZ	Ord	100	100	N
Caroma Industries Europe BV	(i)	Netherlands	Ord	100	100	N
Wisa Beheer BV	(i)	Netherlands	Ord	100	100	N
Wisa BV	(i)	Netherlands	Ord	100	100	N
Wisa Systems BV	(i)	Netherlands	Ord	100	100	N
Wisa GmbH	(i)	Germany	Ord	100	100	N
Stokis Kon Fav. Van Metaalwerken NV	(i)	Netherlands	Ord	100	100	N
Wisa France SA	(i)	France	Ord	100	100	N
Caroma International Pty Ltd	(ii)	Aust	Ord	100	100	Y
Caroma USA Inc	(iii)	USA	Ord	100	100	N
Caroma Canada Industries Ltd	(iii)	Canada	Ord	100	100	N
Caroma Industries (UK) Ltd	(i)	UK	Ord	100	100	N
Canereb Pty Ltd	(iv)	Aust	Ord	100	100	N
Dux Manufacturing Limited	(ii)	Aust	Ord	100	100	Y
GWA Taps Manufacturing Limited	(ii)	Aust	Ord	100	100	Y
Lake Nakara Pty Ltd	(iv)	Aust	Ord	100	100	N
Mainrule Pty Ltd	(iv)	Aust	Ord	100	100	N
Warapave Pty Ltd	(iv)	Aust	Ord	100	100	N
Rover Mowers (NZ) Limited		NZ	Ord	100	100	N
Caroma Industries (NZ) Limited		NZ	Ord	100	100	N
GWAIL (NZ) Ltd		NZ	Ord	100	100	N
Rover Mowers Limited	(ii)	Aust	Ord	100	100	Y
Industrial Mowers (Australia) Limited	(ii)	Aust	Ord	100	100	Y
Olliveri Pty Ltd	(ii)	Aust	Ord	100	100	Y
Sebel Service & Installations Pty Ltd	(ii)	Aust	Ord	100	100	Y

Notes to the Financial Statements

As at 30 June 2004

27. INVESTMENT IN CONTROLLED ENTITIES (continued)

(a) Name of Entity (continued)

		Country of Incorporation	Class of Shares	2004 %	2003 %	Parties to Cross Guarantee
Sebel Properties Pty Ltd	(ii)	Aust	Ord	100	100	Y
Sebel Furniture Limited (NZ)		NZ	Ord	100	100	N
Sebel Furniture Limited	(ii)	Aust	Ord	100	100	Y
Sebel Furniture (SEA) Pte Ltd	(i)	Sing	Ord	100	100	N
Sebel Sales Pty Limited	(ii)	Aust	Ord	100	100	Y
Caroma Singapore Pte Limited	(i)	Sing	Ord	100	100	N
GWA Finance Pty Limited	(ii)	Aust	Ord	100	100	Y
Hetset (No. 5) Pty Ltd	(ii)	Aust	Ord	100	100	Y
Bankstown Unit Trust		Aust	Units	100	100	Y

All controlled entities are controlled by GWA International Limited.

(i) Controlled entities which are audited by other member firms of Ernst & Young International.

(ii) Pursuant to Class Order 98/1418, relief has been granted to these controlled entities of GWA International Limited from the *Corporations Act 2001* requirements for preparation, audit and publication of a financial report.

(iii) There is no requirement to prepare a financial report for these overseas companies and accordingly separate audits were not performed.

(iv) In accordance with the *Corporations Act 2001* the directors have elected not to prepare or have audited a financial report for the controlled entity as the entity meets the definition of a small proprietary company.

(b) Controlled Entities

GW Nominees Pty Ltd and GWAIL ESF Nominees Pty Ltd which are the trustee companies of the GWA International Limited Group Retirement Fund and the GWA International Limited Superannuation Fund respectively, are wholly owned by a controlled entity of GWA International Limited. These trusteeships are the sole activities of the companies, which do not trade in their own right. As superannuation trustees, these entities are not controlled entities for the purpose of Accounting Standard AASB 1024 'Consolidated Accounts' and are therefore not consolidated with the group of companies comprising GWA International Limited and its controlled entities.

28. DEED OF CROSS GUARANTEE

GWA International Limited, and specific controlled entities (as set out in Note 27) having their place of incorporation in Australia, are parties to a deed of cross guarantee which has been lodged with and approved by the Australian Securities and Investments Commission. Under the deed of cross guarantee each of the parties to the deed guarantees the debts of the other.

Pursuant to Class Order 98/1418, relief has been granted to the companies in the closed group from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

The consolidated statement of financial performance and statement of financial position of the entities which are parties to the Deed of Cross Guarantee (Closed Group) are as follows:

	2004 $'000	2003 $'000
Consolidated Statements of Financial Performance		
Profit from ordinary activities before income tax	**82,619**	**79,733**
Income tax attributable to ordinary activities	(23,829)	(23,070)
Profit from ordinary activities after income tax	**58,790**	**56,663**
Retained profits at the beginning of the financial year	56,051	27,180
Adjustment arising from the adoption of revised Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'	-	20,823
Total available for appropriation	**114,841**	**104,666**
Dividends paid	(50,054)	(48,615)
Retained profits at the end of the financial year	**64,787**	**56,051**

Notes to the Financial Statements

As at 30 June 2004

28. DEED OF CROSS GUARANTEE (continued)

Consolidated Statements of Financial Position

	2004 $'000	2003 $'000
Current assets		
Cash assets	117,044	77,086
Receivables	60,777	75,786
Inventories	87,243	109,074
Other	1,452	2,719
Total current assets	**266,516**	**264,665**
Non-current assets		
Receivables	4,288	4,367
Investments	16,280	16,280
Property, plant and equipment	123,624	135,462
Inter-company	52,110	47,720
Brand names and other intellectual property	331,685	331,685
Goodwill	875	1,775
Deferred tax assets	24,780	20,919
Total non-current assets	**553,642**	**558,208**
Total assets	**820,158**	**822,873**
Current liabilities		
Payables	53,630	64,283
Current tax liabilities	8,774	14,321
Provisions	30,289	31,225
Total current liabilities	**92,693**	**109,829**
Non-current liabilities		
Interest bearing liabilities	297,803	296,183
Deferred tax liability	665	1,028
Provisions	18,671	15,230
Inter-company	-	-
Total non-current liabilities	**317,139**	**312,441**
Total liabilities	**409,832**	**422,270**
Net assets	**410,326**	**400,603**
Equity		
Contributed equity	346,853	345,493
Reserves	(1,314)	(941)
Retained profits	64,787	56,051
Total equity	**410,326**	**400,603**

Notes to the Financial Statements

As at 30 June 2004

29. SEGMENT REPORTING

(a) Primary Reporting – Business Segments

	Building Fixtures and Fittings	Commercial Furniture	Unallocated	Intersegment Eliminations	Total Consolidated
	2004 $'000	2004 $'000	2004 $'000	2004 $'000	2004 $'000
Revenue					
External sales	552,504	68,148	47,274	-	667,926
Intersegment sales	31	2,065	-	(2,096)	-
Total sales revenue	552,535	70,213	47,274	(2,096)	667,926
Other revenue	3,796	1,296	4,375	-	9,467
Total segment revenue	556,331	71,509	51,649	(2,096)	677,393
Segment result	102,176	6,832	(20,607)	-	88,401
Income tax expense					(26,348)
Net profit					62,053
Total assets	596,224	57,011	190,986	-	844,221
Total liabilities	79,358	7,536	329,150	-	416,044
Other segment information:					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	16,641	2,615	1,324	-	20,580
Depreciation and amortisation expenses	25,504	3,505	1,540	-	30,549
Non-cash expenses other than depreciation and amortisation	-	-	-	-	-

	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000
Revenue					
External sales	546,614	70,146	42,829	-	659,589
Intersegment sales	-	2,255	-	(2,255)	-
Total sales revenue	546,614	72,401	42,829	(2,255)	659,589
Other revenue	3,102	1,026	2,808	-	6,936
Total segment revenue	549,716	73,427	45,637	(2,255)	666,525
Segment result	95,801	6,246	(23,471)	-	78,576
Income tax expense					(23,569)
Net profit					55,007
Total assets	645,877	56,927	140,811	-	843,615
Total liabilities	90,037	7,113	332,678	-	429,828
Other segment information:					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	19,454	3,942	996	-	24,392
Depreciation and amortisation expense	22,962	3,344	1,728	-	28,034
Non-cash expenses other than depreciation and amortisation	-	-	-	-	-

Notes to the Financial Statements

As at 30 June 2004

29. SEGMENT REPORTING (continued)

(a) Primary Reporting – Business Segments (continued)

Notes to and forming part of Segment Reporting:

(i) The above industry segments derive revenue from sales of the following products:

Building fixtures and fittings

Sanitary ware
Building hardware products
Baths, shower screens and spas
Household accessories, sinks and tap ware
Hot water products

Commercial furniture

Education products
Hospitality products
Stadia seating

Unallocated

Domestic and ride-on mowers
Corporate administration and treasury

(ii) Intersegment pricing is on an arms' length basis

(b) Secondary Reporting - Geographical Segments

	Australia	Unallocated	Total Consolidated
	2004 $'000	2004 $'000	2004 $'000
Segment revenue from sales to external customers	578,546	89,380	667,926
Other revenue	8,882	585	9,467
Segment assets	786,261	57,960	844,221
Acquisition of property plant and equipment, intangibles and other non-current segment assets	19,490	1,090	20,580
	2003 $'000	2003 $'000	2003 $'000
Segment revenue from sales to external customers	568,560	91,029	659,589
Other revenue	5,339	1,597	6,936
Segment assets	782,157	61,458	843,615
Acquisition of property plant and equipment, intangibles and other non-current segment assets	23,017	1,375	24,392

Notes to the Financial Statements

As at 30 June 2004

30. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated		Chief Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Profit from ordinary activities after income tax	62,053	55,007	51,714	28,907
Depreciation and amortisation	30,549	28,034	-	-
Net loss/(profit) on sale of non-current assets	1,265	1,059	-	-
Net exchange differences	213	177	-	-
Provisions	1,681	5,883	-	-
Decrease/(increase) in assets				
Decrease/(increase) in inventories	21,258	(3,330)	-	-
Decrease/(increase) in trade debtors	18,617	(3,284)	-	-
Decrease/(increase) in future income tax benefit	(3,153)	(5,314)	(24,780)	-
Decrease/(increase) in other assets	56	2,233	15,934	-
Increase/(decrease) in liabilities				
Increase/(decrease) in accounts payable and bills payable	(9,845)	8,616	-	-
Increase/(decrease) in provision for income tax payable	(7,679)	2,679	8,399	(18)
Increase/(decrease) in provision for deferred tax	(362)	(353)	665	-
Net cash flow from operating activities	**114,653**	**91,407**	**51,932**	**28,889**

31. EARNINGS PER SHARE

	2004	2003
Basic earnings per share	22.3c	19.8c
Profit used to determine earnings per share	62,053,000	55,007,000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	278,023,543	277,778,009

The company has only ordinary shares on issue and there is no other class of securities that could dilute earnings per share.

32. EVENTS OCCURRING AFTER BALANCE DATE

On 31st August 2004, the directors of GWA International Limited declared a final dividend on ordinary shares in respect of the 2004 financial year. The total amount of the dividend is $29,221,814, 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 dividend has not been provided for in the 30 June 2004 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.

Notes to the Financial Statements

As at 30 June 2004

33. FINANCIAL INSTRUMENTS

(a) Terms, Conditions and Accounting Policies

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
(i) Financial assets			
Receivables - trade	7	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are predominantly on 30 day terms.
Short-term deposits	6	Short-term deposits are stated at face value. Interest is recognised in the profit and loss when earned.	Short-term deposits have an average maturities from 24 hours to 60 days and effective interest rates of 4.2% to 5.4% (2003: 4.2% to 4.7%).
(ii) Financial liabilities			
Bank overdrafts	15	The bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.	Interest is charged at the bank's benchmark rate plus a margin. No security has been given for bank overdrafts.
Bank loans	17	The bank loans are carried at the principal amount. Interest is recognised as an expense as it accrues.	The bank loans have a maximum 3-year rolling maturity. Interest is charged at the market rate plus a margin. No security has been given for bank loans.
Trade creditors and accruals	14	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade liabilities are normally settled on 30 day terms.
Dividends payable	5	Dividends payable are recognised when declared by the company.	In accordance with Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' no dividend has been recognised at 30 June 2004 (2003: nil cents per ordinary share). The extent to which the dividends are franked, details of the franking account balance at the balance date and franking credits available for the subsequent financial year are disclosed in Note 5.
(iii) Equity			
Ordinary shares	19	Ordinary share capital is recognised at the fair value of the consideration received by the company.	

33. FINANCIAL INSTRUMENTS (continued)

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

<table>
<tr><th>Recognised Financial Instruments</th><th>Note</th><th>Accounting Policies</th><th colspan="3">Terms and Conditions</th></tr>
<tr><td colspan="6">(iv) Derivatives</td></tr>
<tr><td rowspan="15">Forward exchange contracts</td><td rowspan="15"></td><td rowspan="15">The economic entity enters into forward exchange contracts where it agrees to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect the company against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 12 months. Exchange gains or losses on forward exchange contracts are recognised to the profit and loss except those relating to hedges of specified commitments which are deferred and included in the measurement of the sale or purchase.</td><td colspan="3">At balance date the company had entered into the following forward exchange contracts relating to specified commitments and agreed to:</td></tr>
<tr><td>Buy/Sell</td><td>Foreign Currency Amount</td><td>Effective Rate</td></tr>
<tr><td>2004</td><td></td><td></td></tr>
<tr><td>Buy CHF</td><td>CHF 0.04 million</td><td>0.8615</td></tr>
<tr><td>Buy USD</td><td>USD 3.30 million</td><td>0.6974</td></tr>
<tr><td>Sell NZD</td><td>NZD 11.60 million</td><td>1.1517</td></tr>
<tr><td>Sell USD</td><td>USD 1.20 million</td><td>0.6926</td></tr>
<tr><td>2003</td><td></td><td></td></tr>
<tr><td>Buy YEN</td><td>YEN 31 million</td><td>77.0</td></tr>
<tr><td>Buy CHF</td><td>CHF 0.04 million</td><td>0.795</td></tr>
<tr><td>Buy EURO</td><td>EURO 0.50 million</td><td>0.5568</td></tr>
<tr><td>Buy USD</td><td>USD 4.03 million</td><td>0.6143</td></tr>
<tr><td>Sell NZD</td><td>NZD 13.70 million</td><td>1.091</td></tr>
<tr><td>Sell EURO</td><td>EURO 0.03 million</td><td>0.577</td></tr>
<tr><td>Sell USD</td><td>USD 1.99 million</td><td>0.6167</td></tr>
<tr><td rowspan="14">Interest rate swaps</td><td rowspan="14"></td><td rowspan="14">GWA International Limited enters into interest rate swap agreements that are used to convert the variable interest rate of its short-term borrowing to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates. It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.</td><td colspan="3">At balance date, the company had the following interest rate swap agreements:</td></tr>
<tr><td>Swap Term Remaining</td><td>Notional Amount</td><td>Effective Rate</td></tr>
<tr><td>2004</td><td></td><td></td></tr>
<tr><td>Oct 04</td><td>A$100 million</td><td>5.13%</td></tr>
<tr><td>Mar 05#</td><td>A$ 50 million</td><td>5.04%</td></tr>
<tr><td>May 06*</td><td>A$ 50 million</td><td>4.63%</td></tr>
<tr><td>2003</td><td></td><td></td></tr>
<tr><td>Aug 03</td><td>A$ 50 million</td><td>5.31%</td></tr>
<tr><td>Oct 04</td><td>A$100 million</td><td>5.13%</td></tr>
<tr><td>Mar 05#</td><td>A$ 50 million</td><td>5.04%</td></tr>
<tr><td>May 06*</td><td>A$ 50 million</td><td>4.63%</td></tr>
<tr><td colspan="3"># Bank has an option for a further 18 months
* Bank has an option for a further 12 months</td></tr>
</table>

Notes to the Financial Statements

As at 30 June 2004

33. FINANCIAL INSTRUMENTS (continued)

(b) Interest Rate Risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating Interest Rate	Fixed Financial Instruments Maturing in			Non-Interest Bearing	Total Carrying Amount as Per Statement of Financial Position	Weighted Average Effective Interest rate
		1 Year or Less	Over 1-5 Years	More than 5 Years			
	2004 $'000	2004 $'000	2004 $'000	2004 $'000	2004 $'000	2004 $'000	2004 %
Financial assets							
Cash and deposits at call	138,352	-	-	-	-	138,352	5.12
Trade receivables	-	-	-	-	65,848	65,848	N/A
Total financial assets	138,352	-	-	-	65,848	204,200	N/A
Financial liabilities							
Bank loans	297,803	-	-	-	-	297,803	5.45
Trade creditors	-	-	-	-	51,118	51,118	N/A
Interest rate swaps	-	100,000	100,000	-	-	-	5.00
Forward exchange contracts	-	16,997	-	-	478	478	N/A
Total financial liabilities	297,803	116,997	100,000	-	51,596	349,399	N/A

Financial Instruments	Floating Interest Rate	Fixed Financial Instruments Maturing in			Non-Interest Bearing	Total Carrying Amount as Per Statement of Financial Position	Weighted Average Effective Interest Rate
		1 Year or Less	Over 1-5 Years	More than 5 Years			
	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 %
Financial assets							
Cash and deposits at call	88,505	-	-	-	-	88,505	4.68
Trade receivables	-	-	-	-	84,646	84,646	N/A
Total financial assets	88,505	-	-	-	84,646	173,151	N/A
Financial liabilities							
Bank loans	296,183	-	-	-	-	296,183	5.02
Trade creditors	-	-	-	-	62,509	62,509	N/A
Interest rate swaps	-	50,000	200,000	-	-	-	5.14
Forward exchange contracts	-	22,421	-	-	-	-	N/A
Total financial liabilities	296,183	72,421	200,000	-	62,509	358,692	N/A

Notes to the Financial Statements

As at 30 June 2004

33. FINANCIAL INSTRUMENTS (continued)

(c) Net Fair Values

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

	Total Carrying Amount as Per the Statement of Financial Position		Aggregate Net Fair Value (i)	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Financial assets				
Cash and deposits at call	138,352	88,505	138,352	88,505
Receivables - Trade	65,848	84,646	65,848	84,646
Total financial assets	**204,200**	**173,151**	**204,200**	**173,151**
Financial liabilities				
Bank loans	297,803	296,183	297,803	296,183
Trade creditors	51,118	62,509	51,118	62,509
Interest rate swaps - (Gain)/loss	-	-	(677)	703
Forward exchange contracts - (Gain)/loss	478	-	454	(429)
Total financial liabilities	**349,399**	**358,692**	**348,698**	**358,966**

(i) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised financial instruments

Cash and deposits at call: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and creditors: The carrying amount approximates fair value.

Long-term borrowings: The carrying amount of long-term borrowings approximates fair value because their incremental borrowing rates were rolled over no later than 30 August 2004. The current rate would be the same as the current incremental rate applicable to the borrowings.

Forward exchange contracts: The carrying amount of forward exchange contracts is determined as the recognised gain or loss at balance date calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Unrecognised financial instruments

Interest rate swap agreements: The fair values of interest rate swap contracts are determined as the difference in present value of the future interest cash flows.

33. FINANCIAL INSTRUMENTS (continued)

(d) Credit Risk Exposures

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the Statement of Financial Position.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The economic entity's maximum credit risk exposure in relation to these is as follows:

(i) forward exchange contracts - the full amount of the foreign currency it will be required to pay or purchase when settling the forward exchange contract, should the counterparty not pay the currency it is committed to deliver to the company. At balance date the net loss amount was $454,000 (2003 net gain: $429,000);

(ii) interest rate swap contract - which is limited to the net fair value of the swap agreement at balance date, being a net gain of $677,000 (2003 net loss: $703,000).

Concentrations of credit risk

The entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers within the specified industries. However, the majority of customers are concentrated in Australia. Refer also to Note 29 – Segment Reporting.

Concentrations of credit risk on trade receivables arise in the following industries:

	Maximum Credit Risk Exposure* for Each Concentration			
	Consolidated			
	Percentage of Total Trade Debtors (%)		$'000	
	2004	2003	2004	2003
Industry				
Buildings, fixtures and fittings	78	80	51,147	58,526
Commercial furniture	15	11	9,900	7,951
Unallocated	7	9	4,801	6,631
Total	**100**	**100**	**65,848**	**73,108**

Credit risk in trade receivables is managed in the following ways:

- payment terms are predominantly 30 days;
- a risk assessment process is used for customers over $50,000; and
- credit insurance is obtained for major customers.

*The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

(e) Hedging Instruments

(i) Interest rate swaps

GWA International Limited has entered into interest rate swap contracts to hedge against fluctuations in interest rates on its borrowing facilities.

(ii) Forward exchange contracts

GWA International Limited has entered into forward exchange contracts to hedge against fluctuations in foreign currencies on purchases and sale of goods.

34. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

For reporting periods beginning on or after 1 January 2005, GWA International Limited must comply with International Financial Reporting Standards (IFRS) as issued by the AASB. The first Financial Report to be completed under IFRS will be for the year ended 30 June 2006.

GWA International Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of IFRS. The company has allocated internal resources and engaged expert consultants to conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As GWA International Limited has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when GWA International Limited prepare its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of GWA International Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

Under AASB 139 'Financial Instruments: Recognition and Measurement', financial instruments will be required to be recognised in the statement of Financial Position. The financial instruments must also be classified into one of five categories. The financial instruments are to be carried at either fair value or amortised cost depending on their classification. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Hedge Accounting

Under AASB 139 'Financial Instruments: Recognition and Measurement' in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identified the type of hedge – fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

The entity's foreign exchange contracts relating to the purchase of components and finished goods for resale are hedges and are expected to be qualifying hedges under these criteria.

Business Combinations

Under AASB 3 'Business Combinations' goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy, which amortises goodwill over its useful life of 10 years. However, the goodwill acquired on the acquisition of Gainsborough will be fully amortised in the 2004/05 year. Under the new policy, amortisation will no longer be charged on future goodwill, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of Assets

Under AASB 136 'Impairment of Assets' the recoverable amount of an asset is determined on a discounted basis with strict tests for determining whether goodwill and cash generating operations have been impaired. On adoption of IFRS, the current balance of goodwill will have been fully amortised in the consolidated accounts. As at 30 June 2004, the economic entity has $357 million of other intangibles held in the balance sheet at cost. Under AASB 136, these assets will be tested for impairment annually and any impairment loss will be recognised immediately in the statement of financial performance. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Income taxes

Under AASB 112 'Income Taxes', the company will be required to use a "balance sheet" approach, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or the tax-based balance sheet. A material difference between the Statement of Financial Position and the tax balance sheet will be amortised goodwill, which will be treated as a temporary difference under the new standard. At this stage no other material impact of this standard has been identified.

Directors' Declaration

In accordance with a resolution of the directors of GWA International Limited, we state that:

1. In the opinion of the directors:
   - (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
     - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
     - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
   - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

B Thornton
Director

P C Crowley
Director

Brisbane 31 August 2004

Independent Audit Report

To the members of GWA International Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for GWA International Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001.* This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of GWA International Limited is in accordance with:

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

  (i) giving a true and fair view of the financial position of GWA International Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst - Young

Ernst & Young

Graham Ezzy

Graham Ezzy
Partner

Sydney

Date: 31 August 2004

Other Statutory Information

As at 18 August 2004

Statement of shareholding

In accordance with the Australian Stock Exchange Listing Rules, the directors state that, as at 18 August 2004, the share capital in the company was held as follows:

Range	Ordinary Shareholders	Ordinary Shares	%
1 – 1,000	1,702	1,166,052	0.4
1,001 – 5,000	7,387	22,665,112	8.1
5,001 – 10,000	3,511	26,381,643	9.5
10,001 – 100,000	1,999	41,389,066	14.9
100,001 and over	123	186,701,122	67.1
Total	**14,722**	**278,302,995**	**100.0**

The number of shareholders with less than a marketable parcel of shares is 165.

Voting rights

The voting rights attached to shares are as set out in clause 10.20 of the company's Constitution. Subject to that clause, at General Meetings of the company:

1. On a show of hands, every person present as a member, proxy, attorney or representative of a member has one vote; and
2. On a poll, every person present as a member, proxy, attorney or representative of a member, has one vote for each fully paid share.

Substantial shareholders

The following information is extracted from the company's register of substantial shareholders as at 18 August 2004:

Shareholder	Number of Shares	% of Shares on Issue
Perpetual Trustees Australia Limited	20,079,607	7.22

20 largest shareholders as at 18 August 2004

Shareholder	Number of Fully Paid Ordinary Shares	% Fully Paid Ordinary Shares on Issue
HGT Investments Pty Ltd	13,848,152	4.98
National Nominees Limited	10,599,121	3.81
Erand Pty Ltd	9,898,229	3.56
RBC Global Services Australia Nominees Pty Limited (PIPOOLED A/C)	9,893,815	3.56
KFA Investments Pty Ltd	9,863,817	3.54
CJZ Investments Pty Ltd	9,700,651	3.49
JP Morgan Nominees Australia Limited	9,581,046	3.44
JMB Investments Pty Ltd	8,254,585	2.97
Ashberg Pty Ltd	8,198,000	2.95
Theme (No 3) Pty Ltd	7,139,080	2.57
Australian Foundation Investment Company Limited	6,612,136	2.38
RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	5,729,727	2.06
ITA Investments Pty Ltd	5,152,338	1.85
Stanley Gordon Sharp and Evelyn Vacy Sharp	4,498,533	1.62
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund A/C)	3,648,053	1.31
Westpac Custodian Nominees Limited	3,353,880	1.21
RBC Global Services Australia Nominees Pty Limited (PIIC A/C)	3,238,913	1.16
Dabary Investments Pty Ltd	3,126,061	1.12
Michael John McFadyen (Michael McFadyen A/C)	3,078,600	1.11
William Edward Duncan and Rodney John Turner	2,663,656	0.96
Total	**138,078,393**	**49.65**

Shareholder Information

Annual General Meeting

The Annual General Meeting of GWA International Limited will be held in The Grand Ballroom, Stamford Plaza Brisbane, cnr Edward and Margaret Streets Brisbane on Thursday 28 October 2004 commencing at 10:30 am. A Notice of Annual General Meeting and Proxy Form are enclosed with this report.

Shareholder enquiries

Shareholders with enquiries about their shareholding or dividend payments should contact the company's share registry, Computershare Investor Services Pty Ltd, on 1300 552270 or write to GPO Box 523 Brisbane Queensland Australia 4001.

Dividends

Dividends are determined by the Board, having regard to the financial circumstances of the company.

The final ordinary dividend of 8.0 cents per share, and the special dividend of 2.5 cents per share will be paid on 1 October 2004. The dividends will be 100% franked for Australian tax purposes at the corporate tax rate of 30%.

Direct credit of dividends

Dividends may be paid directly to a bank, building society or credit union account in Australia. Payments are electronically credited on the dividend payment date and confirmed by mail payment advice.

We encourage shareholders to avail themselves of this service. Direct credit application forms can be obtained from the company's share registry.

Tax file number information

The company is obliged to record tax file number or exemption details provided by shareholders.

Change of address

Shareholders who have changed their address should immediately notify the company's share registry in writing.

Consolidation of shareholdings

Shareholders who wish to consolidate their separate shareholdings into one holding should notify the company's share registry in writing.

Dividend Reinvestment Plan and Share Purchase Plan

Both Plans were suspended on 8 February 2000. Past support from shareholders has provided sufficient funds to meet the growth needs of the company. Directors keep this position under review.

Stock Exchange listing

The company's shares are listed on the Australian Stock Exchange under the ASX code: GWT.

Shareholder Timetable 2004	
30 June	Financial year end
31 August	Year end result and final dividend announcement
17 September	Record date for determining final dividend entitlement
24 September	Notice of Annual General Meeting, Proxy Form and Annual Report mailed to shareholders
1 October	Final ordinary dividend and special dividend paid
26 October	Proxy returns close 10:30 am Brisbane
28 October	Annual General Meeting
31 December	Half year end

Shareholder Timetable 2005	
1 February	Half year result and interim dividend announcement
30 June	Financial year end
27 October	Annual General Meeting
31 December	Half year end