



GWA International Limited

ABN 15 055 964 380

10 September 2010

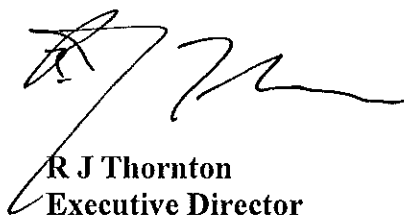
ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

2010 Annual Report to Shareholders

We enclose the 2010 Annual Report to Shareholders for immediate release to the market.

Yours faithfully



R J Thornton
Executive Director



GWA INTERNATIONAL LIMITED
2010 ANNUAL REPORT



GWA HEATING & COOLING

GWA BATHROOMS & KITCHENS

GWA DOOR & ACCESS SYSTEMS



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2009/10 Year Performance Highlights

- Revenue from continuing operations increased by 7.1% to \$656.8 million¹
- Trading EBIT up 9.5% to \$94.5 million¹
- Brivis Climate Systems acquisition performing well
- Divestment of the non-core Rover Mowers and Wisa Beheer businesses
- Increased operating cash flow from continuing businesses of \$116 million reflects strong working capital management
- Fully franked full year dividend maintained at 18.0 cents per share
- Core debt facilities extended to 2012/13
- Trading profit for 2010/11 expected to exceed the current year

Five Year Financial Summary

	2005/06 \$'000	2006/07 \$'000	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000
Revenue from continuing operations	619,989	636,124	648,902	678,344	656,809
Earnings before interest, tax, depreciation, amortisation and restructuring costs	117,617	118,533	117,314	105,060	112,099
(%)	19.0	18.6	18.1	15.5	17.1
Depreciation and amortisation	(22,420)	(19,779)	(17,920)	(18,105)	(17,551)
Earnings before interest, tax and restructuring costs	95,197	98,754	99,394	86,955	94,548
(%)	15.4	15.5	15.3	12.8	14.4
Interest (net)	(11,490)	(12,366)	(14,623)	(13,844)	(15,027)
Trading profit before tax	83,707	86,388	84,771	73,111	79,521
(%)	13.5	13.6	13.1	10.8	12.1
Tax expense	(23,628)	(24,975)	(24,612)	(21,919)	(24,068)
(%)	28.2	28.9	29.0	30.0	30.3
Trading profit after tax	60,079	61,413	60,159	51,192	55,453
Restructuring costs after tax	(3,227)	(5,095)	(14,269)	(2,867)	-
Net profit after tax from continuing operations	56,852	56,318	45,890	48,325	55,453
Loss from discontinued operations (net of income tax)	-	-	-	-	(6,926)
Net profit after tax for the period	56,852	56,318	45,890	48,325	48,527
Net cash from operating activities	60,038	24,841	102,992	78,628	67,165
Capital expenditure	30,966	21,516	22,235	17,348	15,098
Research and development	5,775	5,360	6,056	6,619	7,729
Net debt	141,000	225,614	193,557	154,985	175,952
Shareholders' equity	411,968	408,802	389,120	426,164	431,089

Other Ratios and Statistics

Return on shareholders' equity (%)	13.8	13.8	11.8	11.3	11.3
Interest cover (times)	10.2	9.6	8.0	7.6	7.5
Net debt / (net debt + equity) (%)	25.5	35.6	33.2	26.7	29.0
Basic earnings per share (cents)	20.4	20.2	16.4	16.9	16.2
Trading earnings per share (cents)*	21.6	22.0	21.5	17.9	18.5
Ordinary dividend per share (cents)	18.0	18.0	18.0	18.0	18.0
Special dividend per share (cents)	3.5	4.0	1.5	-	-
Total dividend per share (cents)	21.5	22.0	19.5	18.0	18.0
Franking (%)	100	100	100	100	100
Ordinary dividend payout ratio (%)	88.2	89.1	109.8	106.5	111.1
Share price (30 June) (\$)	3.11	4.42	2.50	2.30	3.01
Dividend yield (total dividend)(%)	6.9	5.0	7.8	7.8	6.0
Number of employees	2,226	1,957	1,786	1,891	1,922

* excludes restructuring expenses

¹ The financial years 2005/06 through to 2008/09 include the results of Rover Mowers and Wisa Beheer. These businesses were divested during the 2009/10 financial year and are disclosed as discontinued operations in the 2009/10 year.

Company Profile

GWA International Limited (GWA) listed on the Australian Securities Exchange in May 1993 and is Australia's leading supplier of building fixtures and fittings to households and commercial premises. The Company has approximately 1,900 employees with manufacturing and distribution facilities located across Australia.

GWA currently operates through four distinct business divisions including:

- GWA Bathrooms & Kitchens
- GWA Heating & Cooling
- GWA Door & Access Systems
- GWA Commercial Furniture

GWA Bathrooms & Kitchens is Australia's foremost designer, manufacturer, importer and distributor of domestic and commercial bathroom, kitchen and laundry products. The range is distributed under Australian brands including Caroma, Dorf, Fowler, Stylus, Clark, Radiant, Irwell and international brands including Hansa and KWC.

GWA Heating & Cooling is an Australian designer, manufacturer, importer and distributor of a range of hot water and ducted heating and cooling systems for the residential and commercial markets. The range is distributed under Australian brands including Dux, EcoSmart, Radiant, Brivis and APAC.

GWA Door & Access Systems is a leading Australian designer, manufacturer, importer and distributor of a comprehensive range of domestic and commercial door hardware and fittings. The range is distributed under Australian brands including Gainsborough, Austral Lock and international brands including Hillaldam.

GWA Commercial Furniture is at the forefront of Australian design, manufacture, import and distribution of quality commercial furniture and seating. The range is distributed under the Sebel brand.

GWA has grown significantly since listing as a result of the strong operating performance of the Company's core building fixtures and fittings businesses and successful acquisitions. The Company remains committed to growing shareholder wealth through continuous business improvement initiatives and pursuing acquisition opportunities that add value to its core business segments and that support expansion into new markets.

Mission Statement

GWA's primary objective is to sustainably grow shareholder wealth over time. This objective will be achieved by investing in the development of its people, systems, new products and world leading technology, to sustain and build the premium profitability of the business over time.

The Company's core building fixtures and fittings businesses will focus on the research and development of innovative new products to maximise market opportunities and create competitive advantage. The Company will continue to develop products through sustainable manufacturing processes and which provide solutions for reducing domestic and commercial water consumption and carbon emissions.

GWA will grow the profitability of its business by investing for sustainable growth and adapting its business models for a changing market. The Company will continue the pursuit of acquisition opportunities that add value to its core business segments and that support expansion into new markets.

Smarter Solutions



caroma | design for *life*



The Leaders in tapware

·FOWLER·
SINCE 1837



CLARK®
Part of my life

Gainsborough®
fine quality door hardware



ecosmart®
Hot Water

sebel
form function balance

 Irwell



brivis
Climate Systems




apac



Geoff McGrath

Chairman's Review

Having successfully navigated the market uncertainty of the past 2 years your Board has focused on positioning the Company to maximise benefits from the improved outlook for the Australian economy.

Our businesses and the industries in which we operate have undergone strategic reviews and our direction is confirmed to focus on the Australian building fixtures and fittings sector. This was supported during the year by the divestment of two non-core businesses in Rover Mowers and Wisa Beheer, and the acquisition of Brivis Climate Systems.

The Brivis Climate Systems acquisition has created a broader based GWA Heating and Cooling business comprising both hot water and ducted climate systems. Our overarching strategy is to expand growth options through market and product extensions in broader industry segments. These currently comprise Heating and Cooling, Bathrooms and Kitchens, and Door and Access Systems. The Managing Director, Peter Crowley, will expand on our strategic priorities in his review of operations.

The Board itself is undergoing a period of transition with the retirement of Jim Kennedy last October, our Chairman of the last 17 years, Barry Thornton, in June and the impending retirement of David Barry at the next Annual General Meeting in October. All these directors have been on the Board since the Company was listed in 1993 and have made an invaluable contribution to the success of GWA over this period. I particularly wish to acknowledge Barry Thornton for his leadership as Chairman of the Board over this period and I know I speak on behalf of all shareholders in wishing each of these directors well in their retirement.

These times also provide opportunities for renewal and in the past year we have benefited from the skills and contributions of Darryl McDonough and Richard Thornton who joined the Board in 2009. We are engaged in a search for another director with appropriate experience and skills who will be appointed during the current financial year.

OVERVIEW OF RESULTS

The Group achieved a trading profit from continuing businesses after tax of \$55.4 million in the 2009/10 year on sales revenue of \$656.8 million. Net profit after tax of \$48.5 million was after adjusting for the discontinued Rover Mowers and Wisa Beheer businesses. Trading earnings before interest and tax of \$94.5 million represented a 9.5% increase on the prior year's performance due to improvements in

underlying demand, market development activities, contributions from acquisitions and ongoing business improvement. We believe this is a credible performance given the volatility of our markets during the year.

DIVIDENDS AND CAPITAL MANAGEMENT

The current GWA dividend policy is that absent an unexpected decline in profitability, ordinary dividends will be maintained at 18.0 cents per share until such time as it equals 70% to 80% of earnings. It is proposed that dividends will increase as profitability improves in accordance with the above dividend payout ratio.

The Group's strong operating cash flow enabled the directors to declare a final fully franked ordinary dividend of 8.5 cents per share to be paid in October. Together with the interim dividend of 9.5 cents per share paid in April, this maintains the ordinary fully franked dividend for the year at 18.0 cents per share which is in accordance with our policy. We expect that the same dividend payout will be maintained in the year ahead, absent unforeseen circumstances.

The Dividend Reinvestment Plan (DRP) will not be offered to shareholders for the final dividend in October and remains suspended. The Board will look to reintroduce the DRP where additional funding is required to support acquisition opportunities and to ensure a strong balance sheet is maintained.

Net Debt at the end of June 2010 was \$176 million. Prudent management of our asset portfolio and working capital has meant that net debt has increased by only \$21 million despite funding the \$48.6 million Brivis Climate Systems acquisition. Our debt is well covered by total bank facilities of \$268 million and we appreciate the ongoing support of our banks including Commonwealth Bank, National Australia Bank, Australia and New Zealand Banking Group, Westpac Banking Corporation and HSBC Bank Australia. Their support has been validated through the year by ongoing term extensions for current facilities and we feel confident that new facilities are available to assist with funding growth opportunities as required.

EXECUTIVE REMUNERATION

Our Remuneration Report has been expanded this year to address comments raised on last year's report and further improve transparency of executive remuneration. The Board takes advice from an external remuneration consultant in setting remuneration levels for executives and we are satisfied that the current mix of fixed remuneration and performance incentives is appropriate.

In 2009/10 the Board exercised a freeze on fixed remuneration increases due to market uncertainty and the strong improvement in operating results has led to an increase in incentives. Our executive and management incentives scheme covers approximately 16% of total staff employees with total short term incentive payments for the year representing approximately 5% of trading earnings before tax. The Board believes this is a reasonable balance of reward for management and shareholders and is necessary to ensure we are market competitive to retain our high quality executive and management team.



CORPORATE GOVERNANCE

As mentioned in my opening comments the Board is undergoing transition and renewal and the Board have invited me to become Chairman following Barry Thornton’s retirement. My priority is to ensure we have the best talent available on the Board with the diversity of skills necessary to oversee and guide the Company. I am aware of the current commentary about Board diversity and acknowledge the need to achieve diversity of skills and views in Board representation. This is a key determinant for the selection of all Board members and will be the case as we seek a new director appointment over the coming year.

Following my appointment as Chairman of the Board, I have rotated as Chairman of the Remuneration Committee and Bill Bartlett has become Chairman together with Darryl McDonough as an additional Committee member. These appointments ensure the independence of executive remuneration decisions.

SUSTAINABILITY AND PRODUCT INNOVATION

The Board is committed to reducing energy, water and waste across the Group’s operations. We are also proud of the contribution our innovative products make to improvements in water and energy efficiency in their application and continue to invest over 1% of revenue per annum to advance further product innovation and create competitive advantage.

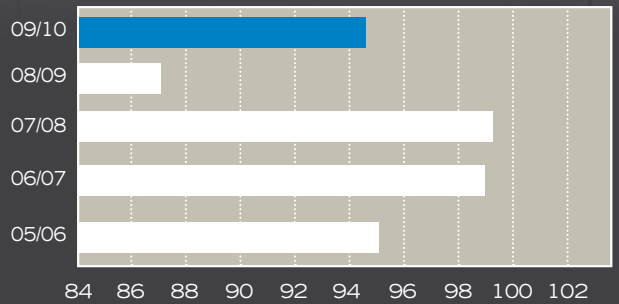
Our operating plants aim to continually set high standards in energy, water and waste efficiency. Our flagship operation, the Caroma Dorf vitreous china factory at Wetherill Park received the Bronze Award from the NSW Department of Environment, Climate Change and Water (DECCW) and is now a Bronze Partner of the Sustainability Advantage Program. The Caroma Dorf Wetherill Park factory was also awarded the 2010 Green Globe Business Water Award from the DECCW recognising the substantial reductions in water consumption in the manufacturing processes.

Overall the water, energy and emissions savings at Wetherill Park have resulted in a reduction of:-

- gas usage per cast vitreous china piece of 8.5%
- electricity usage per cast vitreous china piece of 7.8%
- water usage per cast vitreous china piece of 13.5%

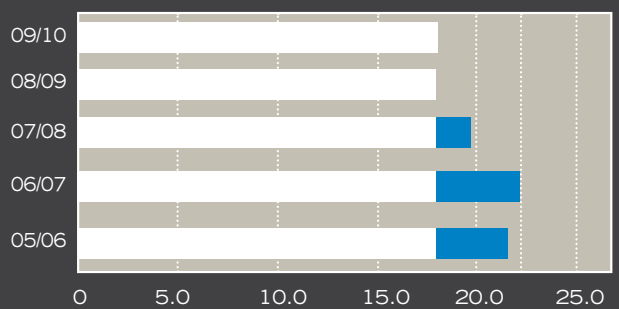
GWA now reports its group carbon emissions under the Federal Government’s National Greenhouse and Emissions Reporting (NGER) and we are making this report available on the GWA website. This will increase transparency and demonstrate the continuous improvement we aim to achieve for a sustainable future.

Trading EBIT



Trading EBIT up 9.5% reflecting improved underlying demand, market development initiatives, cost management and contributions from acquisitions

Dividend Per Share



Strong operating cash flow has enabled ordinary dividends to be maintained at 18 cents per share fully franked

GWA PEOPLE

Our business is only as good as our people and we aim to provide a safe and rewarding environment in the workplace. We are very pleased with progress in safety performance resulting in a 48% reduction in total injuries during the year. This is the fifth consecutive year of improvement and represents a step change in achieving our aim for an injury free work environment.

We are also continually working to ensure we attract and retain the best management. In recognition of changes in community expectations for work life balance, we have introduced a number of policies which provide flexibility in work arrangements. It is a fundamental point in the discussion around diversity that females are encouraged to continue in the workplace and develop the skills and knowledge to advance in the Company. These policies are aimed at creating a work environment which will support this aim.

In closing, I would like to thank management and staff for their efforts in achieving an improved financial result in the 2009/10 year, and look forward to a further improvement in performance in the 2010/11 year.





Peter Crowley

Managing Director's Review of Operations

The financial results for the 2009/10 year are presented in the accounts for GWA's continuing operations following the divestment of Rover Mowers and Wisu Beheer and the acquisition of Brivis Climate Systems during the year.

These transactions demonstrate progress in our strategy to grow in our core Australian building fixtures and fittings segment.

Revenue increased by 7% comprising underlying growth of 4% and three months sales by Brivis. Dwelling approvals and commencements of new residential buildings improved progressively through the year but there is a lag in completions, where GWA sells the majority of its products. We expect the stronger level of dwelling approvals to flow through to increased sales revenue in the 2010/11 year.

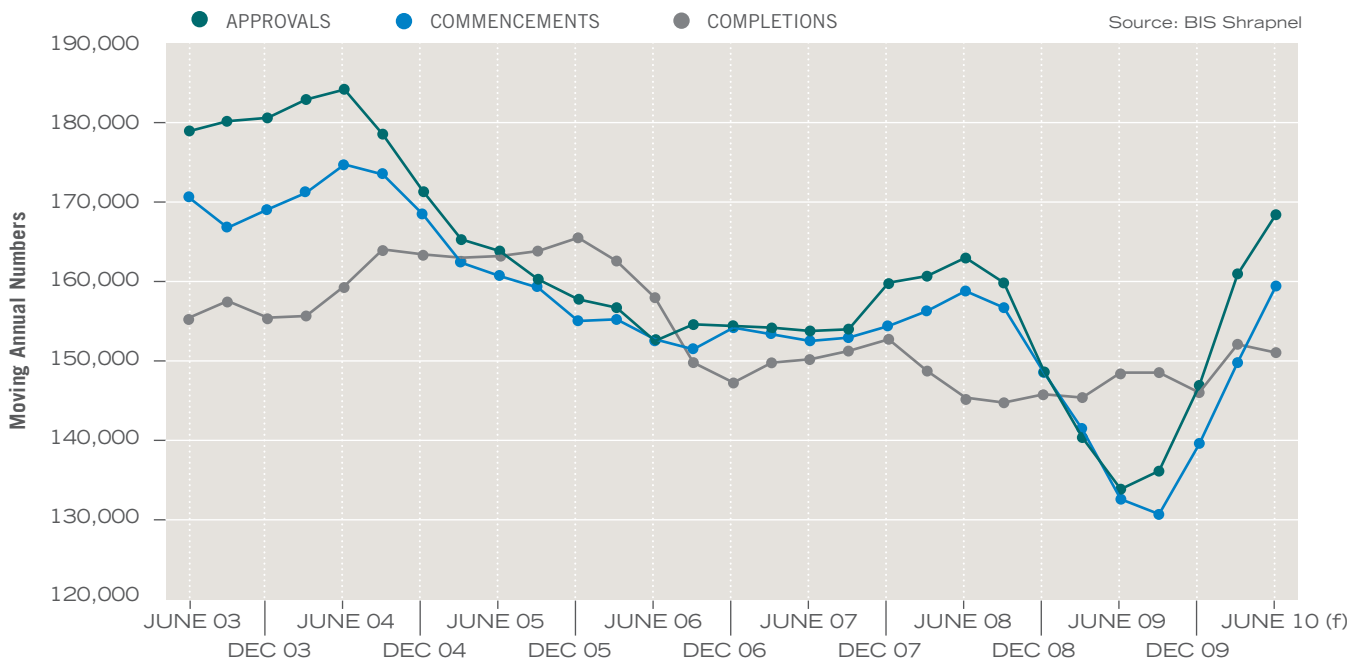
The following chart demonstrates this trend by showing the twelve month moving annual numbers for dwelling activity since 2003.

The summary of financial results for the 2009/10 year outlined below highlight the improvement in operating results with increased margins and strong cash flow.

\$million	2009/10	2008/09	% Change
Sales Revenue	656.8	613.0	7.1%
Trading EBIT	94.5	86.4	9.5%
EBIT Margin	14.4%	14.1%	
Trading Profit after Tax from Continuing Operations	55.4	50.6	9.6%
Restructure Costs after Tax	-	(2.4)	
Discontinued Operations	(6.9)	0.1	
Net Profit after Tax	48.5	48.3	-
Cash Generated from Operations	105.3	110.6	(4.8%)

Sales revenue increased by 7% despite a decline in demand for environmental water heating products due to reductions in Federal Government rebates in August 2009. Sales and profit benefited from market development activities, recent acquisitions and demand

New Dwelling Activity



generated by the Federal Government's Building the Education Revolution (BER) program. This program has principally benefited our Commercial Furniture business where we worked with contractors in fitting out schools.

Continued strong operating cash flow was also achieved through the year reflecting ongoing supply chain management improvements. The cash generated from operations excludes proceeds from the Rover Mowers and Wisa Beheer asset sales which generated \$20 million and assisted with funding the Brivis Climate Systems acquisition.

STRATEGY AND GROWTH

During the year we reviewed our strategic priorities which involved extensive industry analysis to confirm our business direction and growth options. The review confirmed that we have sufficient scope for growth in our core Australian building fixtures and fittings businesses. Following the review, we now have a much clearer view on how we will manage our businesses for growth both organically and inorganically.

Historically our approach has been to define our businesses by the brands we sell such as Caroma Dorf, Dux and Gainsborough. This has underpinned our focus but constrained the way we looked at growth options. In response to this we have redefined our businesses to broaden the opportunity to leverage off our core capabilities. Our businesses are now being managed to operate and grow in three core segments including:

- Bathrooms and Kitchens
- Heating and Cooling
- Door and Access Systems

In addition to these businesses we will continue to evaluate the performance of the Sebel Commercial Furniture business against alternative divestment options.

This strategy materially increases the markets in which we will compete in the future. The Brivis Climate Systems acquisition is a good example of the strategy, where we have expanded from hot water heating to a broader based hot water and ducted climate system heating and cooling business.

We believe our acquisition of Brivis Climate Systems and divestments of Rover Mowers and Wisa Beheer during 2009/10 have created value for shareholders through the application of strict financial criteria in our evaluations. This financial discipline will continue to be applied as we look for further growth opportunities with an emphasis on product and market extensions to our current core Australian building fixtures and fittings market offering.

Our core strategies for success in the businesses we operate are unchanged and involve our key value propositions to the markets we serve including:

- Investment in innovative and sustainable products
- Leveraging our investment in brands, sales and marketing to ensure products are specified and widely available
- Low cost supply chain to ensure a cost competitive supply position
- Continuing improvement in operational and business efficiency improvement with the aid of a modern ERP system
- Optimising our supply chain infrastructure to deliver superior customer service levels

SEGMENT PERFORMANCE

In accordance with the strategic direction and the acquisition and divestments during the year, the segment performance reporting in the Financial Statements has been expanded to comprise the following:

Building Fittings

- Bathrooms and Kitchens
- Door and Access Systems

Heating and Cooling

- Dux Hot Water
- Brivis Climate Systems
- EcoSmart

Commercial Furniture

These segment results are summarised below:

\$million	Building Fittings	Heating and Cooling	Commercial Furniture	Other	Total
Sales Revenue					
2009/10	420.0	161.5	74.8	0.5	656.8
2008/09	403.6	153.3	56.1	-	613.0
% Change	4.1%	5.4%	33.4%		7.1%
Trading EBIT					
2009/10	88.8	14.6	5.7	-14.6	94.5
2008/09	81.8	15.2	2.0	-12.6	86.4
% Change	8.6%	(3.7%)	181.6%		9.5%

Managing Director's Review of Operations Cont.

Sales from Bathrooms and Kitchens increased by 2% with market development activities being particularly successful in sinks and tapware. Underlying demand has improved but this was offset by lower demand in Queensland, South Australia and North America. The priority for this business is to fully realise the benefits from the upgraded Wetherill Park vitreous china factory by ramping up to full capacity as the market improves and delivering the benefits of a local supplier to customers. The ERP system implementation was successfully completed during the year and we are working to leverage off this investment to improve efficiency and service to our markets.

Door and Access Systems sales grew by 16% benefiting from the Austral Lock contribution for the full year (acquired January 2009) and growth in the Do-It-Yourself market. This is a very strong result and I am pleased with the ongoing performance improvements. During the year the business entered into an exclusive distribution agreement with Hillaldam sliding door systems which will enhance our product offering and provide access to new markets.

Heating and Cooling sales includes \$19 million revenue for Brivis Climate Systems for the last quarter of the financial year. Integration of this business has progressed well and we are pleased with the improvement opportunities and growth options from this acquisition.

Sales from Dux Hot Water declined by 6% compared to the prior year due to the severe drop in demand after the reduction in Federal Government rebates in August 2009. The initial increase in rebates in February 2009 and the subsequent reversal of this policy in August 2009 caused a short term surge in demand which severely disrupted the industry supply chain. Our Dux management have done an admirable job in bringing stock levels back to equilibrium by year end but changes in product demand will continue to present difficult market conditions in 2010/11. We are continuing to invest in both product development and efficiency improvements and have committed to spend \$18 million to upgrade the Moss Vale factory for completion in January 2012.

Commercial Furniture sales grew by 33% as a result of the Federal Government's BER program. The other core markets for commercial furniture have been subdued so the BER has provided a good filler for demand. We expect this to continue through to early 2011 at which time the business will be looking for other market opportunities.

CASH FLOW

Cash generated from operations is slightly down on last year due to timing of cash flows but is still a very strong result. Working capital for continuing businesses declined a further \$5 million during the year reflecting ongoing improvement in supply chain management. Working capital as a percent of sales reduced from 24% to 22.9% as we continue to focus on both profitability and funds management as key performance measures.

Net expenditure on the acquisition of plant, equipment and systems of \$14 million was slightly up on last year due to lower asset sales. Following the completion adjustments the outlay for the Brivis Climate Systems acquisition has been \$48.6 million and proceeds from the Rover Mowers and Wisa Beheer divestments was \$19.7 million.

Net interest paid during the year increased to \$15 million due to higher debt levels to fund the Brivis Climate Systems acquisition and higher funding cost. The cost of debt continues to remain elevated following the global financial crisis in late 2008.

FINANCIAL CONDITION AND CAPITAL MANAGEMENT

Net debt at June 2010 increased by \$21 million to \$176 million due to funds required for the Brivis Climate Systems acquisition. A gearing ratio of 29% as measured by net debt/net debt plus equity is within our target range and the leverage ratio (Net debt/EBITDA) is a very acceptable 1.5 times. Interest cover (EBITDA/Net Interest) of 7.9 times further highlights the Company's strong financial metrics.

Given the strength of our financial position we did not activate the Dividend Reinvestment Plan (DRP) during the year which demonstrates the benefits of ongoing cash flow management. As we search for growth options, one of our key financial criteria is to maintain our investment grade metrics and we will continue to evaluate the merits of the DRP as a source of funds.

GWA continued to enjoy the support of our banks and the maturity dates for the core facilities have been extended during the year. We have sufficient undrawn facilities and have in-principal support from our banks to increase facilities to assist with funding growth opportunities if required.

Bank \$million	Available Facilities	Drawn Facilities	Maturity Dates
CBA	90.0	70.0	July 2012
ANZ	60.0	60.0	July 2012
NAB	50.0	50.0	Jan 2013
Westpac	47.5	35.0	July 2011
HSBC	20.0	15.9	July 2012
Gross Debt	267.5	230.9	
Cash and deposits		(54.9)	
Net Debt		176.0	

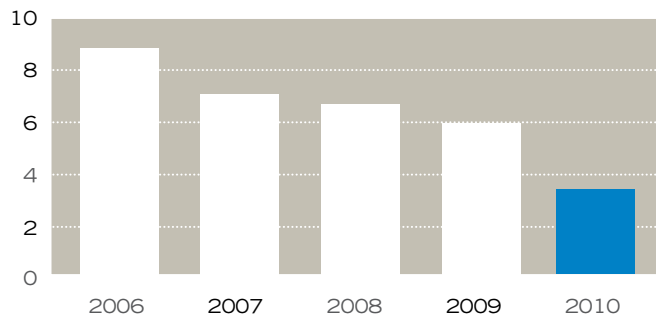
HEALTH AND SAFETY

Management is committed to continuous improvement in the Company's health and safety performance through better safety systems and processes, extensive communication with our workforce and increased diligence in identifying and removing safety risks across our workplace.

We achieved a step change in safety performance during the year with a 44% improvement in lost time injuries and a 48% improvement in total injury rate. The lost time injury frequency rate of 3.4 is very pleasing and reflects a consistent sense of purpose in creating a safe work environment for our people. This outcome reflects both the efforts of management and the diligence of our workforce and we are committed to continuous improvement to work to create an injury free environment.

The chart below highlights the continued improvement in the lost time injury frequency rate in the 2009/10 year.

GWA Lost Time Injury Frequency Rate



SUSTAINABILITY AND CARBON REDUCTION

GWA is committed to improving the environment both through the products we make and sell and the manufacturing processes we utilise. The Company is at the forefront of technology with the development of water efficient toilets and tapware, and energy efficient water heaters and ducted climate systems. Our environmentally sustainable products are a major source of competitive advantage for the Company.

GWA manufacturing operations are continually seeking ways in which to reduce the levels of energy and water usage at our sites as well as the waste produced through our processes and packaging. We are a member of Sustainability Advantage which is a NSW State Government initiative targeting reductions in energy/emissions and awareness of environmental influences in manufacturing operations and associated capital projects. Objectives and outcomes targeted include maximising efficiency of resources employed in manufacturing including electricity, gas and water.

A key requirement for any improvement initiative is to have a good basis to measure improvements. GWA has improved its systems and procedures to capture, record and report greenhouse gas emissions under the National Greenhouse and Energy Reporting Scheme (NGER). This Federal Government requirement now applies to all GWA sites and the report will be made available on GWA's website to reinforce our commitment to reducing the impact of our operations on the environment.

PEOPLE

GWA's long term success has been due to the efforts of a committed and talented workforce. We are continuing to examine ways to bring new thinking and skills into the business while also developing our people to provide succession opportunities.

In support of these objectives, a significant investment has been made through the GWA Leadership Program with the aim of underpinning a high performance culture. This involves the development of personnel in core capabilities supported by rigorous goal setting and performance management procedures.

As well as developing our people, we are also looking to ensure we attract and retain the best talent. We accept that community expectations are changing and we need policies which recognise work life balance. This is particularly the case if we wish to attract women in our senior ranks which currently only represent 20% of our senior positions. In response we have introduced a number of policies aimed at providing more flexibility and work life balance in the GWA workplace. These include parental leave, unpaid leave, flexible work hours and transition to retirement provisions.

OUTLOOK

The 2010/11 year will benefit from a full year of trading from the recently acquired, Bravis Climate Systems, and if recent dwelling approval levels are sustained and flow through to completions, we would expect a 5% to 6% increase in underlying demand.

Given the current market uncertainty it is difficult to forecast until we confirm this underlying demand and we will be in a better position to give full year profit guidance at the Annual General Meeting in October following first quarter trading.

We expect the 2010/11 dividend payout will be maintained at current levels in accordance with the dividend policy, absent unforeseen circumstances.



Health and Safety

GWA continues to ensure that it provides a safe workplace for its employees, contractors, visitors and customers in an efficient and compliant manner.

Through divisional or site based health and safety advisors, GWA promotes awareness of health and safety in a continuous improvement environment.

The health and safety advisors meet with the Group Risk Manager with the collective objectives of:-

- discussing safety performance, goals and improvement strategies
- exchanging ideas and detailing successful improvement programs
- promoting training through guest speakers and external experts
- arranging visits to view best practice sites
- planning for cross site auditing (whereby health and safety advisers visit other internal GWA sites)
- planning and implementing of new systems and procedures

The Group Risk Manager reports twice per annum to the GWA Audit Committee. The reporting includes current health and safety performance, current improvement plans and compliance to regulations. An audit plan, consistent with health and safety objectives, is also presented for approval for the new financial year.

GWA's on-line learning system "elearning", introduced in 2008, continues to provide a suitable platform to deliver core training to employees. elearning is also proving to be a cost and time effective system by delivering induction training to new employees and top-up training for existing employees. In 2009/10 approximately 4,300 on-line courses and compliance tests were completed. Courses range from 1 hour to 4 hours and include a range of core competencies in health and safety, bullying and harassment prevention, trade practices, site specific inductions and Fair Work Australia just to name a few.

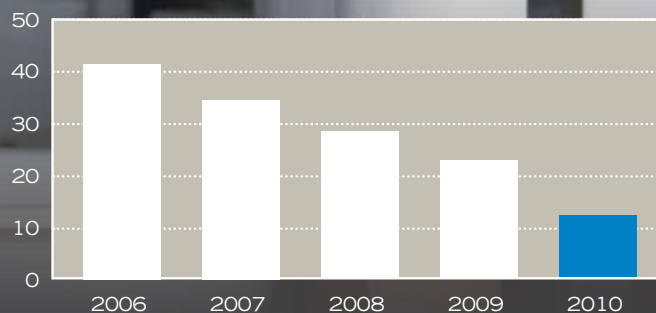
HEALTH AND SAFETY PERFORMANCE

GWA measures a range of balanced safety performance indicators. Proactive indicators such as number of hazards identified, risk assessments undertaken and actions issued and completed on time are recorded for each GWA site.

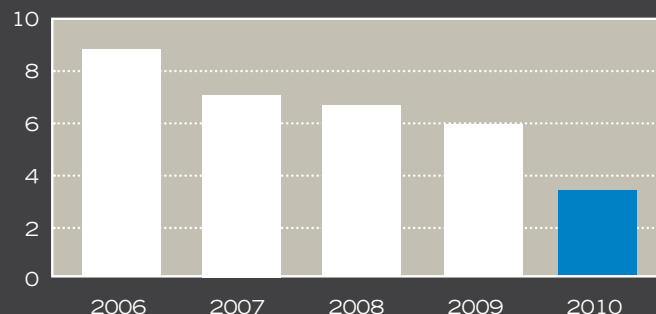




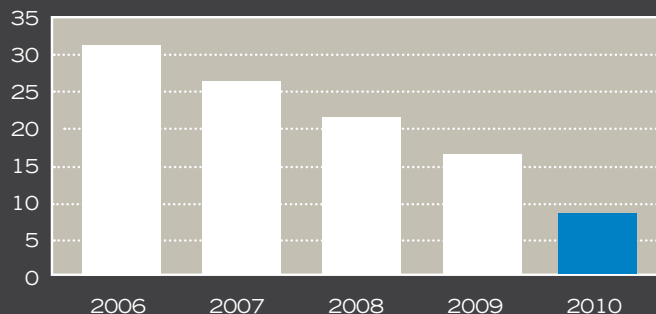
GWA Total Injury Frequency Rate



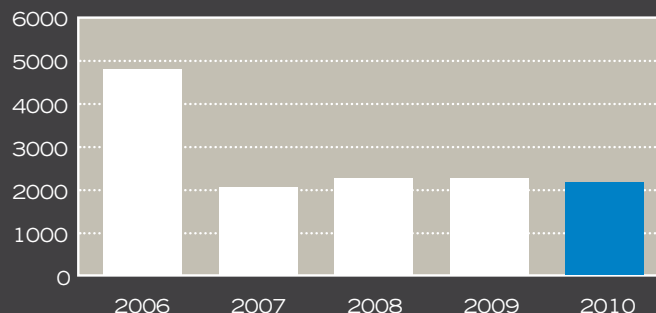
GWA Lost Time Injury Frequency Rate



GWA Medical Treatment Injury Frequency Rate



GWA Injury Severity Rate



Three key measures of safety outcomes are:

1. Lost Time Injury Frequency Rate (LTIFR) which measures lost time (injury that results in an inability to work for at least one full shift)
2. Medical Treatment Injury Frequency Rate (MTIFR) which measures the number of doctor treated injuries per million hours worked
3. Injury Severity Rate which measures the number of hours for a lost time injury per million hours worked

The collective sum of MTIFR plus LTIFR results in the Total Injury Frequency Rate (TIFR) for GWA.

Initiatives introduced for the 2009/10 year include:

- Increased hazard reporting focus
- Increased focus and emphasis on supervisor participation and awareness of responsibility for health and safety
- Increase on mandatory scheduled audits
- Integration of Bravis (acquired in April 2010) ensuring health and safety systems are consistent with GWA policies and procedures

At the start of the 2009/10 year GWA set a target of 30% year on year improvement on the 2008/09 results for TIFR. The actual improvement for the 2009/10 year was 48%, a much improved result. A further 30% target improvement over the 2009/10 target has been set for 2010/11. Improvement objectives are planned to be met through continuation of the 2009/10 initiatives and new initiatives to improve safety performance.

In the Community

Our role as a good corporate citizen is very important to us and the culture at GWA supports a commitment to developing and building strong relationships with the communities we work in.

Community events and organisations with an environmental or sustainability focus are particularly important to us and we aim to make a positive contribution wherever possible.

This year we were delighted to be able to help some of the youngest members of the community and their families by working with Ronald McDonald House Charities (RMHC).

RMHC is an independent, not-for-profit organisation that seeks to create, find and support programs that help seriously ill children and their families. The Charity has a number of houses across Australia that provide care and support for children and families during and after serious illness.

GWA Bathrooms and Kitchens donated the bathroom fixtures and fittings for a new development at the Ronald McDonald House in North Adelaide which helps provide “a home-away-from-home” for seriously ill children and their families. The new facility will house an additional ten families in individual, self-contained units, providing greater stability to long-stay families who are suffering enormous emotional and financial strain.

This donation ensured the house in North Adelaide was able to continue its core mission to:

- Provide a well maintained home for country families
- Provide care and support by professional staff and trained volunteers
- Enable facilitation and coordination of the Ronald McDonald Learning Program in South Australia
- Raise the funds necessary to finance its various programs.

GWA Bathrooms and Kitchens continues to donate sinks, laundry tubs, basins and taps to the Stephanie Alexander Kitchen Garden Foundation for its national kitchen garden program in 190 schools across Australia. The Stephanie Alexander Kitchen Garden Foundation program develops lifelong skills in the kitchen and garden and encourages children to enjoy all the benefits of growing, harvesting, preparing and sharing.



Ronald McDonald House



Rodeo at the Moss Vale Show

The Oncology Children's Foundation (OCF) was the beneficiary of funds raised at the Caroma Dorf CARC State Golf Challenge Calcutta auction held in New South Wales in November 2009. GWA Bathrooms and Kitchens contributed \$12,550 on behalf of its participating customers to help the OCF fund research programs with the sole objective of finding cures for childhood cancers with the lowest survival rates.

GWA Bathrooms and Kitchens was keen to lend support to a Mount Druitt family by helping remodel the family bathroom to cater to the special requirements of their wheelchair-bound son. By renovating the bathroom, utilising a range of its specifically designed Caroma Dorf care products, we were able to benefit the day-to-day activities of this very deserving family.

GWA Heating and Cooling business sponsored the Rodeo at the local Moss Vale Show (pictured above) which attracts thousands of local visitors each year. GWA Heating and Cooling also purchased family passes to the Show for its staff so the whole family could enjoy the friendly country atmosphere at this very popular event.

In addition, GWA Heating and Cooling demonstrated its commitment to supporting sporting and business endeavours in the community by extending sponsorship and donations to local clubs including:

- The Moss Vale Junior Dragons Rugby League Club
- The Moss Vale Soccer Club
- The Robertson Junior Rugby League Club
- The Rotary Club of Moss Vale
- The Lions Club of Moss Vale.

In 2010, our GWA Commercial Furniture business became a signatory to the United Nations Global Compact (UNGC) – a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

As an exporter of education furniture, the GWA Commercial Furniture Executive Team was committed to demonstrating a clear commitment to the highest levels of international probity. As a signatory, GWA Commercial Furniture can now ensure Global Compact principles become part of strategy, culture and day-to-day operations to benefit economies and societies everywhere.

GWA Commercial Furniture Chief Executive Officer Greg Welsh has been appointed to the Australian Steering Committee of the UNGC.

During 2009/10 GWA Door and Access Systems furthered its involvement in supporting local primary schools by way of employee contributions.

GWA Door and Access Systems also continued its sponsorship of the Kyneton Football Club in Victoria, where one of GWA Door and Access Systems manufacturing operations is located.

GWA Door and Access Systems continued its annual employee contribution drive in support of the Royal Children's Hospital Melbourne and extended its contribution to the community by sponsoring a number of local businesses and initiatives throughout the greater Blackburn area in Victoria.

GWA Bathrooms & Kitchens

BUSINESS OVERVIEW

caroma | design for life

The leaders in tapware



· FOWLER ·
SINCE 1837

Irwell



CLARK
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BUSINESS DESCRIPTION

GWA Bathrooms and Kitchens is Australia's foremost designer, manufacturer, importer and distributor of domestic and commercial bathroom and kitchen products. The product range includes sanitaryware, tapware, showers, accessories, bathware, stainless steel sinks and laundry tubs. GWA Bathrooms and Kitchens is at the forefront of product innovation incorporating water saving technology, and is the market leader in water efficient sanitaryware and tapware.

MAIN PRODUCTS AND SERVICES

Vitreous china toilet suites, urinals, basins, plastic cisterns, bathroom accessories and fittings. Acrylic and pressed steel spas, baths and shower trays. Tapware, showers and accessories, stainless steel sinks and laundry tubs.

MAJOR BRANDS

Owned: Caroma, Dorf, Fowler, Stylus, Clark, Radiant, Irwell
Exclusive: Hansa, Schell, KWC, Virtu

OPERATING LOCATIONS

Australia, New Zealand, North America, China

MAJOR MARKETS

New dwellings, renovation, replacement and commercial markets in Australia, New Zealand and selected international markets.

STRATEGIC DIRECTION

GWA Bathrooms and Kitchens will maintain leadership in the domestic market by creating value for its customers through the development of innovative products with appealing design and advanced water saving technology, and providing a superior level of customer service. GWA Bathrooms and Kitchens will continue to invest in its iconic brands to reinforce its brand values. GWA Bathrooms and Kitchens is committed to continuous process improvement in its Australian manufacturing and supply operations.

HEAD OFFICE LOCATION

GWA Bathrooms and Kitchens
4 Ray Road
Epping NSW 2121
AUSTRALIA
Telephone 61 2 9202 7000
Facsimile 61 2 9202 7099

Website: www.caroma.com.au www.clark.com.au
www.mycaroma.com.au www.radiantstainless.com.au
www.fowler.com.au www.ecologicalsolutions.com
www.dorf.com.au www.toiletbate.com.au
www.irwell.com.au www.economicstimulus.com.au
www.stylus.com.au www.starionaust.com.au

GWA Heating & Cooling

BUSINESS OVERVIEW



BUSINESS DESCRIPTION

GWA Heating and Cooling Division was formed after the acquisition of Brivis Climate Systems in April 2010. The division comprises the Dux, EcoSmart and Brivis business units. GWA Heating and Cooling is an Australian designer, manufacturer and importer of hot water, heating and cooling systems. All products are developed to provide consumers with greater control and comfort in their home or workplace. GWA Heating and Cooling has developed an extensive range of innovative environmental products to meet changing regulatory requirements, while assisting consumers to reduce their energy consumption and manage comfort in the home.

MAIN PRODUCTS AND SERVICES

A wide range of products to assist consumers manage comfort and energy in their homes. The range includes hot water systems, including mains pressure gas and electric storage, continuous flow gas, electric and gas boosted solar and heat pump products; heating and cooling systems, including ducted gas furnaces, evaporative coolers and refrigeration based heating and cooling systems, and photovoltaic renewable energy systems.

MAJOR BRANDS

Owned: Brivis, APAC, Dux, EcoSmart, Radiant

OPERATING LOCATIONS

Australia, overseas distributors

MAJOR MARKETS

GWA Heating and Cooling participates in the new home, renovation and replacement or breakdown markets, primarily for residential applications.

STRATEGIC DIRECTION

GWA Heating and Cooling will continue to develop its range of climate solutions for consumers and take them to market through its channel partners under its strong brands. Much of the development in the division will be centered around reducing energy and water consumption to meet emerging Australian regulations. GWA Heating and Cooling will continue to strengthen its key customer and channel relationships, invest in brands and reduce costs through investment in improved manufacturing capability and selective sourcing of products and components.

HEAD OFFICE LOCATION

GWA Heating and Cooling
Lackey Road
Moss Vale NSW 2577
AUSTRALIA
Telephone 61 2 4868 0200
Facsimile 61 2 4868 2014

Website: www.dux.com.au
www.ecosmart.com.au
www.brivis.com.au
www.hotwaterrebate.com.au

GWA Door & Access Systems

BUSINESS OVERVIEW



BUSINESS DESCRIPTION

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

MAIN PRODUCTS AND SERVICES

A comprehensive range of door hardware comprising door handles (knobs and levers), door locks, door closers, hinges and other metal door accessories.

MAJOR BRANDS

Owned: Gainsborough, Trilock, Homecraft, Stronghold Series, Contractor Series, In Style, Mode, Aspect, Austral Lock
Exclusive: Hillaldam

OPERATING LOCATIONS

Australia, New Zealand, export markets

MAJOR MARKETS

Domestic home builders, DIY and building projects, commercial buildings and multi-dwelling developments.

STRATEGIC DIRECTION

GWA Door and Access Systems strategic direction encompasses the development of new and innovative door hardware products to suit domestic buildings and commercial projects. GWA Door and Access Systems will continue to focus on its key customer relationships through market-leading product innovation and design, and superior levels of customer service.

HEAD OFFICE LOCATION

GWA Door and Access Systems
31-33 Alfred Street
Blackburn VIC 3130
AUSTRALIA
Telephone 61 3 9877 1555
Facsimile 61 3 9894 1599

Website: www.gainsboroughhardware.com.au
www.ausloc.com

GWA Commercial Furniture

BUSINESS OVERVIEW

sebel
form function balance



BUSINESS DESCRIPTION

GWA Commercial Furniture Division is at the forefront of Australian design, manufacture, import and distribution of quality commercial furniture and seating.

MAIN PRODUCTS AND SERVICES

A broad range of commercial furniture suited to its target markets. The range includes dining seating and tables, outdoor furniture, mass seating for stadia and public areas, casual corporate markets, and tables, desks and chairs for the education and aged care markets.

MAJOR BRANDS

Owned: Sebel

OPERATING LOCATIONS

Australia, New Zealand, Hong Kong, United Kingdom, Germany and dealers in over 50 export markets.

MAJOR MARKETS

Entertainment, hospitality, healthcare, public seating, sports stadia and corporate and educational markets. Sells direct to builders, developers, clubs and hotels.

STRATEGIC DIRECTION

As well as its strong emphasis on new product development, GWA Commercial Furniture will continue to pursue traditional markets using its strong brand name and good customer service to drive sales through increased market share. Current export markets will also be expanded, with the division pursuing opportunities in education and stadia markets overseas.

HEAD OFFICE LOCATION

GWA Commercial Furniture

92 Gow Street

Padstow NSW 2211

AUSTRALIA

Telephone 61 2 9780 2222

Facsimile 61 2 9780 2111

Website: www.sebel.com.au

GWA Sustainability
and Innovation Story



GWA Bathrooms & Kitchens

SUSTAINABILITY AND
INNOVATION (PRODUCTS)

A key area of focus for the GWA Bathrooms and Kitchens business is the design, development and commercialisation of a range of retrofit-specific water-saving product solutions.

GWA BATHROOMS AND KITCHENS HELPING YOU ACHIEVE ENVIRONMENTALLY CONSCIOUS OUTCOMES

As the leading Australian manufacturer of bathroom products, GWA Bathrooms and Kitchens has always made sustainability the focus of product development. Long before it became fashionable to think of water saving solutions, GWA Bathrooms and Kitchens was developing water saving technologies:

- First two button, dual flush toilet system
- First 4.5/3L toilet suite with Smartflush® technology
- First WELS 6 star rated urinal with the Cube 0.8L Urinal Suite.

These innovations have become the foundation for building sustainable partnerships with governments, water authorities, businesses, and the plumbing industry to deliver market-leading, water saving products and solutions for homes and businesses.

ECO LOGICAL SOLUTIONS FOR BUSINESSES

Retrofitting amenities can deliver significant water savings, reduce maintenance costs, improve aesthetics and enhance the asset value of an existing building. GWA Bathrooms and Kitchens offers a range of obligation-free services to help facilitate bathroom retrofit projects:

- Fixtures assessments to identify water saving opportunities
- Water saving assessment using our sophisticated Commercial Water Saving Calculator
- Product replacement plans in line with style and budget requirements
- Identification of relevant funding and grant programs
- Project management and installation services via one of our specialist partners.

ECO LOGICAL SOLUTIONS FOR HOMES

Single flush toilet suites are one of the biggest users of water inside the home and their replacement can save the average household up to 35,000L* of water every year with no change in behaviour. GWA Bathrooms and Kitchens continues to work closely with government,

*Compared to 11L single flush toilet.

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The leaders in tapware

dorf



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Irwell



CLARK
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water authorities and the plumbing industry to promote the benefits of toilet replacement. Market-leading product solutions from Caroma Dorf are an integral part of major toilet replacement programs currently running including:

- Sydney Water Single Flush Toilet Replacement Service
- Melbourne Toilet Replacement Program
- ACT Government ToiletSmart® Program.

With a financial incentive to retrofit, and a high quality product solution packaged with professional plumber installation, these programs are making it easier for householders to replace old single flush toilets.

ECO FRIENDLY PRODUCTS

The selection of sustainable building products is a key consideration in new commercial developments and Caroma Dorf has a range of water efficient products to help strengthen the environmental rating of new buildings.

The award winning Caroma Flex toilet suite is an Australian first, with flexible inlet and outlet connections to facilitate the retrofit of inefficient wall hung pans prevalent in commercial premises.

CAROMA FLEX INVISI SERIES II TOILET SUITE WINS 2009 BPN SUSTAINABILITY AWARD

The Caroma Flex Invisi Series II toilet suite won the BPN Sustainability Award in the Innovation of the Year category.

The awards recognise organisations within Australia's design and construction industry that have produced energy efficient and sustainable buildings, landscapes or products.

The Flex was developed as a replacement solution for inefficient wall hung toilets in commercial buildings. Flex features a unique bracket with adjustable inlet and outlet connections to suit a range of existing set outs, making old, inefficient pans easier to retrofit. This installation flexibility reduces the need to relocate plumbing and knock down walls, helping lower installation costs and making previously cost-prohibitive retrofits possible. Flex Invisi can help reduce water consumption by up to 70 per cent compared to an 11L single flush toilet suite.

Adding to its sustainable credentials, the Flex pan, which is made from vitreous china, can be crushed at the end of its life for building aggregate or road base. The plastic cisterns can also be recycled for the 65 per cent polypropylene component.

GWA BATHROOMS AND KITCHENS CONTINUALLY INNOVATING

Research indicates that Australia's aging population and changing pattern of disease is expected to increase the proportion of older people with more complex care needs. Australians are also choosing to live their retirement years in their own homes, unless their health



Caroma Dorf Care products

situation requires high level care, such as in nursing homes. The demand for low level care facilities is being replaced by the desire of at-home independence.

Catering for the needs and demands of this growing sector of the community will test the building and plumbing industry as they increasingly have to source products for people who require more assistance and care.

GWA Bathrooms and Kitchens is at the forefront of the market and has invested significantly in the development of Care products for Australians, to address the trend of extended living in the home and the future needs of our community.

The Caroma Dorf portfolio of Care products was successfully launched at the Caroma Dorf Innovations Forums held in June 2010 in each state across Australia.

The Caroma Dorf Care range was unveiled to the plumbing and building trade, retail suppliers, architects and media who were able to preview the comprehensive Care portfolio which now includes toilets, basins, tapware, showers, grab rails and even kitchen sinks that are suitable to install in the home to assist access and mobility.

Many products can be installed to comply with *Australian Standard 1428.1 Design for Access and Mobility*, and all have been designed to help increase the independence, safety and comfort of users and their carers.

The roll out of the Caroma Dorf Care range of innovative bathroom products is designed to make life easier regardless of age, illness or disability, while offering superior functionality without compromising on style. The range is suited to aged care, disabled applications and independent living situations, to help keep seniors in their homes comfortably for longer.



Caroma Flex Invisi Series II toilet suite

GWA Heating & Cooling

SUSTAINABILITY AND INNOVATION (PRODUCTS)

GWA Heating and Cooling has joined forces with Ian Kiernan of Clean Up Australia to promote environmental water heaters to Australian homeowners.

LONG TERM GROWTH IN ENVIRONMENTAL WATER HEATERS

Thanks to a long list of industry awards, GWA Heating and Cooling now boasts the most highly awarded range of environmental water heaters in Australia. This range includes electric boosted solar, gas boosted solar and heat pump hot water systems. All these products have been designed in Australia to perform in local conditions and meet Australian standards.

In September 2008, GWA Heating and Cooling launched the pioneering rebate website www.hotwaterrebate.com.au. It was the first national website that calculated Federal and State Government hot water rebates for homeowners across Australia. The website helps to simplify and explain rebates as well as making the claims process easier. With more than five million page views, it is the industry's most popular rebate information source.

The strong growth in environmental water heaters has placed pressure on the entire industry in terms of product knowledge and installation capability. The new environmental water heaters are significantly more complex than the old storage electric water heaters and take longer to install. The entire industry needs to increase its knowledge to ensure consumers are provided with a high level of service and satisfaction. To meet the challenge, Dux and EcoSmart have developed the Solar Institute. The Solar Institute is a state-of-the-art training facility, which enables staff and customers to be provided with the very best technical information on all Dux products, their installation and servicing.



Dux environmental water heater



CLEAN UP OUR CLIMATE

Dux has joined forces with Ian Kiernan of Clean Up Australia to promote environmental water heaters to Australian homeowners. Clean Up Our Climate is an initiative of Clean Up, a national not-for-profit organisation that coordinates Clean Up Australia Day and Clean Up the World.

Specifically, Clean Up Our Climate is a community-based environmental program that addresses the need for the ongoing care and restoration of environmental assets. It also assists communities in reducing their environmental footprint. The initiative provides additional assistance to the community, government and businesses, and also provides practical solutions to help Australians reduce their household carbon emissions.

Both television and radio advertisements were recorded over the past 12 months, which focus on reducing household carbon emissions and energy costs by replacing the old electric water heater with an energy efficient Dux solar or heat pump system. Ian Kiernan has also attended the state-of-the-art Solar Institute training facility in Moss Vale, where he received a factory tour and training on the Dux range of solar, heat pump and high efficiency gas water heaters.

BRIVIS TAKES EFFICIENCY TO NEW HEIGHTS

Brivis Gas Ducted Heaters are renowned for their quality, performance and reliability. This commitment to excellence has led to the development of the Brivis StarPro MAX high efficiency range of heaters. Achieving a 5.8 Star Rating on selected models, it is currently Australia's most energy efficient ducted gas furnace.

The Brivis StarPro series also incorporates an advanced Energy Management System, which automatically reduces heat output by up to 80 per cent when not heating the entire home.

The Brivis StarPro MAX is Australia's leading high efficiency gas ducted heater.



Brivis StarPro MAX high efficiency heater



Ian Kiernan of Clean Up Australia promoting Dux environmental water heaters



GWA Door & Access Systems

SUSTAINABILITY AND
INNOVATION (PRODUCTS)

GWA Door and Access Systems continued its commitment to innovation and development through 2009/10 with the development of exciting new product lines and advancements to some of its most popular ranges.

The 2009/10 year saw a unique partnership and distribution agreement entered into with Hillaldam sliding door systems. Hillaldam is a South African company that produces world-leading systems for sliding, folding, and stacking doors. This partnership allows GWA Door and Access Systems to now offer complete sliding door systems to customers, including sliding hardware and locksets, giving access to new market segments.

A further advancement for the industry has been the development of a new lockset under the Austral Lock brand, specifically for bifold doors. The new Sorrento Low-Profile lockset offers a distinct market advantage in its low profile handle design, allowing bifold doors the ability to fold nicely in a more compact fashion, saving valuable space in the home. This exciting new product has been extremely well received and supports GWA Door and Access Systems position in leading innovation and design.

Through the 2009/10 year, GWA Door and Access Systems launched an entirely new product line to the market called Pearl lock, under the Austral Lock brand. Designed for aluminium-framed sliding windows and doors, Pearl lock was developed in response to market demand for a quality alternative to the commonly seen solution. With its innovative, slimline and discreet "Push and Slide" operating mechanism, Pearl lock offers consumers the first genuine answer – for design and quality – to aluminium framed windows and doors. Fulfilling the needs of the market, and with additional innovative features, the Pearl lock range is set to make strong inroads into the domestic and international markets.



Hillaldam folding door system



Austral Lock Pearl window and door lock

GWA Commercial Furniture

SUSTAINABILITY AND
INNOVATION (PRODUCTS)

GWA Commercial Furniture has developed a responsible solution to help clients who make their purchasing decisions based on environmental factors.

GWA Commercial Furniture remains at the forefront of injection moulding technology and recycling, with today's state-of-the-art factory producing high-quality sustainable products.

In an effort to support sustainability and strategically position GWA Commercial Furniture as an expert in developing and manufacturing polypropylene products, the Company sets the environmental and ecological benchmarks within the markets it operates in.

Many of Sebel's products are GECA (Good Environmental Choice Australia) Certified and examples of Sebel's new innovative sustainable products include:

Postura Chair – 100% Recyclable

The most significant recent event for GWA Commercial Furniture has been the release of the 100 per cent recycled school chair called the Postura.

Education clients demand high quality furniture that withstands the rigours of a modern classroom environment.

GWA Commercial Furniture has established itself as a market leader and Australia's largest school furniture company.

GWA Commercial Furniture has taken the global environmental lead with the new Postura totally recycled school chair. The new chair has been designed and strenuously tested to pass the highest Australian and European standards, with key features being strong durability and comfort for students of all ages.

Coinciding with the Federal Government's Building the Education Revolution stimulus package, GWA Commercial Furniture is now buying back old GWA Commercial Furniture's school chairs, re-manufacturing them and creating totally new products. Under Sebel's new buy-back system, schools can now refresh their classrooms with bright new chairs at a low cost, while not contributing discarded chairs to landfill.

The launch of this product has further consolidated GWA Commercial Furniture's Australian and International leadership position in plastic recycling technology.

sebel
form function balance

Chameleon Office Chair Range

To improve our competitive position and profile in the office furniture market, GWA Commercial Furniture has developed a responsible solution to help clients who make their purchasing decisions based on environmental factors.

The Chameleon range is innovative, versatile and environmentally friendly. It is GECA certified and, with a NATA certified in-house testing facility, the Chameleon range has been tested over 500,000 cycles at 150kg which is well beyond severe duty standards AS 4438.

All of its plastic components are moulded in Australia using recycled materials (excluding specific outer). At the end of the products useful life, it is genuinely recyclable thus reducing our ecological footprint.

This new range will set Sebel apart in this market segment and create new standards that meet or exceed market requirements.



Sebel's fully recyclable Postura school chair

Sustainability and Environment (Operations)

2009/10 has been another year of significant developments in water and energy savings at GWA's operations.

GROUP INITIATIVES

GWA's product ranges in the building fixtures and fittings sector have continued to provide innovative products that enhance water and energy savings. GWA's commitment to sustainability and the environment also extends to its operations.

2009/10 has been another year of significant developments in water and energy savings at GWA's operations, continuing on from the successes of the previous 2 years. Significant highlights include:-

Caroma Wetherill Park, NSW

Caroma Wetherill Park is by far the most significant GWA site in terms of energy consumed and emissions generated so efforts have been directed to the site. Caroma Wetherill Park has become a member of Sustainability Advantage - a NSW State Government initiative targeting reduction in energy/emissions and awareness of environmental influences in manufacturing operations and associated capital projects. Objectives and outcomes targeted include maximising efficiency of resources employed in manufacturing, including electricity, gas (natural and LPG) and water.

Caroma Wetherill Park received the Bronze Award from the NSW Department of Environment, Climate Change and Water (DECCW) and is now a Bronze Partner of the Sustainability Advantage Program. Caroma Wetherill Park environmental achievements will be featured in the Sustainability Advantage Annual Report and used as a success story in Sustainability Advantage's program training pack. Caroma Wetherill Park also received the prestigious 2010 Green Globe Business Water Award from the DECCW acknowledging outstanding achievements in the sustainable use of natural resources in NSW and leadership in tackling climate change.

Achievements at Wetherill Park include:

Waste Savings

- Aggregated 97% waste to landfill saved through waste segregation, third party recycling, change of raw material and redesign of product kiln firing setters.

Natural Gas Savings

- 14,280 Giga Joule (GJ) per annum saved by reducing firing settings and kiln heat reuse.

Water Reduction

- 14 water sub-meters were installed to identify and target water usage reduction. A total reduction of 6 million litres per year was achieved, which in turn allowed a 6 million litre per year reduction of water being processed through the water treatment plant.
- The Ultra Filtration (UF) membrane plant was successfully piloted for 6 months feeding recycled process water to production equipment in the casting area. Caroma Wetherill Park has subsequently completed 95% of the installation of factory scale UF unit. On completion the UF unit will process 100% of Caroma Wetherill Park waste water and deliver recycled water suitable for use in all production process. An 80% reduction in town water usage is expected from this project.

Energy Reduction

- Energy audits have been performed on factory air compressor systems, with project savings up to 9% of electrical energy and 747 tonnes of CO² emissions.
- Energy efficient lighting has been trialed in the engineering workshop with 50% energy savings measured from area lighting energy usage. Completion of proposed capital expenditure will deliver 7% savings of factory electricity usage and 953 tonnes reduction of CO² emissions.
- Investigation and feasibility studies are work in progress for the feasibility of kiln heat recovery, forklift energy conversion and rain water harvesting.

Overall the energy and emissions savings have resulted in a reduction of:-

- Gas usage per cast vitreous china piece of 8.5%
- Electricity usage per cast vitreous china piece of 7.8%
- Water usage per cast vitreous china piece of 13.5%

NATIONAL PACKAGING COVENANT SIGNATORY

GWA joined the National Packaging Covenant (NPC) during 2008. The Australian Packaging Covenant is a unique collaborative agreement between Government and Industry based on the principles of product stewardship. It is designed to minimise the environmental impacts arising from the disposal of used packaging, conserve resources through better design and production processes and facilitate the re-use and recycling of used packaging materials. A new Covenant has just been announced for a further 5 years. It will now be called the Australian Packaging Covenant (APC). The new APC will focus on improved packaging design, away from home recycling, litter and increased engagement across the supply chain through product stewardship.



Dux Moss Vale containment cell being constructed (above picture) and the finished remediated area (below picture)



Caroline Sunaryo, (Mechatronics Engineer, Caroma) accepts DECCW Bronze Award for energy and emission reductions on behalf of Caroma Wetherill Park

An important element of the APC is the Sustainable Packaging Guidelines (SPG) which has been developed to assist signatories to review and optimise their packaging.

The applicable GWA business units will sign the Australian Packaging Covenant. During 2009/10 all GWA business divisions completed action plans and reported progress to the Covenant.

GREENHOUSE GAS INITIATIVES AND REPORTING

Ultimately all identified energy and water savings will reduce greenhouse gases. Reduction in water usage frequently leads to reduced on site treatment and will generally lead to less energy used by down stream sewerage treatment plants through decreased effluent processing. Sustainability, through energy, water and waste reductions in GWA operations, as well as GWA products, continues to be a key focus. During 2009/10 the Sustainability Group that was formed in the previous year continued. The aim of the group is to:-

- Reducing energy and water consumption in both products and processes
- Reducing waste in processes
- Encouraging recycling of material where practical
- Ensure reporting requirements under National Greenhouse Emissions Reporting (NGER)

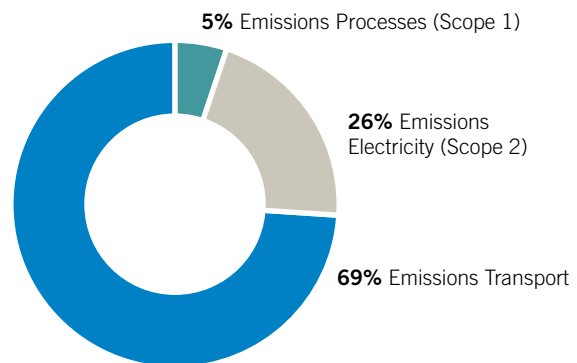
National Greenhouse Emissions Reporting (NGER)

GWA has improved its systems and procedures to capture, record and report Greenhouse Gas (GHG) emissions under NGER. A computer based system is now streamlining recording and reporting. Data will also be used to provide information for sustainability based capital projects. The database captures water and energy usage at all GWA sites where there is operational control.

In 2009 Caroma Wetherill Park triggered the NGER reporting obligations for GHG emissions (based on the energy trigger, not the carbon emissions trigger). In 2010 it is expected that all GWA sites, where there is operational control defined by the NGER Act, will report GHG emissions for the 2009/10 financial year. This will occur on or before 31 October 2010 when emissions are entered into the Federal Government's Online System for Comprehensive Activity Reporting (OSCAR).

The estimated NGER-reportable Scope 1 and Scope 2 emissions for 2009/10 for GWA will be in the range of 45,000 to 47,000 tonnes of Carbon Dioxide equivalent. The graph below shows the approximate split of emissions by category.

Approx GWA (all sites 2009/10) Scope 1 and Scope 2 Emissions by Category



ENVIRONMENT

General environmental risk mitigation strategies with respect to property purchases, leases and asset disposals are procedurally documented. Environmental audits and audits of chemical storages are also routinely undertaken. The Bravis and Austral Lock acquisitions are two examples of best practice environmental due diligence undertaken during acquisition.

During 2009/10 two major site remediation projects were undertaken:-

1. Asbestos in soil at Dux Moss Vale where approximately 23,000m³ of Asbestos in soil was contained in a specially constructed containment cell (pictured above)
2. Solvent contamination at Caroma Dorf Revesby where source contaminated soil was removed from the previous manufacturing area inside the factory and outside in storage areas.

Board of Directors

GEOFF MCGRATH MIII

Chairman and Non-Executive Director

- Expertise: Manufacturing and general management
- Special Responsibilities: Chairman of Board, Chairman of Nomination Committee and member of Audit and Remuneration Committees

Mr McGrath was appointed a Non-Executive Director of GWA International Limited in 2004 and was appointed Chairman effective 1 July 2010. He retired from GWA International Limited in May 2003 after 43 years service, including the last 10 years as Managing Director. In 1982 Mr McGrath was appointed Managing Director of the GWA Manufacturing Group companies following the takeover of UPL Group by the former public company, GWA Limited.

During the past three years, Mr McGrath has served as a director of the following other listed companies, and the period in which the directorships have been held:

- Campbell Brothers Limited since 2003*+
- Fletcher Building Limited 2003 – 2009

*denotes current directorship

+denotes Chairman

PETER CROWLEY BA B ECON FAICD

Managing Director

- Expertise: Broad manufacturing experience in Australia and overseas

2003: Managing Director of GWA International Limited;

2001: Managing Director and Chief Executive, Austrim Nylex Limited, a diversified industrial company;

1999: Executive Director, Cement and Lime, The Rugby Group PLC, a UK Public Company with extensive international cement operations. During this period, also served as a director of Adelaide Brighton Limited;

1997: Chief Executive, Cockburn Cement Limited (a subsidiary of The Rugby Group PLC), Western Australia's largest cement producer and Australia's largest lime producer;

1982: Various roles with Queensland Cement Limited and its parent company Holderbank culminating in General Management responsibilities within Australia and South-East Asia.

DARRYL MCDONOUGH BBUS (ACTY), LLB (HONS), SJD, FCPA, FAICD

Deputy Chairman and Non-Executive Director

- Expertise: Lawyer and experienced public company director
- Special Responsibilities: Deputy Chairman of Board, Member of Audit, Nomination and Remuneration Committees

Mr McDonough was appointed a Non-Executive Director of GWA International Limited in February 2009 and was appointed Deputy Chairman in October 2009. He is a practicing solicitor with over 25 years of corporate experience. He has served as a director of a number of public companies in the past, including Bank of Queensland Limited and Super Cheap Auto Group Limited and is a Past-President of The Australian Institute of Company Directors, Queensland Division.

During the past three years, Mr McDonough has served as a director of the following other listed company, and the period in which the directorship has been held:

- Super Cheap Auto Group Limited 2003-2010

DAVID BARRY FAIM

Non-Executive Director

- Expertise: Importation, distribution and retailing

Mr Barry was appointed a Non-Executive Director of GWA International Limited in 1992. He was appointed a director of the former public company, GWA Limited in 1979 and was primarily responsible for one of its major divisions involved in importation, wholesaling and retailing.

ROBERT ANDERSON

Non-Executive Director

- Expertise: Property investment and transport logistics

Mr Anderson was appointed a Non-Executive Director of GWA International Limited in 1992. He was appointed a director of the former public company, GWA Limited in 1979 after joining the Group in 1955 where he gained wide experience in management, investment and property matters.

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BILL BARTLETT FCA, CPA, FCMA, CA(SA)

Non-Executive Director

- Expertise: Chartered Accountant, actuarial, insurance and financial services
- Special Responsibilities: Chairman of Audit and Remuneration Committees and member of Nomination Committee

Mr Bartlett was appointed a Non-Executive Director of GWA International Limited in 2007 and Chairman of the Audit Committee in October 2009. He is a Fellow of the Institute of Chartered Accountants with over 35 years experience in accounting, and was a partner at Ernst & Young in Australia for 23 years, retiring on 30 June 2003. He is a director of the Bradman Foundation and Museum.

During the past three years, Mr Bartlett has served as a director of the following other listed companies, and the period in which the directorships have been held:

- Suncorp-Metway Limited since 2003*
- Reinsurance Group of America Inc (NYSE) since 2004*
- Arana Therapeutics Limited (formerly Peptech Limited) 2004 - 2007
- Abacus Property Group since 2007*

*denotes current directorship

RICHARD THORNTON CA B COM LLB (HONS) LLM

Executive Director and Company Secretary

Expertise: Chartered Accountant, taxation and finance

Mr Thornton was appointed an Executive Director of GWA International Limited in May 2009. He joined GWA International Limited in 2002 as Group Taxation Manager and Treasurer and was appointed Company Secretary in 2003. He is a Chartered Accountant and is experienced in accounting, taxation and finance through positions at Coopers & Lybrand, Citibank and Ernst & Young in Australia and overseas. Mr Thornton continued in his role as Company Secretary following his appointment as an Executive Director in 2009.

Corporate Governance Statement for the Year Ended 30 June 2010

The Board of Directors is responsible for the corporate governance of GWA International Limited (“the Company”) which is an essential part of the role of the Board.

The Company’s corporate governance practices have been in place since listing and are constantly reassessed in the light of experience, contemporary views and guidelines on corporate governance practices. The Board adopts practices it considers to be superior and which will lead to better outcomes for the Company’s shareholders, whilst endeavoring to avoid those which are based on unsound principles.

The Board supports the Corporate Governance Principles and Recommendations (“the recommendations”) of the ASX Corporate Governance Council. The Board confirms that the current corporate governance practices of the Company meet or exceed the recommendations.

In previous years, the Company identified the departure from Recommendation 2.2 on the basis that the former Chairman, Mr Barry Thornton, was not an independent director in accordance with the definition of independence outlined in the recommendations. Following the retirement of Mr Barry Thornton on 30 June 2010 and appointment of Mr Geoff McGrath as Chairman, this recommendation has now been satisfied as Mr McGrath is an independent director.

The Board supports the recently announced changes to the recommendations requiring disclosure on diversity initiatives which are effective from 1 January 2011. During the year, the Company has implemented a number of important diversity related initiatives as outlined in the Managing Director’s Review of Operations. The Company will report by reference to the diversity recommendations in next year’s Annual Report.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of the Board

The Board is responsible for the long term growth and financial performance of the Company. The Board charts the strategic direction of the Company and monitors executive and senior management performance on behalf of shareholders. To achieve this, the Board is engaged in the following activities:

- Providing input into and final approval of corporate strategies and performance objectives developed by senior management
- Approval and monitoring of financial and other reporting
- Monitoring of executive and senior management performance, including the implementation of corporate strategies, and ensuring appropriate resources are available
- Appointment and monitoring of the performance of the Managing Director
- Liaison with the Company’s External Auditor through the Audit Committee
- Ensuring that the Company has appropriate systems of risk management and internal controls, reporting mechanisms and delegation authority limits in place
- Approval and monitoring of the progress of major capital expenditure, capital management, acquisitions and divestments
- Any other matters required to be dealt with by the Board from time to time depending upon circumstances of the Company
- Other matters referred to in the Board Committee charters

The Board operates under a charter that details the functions and responsibilities of the Board. The charter is regularly reviewed to ensure it remains consistent with the Board’s objectives and responsibilities. Refer to the Company’s website for a copy of the charter.

Delegations Policy

The Board has approved a Delegations Policy which clearly outlines the authorities of the Board and those which have been delegated to senior management. The policy ensures that senior management understands the authorities delegated by the Board and are accountable to the Board for its compliance. Regular reviews are conducted on the appropriateness of the delegated authorities, and any material breaches are reported to the Board.

Letter of Appointment

New directors of the Company are provided with a formal letter of appointment which outlines the key terms and conditions of their appointment. Similarly, senior executives including the Managing Director and Chief Financial Officer have formal job descriptions and letter of appointment describing their salary arrangements, rights and responsibilities and entitlements on termination.

A comprehensive induction program is available to senior executives to ensure full understanding of the Company and industry within which it operates.

Performance Reviews

Performance reviews of staff including senior executives are conducted formally on a bi-annual basis. The performance review process is critical to the development of staff and enables performance issues to be addressed. The Company has identified core competencies for the key roles in the organisation and these are incorporated into individual job descriptions. During the performance review process, the performance of staff is assessed against the business objectives and core competencies.

Measurable personal financial and business improvement goals are established during the performance review process, and the achievement of the personal goals is incorporated into the Company's Short Term Incentive as outlined in the Remuneration Report.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Board Meetings

The Board meets at least 11 times each year for scheduled meetings and may, on other occasions, meet to deal with specific matters that require attention between scheduled meetings. Together with the Board Committees, the directors use the Board meetings to challenge and fully understand the business and its operational issues. To assist with the Board's understanding of the business, the Board regularly conducts Board meetings at the various business locations followed by management presentations and site tours.

The Divisional General Managers are required to regularly attend and present at the Board meetings on operational issues and performance. An annual group strategy meeting is held as part of the budget approval process which enables the Board to review corporate strategies and performance with the Divisional General Managers. This ensures that the Board is effectively carrying out its duties of providing input into and approving corporate strategies and performance objectives.

The Chief Financial Officer is required to attend Board meetings and present the finance department monthly report, and to answer questions from the directors on financial performance, accounting, risk management and treasury matters.

The Executive Director is responsible for the completion and dispatch of the agenda and Board papers for each meeting. The Executive Director prepares the draft minutes for each meeting, which are tabled at the next Board meeting for review and approval. The Executive Director is accountable to the Board, through the Chairman, on all corporate governance matters.

Composition of the Board

The Board presently comprises 7 directors, 5 of whom, including the Chairman and Deputy Chairman, are non-executive directors and 2, the Managing Director and Executive Director, are executive directors.

Profiles of the directors are set out on in the Annual Report. The profiles outline the skills, experience and expertise of each Board member, including the period of office held by each director.

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

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

Re-Election of Directors

In accordance with the Company's constitution, at each Annual General Meeting, a number of directors will face re-election. One third of the Board (excluding the Managing Director and any director not specifically required to stand for re-election) must stand for re-election. In addition, no director (other than the Managing Director) may hold office for more than three years without standing for re-election, and any director appointed by the Board since the last Annual General Meeting must stand for re-election at the next Annual General Meeting. All retiring directors are eligible for re-election.

Independence of Directors

The Board considers that directors must be independent from management and free of any business or other relationship that could interfere, or reasonably be perceived to interfere, with the exercise of their unfettered and independent judgment. In considering the relationships which may affect independent status as outlined in the recommendations of the ASX Corporate Governance Council, it has been determined that all directors of the Company, other than the Managing Director and Executive Director, are independent.



Corporate Governance Statement for the Year Ended 30 June 2010 Cont.

The following directors are considered by the Board to be independent:

- Mr Geoff McGrath, Chairman and Non-Executive Director
- Mr Darryl McDonough, Deputy Chairman and Non-Executive Director
- Mr David Barry, Non-Executive Director
- Mr Robert Anderson, Non- Executive Director
- Mr Bill Bartlett, Non-Executive Director

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

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

(i) Mr Geoff McGrath – Chairman and Non-Executive Director

In previous years, Mr Geoff McGrath was deemed not to be an independent director as he was the former Managing Director until his retirement in 2003. It has been more than three years since the appointment of Mr McGrath as Non-Executive Director in 2004. Accordingly, Mr McGrath now meets the definition of an independent director as outlined in the recommendations of the ASX Corporate Governance Council. In the Board's view, Mr McGrath exercises independent judgement in carrying out his duties as director and should be considered an independent director.

(ii) Board Succession Planning

The Board has established succession plans for the retirement of individual Board members to ensure an appropriate balance of skills, experience and expertise on the Board. The Board views director renewal as an essential process to ensure optimal Board performance. In accordance with the succession plans, the following director retirements and appointments have occurred in recent years:

- Appointment of Mr Bill Bartlett in 2007
- Retirement of Mr Martin Kriewaldt in 2008
- Retirement of Mr Jim Kennedy in 2009
- Appointment of Mr Darryl McDonough in 2009
- Appointment of Mr Richard Thornton in 2009
- Retirement of Mr Barry Thornton in 2010

In August 2010 the Company announced the retirement of Mr David Barry at the 2010 Annual General Meeting and the proposed appointment of an additional non-executive director later in the year. Further director retirements and appointments are expected in future years to continue the Board succession planning process, whilst ensuring an efficient and effective Board is maintained.

Conflicts of Interest

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

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

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

Access to Independent Advice

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

Nomination Committee

The Nomination Committee meets as required and on several occasions throughout the year. For membership and attendance details of the Nomination Committee, refer to the Directors' Report.

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

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

The Nomination Committee operates under a charter that details the Committee's role and responsibilities, composition, structure and membership requirements. The charter is regularly reviewed to ensure it remains consistent with the Board's objectives and responsibilities. Refer to the Company's website for a copy of the charter.

The main responsibilities of the Committee include:

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

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

The Executive Director prepares the draft minutes for each Nomination Committee meeting, which are tabled at the next Nomination Committee meeting for review and approval. The draft minutes are also included in the Board papers of the next Board meeting following the Nomination Committee meeting.

Selection and Appointment of Directors

The Nomination Committee is responsible for the selection and appointment of directors. In the circumstances where there is a need to appoint a director, whether due to the retirement of a director, growth of the Company, or changed circumstances of the Company, certain procedures will be followed including the following:

- Determination of the skills and experience appropriate for an appointee, having regard to those of the existing directors and other likely changes to the Board;
- Upon identifying a potential appointee, consider the competency and qualifications, independence, other directorships, time availability, and the effect that their appointment would have on the overall balance of the composition of the Board; and
- The Board members consent to the proposed appointee.

Induction Program

The Nomination Committee is responsible for ensuring that an effective induction program for new directors is in place and regularly reviewed to ensure its effectiveness. The Board has developed a comprehensive induction program for new directors to allow the new appointees to participate fully and actively in Board decision making. The Board views the induction program as critical in enabling the new directors to gain an understanding of the Company and the markets in which it operates.

Performance Evaluation

On an annual basis, the Nomination Committee conducts a formal evaluation of the performance of Board, the Board Committees and the individual Board members to determine whether functioning effectively by reference to current good practice. The performance evaluation is conducted by the Chairman of the Board through interviews with individual Board members and questionnaires, the results of which are reported to the Board.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct

The Company's objective is to conduct its business with the highest standards of personal and corporate integrity. To assist employees in achieving this objective, the Company has developed a comprehensive Code of Conduct which guides the behaviour of directors, officers and employees and demonstrates the commitment of the Company to ethical practices. The Code of Conduct is incorporated as part of new employees' induction training and an acceptance form is signed by new employees acknowledging their understanding and on-going compliance.

The Code of Conduct states the values and policies of the Company and complements the Company's risk management and internal control practices. The Code of Conduct is regularly reviewed and updated to ensure that it reflects current good practice and to promote the ethical behaviour of all employees. Refer to the Company's website for a copy of the Code of Conduct.

Share Trading Policy

The Company has developed a share trading policy which prohibits directors, officers and other "potential insiders" from trading in GWA International Limited shares during designated periods. The designated periods are 30 June until the release of the Company's full year results to the Australian Securities Exchange and 31 December until the release of the Company's half year results to the Australian Securities Exchange, unless otherwise determined by the directors.



Corporate Governance Statement for the Year Ended 30 June 2010 Cont.

Outside of these designated periods, there are no trading restrictions where the directors, officers and other “potential insiders” are not in the possession of unpublished insider information. At all times, if an employee possesses unpublished insider information about the Company, that person is prohibited from trading. In addition, employees must not engage in any short term trading in the Company’s shares.

As an additional restriction, the directors must advise the Chairman prior to trading outside the designated periods and confirm to the Chairman that they do not possess unpublished insider information. The policy also requires the directors to notify the Executive Director within three business days after trading, to enable the Executive Director to lodge the required disclosures with the Australian Securities Exchange.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

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

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

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

The Audit Committee is governed by a charter which outlines the Committee’s role and responsibilities, composition, structure and membership requirements. The charter is regularly reviewed to ensure it remains consistent with the Board’s objectives and responsibilities. Refer to the Company’s website for a copy of the charter. A detailed Terms of Reference has been developed to ensure the Audit Committee meeting agenda is consistent with the Committee’s role and responsibilities as outlined in the charter.

The External Auditor, Managing Director, Chief Financial Officer, Executive Director, Group Commercial Manager, and other Company executives (as required) attend Audit Committee meetings, by invitation, to present the relevant statutory information, Financial Statements, reports, and to answer the questions of the Audit Committee members. At the Audit Committee meetings, the Audit Committee members will meet with the External Auditor without management present.

The main responsibilities of the Audit Committee include:

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

The Executive Director prepares the draft minutes for each Audit Committee meeting, which are tabled at the next Audit Committee meeting for review and approval. The draft minutes are also included in the Board papers of the next Board meeting following the Audit Committee meeting.

Certification of Financial Reports

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

Auditor Independence

The Board recognises the importance of a truly independent audit firm to ensure that the audit function delivers, for the benefit of the Board and all other stakeholders, an unbiased confirmation of both the Financial Statements and the state of affairs of the Company. Consistent with the Board’s commitment to an independent audit firm, a policy has been approved by the Board on the role of the External Auditor, which is designed to ensure the independence of the external audit function.

The Audit Committee reviews the independence of the audit function annually and makes a recommendation to the Board on continuing independence. As part of this review, the Audit Committee examines the non-audit roles performed by the External Auditor to satisfy itself

that the auditor's independence is not compromised. Whilst the value of the non-audit services could, in extreme cases, compromise audit independence, more important is to ensure that the External Auditor is not passing an audit opinion on the non-audit work of its own firm.

As a further measure to ensure the independence of the audit function, the Chairman of the Audit Committee must pre-approve all audit services provided by the External Auditor, and non-audit services with a value of greater than \$5,000.

During the year, the Company's External Auditor, KPMG, provided an Auditor Independence Declaration to the Board (refer to the Directors' Report) that, to the best of their knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

In considering the KPMG declaration and the recommendation of the Audit Committee, the Board are satisfied with the continuing independence of the audit function.

For details of the non-audit roles performed by KPMG during the year, please refer to the notes to the Financial Statements.

Selection and Appointment of External Auditor

Following shareholder approval at the 2004 Annual General Meeting, KPMG were appointed External Auditor for the financial year commencing 1 July 2004 after a comprehensive tender process conducted by the Audit Committee. KPMG replaced Ernst & Young who had been the External Auditor since 1995.

Rotation of External Auditor

KPMG has advised the Company that their policy of audit partner rotation requires a change in the lead engagement partner and review partner after a period of five years. An audit partner rotation plan has been reviewed and approved by the Audit Committee to ensure the transition process is managed effectively. In accordance with the plan, effective from 1 July 2010 Mr Greg Boydell will take over as lead engagement partner from Mr Mark Epper.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company is committed to ensuring the timely disclosure of material price sensitive information through compliance with the continuous disclosure obligations in the ASX Listing Rules and the *Corporations Act 2001*. The Company includes continuous disclosure as a permanent item on the agenda for Board meetings. The Board has approved a Continuous Disclosure Policy to ensure the Company

complies with the continuous disclosure requirements and to ensure accountability at the executive and senior management level for that compliance.

The Managing Director is the Company's Continuous Disclosure Compliance Officer and is responsible for ensuring compliance with the continuous disclosure requirements, and overseeing and authorising disclosure of information to the ASX. All media releases which contain material price sensitive information must be approved by the Board prior to release to the ASX.

The Executive Director coordinates the communications with the ASX including ensuring compliance with regulatory requirements and overseeing information released to the ASX, shareholders and other interested parties. Announcements made to the ASX are published on the Company's website immediately after release.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

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

- Ensuring that shareholder communications (including Annual Report, Half Year Report and Notice of Annual General Meeting) satisfy relevant regulatory requirements and guidelines. The Company is committed to producing shareholder communications in plain English with full and open disclosure about the Company's policies and procedures, operations and performance.
- Ensuring that shareholders have the opportunity to receive external announcements by the Company through the corporate website, www.gwail.com.au. All Company announcements and information released to the market are located on the website and may be accessed by shareholders. There is a Corporate Governance section on the website which outlines the Company's governance practices and other information including details of the Company's sustainability performance.
- The Board is committed to the use of electronic communications with shareholders to reduce the environmental impact and costs. Shareholders can elect to receive Company communications electronically, although not all communications are made available electronically. Annual Reports are no longer printed and mailed to shareholders, unless specifically requested. Annual Reports are made available to shareholders on the Company's website in an accessible and user friendly format. Shareholders are mailed the Notice of Annual General Meeting and Proxy Form, which includes details on accessing the online Annual Report and proxy voting.



Corporate Governance Statement for the Year Ended 30 June 2010 Cont.

- The Company encourages shareholders to attend and participate at the Annual General Meeting to canvass the relevant issues of interest with the Board. If shareholders are unable to attend the Annual General Meeting personally, they are encouraged to participate through proxy voting. The Company has recently embraced online proxy voting to make it easier for shareholders to lodge their proxy votes if they are unable to attend the Annual General Meeting. The Company endeavours to set the timing and the location of the Annual General Meeting so that it is convenient for shareholders generally.
- The External Auditor attends the Annual General Meeting and is available to answer questions from shareholders about the conduct of the audit and the preparation and content of the Independent Audit Report. Shareholders attending the Annual General Meeting are made aware they can ask questions of the External Auditor concerning the conduct of the audit.
- a Finance Committee comprising the executive and senior management of the Company which has been established to review and monitor the financial risks in the organisation and oversee the execution of finance policies and risk mitigation activities. The Finance Committee reports to the Audit Committee on its activities as outlined in the Finance Committee charter;
- a Group Commercial Manager who has primary responsibility for designing, implementing and coordinating the overall risk management and internal control practices of the Company. The Group Commercial Manager attends the Audit Committee meetings to present the Internal Audit Report and prepares a monthly Commercial Risk Report for the Board. Whilst reporting to the Chief Financial Officer on a day to day basis, the Group Commercial Manager has the authority to report directly to the Board on any matter;

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board recognises that effective risk management processes help ensure the business is more likely to achieve its business objectives and that the Board meets its corporate governance responsibilities. In meeting its responsibilities, the Board has ensured that management has put in place comprehensive risk management policies and practices across the Company which addresses each of the key elements and requirements of AS/NZS Standard 4360: 2004 – Risk Management.

Such processes include defining the risk oversight responsibilities of the Board and the responsibilities of management in ensuring risks are both identified and effectively managed. The agreed policies and practices are made effective through the combined activities of:

- an Audit Committee that reports to the Board on risk management and internal control matters in accordance with its main responsibilities as outlined in the Audit Committee Charter. Whilst ultimate responsibility for risk oversight rests with the Board, the Audit Committee is an efficient mechanism for focusing the Company on risk oversight, risk management and internal control;
- an Executive Risk Committee (ERC) comprising the executive and senior management of the Company which has been established to identify business risks in the organisation and review status and risk mitigation activities. Formal enterprise risk profiles have been prepared for the businesses and these are reviewed half yearly by the ERC. The major business risks are reported to the Audit Committee at the June and December meetings together with risk mitigation activities. The ERC reports to the Audit Committee on its activities as outlined in the ERC Charter;
- a Group Risk Manager who has specific responsibilities in respect of operational risks including occupational health and safety, business continuity, environmental and sustainability risks. The Group Risk Manager prepares a monthly Group Risk Report for the Board and attends the June and December Audit Committee meetings to present the Operational Risk Report;
- Internal Audit activities undertaken by a combination of internal and appropriately qualified external resources based on an Audit Committee approved programme of work. Such activities link to the risk management practices of the Company by ensuring risks are being adequately identified and managed through the effective and efficient operation of control procedures. The internal audit function is independent of the external audit function; and
- External Audit activities undertaken by the External Auditor, KPMG, to review internal controls as part of the year end audit procedures. Internal control weaknesses are identified by the External Auditor and communicated to management to address through a formal reporting process. The actions taken by management are reviewed by the Chief Financial Officer as part of the stewardship review process.

The Company has implemented risk management software across the Group for the purpose of identifying and managing occupational health and safety, business continuity and environmental risks. The software is a critical tool for senior management and has enhanced the identification, reporting and monitoring of actions in this important area in order to support management's objectives.

Risk management is embedded in the Company's policies and procedures which have enabled the Company to pro-actively identify and manage all types of risk within the organisation. The Board aims to

continually evaluate and re-assess the risk management and internal control practices of the Company to ensure current good practice is maintained and to preserve and create value within the organisation.

Certification of Risk Management Controls

In conjunction with the certification of financial reports, the Managing Director and Chief Financial Officer state in writing to the Board each reporting period that in their opinion:

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

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

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee

The Remuneration Committee meets as required and on several occasions throughout the year. For membership and attendance details of the Remuneration Committee, refer to the Directors' Report.

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

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

The Remuneration Committee operates under a charter that details the Committee's role and responsibilities, composition, structure and membership requirements. The charter is regularly reviewed to ensure it remains consistent with the Board's objectives and responsibilities. Refer to the Company's website for a copy of the charter.

The main responsibilities of the Committee include:

- Review of the Company's remuneration and incentive policies
- Review of executive and senior management remuneration packages
- Review of the Company's recruitment, retention and termination policies and procedures

- Review of the Company's superannuation arrangements
- Reporting to the Board on the Committee's role and responsibilities covering all the functions in its charter

In performing its responsibilities, the Remuneration Committee receives appropriate advice from external consultants and other advisors as required. During the year, the Remuneration Committee engaged the services of an external adviser to provide market benchmarking data to assist with the 2010/11 executive remuneration review.

The Executive Director prepares the draft minutes for each Remuneration Committee meeting, which are tabled at the next Remuneration Committee meeting for review and approval. The draft minutes are also included in the Board papers of the next Board meeting following the Remuneration Committee meeting.

Remuneration Policies

The Board's objective in setting the Company's remuneration policies is to provide maximum stakeholder benefit from the retention of a high quality Board and executive team. This is achieved by remunerating directors and executives fairly and appropriately based on relevant employment market conditions and the linking of the executives' emoluments to the Company's financial and operating performance in order to align with shareholder wealth creation.

The Nomination Committee is responsible for determining the remuneration for the non-executive directors, with the maximum aggregate amount approved by shareholders. The non-executive directors receive their remuneration by way of directors' fees only (including statutory superannuation) and are not able to participate in the executive incentive schemes. There are no director retirement benefits other than statutory superannuation.

The Remuneration Committee is responsible for reviewing and determining the remuneration and incentive arrangements for the executives. The Remuneration Committee obtains market benchmarking data from an external remuneration consultant to assist in determining market remuneration levels. The remuneration and incentive arrangements have been structured to ensure that performance is fairly rewarded and to attract, motivate and retain a high quality executive team.

For details of the Company's remuneration policies and disclosures, refer to the Remuneration Report.

Long Term Incentive (Equity) Plan

Shareholders approved a new Long Term Incentive (Equity) Plan (LTIP) as part of the incentive arrangements for executives at the 2008 Annual General Meeting. Full details of the operation of the LTIP is described in the Remuneration Report.



Directors' Report As At 30 June 2010

DIRECTORS

The following persons were directors of the Company during the financial year and up to the date of this report. Directors were in office this entire period unless otherwise stated.

G J McGrath, Chairman and Non-Executive Director

D D McDonough, Deputy Chairman and Non-Executive Director

P C Crowley, Managing Director

D R Barry, Non-Executive Director

R M Anderson, Non-Executive Director

W J Bartlett, Non-Executive Director

R J Thornton, Executive Director

B Thornton, Non-Executive Director (Retired 30 June 2010)

J J Kennedy, Non-Executive Director (Retired 29 October 2009)

On 6 August 2010, Mr D R Barry announced his retirement as a Non-Executive Director at the Company's 2010 Annual General Meeting on 28 October 2010.

Details of the directors' qualifications, experience and special responsibilities are located in the Annual Report.

Details of the directorships of other listed companies held by each director in the three years prior to the end of the 2009/10 financial year, and the period for which each directorship has been held, are listed in the Annual Report.

COMPANY SECRETARY

Mr R J Thornton was appointed Company Secretary of GWA International Limited in 2003. Mr Thornton continued in his role as Company Secretary following his appointment as an Executive Director in May 2009. Details of Mr Thornton's qualifications and experience are located in the Annual Report.

DIRECTORS' INTERESTS

The relevant interest of each director in the share capital of the Company as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the *Corporations Act 2001* as at the date of this report is:

Director	Ordinary Shares
G J McGrath	150,000
D D McDonough	60,495
P C Crowley	750,000
D R Barry	3,553,830
R M Anderson	8,418,442
W J Bartlett	15,914
R J Thornton	111,194

Mr P C Crowley and Mr R J Thornton are holders of Performance Rights under the Long Term Incentive (Equity) Plan. For details of the Performance Rights held, please refer to the Remuneration Report.

Note 34 to the Financial Statements sets out the number of shares held directly, indirectly or beneficially by directors or their related entities at balance date as prescribed in Accounting Standard AASB 124, this being 61,817,510 shares (last year 61,351,674 shares).

CORPORATE STRUCTURE

GWA International Limited is a Company limited by shares that is incorporated and domiciled in Australia. GWA International Limited has prepared a Consolidated Financial Report incorporating the entities that it controlled during the financial year ended 30 June 2010, which are outlined in Note 31 of the Financial Statements.

PRINCIPAL ACTIVITIES

The principal activities during the year within the consolidated entity were the research, design, manufacture, import and marketing of building fixtures and fittings to households and commercial premises and the distribution of these various products through a range of distribution channels in Australia and overseas.

The Company divested the Rover Mowers and Wisa Beheer businesses in April and June 2010 respectively. These businesses were previously identified by the Board as non-core operations. The Company also announced the acquisition of Brivis Climate Systems in April 2010 which is a leading Australian manufacturer of ducted climate systems for the residential market. There have been no other significant changes in the nature of the activities of the Company during the year.

EMPLOYEES

The Consolidated Entity employed 1,922 employees as at 30 June 2010 (last year 1,891 employees).

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

The Company has implemented employment policies aimed at providing flexibility and work life balance to attract and retain the best people, including a stronger representation of women. All companies in the consolidated entity are active equal opportunity employers.

SEGMENT PERFORMANCE

The segment performance of the Company for the financial year ended 30 June 2010 is as follows:

Business Segment	Segment Sales		Trading EBIT	
	2009/10 \$'000	2008/09 \$'000	2009/10 \$'000	2008/09 \$'000
Building Fittings	420,031	403,658	88,830	81,822
Heating and Cooling	161,495	153,288	14,607	15,161
Commercial Furniture	74,823	56,088	5,724	2,033
Other	460	-	(14,613)	(12,663)
Total	656,809	613,034	94,548	86,353

Earnings Per Share	2009/10 cents	2008/09 cents
Basic earnings per share	16.2	16.9
Trading earnings per share*	18.5	17.9

* excludes restructuring expenses

REVIEW OF OPERATIONS

A review of the operations of the Company and the results of those operations for the financial year ended 30 June 2010 is provided in the Managing Director's Review of Operations which is located in the Annual Report.

STATE OF AFFAIRS

Changes in the state of affairs of the Company during the financial year resulted from the strategy announced by the Board to divest the Company's identified non-core operations and the continued pursuit of acquisition opportunities to expand the core building fixtures and fittings businesses through market and product extensions.

Details of the changes are as follows:

- On 1 April 2010, the Company sold the business and assets of its lawn and garden care equipment business, Rover Mowers, to MTD Products Australia Pty Ltd for \$7.3 million.
- On 1 April 2010, the Company purchased the business and assets of Brivis Climate Systems from Carrier Air Conditioning Pty Ltd for \$48.6 million. Brivis Climate Systems is a leading Australian manufacturer of ducted climate systems for the residential market and has been integrated with the Dux water heating business to form GWA Heating & Cooling.
- On 1 June 2010, the Company sold the business and assets of its European sanitaryware business, Wisa Beheer, to a group led by local management for Euro11.7 million.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company during the financial year, other than disclosed in the Directors' Report or referred to in the Financial Statements or notes thereto.

DIVIDENDS

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

Declared and paid during the 2009/10 financial year

Dividend	Cents per share	Total		Date of Payment
		Amount \$'000	Franked	
Final 2008/09 Ordinary	8.5	25,332	Fully Franked	7 October 2009
Interim 2009/10 Ordinary	9.5	28,563	Fully Franked	7 April 2010

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



Directors' Report As At 30 June 2010 Cont.

Declared after end of the 2009/10 financial year

After the balance sheet date the following dividend was approved by the directors. The dividend has not been provided and there are no income tax consequences.

Dividend	Cents per share	Total Amount \$'000	Franked	Date of Payment
Final 2009/10 Ordinary	8.5	25,594	Fully Franked	6 October 2010

The financial effect of the dividend has not been brought to account in the Financial Statements for the year ended 30 June 2010 and will be recognised in subsequent Financial Reports.

The record date for the final dividend is 15 September 2010 and the dividend payment date is 6 October 2010. The Dividend Reinvestment Plan will not be offered to shareholders for the final dividend and remains suspended.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 17 August 2010, the directors declared a final ordinary dividend of 8.5 cents per share in respect of the financial year ended 30 June 2010. The dividend will be fully franked at the 30% corporate tax rate. The total amount of the dividend is \$25.594 million (last year \$25.332 million). In accordance with Accounting Standards, the dividend has not been provided for in the Financial Statements for the year ended 30 June 2010.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

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

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

Environmental Licenses

The Company holds licenses issued by environmental protection and water authorities that specify limits for discharges to the environment which arise from the operations of entities that it controls. These licenses regulate the management of discharge to air, storm water run-off, removal and transport of waste associated with the manufacturing operations in Australia. Where appropriate, an independent review of the Company's compliance with license conditions is made by external advisers.

The Company, in conjunction with external advisers, monitors storage and treatment of hazardous materials within particular operations. Prior to any discharge to sewers, effluent is treated and monitored to ensure strict observance with license conditions.

In April 2010, Gainsborough Hardware Industries Limited, a wholly owned subsidiary, was issued a penalty infringement notice from EPA Victoria for a minor discharge of metal cooling fluid to stormwater following a leak from a broken pipe at the Blackburn Victoria factory site. A full clean-up was completed and appropriate actions taken to prevent reoccurrence. The directors are not aware of any other breaches of the Company's license conditions during the financial year ended 30 June 2010.

Environmental Remediation

In previous financial years, the Company investigated and reported two environmental contamination issues at factory sites at Revesby NSW and Eagle Farm Queensland. The Revesby site is leased and occupied by McIlwraith-Davey Pty Ltd. The Eagle Farm site was previously occupied by Corille Limited (formerly Rover Mowers Limited) and was sub-leased to MTD Products Australia Pty Ltd on 1 April 2010 following the sale of the Rover Mowers business.

The costs to remediate the Revesby site have been provided in prior years. During the year, the remediation activities were commenced in accordance with the Voluntary Remediation Proposal approved by the Department of Environment, Climate Change and Water (NSW). It is expected that the remediation activities will be completed during the 2010/11 year. McIlwraith-Davey Pty Ltd will continue to occupy the site after the remediation activities until lease expiry in April 2013.

The costs to remediate the Eagle Farm site have been provided in prior years. Whilst there is currently no legal obligation to remediate the site, the Board has approved targeted remediation activities to mitigate potential future environmental liabilities. Preliminary remediation activities commenced during the year ended 30 June 2010. It is expected that the remediation activities will be completed during the 2010/11 year. The Company no longer occupies the site with the sub-lease to MTD Products Australia Pty Ltd expiring in November 2010.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND EXECUTIVES

Indemnification

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

Insurance Premiums

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

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

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for the directors and executives of the Company.

In this year's Remuneration Report the Board has endeavored to address through more detailed disclosure the comments raised on last year's Remuneration Report. This has resulted in more disclosure in the following areas:

- Information on the Board's objectives for determining the appropriate split of fixed versus variable remuneration for the executives
- Details of the Board's approach for determining fixed remuneration for executives including the role of the Company's external remuneration adviser
- Explanations of any notable increases in fixed remuneration during the period
- Details of the parameters adopted by the Board for determining the Short Term Incentive targets for executives
- Change the classification of the GWA International Employee Share Plan to a long term incentive in the Remuneration Tables, rather than a short term non-monetary benefit as disclosed last year
- Explanation of the approach for determining base year EPS for the purposes of the Long Term Incentive (Equity) Plan and disclosing the 2009/10 base year EPS for grants of Performance Rights to executives during the 2010/11 year

- Explanation of the genuine disposal restrictions that apply to shares issued upon vesting of Performance Rights under the Long Term Incentive (Equity) Plan

The Board acknowledges the comments raised last year on the "cliff vesting" approach for the vesting of Performance Rights under the Long Term Incentive (Equity) Plan and is currently taking advice from an external remuneration consultant on this issue. Any changes announced by the Board following this review will be effective for grants of Performance Rights to executives during the 2011/12 year.

Remuneration Objectives

The performance of the Company depends upon the quality of its directors and executives. To maximise the performance of the Company's businesses, the Company must attract, motivate and retain a highly skilled director and executive team. This is achieved through a remuneration and incentive framework which has been put in place by the Board and is guided by the following objectives:

- Provide fair and competitive rewards to attract high quality executives
- Linking of executive reward to improvement in Company performance
- Significant proportion of executive remuneration is "at risk", dependent upon meeting pre-determined performance benchmarks
- The establishment of challenging and achievable performance hurdles in relation to variable executive remuneration
- An employee share plan which rewards performance and represents a long term financial commitment to employment with the Company

REMUNERATION STRUCTURE

The remuneration structure for the non-executive directors is separate and distinct from the remuneration structure for the executives.

Non-Executive Directors' Remuneration Policy

The Nomination Committee is responsible for determining the remuneration arrangements for the non-executive directors with the annual maximum aggregate amount approved by shareholders. At the 2004 Annual General Meeting, shareholders approved an annual maximum aggregate amount of \$1.09 million (including statutory superannuation). This amount represents a limit on non-executive directors' fees and does not represent the actual fees paid to the non-executive directors which are outlined in the Remuneration Tables.

The non-executive directors are remunerated by way of directors' fees only (including statutory superannuation) and are not able to participate in the Executive Incentive Scheme or the GWA International Employee Share Plan. An additional fee is also paid for each Board Committee on which a director sits. The payment of additional fees for serving on a Committee recognises the additional time commitment required by directors who serve on one or more Committees.



Directors' Report As At 30 June 2010 Cont.

In setting the level of non-executive directors' fees and the manner in which it is to be apportioned amongst the directors, the Nomination Committee obtains market benchmarking data from an external remuneration consultant to ensure that the levels are market based and fairly represent the responsibilities and time spent by the non-executive directors on Company matters.

Retirement benefits are not available for non-executive directors of the Company, other than statutory superannuation.

For details of the remuneration paid to the non-executive directors for the year ended 30 June 2010, refer to the Remuneration Tables.

Executives' Remuneration Policy

The Remuneration Committee is responsible for determining and reviewing the remuneration arrangements for the executives. The Remuneration Committee obtains market benchmarking data from an external remuneration consultant to ensure the appropriateness of the nature and amount of remuneration of such officers with the overall objective of ensuring maximum stakeholder benefits from the retention of a high quality executive team.

The executives' remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
 - ▶ Short Term Incentive
 - ▶ Long Term Incentive
- Employee Share Plan

The fixed remuneration component includes base salary, statutory superannuation and non-monetary benefits including medical benefits membership, salary continuance and life insurance, the provision of motor vehicles and any applicable fringe benefits tax. The variable remuneration component includes the Short Term Incentive and Long Term Incentive under the Executive Incentive Scheme. Lower level management and senior staff may be invited to participate in the GWA International Employee Share Plan.

The Remuneration Committee aims to ensure that the split of fixed versus variable remuneration for executives is appropriate for the type of business that the Company operates, namely a cyclical, mature business which operates in lower growth industries. The Committee also takes into consideration the importance for stability of earnings and high operating cash flow generation for the continuing high dividend payments to shareholders. The Committee acknowledges that this has generally resulted in the approval of a higher proportion of fixed remuneration for executives compared to peer companies and a lower proportion of variable remuneration.

The Remuneration Committee considers that a one size fits all approach to executive remuneration is not appropriate and that the current GWA remuneration split of fixed versus variable remuneration successfully

achieves the Company's remuneration objectives. The Company's strong financial performance during the recent global financial crisis, where the Company maintained the high level of dividends to shareholders, is evidence of the success of the remuneration approach.

FIXED REMUNERATION

The level of fixed remuneration is set so as to provide a base level of remuneration which is appropriate to the position and experience of the executive, and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee based on remuneration market benchmarking data provided by the Company's external remuneration consultant, as well as having regard to Company, divisional and individual performance through the well established performance management process.

During the year, the Remuneration Committee engaged the services of an external adviser for the 2010/11 executive remuneration review. The objective of the engagement was to assess the competitiveness of the remuneration packages provided to the Company's executive team with like roles from similar organisations. The external adviser used two main approaches to remuneration market benchmarking depending upon the executive role including position matching and position evaluation. The market data outcomes, analysis and observations from the review were reported to the Remuneration Committee to assist in determining executive remuneration levels for the 2010/11 year.

The Remuneration Committee applied a salary freeze on executive fixed remuneration for the 2009/10 year given the difficult economic environment and downturn in dwelling construction and renovation activity impacting the Company last year. There were some executive positional changes in the group during the year which has resulted in specified changes in executive fixed remuneration as outlined in the Remuneration Tables.

The fixed remuneration of the five most highly remunerated executives and other key management personnel is detailed in the Remuneration Tables.

VARIABLE REMUNERATION

To assist in achieving the objective of retaining a high quality executive team, the Remuneration Committee links the nature and amount of the executive emoluments to the Company's financial and operating performance. Executives have the opportunity to qualify for participation in the Executive Incentive Scheme. All performance plan payments are subject to maximum amounts.

Executive Incentive Scheme

The Executive Incentive Scheme participants include the members of the divisional and corporate executive. Under the scheme, there are two incentives including a Short Term Incentive and Long Term Incentive. The objectives of the scheme are to maximise short term operating performance, and longer term performance on an absolute basis and compared to peer companies.

Short Term Incentive

The Short Term Incentive for executives operates from divisional financial performance targets for divisional executives and group financial performance targets for corporate executives. When the yearly targets are achieved, the Managing Director will receive an incentive payment in the range of 40% to 60% of base salary depending on the level of performance. Other executive participants will receive an incentive payment in the range of 30% to 40% of base salary depending on the level of performance. No incentive is paid for poor business performance. Base salary for the purposes of the Short Term Incentive excludes superannuation and non-monetary benefits.

The Short Term Incentive is structured so that a lower level of incentive is paid to the executives for reasonably achievable performance with a higher level of incentive paid to the executives for higher growth performance. The yearly targets are based on the achievement of personal goals and financial targets approved by the Remuneration Committee at the beginning of the financial year.

The achievement of personal goals represents 25% to 30% of total short term incentive payments at the reasonably achievable level with the balance tied to growth in financial performance. The provision of incentives based on the achievement of personal goals reinforces the Company's leadership model for improved performance management through achieving measurable personal goals established during the annual performance review process at the beginning of the financial year.

The achievement of the financial targets represents 70% to 75% of total short term incentive payments at the reasonably achievable level. The financial performance targets are based on a combination of improving revenue, reducing costs and efficiency in funds employed. The targets are calculated using the principles of economic profit which is defined as pre-tax profit after deducting the cost of capital for funds used in generating the profit. Specific circumstances affecting the businesses are taken into account in determining the financial targets.

The Short Term Incentive is aligned to shareholder interests as the executives will only become entitled to the majority of incentive payments if profitability improves, with maximum incentive payments above the reasonably achievable level linked directly to shareholder wealth creation.

Long Term Incentive

The Long Term Incentive is provided as Performance Rights under the rules of the GWA International Long Term Incentive (Equity) Plan. The plan replaced the previous cash based Long Term Incentive and was approved by shareholders at the 2008 Annual General Meeting. Under the plan, the Remuneration Committee may offer Performance Rights to participants which entitle the holder to ordinary shares in the Company (or in limited cases cash payments made), subject to meeting financial performance hurdles and the holder remaining in employment with the Company until the nominated vesting date.

The value of Performance Rights which may be issued to the executives is capped at a maximum of 60% of base salary for the Managing Director and 40% of base salary for corporate and divisional executives. Base salary for the purposes of the Long Term Incentive excludes superannuation and non-monetary benefits.

The performance hurdles for the Long Term Incentive are selected by the Remuneration Committee and are subject to financial performance conditions which measure Total Shareholder Returns (TSR) compared to a peer group of companies and growth in Earnings Per Share (EPS). The EPS hurdle is calculated as net profit after tax as set out in the Company's audited Financial Statements divided by the weighted average of ordinary shares on issue. The Board has discretion to make reasonable adjustments to base year EPS where it is unduly distorted by significant or abnormal events.

The Board has determined that the base year EPS for the year ended 30 June 2010 for the purpose of grants to executives under the Long Term Incentive is 18.5 cents per share and has been adjusted for the discontinued Rover Mowers and Wisa Beheer businesses.

The performance hurdles are challenging and achievable and focus executives on sustained long term growth consistent with shareholder wealth creation. The plan runs over a three year performance period and the rights will only vest if the performance hurdles are achieved. If the vesting conditions and performance hurdles are achieved, ordinary shares will be issued to the participants at no cost. If the performance hurdles are not met, then the rights are cancelled after three years.

A participant may not dispose of the ordinary shares issued under the Long Term Incentive until the seventh anniversary of the grant date and the shares are subject to a holding lock upon issue. There are limited circumstances where a participant may dispose of the shares which includes cessation of employment with the Company or where approval is granted by the Board. In considering an application from a participant to dispose of the shares the Board will consider whether the sale is in the best interests of the Company, relevant policies and regulations and other factors.

In accordance with the rules of the Long Term Incentive (Equity) Plan, the executives are prohibited from entering into hedging transactions or arrangements which reduce or limit the economic risk of holding unvested Performance Rights. In addition, the rules do not allow for re-testing of the performance hurdles during the performance period.

The Long Term Incentive is aligned to shareholder interests as Performance Rights only vest if the EPS and TSR performance hurdles are achieved over the three year performance period. The performance hurdles and vesting proportions for each measure are as shown in the table on the following page.



Directors' Report As At 30 June 2010 Cont.

EPS Growth over three year performance period	Proportion of Performance Rights that may be exercised if EPS growth hurdle is met	
10% or more	50% (ie, 50% of total grant)	
TSR of GWA International Limited relative to TSRs of Comparator Companies over three year performance period	Proportion of Performance Rights that may be Exercised if TSR hurdle is met	
More than the 50th percentile	50% (ie, 50% of total grant)	
Comparator companies	GUD Holdings Limited	Crane Group Limited
	Hills Industries Limited	Pacific Brands Limited
	Bradken Limited	Adelaide Brighton Limited
	Spotless Group Limited	Ansell Limited
	Alesco Corporation Limited	Paperlinx Limited

EMPLOYEE SHARE PLAN

As a further component of remuneration for lower level management and senior staff, the Company may invite employees to participate in the GWA International Employee Share Plan. This plan was previously available to executives, but following the introduction of the GWA International Long Term Incentive (Equity) Plan, it is now limited to lower level management and senior staff. Company executives who were issued with shares under the plan prior to 2009 continue to hold their shares in accordance with the plan rules, but there have been no further issues to the executives who now participate in the Long Term Incentive (Equity) Plan as outlined above.

Under the plan, employees are provided with a non-interest bearing unsecured loan from the Company to acquire shares in the Company at market value. The loan is repaid through dividends, or in full upon an employee ceasing employment with the Company. The loan is full recourse meaning the employee bears the risk of company share price movements below the issue price and must repay the Company in the event of a shortfall. To ensure the plan represents an effective long term incentive, the employee is subject to a two year restriction on the sale of the shares which commences from the time the shares are acquired.

In accordance with the rules of the plan, the total number of employee shares on issue may not exceed 5% of the total Company shares on issue. At 30 June 2010 there are currently 3.9 million shares issued under the Employee Share Plan which have an outstanding loan balance of \$9.5 million. The plan does not provide for the issue of options and no options have been issued by the Company.

The Employee Share Plan is an effective incentive in encouraging and rewarding sustained higher performance from management and senior staff who merit recognition of their performance and are integral to the future success of the Company. Participation in the plan represents a long term financial commitment to employment with the Company.

SHAREHOLDER WEALTH

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

Trading EBIT has improved in the 2009/10 year due to market development initiatives, enhanced cost management, acquisitions and a stronger domestic dwelling construction and renovation market. This follows a number of years of weak domestic dwelling construction and renovation activity, particularly following the global financial crisis in late 2008, which is a key driver of earnings growth in the Company's core building fixtures and fittings businesses.

Despite the difficult market conditions over the past five years, the core business has performed soundly generating strong operating cash flows enabling the Company to maximise fully franked dividend payments to shareholders. The Company is well placed to grow profitability as the domestic dwelling construction and renovation market recovers in future periods, and to continue with the organic and inorganic growth plans for the business.

The remuneration and incentive framework which has been put in place by the Board has ensured that executives are focused on both maximising short term operating performance and long term strategic growth. This has contributed to the Company generating the shareholder returns as set out in the above table, including a total of 99.0 cents in fully franked dividends paid to shareholders in the last five financial years which includes 9.0 cents in special dividends.

The Board will continue to review and monitor the remuneration and incentive framework to ensure that performance is fairly rewarded and encouraged, and to attract, motivate and retain a high quality executive team.

TERMINATION OF EMPLOYMENT

The specified executives in the Directors' Report are on open-ended contracts, except for the Managing Director, Mr Peter Crowley, whose employment contract specifies an initial term of twelve months with subsequent rolling terms of twelve months.

The employment contract for Mr Crowley provides that if either the Company or Mr Crowley wishes to terminate employment for any reason, three months notice of termination is required, or payment in lieu, based upon current salary levels. On termination by the Company, Mr Crowley will be entitled to receive payment of twelve months salary.

For the other specified executives, the Company is legally required to give reasonable notice of termination, or payment in lieu, based upon current salary levels.

Performance Rights held by executives under the Long Term Incentive (Equity) Plan will lapse upon the cessation of employment with the Company.

Any loan to executives, management and senior staff under the GWA International Employee Share Plan must be repaid in full upon the cessation of employment with the Company.

REMUNERATION TABLES – AUDITED

Directors' and executive officers' remuneration

Details of the nature and amount of each element of remuneration of each director of the Company, each of the five named Company executives and relevant consolidated entity executives who receive the highest remuneration and other key management personnel are outlined in the table on the following page.

NOTES TO THE REMUNERATION TABLES

- (a) The Short Term Incentive (STI) cash bonus is for the performance during the financial year ended 30 June 2010 based on the achievement of personal goals and specified financial performance targets. The STI cash bonuses are paid annually following the end of the preceding financial year. The amounts have been determined following individual performance reviews and have been approved by the Remuneration Committee.
- (b) The short term non-monetary benefits include the provision of motor vehicles, medical benefits membership, salary continuance and life insurance and any applicable fringe benefits tax thereon.
- (c) The Employee Share Plan interest includes an amount representing commercial interest that would have been charged during the period on the executives outstanding employee loan balances owed to the Company had these loans not been interest free. The benefit has been re-classified as a long term benefit in the above tables which properly reflects the long term nature of the incentive. In the prior year, the benefit was classified as a short term non-monetary benefit. The Employee Share Plan is no longer offered to executives who now participate in the Long Term Incentive (Equity) Plan.
- (d) The Long Term Incentive (Equity) Plan was approved by shareholders at the 2008 Annual General Meeting. Performance rights were granted to executives in each of the years ended 30 June 2009 and 2010 and are subject to vesting conditions over specific performance periods. No performance rights vested during either of the years ended 30 June 2009 and 2010. The fair value of the performance rights granted during both years were calculated using Binomial option pricing model (EPS hurdle) and Monte Carlo simulation (TSR hurdle) valuation methodologies and allocated to each financial year evenly over the three year performance period.
- (e) Mr G Douglas was made redundant on 30 April 2010 following the sale of Rover Mowers. Mr Douglas received a redundancy payment of \$181,875 which represented 6 months salary and 3 months payment in lieu of notice which is in accordance with the Company's Redundancy Policy.
- (f) The fixed remuneration for Mr G Oliver was increased by the Remuneration Committee following his appointment as Interim Chief Executive – Caroma Dorf on 1 October 2009 to 31 March 2010. Prior to this appointment, Mr Oliver was the General Manager – Gainsborough. On 1 April 2010, Mr Oliver was appointed as General Manager – Group Development and his fixed remuneration reverted back to the same level as his former position as General Manager – Gainsborough.
- (g) Mr P Crossley became a key management person following his appointment as Interim General Manager – Gainsborough on 1 October 2009 and subsequent appointment as General Manager – Gainsborough on 1 April 2010. Prior to these appointments, Mr Crossley was not classified as a key management person in the Remuneration Tables.

Financial Year	Trading EBIT (\$m)	Trading EPS* (cents)	Total DPS (cents)	Share Price (\$)
2005/06	95.2	21.6	21.5	3.11
2006/07	98.8	22.0	22.0	4.42
2007/08	99.4	21.5	19.5	2.50
2008/09	86.4	17.9	18.0	2.30
2009/10	94.5	18.5	18.0	3.01

* Excludes restructuring expenses

		Short-term			Long-term		Post-employment		Total	Proportion of remuneration based	STI Cash Bonus vested in year	STI Cash Bonus forfeited in year
		Salary & Fees	STI Cash Bonus	Non-Monetary	Employee Share Plan Interest	Value of Share-Based Awards	Super-annuation Benefits	Termination Benefits				
		\$	\$(a)*	\$(b)	\$(c)	\$(d)	\$	\$	\$	%	%	%
Non-Executive Directors												
B Thornton, Chairman (Retired 30 June 2010)	2010	304,066	-	-	-	-	10,834	-	314,900	-	-	-
	2009	288,899	-	-	-	-	26,001	-	314,900	-	-	-
J Kennedy, Non-Executive Director (Retired 29 October 2009)	2010	55,114	-	-	-	-	-	-	55,114	-	-	-
	2009	65,342	-	-	-	-	100,000	-	165,342	-	-	-
D Barry, Non-Executive Director	2010	102,300	-	-	-	-	9,207	-	111,507	-	-	-
	2009	102,300	-	-	-	-	9,207	-	111,507	-	-	-
R Anderson, Non-Executive Director	2010	56,301	-	-	-	-	48,666	-	104,967	-	-	-
	2009	4,967	-	-	-	-	100,000	-	104,967	-	-	-
G McGrath, Non-Executive Director	2010	79,724	-	-	-	-	36,142	-	115,866	-	-	-
	2009	28,241	-	-	-	-	86,172	-	114,413	-	-	-
W Bartlett, Non-Executive Director	2010	122,300	-	-	-	-	11,007	-	133,307	-	-	-
	2009	115,300	-	-	-	-	10,377	-	125,677	-	-	-
D McDonough, Deputy Chairman (Appointed 16 February 2009)	2010	82,999	-	-	-	-	25,003	-	108,002	-	-	-
	2009	-	-	-	-	-	28,000	-	28,000	-	-	-
Executive Directors												
P Crowley, Managing Director	2010	1,368,975	780,000	129,699	89,176	456,450	50,000	-	2,874,300	43.0	87	13
	2009	1,379,601	112,500	91,659	149,259	194,658	50,000	-	1,977,677	15.5	13	87
R Thornton, Executive Director (Appointed 6 May 2009)	2010	232,157	83,620	30,511	15,956	44,942	24,873	-	432,059	29.8	93	7
	2009	39,160	3,788	5,167	4,359	3,199	3,767	-	59,440	11.8	23	77
Executives												
A Rusten, Group Marketing Manager	2010	324,357	109,060	31,221	41,757	61,750	50,000	-	618,145	27.6	87	13
	2009	316,280	15,455	31,750	69,067	27,417	31,160	-	491,129	8.7	11	89
T Dragicevich, Chief Executive – Caroma Dorf (Ceased employment 30 September 2009)	2010	125,912	-	7,633	-	(54,833)	12,498	-	91,210	-	-	-
	2009	435,219	41,000	40,659	-	54,833	100,000	-	671,711	14.3	19	81
G Douglas, General Manager – Rover (Ceased employment 30 April 2010) (e)	2010	192,437	-	31,719	-	(21,933)	47,979	181,875	432,077	-	-	-
	2009	182,943	-	45,286	-	21,933	100,000	-	350,162	6.3	-	100
G Oliver, General Manager – Group Development (Appointed 1 April 2010)(f)	2010	400,019	133,680	39,867	-	73,075	52,238	-	698,879	29.6	100	-
	2009	295,097	133,636	44,888	-	30,158	101,112	-	604,891	27.1	91	9
W Saxelby, Chief Financial Officer	2010	603,477	229,400	12,444	47,230	54,833	48,000	-	995,384	28.6	93	7
	2009	552,854	62,000	121,684	77,488	54,833	96,000	-	964,859	12.1	25	75
G Welsh, General Manager - Sebel (Commenced employment 20 October 2008)	2010	289,799	92,500	8,099	-	51,975	31,818	-	474,191	30.5	93	7
	2009	216,684	68,182	4,460	-	21,933	18,109	-	329,368	27.4	91	9
L Patterson, Chief Executive – GWA Heating and Cooling	2010	334,384	25,920	42,758	48,658	73,075	45,309	-	570,104	17.4	20	80
	2009	356,290	129,091	38,895	84,138	30,158	41,220	-	679,792	23.4	91	9
N Evans, Chief Executive – Caroma Dorf (Commenced employment 17 March 2010)	2010	169,500	-	-	-	64,375	3,800	-	237,675	27.1	-	-
	2009	-	-	-	-	-	-	-	-	-	-	-
P Crossley, General Manager – Gainsborough (Appointed 1 April 2010)(g)	2010	180,856	70,500	11,973	-	38,087	15,866	-	317,282	34.2	100	-
	2009	-	-	-	-	-	-	-	-	-	-	-

* Comparative STI cash bonus amounts have been adjusted to reflect the actual amounts paid.

Directors' Report As At 30 June 2010 Cont.

PERFORMANCE RIGHTS OVER ORDINARY SHARES GRANTED AS COMPENSATION

Details of Performance Rights over ordinary shares in the Company that were granted as compensation to each key management person under the Long Term Incentive (Equity) Plan are shown in the below table.

All of the rights shown in the table carry an exercise price of nil. For the rights granted on 27 February 2009 and 12 March 2010 the rights will vest on the date of the release of the Company's audited financial results for the years ending 30 June 2011 and 30 June 2012 respectively to the Australian Securities Exchange, subject to

the achievement of the performance hurdles set out earlier in the Remuneration Report. The rights granted to Mr Crowley and Mr Thornton on 12 March 2010 were approved by shareholders at the Annual General Meeting on 29 October 2009 in accordance with ASX Listing Rule 10.14.

No rights were vested or exercised during the year. Rights were forfeited where an employee ceased employment with the Company during the year in accordance with the rules of the Long Term Incentive (Equity) Plan. The number of rights outstanding at 30 June 2010 also represents the balance yet to vest.

		Number of rights granted	Grant date*	% forfeited in year	Fair value of rights at grant date	Issue price used to determine number of rights granted
Executive Directors						
P Crowley, Managing Director	2010	305,000	12 March 2010	-	785,375	2.84
	2009	355,000	27 February 2009	-	583,975	2.46
R Thornton, Executive Director (Appointed 6 May 2009)	2010	30,000	12 March 2010	-	77,250	2.84
	2009	35,000	27 February 2009	-	57,595	2.46
Executives						
A Rusten, Group Marketing Manager	2010	40,000	12 March 2010	-	103,000	2.84
	2009	50,000	27 February 2009	-	82,250	2.46
T Dragicevich, Chief Executive - Caroma Dorf (Ceased employment 30 September 2009)	2010	-	-	100	-	-
	2009	100,000	27 February 2009	-	164,500	2.46
G Douglas, General Manager – Rover (Ceased employment 30 April 2010)	2010	-	-	100	-	-
	2009	40,000	27 February 2009	-	65,800	2.46
G Oliver, General Manager – Group Development (Appointed 1 April 2010)	2010	50,000	12 March 2010	-	128,750	2.84
	2009	55,000	27 February 2009	-	90,475	2.46
W Saxelby, Chief Financial Officer	2010	-	-	-	-	-
	2009	100,000	27 February 2009	-	164,500	2.46
G Welsh, General Manager – Sebel (Commenced employment 20 October 2008)	2010	35,000	12 March 2010	-	90,125	2.84
	2009	40,000	27 February 2009	-	65,800	2.46
L Patterson, Chief Executive – GWA Heating and Cooling	2010	50,000	12 March 2010	-	128,750	2.84
	2009	55,000	27 February 2009	-	90,475	2.46
N Evans, Chief Executive – Caroma Dorf (Commenced employment 17 March 2010)	2010	75,000	12 March 2010	-	193,125	2.84
	2009	-	-	-	-	-
P Crossley, General Manager – Gainsborough (Appointed 1 April 2010)	2010	40,000	12 March 2010	-	103,000	2.84
	2009	-	-	-	-	-

* The issue price used to determine the number of rights offered to all participants during the year, including Mr Crowley and other key management personnel, was \$2.84 being the volume weighted average price of the Company's shares calculated over the 20 trading days after the Company's Annual General Meeting on 29 October 2009. The grant dates and corresponding fair values per right in the above table have been determined in accordance with Australian Accounting Standards. Fair values have been calculated using Binomial option pricing model (EPS hurdle) and Monte Carlo simulation (TSR hurdle) valuation methodologies. The fair value of rights issued during the year under the EPS hurdle was \$2.95 per right, and the TSR hurdle was \$2.20 per right.

Directors' Report As At 30 June 2010 Cont.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of Committees of directors) held during the financial year ended 30 June 2010 and the number of meetings attended by each director were as follows:

Director	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
B Thornton ⁽¹⁾	16	11	4	2			2	0
J J Kennedy ⁽²⁾	7	6	1	1				
P C Crowley ⁽³⁾	16	16						
D R Barry	16	15			4	3		
R M Anderson	16	14						
G J McGrath ⁽⁴⁾	16	15	1	1	4	4	2	2
W J Bartlett ⁽⁵⁾	16	16	4	4	4	4		
D D McDonough ⁽⁶⁾	16	16	3	3			2	2
R J Thornton	16	16						

Note:

A – Number of meetings held during the time the director held office during the year

B – Number of meetings attended

- (1) B Thornton was granted a leave of absence by the Board from 2 February 2010 until his retirement on 30 June 2010 for health reasons
- (2) J J Kennedy retired as a Non-Executive Director on 29 October 2009
- (3) P C Crowley attends Committee meetings by invitation of the Board
- (4) G J McGrath was appointed Chairman of the Board effective 1 July 2010, Chairman of the Nomination Committee and a member of the Audit Committee on 28 May 2010
- (5) W J Bartlett was appointed Chairman of the Audit Committee on 29 October 2009, Chairman of the Remuneration Committee and a member of the Nomination Committee on 28 May 2010
- (6) D D McDonough was appointed Deputy Chairman of the Board and a member of the Audit Committee on 29 October 2009 and a member of the Remuneration Committee on 16 August 2010

As at the date of this report, the Company had an Audit Committee, Remuneration Committee and Nomination Committee of the Board of Directors. The charter for each Committee outlines its role and responsibilities, a summary of which is provided in the Corporate Governance Statement in the Annual Report.

The members of the Audit Committee are:

- Mr W Bartlett (Chairman)
- Mr D McDonough
- Mr G McGrath

The members of the Remuneration Committee are:

- Mr W Bartlett (Chairman)
- Mr D McDonough
- Mr G McGrath

The members of the Nomination Committee are:

- Mr G McGrath (Chairman)
- Mr D McDonough
- Mr W Bartlett

Details of the Committee members qualifications and experience are located in the Annual Report.

NON-AUDIT SERVICES

Details of the non-audit services provided by the External Auditor, KPMG, during the financial year ended 30 June 2010 are outlined in Note 7 of the Financial Statements. Based on advice from the Audit Committee, the directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out in the Annual Report and forms part of the Directors' Report for the financial year ended 30 June 2010.

ROUNDING

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities Investment Commission relating to the rounding of amounts in the Directors' Report.

Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.



G McGrath
Chairman



P C Crowley
Managing Director

Brisbane, 17 August 2010



GWA International Limited

Financial Report

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 15 055 964 380

FOR THE YEAR ENDED 30 JUNE 2010

In thousands of AUD	Note	2010	2009
Continuing operations			Restated*
Sales revenue	2	656,809	613,034
Cost of sales		(424,096)	(399,323)
Gross profit		232,713	213,711
Other income	4	2,399	4,035
Selling expenses		(89,649)	(88,053)
Administrative expenses		(46,863)	(41,554)
Other expenses	5	(4,052)	(5,233)
Results from operating activities		94,548	82,906
Finance income		1,905	2,866
Finance expenses		(16,932)	(16,710)
Net financing costs	8	(15,027)	(13,844)
Profit before tax		79,521	69,062
Income tax expense	10	(24,068)	(20,900)
Profit from continuing operations		55,453	48,162
Discontinued operations			
Profit/(loss) from discontinued operations, net of income tax	3	(6,926)	163
Profit for the period		48,527	48,325
Other comprehensive income			
Foreign currency translation differences for foreign operations, net of income tax		(1,115)	4,026
Effective portion of changes in fair value of cash flow hedges, net of income tax		1,620	(755)
Other comprehensive income for the period, net of income tax		505	3,271
Total comprehensive income for the period		49,032	51,596
Earnings per share			
Basic earnings per share (cents per share)	11	16.18	16.93
Diluted earnings per share (cents per share)	11	16.10	16.90
Continuing operations			
Basic earnings per share (cents per share)	11	18.48	16.87
Diluted earnings per share (cents per share)	11	18.39	16.85

* Refer to discontinued operations – note 3.

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 64 to 113.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 15 055 964 380

AS AT 30 JUNE 2010

In thousands of AUD	Note	2010	2009
Current assets			
Cash and cash equivalents	12	54,914	45,015
Trade and other receivables	13	148,569	135,039
Inventories	14	104,435	111,671
Income tax receivable	16	420	980
Other		3,343	3,694
Total current assets		311,681	296,399
Non-current assets			
Receivables	13	5,102	12,185
Deferred tax assets	17	18,786	22,961
Property, plant and equipment	18	104,331	98,215
Intangible assets	19	369,164	349,792
Other		3,366	2,901
Total non-current assets		500,749	486,054
Total assets		812,430	782,453
Current liabilities			
Trade and other payables	20	95,306	89,231
Employee benefits	22	14,367	14,191
Income tax payable	16	4,543	7,207
Provisions	24	15,115	19,853
Total current liabilities		129,331	130,482
Non-current liabilities			
Trade and other payables	20	-	5,585
Interest-bearing loans and borrowings	21	230,866	200,000
Deferred tax liabilities	17	31	22
Employee benefits	22	12,251	11,337
Provisions	24	8,862	8,863
Total non-current liabilities		252,010	225,807
Total liabilities		381,341	356,289
Net assets		431,089	426,164
Equity			
Issued capital		396,539	387,981
Reserves		(1,716)	(3,451)
Retained earnings		36,266	41,634
Total equity		431,089	426,164

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 64 to 113.

CONSOLIDATED STATEMENT OF CASH FLOWS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 15 055 964 380

FOR THE YEAR ENDED 30 JUNE 2010

In thousands of AUD	Note	2010	2009
Cash flows from operating activities			
Cash receipts from customers		796,963	738,652
Cash paid to suppliers and employees		(691,672)	(628,092)
Cash generated from operations		105,291	110,560
Interest paid		(16,398)	(14,852)
Interest received		1,345	2,070
Income taxes paid		(23,073)	(19,150)
Net cash from operating activities	33	67,165	78,628
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,049	6,395
Acquisition of property, plant and equipment		(10,614)	(10,514)
Acquisition of intangibles		(4,484)	(6,834)
Acquisition of subsidiary, net of cash acquired	15	(48,579)	(12,419)
Disposal of subsidiaries, net of cash disposed	3	19,712	-
Net cash from investing activities		(42,916)	(23,372)
Cash flows from financing activities			
Repayment of employee share loans		1,955	1,321
Repayment of loans by related parties		13	8
Drawdown of bank bills		30,866	-
Repayment of bank bills		-	(48,167)
Dividends paid, net of dividend reinvestment plan		(46,816)	(16,043)
Net cash from financing activities		(13,982)	(62,881)
Net increase/(decrease) in cash and cash equivalents		10,267	(7,625)
Cash and cash equivalents at 1 July		45,015	53,418
Effect of exchange rate fluctuations on cash held		(368)	(778)
Cash and cash equivalents at 30 June	12	54,914	45,015

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 64 to 113.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 15 055 964 380

FOR THE YEAR ENDED 30 JUNE 2010

In thousands of AUD	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total
Balance at 1 July 2008	353,938	(7,565)	193	-	42,554	389,120
Total comprehensive income for the period						
Profit for the period	-	-	-	-	48,325	48,325
<i>Other comprehensive income</i>						
Foreign currency translation differences for foreign operations, net of income tax	-	4,026	-	-	-	4,026
Effective portion of changes in fair value of cash flow hedges, net of income tax	-	-	(755)	-	-	(755)
Total other comprehensive income	-	4,026	(755)	-	-	3,271
Total comprehensive income for the period	-	4,026	(755)	-	48,325	51,596
Transaction with owners, recorded directly in equity						
Dividends to shareholders	-	-	-	-	(49,245)	(49,245)
Share-based payments, net of income tax	-	-	-	650	-	650
Issue of ordinary shares	34,043	-	-	-	-	34,043
Total transactions with owners	34,043	-	-	650	(49,245)	(14,552)
Balance at 30 June 2009	387,981	(3,539)	(562)	650	41,634	426,164

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 64 to 113.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT.)

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 15 055 964 380

FOR THE YEAR ENDED 30 JUNE 2010

In thousands of AUD	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total
Balance at 1 July 2009	387,981	(3,539)	(562)	650	41,634	426,164
Total comprehensive income for the period						
Profit for the period	-	-	-	-	48,527	48,527
<i>Other comprehensive income</i>						
Foreign currency translation differences for foreign operations, net of income tax	-	(5,045)	-	-	-	(5,045)
Translation differences for disposed business transferred to profit or loss, net of income tax	-	3,930	-	-	-	3,930
Effective portion of changes in fair value of cash flow hedges, net of income tax	-	-	1,620	-	-	1,620
Total other comprehensive income	-	(1,115)	1,620	-	-	505
Total comprehensive income for the period	-	(1,115)	1,620	-	48,527	49,032
Transaction with owners, recorded directly in equity						
Share-based payments, net of income tax	-	-	-	1,230	-	1,230
Dividends to shareholders	-	-	-	-	(53,895)	(53,895)
Issue of ordinary shares	8,558	-	-	-	-	8,558
Total transactions with owners	8,558	-	-	1,230	(53,895)	(44,107)
Balance at 30 June 2010	396,539	(4,654)	1,058	1,880	36,266	431,089

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 64 to 113.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 15 055 964 380

1. SIGNIFICANT ACCOUNTING POLICIES

GWA International Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 17 August 2010.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated entity's financial report complies with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board ('IASB').

(b) Basis of preparation

The financial report is presented in Australian dollars which is the Company's functional currency and the functional currency of the majority of the consolidated entity. The entity has elected not to early adopt any accounting standards or amendments.

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

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 19 - measurement of the recoverable amounts of intangible assets
- note 23 - fair value of share-based payments
- note 24 and 29 - provisions and contingencies
- note 26 - valuation of financial instruments

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by all entities in the consolidated entity.

(c) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(iii) Business combinations

Change in accounting policy

The consolidated entity has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

The consolidated entity has applied the acquisition method for the business combination disclosed in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 15 055 964 380

1. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(c) Basis of consolidation (cont.)

(iii) Business combinations (cont.)

Change in accounting policy (cont.)

For every business combination, the consolidated entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the consolidated entity takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The consolidated entity measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the consolidated entity to the previous owners of the acquiree, and equity interests issued by the consolidated entity.

Transaction costs

Transaction costs the consolidated entity incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(d) Foreign currency

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve (FCTR).

(iii) Net investment in foreign operations

Foreign exchange differences arising from the retranslation of the net investment in foreign operations (including monetary items neither planned to be settled or likely to be settled in the foreseeable future), and of related hedges are recognised in the FCTR to the extent that the hedge is effective. They are released into profit or loss upon disposal.

(e) Derivative financial instruments

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

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

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

(f) Hedging

On entering into a hedging relationship, the consolidated entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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1. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Hedging (cont.)

or cash flows attributable to the hedged risk. Such hedges are expected to be highly or fully effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

(i) Cash flow hedges

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

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

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

(ii) Hedge of monetary assets and liabilities

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

(iii) Hedge of net investment in foreign operation

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

(g) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" in profit or loss.

(i) Subsequent costs

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

(ii) Depreciation

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

■ buildings	40 years
■ plant and equipment	3-15 years
■ fixtures and fittings	5-10 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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1. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Intangible assets

(i) Research and development

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

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

(ii) Brand names

Expenditure incurred in developing, maintaining or enhancing brand names is written off against profit from ordinary activities in the year in which it is incurred. The brand names are not amortised as the directors believe that the brand names have an indefinite useful life. The carrying value of brand names is reviewed each year to ensure that no impairment exists.

(iii) Goodwill

Goodwill acquired in business combinations of the consolidated entity are measured at cost less accumulated impairment losses. Goodwill represents the excess of the cost of the acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business.

(iv) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are measured at cost less accumulated amortisation and impairment losses.

(v) Subsequent expenditure

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

(vi) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet

date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

■ designs	15 years
■ patents	3-19 years (based on patent term)
■ trade names	10-20 years
■ capitalised software development costs	4 years
■ brand names	nil

(i) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently at their amortised cost less impairment losses.

(j) Inventories

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

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

(k) Cash and cash equivalents

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

(l) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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1. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) Impairment (cont.)

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

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

(i) Calculation of recoverable amount

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

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

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

(ii) Reversals of impairment

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

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

(m) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

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

(iii) Transaction costs

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

(n) Interest-bearing borrowings

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

(o) Employee benefits

(i) Defined contribution superannuation funds

A defined contribution superannuation fund is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an employee benefit expense in profit or loss in the periods during which the services are rendered by employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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1. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) Employee benefits (cont.)

(ii) Other long-term employee benefits

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

(iii) Short-term benefits

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

(iv) Share-based payment transactions

The grant date fair value of performance rights granted to employees is recognised as a personnel expense, with a corresponding increase in equity, over the specified period that the performance rights vest to employees. The amount recognised as an expense is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting hurdles are met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(p) Provisions

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

(i) Warranties

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

(ii) Restructuring

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

(iii) Site restoration

A provision for restoration in respect of leased premises is recognised when the obligation to restore arises. The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration obligations are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(q) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently at their amortised cost.

(r) Revenue

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, discounts and rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(s) Expenses

(i) Operating lease payments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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1. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(s) Expenses (cont.)

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in profit or loss. Borrowing costs are expensed as incurred and included in net financing costs. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

(t) Income tax

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Tax consolidation

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

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

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

Nature of tax funding arrangements and tax sharing arrangements

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

(u) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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1. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(v) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary

shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(w) Discontinued operations

A discontinued operation is a component of the consolidated entity's business that represents a separate line of business operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the period.

(x) Changes in accounting policy

(i) Operating segments

As of 1 July 2009, the consolidated entity determines and presents operating segments based on the information that internally is provided to the CEO, who is the consolidated entity's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Operating segments were previously determined and presented in accordance with AASB114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented below.

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. All operating segments' operating results are regularly reviewed by the consolidated entity's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate expenses, net interest, borrowings, cash, corporate assets, fair value derivatives and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

Comparative segment information has been re-presented so it is in conformity with the new standard.

(ii) Business combinations

The consolidated entity is applying revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for the first time. All business combinations occurring on or after 1 July 2009 will be accounted for by applying the acquisition method. Refer note 1(c)(iii).

(iii) Presentation of financial statements

The consolidated entity is applying revised AASB101 *Presentation of Financial Statements* (2007) for the first time. As a result, the consolidated entity presents all owner changes in equity in a consolidated statement of changes in equity and all non-owner changes in equity in a consolidated statement of comprehensive income. Comparative information has been re-presented so it is in conformity with the revised standard. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

(y) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the consolidated entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The consolidated entity has not yet determined the potential effect of the standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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2. OPERATING SEGMENTS

The consolidated entity has three reportable segments, as described below. The segments are managed separately because they operate in different markets and require different marketing strategies. For each segment the CEO reviews internal management reports on a monthly basis. The following describes the operations in each of the consolidated entity's reportable segments:

- Building Fittings – This segment includes the sale of vitreous china toilets, hand basins, plastic cisterns, tapware, baths, spas, kitchen sinks, laundry tubs, bathroom accessories, door handles and door access systems primarily to the Australian and New Zealand markets. These products are all fixtures and fittings in the construction of buildings, and they are also installed at the same stage in construction of buildings or used in the home renovation market.
- Heating and Cooling – This segment includes the sale of heating and cooling products primarily to the Australian market.
- Commercial Furniture – This segment includes the sale of education and hospitality furniture and stadia seating.
- Discontinued Operations – This segment included the sale of lawn mowers and the sale of sanitaryware in the European market.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and income tax as included in the management reports that are reviewed by the CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate in these industries.

Comparative segment information has been presented in conformity with the requirements of AASB8 *Operating Segments*.

	Building Fittings		Heating and Cooling		Commercial Furniture		Discontinued Operations		Total	
In thousands of AUD	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External sales revenue	420,031	403,658	161,495	153,288	74,823	56,088	44,029	65,422	700,378	678,456
Inter-segment revenue	-	-	-	-	16	32	-	-	16	32
Total sales revenue	420,031	403,658	161,495	153,288	74,839	56,120	44,029	65,422	700,394	678,488
Segment result before restructuring	88,830	81,822	14,607	15,161	5,724	2,033	452	602	109,613	99,618
Restructuring expenses	-	(3,447)	-	-	-	-	-	(649)	-	(4,096)
Reportable segment profit/(loss) before income tax	88,830	78,375	14,607	15,161	5,724	2,033	452	(47)	109,613	95,522
Depreciation	(9,455)	(11,110)	(2,135)	(2,549)	(1,056)	(1,248)	(626)	(1,177)	(13,272)	(16,084)
Amortisation	(4,048)	(806)	(437)	(275)	-	-	-	-	(4,485)	(1,081)
Capital expenditure	9,389	11,662	3,566	1,873	1,207	2,332	634	979	14,796	16,846
Reportable segment assets	524,871	530,328	123,001	87,570	44,659	33,703	-	34,629	692,531	686,230
Reportable segment liabilities	52,774	61,013	39,657	48,187	13,066	7,449	-	7,476	105,497	124,125

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GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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2. OPERATING SEGMENTS (cont.)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

In thousands of AUD	2010	2009
Revenues		
Total revenue for reportable segments	700,394	678,488
Unallocated amounts: corporate revenue	460	-
Elimination of inter-segment revenue	(16)	(32)
Elimination of discontinued operations	(44,029)	(65,422)
Consolidated revenue	656,809	613,034
Profit		
Total profit for reportable segments	109,613	95,522
Elimination of discontinued operations	(452)	47
Unallocated amounts: corporate expenses	(14,613)	(12,663)
Profit from operating activities	94,548	82,906
Net financing costs	(15,027)	(13,844)
Consolidated profit before tax	79,521	69,062
Assets		
Total assets for reportable segments	692,531	686,230
Unallocated amounts: corporate assets*	119,899	96,223
Consolidated total assets	812,430	782,453
Liabilities		
Total liabilities for reportable segments	105,497	124,125
Unallocated amounts: corporate liabilities*	275,844	232,164
Consolidated total liabilities	381,341	356,289

* Corporate assets include cash and cash equivalents, tax assets, employee share loans and treasury financial instruments at fair value. Corporate liabilities include loans and borrowings, tax liabilities and treasury financial instruments at fair value.

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2. OPERATING SEGMENTS (cont.)

Reconciliations of other material items

In thousands of AUD	2010	2009
Depreciation		
Total depreciation for reportable segments	13,272	16,084
Unallocated amounts: depreciation on corporate assets	391	705
Consolidated total depreciation	13,663	16,789
Amortisation		
Total amortisation for reportable segments	4,485	1,081
Unallocated amounts: amortisation on corporate assets	29	235
Consolidated total amortisation	4,514	1,316
Capital expenditure		
Total capital expenditure for reportable segments	14,796	16,846
Unallocated amounts: corporate capital expenditure	302	502
Consolidated total capital expenditure	15,098	17,348

Geographical segments

The business segments are managed on a worldwide basis, but operate mainly in one geographical area being Australia. Sales offices are operated in New Zealand, Asia, United States and the United Kingdom, however the sales revenue from these geographical areas comprise only 8% of the consolidated entity's total sales revenue for the current year (2009: 9%).

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

In thousands of AUD	Australia		Unallocated		Consolidated	
	2010	2009	2010	2009	2010	2009
External sales revenue	604,056	555,363	52,753	57,671	656,809	613,034
Segment assets	794,755	737,836	17,675	44,617	812,430	782,453
Capital expenditure	15,046	15,759	59	1,589	15,098	17,348

Major customers

The consolidated entity conducts business with 2 customers where the gross revenue generated from each customer exceeds 10% of the consolidated entity's total gross revenue. Gross revenue from the first customer represents approximately \$111,000,000 (2009: \$127,000,000) and gross revenue from the second customer represents approximately \$108,000,000 (2009: \$114,000,000) of the consolidated entity's total gross revenues for the current year of approximately \$742,000,000 (2009: \$693,000,000). The difference between gross revenue and reported sales revenue is due to industry rebates. The revenues from both customers are reported in the Building Fittings segment and the Heating and Cooling segment.

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3. DISCONTINUED OPERATIONS

During the financial year, the lawn mower business, Rover, was sold with an effective date of 1 April 2010. The European sanitaryware business, Wisa, was also sold, with an effective date 28 February 2010. The operating activities of both businesses were not discontinuing operations or classified as held for sale as at 30 June 2009. The comparative statement of comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

In thousands of AUD	2010	2009
Results of discontinued operations		
Revenue	44,029	65,422
Expenses	(43,577)	(65,469)
Results from operating activities	452	(47)
Income tax	28	210
Results from operating activities, net of income tax	480	163
Loss on sale of the discontinued operations	(7,672)	-
Income tax benefit on loss on sale of discontinued operations	266	-
Profit/(loss) for the period	(6,926)	163
Basic profit/(loss) per share (cents per share)	(2.31)	0.06
Diluted profit/(loss) per share (cents per share)	(2.30)	0.06
Cash flows from discontinued operations		
Net cash from/(used in) operating activities	(4,457)	5,550
Net cash used in investing activities	(592)	(642)
Net cash from disposal	19,712	-
Net cash used in financing activities	-	-
Net cash from discontinued operations	14,663	4,908

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3. DISCONTINUED OPERATIONS (cont.)

In thousands of AUD	Total	Wisa	Rover
Effect of disposals on the financial position of the consolidated entity			
Trade and other receivables	(3,341)	(3,341)	-
Inventories	(13,531)	(4,387)	(9,144)
Property, plant and equipment	(3,384)	(2,713)	(671)
Other current assets	(428)	(338)	(90)
Trade and other payables	2,160	2,188	(28)
Income tax receivable	(72)	(72)	-
Provisions	(678)	-	(678)
Employee benefits	1,868	1,218	650
Interest bearing loans and borrowings	4,465	4,465	-
Deferred tax assets	(172)	-	(172)
Intangible assets	(12,617)	(12,617)	-
Net assets and liabilities	(25,730)	(15,597)	(10,133)
Foreign currency translation reserve	(3,930)	(3,930)	-
	(29,660)	(19,527)	(10,133)
Consideration proceeds	21,988	14,675	7,313
Consideration owing	(2,276)	-	(2,276)
Net cash inflow	19,712	14,675	5,037

4. OTHER INCOME

In thousands of AUD	2010	2009
Foreign currency gains - realised	1,042	1,148
Foreign currency gains - unrealised	152	1,913
Net gain on disposal of property, plant and equipment and intangible assets	-	89
Other	1,205	885
	2,399	4,035

5. OTHER EXPENSES

In thousands of AUD	2010	2009
Foreign currency losses - realised	1,902	586
Foreign currency losses - unrealised	456	743
Net loss on disposal of property, plant and equipment and intangible assets	170	43
Acquisition costs	1,524	414
Restructuring expenses	-	3,447
	4,052	5,233

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6. PERSONNEL EXPENSES

In thousands of AUD	2010	2009
Wages and salaries – including superannuation contributions, annual leave, long service leave and on-costs	139,605	130,483
Equity-settled share-based payment transactions	1,230	650
	140,835	131,133

7. AUDITORS' REMUNERATION

In AUD	2010	2009
Audit services		
Auditors of the Company		
<i>KPMG Australia:</i>		
Audit and review of financial reports	480,000	398,000
<i>Overseas KPMG Firms:</i>		
Audit and review of financial reports	15,000	85,000
	495,000	483,000
Other services		
Auditors of the Company		
<i>KPMG Australia</i>		
Other assurance services	53,000	30,000
Taxation services	17,000	17,000
<i>Overseas KPMG Firms:</i>		
Other assurance services	38,000	21,000
Taxation services	109,000	83,000
	217,000	151,000

8. NET FINANCING COSTS

In thousands of AUD	2010	2009
Finance income	(1,905)	(2,866)
Finance expense	16,932	16,710
Net financing costs	15,027	13,844

9. RESTRUCTURING EXPENSES

In thousands of AUD	2010	2009
Restructuring expenses	-	3,447
Tax benefit	-	(1,034)
Net restructuring expense after tax	-	2,413

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10. INCOME TAX EXPENSE

Recognised in the income statement

In thousands of AUD	2010	2009
Current tax expense		
Current year	21,939	20,701
Adjustments for prior years	65	32
	22,004	20,733
Deferred tax expense		
Origination and reversal of temporary differences	2,064	167
Income tax expense from continuing operations	24,068	20,900
Income tax benefit from discontinued operation (excluding loss on sale)	(28)	(210)
Income tax benefit on loss on sale of discontinued operation	(266)	-
Total income tax expense in income statement	23,774	20,690

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of AUD	2010	2009
Profit before tax	72,301	69,015
Income tax using the domestic tax rate of 30% (2009: 30%)	21,690	20,705
Increase in income tax expense due to:		
Non-deductible expenses	94	79
Non-deductible acquisition and disposal costs	535	-
Non-deductible share-based payments	369	195
Non-rebateable withholding tax on foreign dividends	580	-
Non-deductible capital losses	821	338
Decrease in income tax expense due to:		
Effect of tax rate in foreign jurisdictions	(51)	(48)
Non-assessable income	-	(306)
Rebateable investment allowance	(155)	(86)
Rebateable research and development	(174)	(219)
	23,709	20,658
Under provided in prior years	65	32
Income tax expense on pre-tax net profit	23,774	20,690

Deferred tax recognised directly in equity

In thousands of AUD	2010	2009
Derivatives	694	(324)

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11. EARNINGS PER SHARE

Basic earnings per share

Calculation of basic earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of \$48,527,000 (2009: \$48,325,000) and a weighted average number of ordinary shares of 300,010,000 (2009: 285,498,000) calculated as follows:

	2010	2009
Cents per share	16.18	16.93

Profit attributable to ordinary shareholders

In thousands of AUD	2010	2009
Continuing operations	55,453	48,162
Discontinued operations	(6,926)	163
Profit for the year	48,527	48,325

Weighted average number of ordinary shares

In thousands of shares	2010	2009
Issued ordinary shares at 1 July	298,019	280,173
Effect of shares issued	1,991	5,325
Weighted average number of ordinary shares at 30 June	300,010	285,498

Diluted earnings per share

Calculation of diluted earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of \$48,527,000 (2009: \$48,325,000) and a weighted average number of ordinary shares of 301,469,000 (2009: 285,899,000) calculated as follows:

	2010	2009
Cents per share	16.10	16.90

Profit attributable to ordinary shareholders (diluted)

In thousands of AUD	2010	2009
Continuing operations	55,453	48,162
Discontinued operations	(6,926)	163
Profit for the year	48,527	48,325

Weighted average number of ordinary shares (diluted)

In thousands of shares	2010	2009
Weighted average number of ordinary shares (basic)	300,010	285,498
Effect of performance rights on issue	1,459	401
Weighted average number of ordinary shares (diluted)	301,469	285,899

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12. CASH AND CASH EQUIVALENTS

In thousands of AUD	2010	2009
Bank balances	22,913	22,011
Call deposits	32,001	23,004
Cash and cash equivalents in the statement of cash flows	54,914	45,015

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

13. TRADE AND OTHER RECEIVABLES

In thousands of AUD	2010	2009
Current		
Trade receivables	107,764	108,282
Provision for impairment	(4,751)	(2,028)
Derivatives used for hedging	37,434	23,943
Employee share loans	566	661
Other	7,556	4,181
	148,569	135,039
Non-current		
Derivatives used for hedging	-	6,318
Employee share loans	5,102	5,859
Other	-	8
	5,102	12,185

The consolidated entity's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 26.

14. INVENTORIES

In thousands of AUD	2010	2009
Raw materials and consumables	21,757	17,818
Work in progress	6,170	7,518
Finished goods	76,508	86,335
	104,435	111,671

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15. ACQUISITIONS OF SUBSIDIARIES

Business combinations

On 1 April 2010 the consolidated entity acquired the assets and liabilities of the Bravis heating and cooling business for \$48,579,000.

In the three months to 30 June 2010 the business contributed profit before tax of \$2,805,000. If the acquisition had occurred on 1 July 2009, management estimates that consolidated revenue of continuing operations for the period would have been \$708,045,000 and consolidated profit before tax of continuing operations would have been \$84,500,000. In determining those amounts, management has assumed that the fair values on the date of acquisition would have been the same if the acquisition occurred on 1 July 2009.

In the prior year, the consolidated entity acquired 100% of the shares in Austral Lock Pty Ltd for \$12,419,000. As part of the transaction, the consolidated entity had a call option over the Indian operations of Austral Lock Pty Ltd which was not exercised. As a result, the fair value of the plant and equipment was impacted and accordingly an adjustment to the prior period acquisition accounting was made as follows: property, plant and equipment decreased by \$354,000; goodwill increased by \$354,000. Comparative information has been restated.

The acquisitions had the following effect on the consolidated entity's assets and liabilities on the respective acquisition dates:

Amounts recognised on acquisition

In thousands of AUD	Bravis 2010	Austral Lock Pty Ltd 2009
Trade and other receivables	8,126	2,078
Inventories	6,588	2,899
Other current assets	69	-
Property, plant and equipment	14,075	3,547
Intangible assets	11,053	3,177
Trade and other payables	(4,975)	(278)
Employee benefits	(2,518)	(390)
Provisions	(3,600)	-
Deferred tax liabilities	(1,204)	(63)
Net identifiable assets and liabilities	27,614	10,970
Goodwill on acquisition	20,965	1,449
Consideration paid, satisfied in cash	48,579	12,419

The goodwill recognised on the acquisitions is attributable mainly to the skills and technical expertise of the acquired businesses work force and the synergies expected to be achieved from integrating the business into the consolidated entity's existing businesses.

16. CURRENT TAX ASSETS AND LIABILITIES

The current tax asset for the consolidated entity of \$420,000 (2009: \$980,000) represents the amount of income taxes recoverable in respect of current and prior periods. The current tax liability for the consolidated entity of \$4,543,000 (2009: \$7,207,000) represents the amount of income taxes payable in respect of the current period. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax asset / (liability) initially recognised by the members in the tax-consolidated group.

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17. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of AUD	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Property, plant and equipment	806	841	(418)	(218)	388	623
Intangible assets	284	-	(3,710)	(343)	(3,426)	(343)
Inventories	2,587	2,624	-	-	2,587	2,624
Employee benefits	7,990	7,297	-	-	7,990	7,297
Provisions	10,930	10,607	-	-	10,930	10,607
Other items	883	2,603	(597)	(472)	286	2,131
Tax assets / (liabilities)	23,480	23,972	(4,725)	(1,033)	18,755	22,939
Set off of tax	(4,694)	(1,011)	4,694	1,011	-	-
Net tax assets / (liabilities)	18,786	22,961	(31)	(22)	18,755	22,939

Unrecognised deferred tax assets

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

In thousands of AUD	2010	2009
Tax losses	4,125	451

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

Movement in temporary differences during the year

In thousands of AUD	Balance 1 July 08	Recognised in income	Recognised in equity	Acquired in business combinations	Disposals	Balance 30 June 09
Property, plant and equipment	636	(13)	-	-	-	623
Intangible assets	(205)	42	-	(180)	-	(343)
Inventories	3,583	(959)	-	-	-	2,624
Employee benefits	7,879	(699)	-	117	-	7,297
Provisions	8,096	2,511	-	-	-	10,607
Other items	2,856	(1,049)	324	-	-	2,131
	22,845	(167)	324	(63)	-	22,939

In thousands of AUD	Balance 1 July 09	Recognised in income	Recognised in equity	Acquired in business combinations	Disposals	Balance 30 June 10
Property, plant and equipment	623	(235)	-	-	-	388
Intangible assets	(343)	233	-	(3,316)	-	(3,426)
Inventories	2,624	(313)	-	276	-	2,587
Employee benefits	7,297	110	-	755	(172)	7,990
Provisions	10,607	(758)	-	1,081	-	10,930
Other items	2,131	(1,151)	(694)	-	-	286
	22,939	(2,114)	(694)	(1,204)	(172)	18,755

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18. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Land and buildings	Plant and equipment	Motor vehicles	Work in progress	Total
Cost					
Balance at 1 July 2008	50,314	188,767	12,424	6,641	258,146
Acquisitions through business combinations	-	3,547	-	-	3,547
Additions	122	6,629	2,664	1,099	10,514
Transfers	-	740	-	(740)	-
Disposals	-	(18,002)	(9,934)	-	(27,936)
Effect of movements in foreign exchange	234	1,724	39	56	2,053
Balance at 30 June 2009	50,670	183,405	5,193	7,056	246,324
Balance at 1 July 2009	50,670	183,405	5,193	7,056	246,324
Acquisitions through business combinations	10,000	4,075	-	-	14,075
Additions	186	9,446	-	982	10,614
Disposals	(3,746)	(34,558)	(4,040)	-	(42,344)
Effect of movements in foreign exchange	(521)	(3,750)	(22)	(92)	(4,385)
Balance at 30 June 2010	56,589	158,618	1,131	7,946	224,284
Depreciation and impairment losses					
Balance at 1 July 2008	(7,546)	(138,369)	(5,924)	-	(151,839)
Depreciation charge for the year	(1,039)	(13,826)	(1,924)	-	(16,789)
Disposals	-	18,104	4,054	-	22,158
Effect of movements in foreign exchange	(171)	(1,460)	(8)	-	(1,639)
Balance at 30 June 2009	(8,756)	(135,551)	(3,802)	-	(148,109)
Balance at 1 July 2009	(8,756)	(135,551)	(3,802)	-	(148,109)
Depreciation charge for the year	(935)	(12,383)	(345)	-	(13,663)
Disposals	2,985	31,783	3,287	-	38,055
Effect of movements in foreign exchange	403	3,359	2	-	3,764
Balance at 30 June 2010	(6,303)	(112,792)	(858)	-	(119,953)
Carrying amounts					
At 1 July 2008	42,768	50,398	6,500	6,641	106,307
At 30 June 2009	41,914	47,854	1,391	7,056	98,215
At 1 July 2009	41,914	47,854	1,391	7,056	98,215
At 30 June 2010	50,286	45,826	273	7,946	104,331

Impairment losses

There were no impairment losses to property, plant and equipment during the 2010 financial year (2009: nil).

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19. INTANGIBLE ASSETS

In thousands of AUD	Software	Brand names	Trade names, designs and patents	Goodwill	Total
Cost					
Balance at 1 July 2008	9,296	340,965	-	-	350,261
Acquisitions through business combinations	-	-	3,177	1,449	4,626
Additions	6,834	-	-	-	6,834
Disposals	(291)	-	-	-	(291)
Effect of movements in foreign exchange	-	631	-	-	631
Balance at 30 June 2009	15,839	341,596	3,177	1,449	362,061
Balance at 1 July 2009	15,839	341,596	3,177	1,449	362,061
Acquisitions through business combinations	-	-	11,053	20,965	32,018
Additions	4,484	-	-	-	4,484
Disposals	(1,660)	(20,465)	-	-	(22,125)
Balance at 30 June 2010	18,663	321,131	14,230	22,414	376,438
Amortisation and impairment losses					
Balance at 1 July 2008	(1,782)	(9,419)	-	-	(11,201)
Amortisation for the year	(1,166)	-	(150)	-	(1,316)
Disposals	248	-	-	-	248
Balance at 30 June 2009	(2,700)	(9,419)	(150)	-	(12,269)
Balance at 1 July 2009	(2,700)	(9,419)	(150)	-	(12,269)
Amortisation for the year	(4,077)	-	(437)	-	(4,514)
Disposals	90	9,419	-	-	9,509
Balance at 30 June 2010	(6,687)	-	(587)	-	(7,274)
Carrying amounts					
At 1 July 2008	7,514	331,546	-	-	339,060
At 30 June 2009	13,139	332,177	3,027	1,449	349,792
At 1 July 2009	13,139	332,177	3,027	1,449	349,792
At 30 June 2010	11,976	321,131	13,643	22,414	369,164

Impairment losses

There were no impairment losses to intangible assets during the 2010 financial year (2009: nil).

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19. INTANGIBLE ASSETS (cont.)

Carrying value of brand names and goodwill for each cash generating unit

In thousands of AUD	2010	2009
Building Fittings	304,180	304,180
Heating and Cooling	26,965	6,000
Commercial Furniture	12,400	12,400
Discontinued Operations	-	11,046
	343,545	333,626

Impairment testing for brand names and goodwill

The recoverable amounts of all brand names and goodwill were assessed at 30 June 2010 based on internal value in use calculations and no impairment was identified for any segments (2009: nil for all segments).

Value in use was determined by discounting the future cash flows generated from the continuing use of the business unit and to which the brand or goodwill is attached and was based on the following assumptions:

- Cash flows were projected based on actual operating results and business plans of the units, with projected cash flows ranging from two to five years, before a terminal value was calculated. Maintainable earnings were adjusted for an allocation of corporate overheads.
- Management used a constant growth rate of 2.5% in calculating terminal values of the units, which does not exceed the long-term average growth rate for the industry.
- A post-tax discount rate of 9.97% was used in discounting the projected future cash flows.

The values assigned to the key assumptions represent management's assessment of future trends in the Building Fittings, Heating and Cooling and Commercial Furniture industries and are based on both external sources and internal sources (historical data).

The above assumptions are particularly sensitive in the following areas:

- An increase of 1 percentage point in the post-tax discount rate would have decreased value in use as follows: Building Fittings \$91,400,000, Heating and Cooling \$6,600,000, Commercial Furniture \$4,500,000. No impairment losses would be realised for any segment as a result of this change.
- A 10 percent decrease in future planned revenues would have decreased value as follows: Building Fittings \$68,400,000, Heating and Cooling \$3,000,000, Commercial Furniture \$2,400,000. No impairment losses would be realised for any segment as a result of this change.

20. TRADE AND OTHER PAYABLES

In thousands of AUD	2010	2009
Current		
Trade payables and accrued expenses	53,471	60,583
Derivatives used for hedging	35,923	25,477
Non-trade payables and accrued expenses	5,912	3,171
	95,306	89,231
Non-current		
Derivatives used for hedging	-	5,585
	-	5,585

The consolidated entity's exposure to currency risk and liquidity risk related to trade and other payables are disclosed in note 26.

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21. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 26.

Non-current liabilities

In thousands of AUD	2010	2009
Unsecured bank loans	230,866	200,000

Terms and debt repayment schedule

In thousands of AUD	Currency	Year of maturity	2010 Face value	2010 Carrying amount	2009 Face value	2009 Carrying amount
Unsecured bank loan	AUD	2012	60,000	60,000	60,000	60,000
Unsecured bank loan	AUD	2011	35,000	35,000	-	-
Unsecured bank loan	AUD	2012	70,000	70,000	90,000	90,000
Unsecured bank loan	AUD	2013	50,000	50,000	50,000	50,000
Unsecured bank loan	AUD	2012	10,000	10,000	-	-
Unsecured bank loan	USD	2012	5,866	5,866	-	-
			230,866	230,866	200,000	200,000

The unsecured bank loans mature over the next 2 financial years and have variable rates ranging from 4.38% - 7.73% at 30 June 2010 (2009: 5.01% - 5.26%).

Financing facilities

In thousands of AUD	2010	2009
Bank overdraft	1,000	6,000
Standby letters of credit	8,000	8,000
Unsecured bank facility	267,500	247,500
	276,500	261,500

Facilities utilised at reporting date

In thousands of AUD	2010	2009
Bank overdraft	-	-
Standby letters of credit	391	1,530
Unsecured bank facility	230,866	200,000
	231,257	201,530

Facilities not utilised at reporting date

In thousands of AUD	2010	2009
Bank overdraft	1,000	6,000
Standby letters of credit	7,609	6,470
Unsecured bank facility	36,634	47,500
	45,243	59,970

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21. INTEREST-BEARING LOANS AND BORROWINGS (cont.)

Financing arrangements

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

This document provides for the following:

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

Bank overdraft

The bank overdraft facility available to the consolidated entity is unsecured. Interest on the bank overdraft facility is charged at prevailing market rates. No drawdowns against this facility had been made as at 30 June 2010.

Unsecured bank loans

Bank loans are provided to GWA Finance Pty Limited under the facility agreements. The bank loans are denominated in Australian dollars. The bank loans are unsecured and have a maximum three year rolling maturity.

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

Letter of credit

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

22. EMPLOYEE BENEFITS

In thousands of AUD	2010	2009
Current		
Liability for long-service leave	1,990	1,778
Liability for annual leave	9,501	9,943
Liability for on-costs	2,876	2,470
	14,367	14,191
Non-current		
Liability for long-service leave	11,276	10,073
Liability for on-costs	975	1,264
	12,251	11,337

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. Contributions are charged against income as they are made based on various percentages of each employee's gross salaries. The amount recognised as expense was \$9,924,000 for the financial year ended 30 June 2010 (2009: \$9,212,000).

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22. EMPLOYEE BENEFITS (cont.)

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 at balance date.

Under the Plan, shares can either be issued to employees or purchased on market, and in both cases the employee will pay market price for the shares. During 2010, 435,000 ordinary shares were issued to employees at the market price of \$3.40, being total market value of \$1,479,000. In the prior year, 442,500 ordinary shares were issued to employees at the market price of \$1.90, being total market value of \$840,750.

As at 30 June 2010, loans are issued for 3,904,489 (2009: 3,933,750) shares and the remaining balances of these loans is \$9,486,000 (2009: \$9,962,000) or \$5,668,000 (2009: \$6,520,000) at net present value. During 2010, dividends of \$680,000 (2009: \$630,000) were paid against the loans and a further \$1,275,000 (2009: \$691,000) was paid by employees against these loans.

23. SHARE-BASED PAYMENTS

The Long Term Incentive (Equity) Plan was approved by shareholders at the 2008 Annual General Meeting. Under the plan, the Board may offer performance rights to participants which entitle the holder to ordinary shares in the Company (or in limited cases cash payments made), subject to meeting certain financial performance hurdles and the holder remaining in employment with the Company until the nominated vesting date.

The performance hurdles are subject to financial performance conditions which measure Total Shareholder Returns (TSR) compared to a peer group of companies, and growth in Earnings Per Share (EPS). The performance hurdles are challenging and achievable and focus senior executives on sustained long term growth consistent with shareholder wealth creation. The plan runs over a three year performance period and the rights will only vest if the performance hurdles are achieved. If the vesting conditions and performance hurdles are achieved, ordinary shares will be issued to the participants at no cost. If the performance hurdles are not met, then the rights are cancelled after three years.

The performance hurdles are as follows:

- EPS hurdle – 10% or more EPS growth over the three-year performance period; and
- TSR hurdle – GWAIL's TSR is more than the 50th percentile relative to the TSR of comparator companies.

Tranche	Grant date	Expiry date	Balance	Issued during the year	Cancelled during the year	Balance at end
			at beginning of the year			of the year
			Number	Number	Number	Number
2010						
(i)	27/02/2009	30/06/2011	1,185,000	-	175,000	1,010,000
(ii)	12/03/2010	30/06/2012	-	900,000	-	900,000
			1,185,000	900,000	175,000	1,910,000
2009						
(i)	27/02/2009	30/06/2011	-	1,185,000	-	1,185,000

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GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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23. SHARE-BASED PAYMENTS (cont.)

Fair value

During the current financial year 900,000 performance rights were granted to employees (2009: 1,185,000) at a weighted average fair value of \$2.58 (2009: \$1.65). The fair value of the performance rights subject to the EPS hurdle for vesting (50%) was determined as \$2.95 by using a Binomial option pricing model. The fair value of the performance rights granted subject to the TSR hurdle for vesting (50%) was determined as \$2.20 by using a Monte Carlo simulation. When determining the fair values it was assumed the Company would have a dividend yield of 5.88%, the risk free rate was 5.12% and volatility ranged between 40-50% for the Company and its comparator companies listed for the TSR hurdle.

The fair value of the performance rights granted will be allocated to each financial year evenly over the specified three year service period. The amount recognised as personnel expenses in the current financial year was \$1,230,000 (2009: \$650,000). Refer to the Remuneration Report for further details.

24. PROVISIONS

In thousands of AUD	Warranties	Restructuring	Site restoration	Other	Total
Balance at 1 July 2009	12,093	5,722	5,949	4,952	28,716
Acquisitions through business combinations	3,394	-	-	206	3,600
Provisions made during the year	10,576	-	-	1,361	11,937
Provisions used during the year	(10,369)	(4,246)	(2,194)	(3,458)	(20,267)
Effect of movements in foreign exchange	(9)	-	-	-	(9)
Balance at 30 June 2010	15,685	1,476	3,755	3,061	23,977
Current	8,685	1,476	2,365	2,589	15,115
Non-current	7,000	-	1,390	472	8,862
	15,685	1,476	3,755	3,061	23,977

Warranties

The total provision for warranties at balance date of \$15,685,000 relates to future warranty expense on products sold during the current and previous financial years. The major warranty expense relates to water heating products. The provision is based on estimates made from historical warranty data associated with similar products and services. The consolidated entity expects to expend \$8,685,000 of the total provision in the financial year ending 30 June 2010, and the majority of the balance of the liability over the following four years.

Restructuring

The restructuring provision relates to the estimated costs of redundancies and related costs with respect to the closure of manufacturing operations and other business restructuring. During the financial year ended 30 June 2010, a majority of the restructuring was completed with \$4,246,000 being spent. At balance date the balance of the restructuring provision was \$1,476,000. The restructuring is expected to be completed and finalised by the end of the next financial year.

Site restoration

At balance date the balance of the site restoration provision was \$3,755,000. Payments of \$2,194,000 were made in the current financial year. This provision relates to the removal of plant installed in leased premises where there is a liability under the lease for the plant to be removed on expiry and the leased premises made good, and for site remediation required. Site remediation is currently being undertaken and is expected to be completed by June 2011. The remaining balance classified as non-current will be utilised when leased sites are exited. The net present value of the provision has been calculated using a discount rate of 6.65 per cent.

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25. CAPITAL AND RESERVES

Share capital

	Ordinary shares		AUD	
	2010	2009	2010	2009
In thousands				
On issue at 1 July – fully paid	298,019	280,173	387,981	353,938
Issue of shares under the dividend reinvestment plan	2,649	17,403	7,079	33,202
Issue of shares under the employee share plan	435	443	1,479	841
On issue at 30 June – fully paid	301,103	298,019	396,539	387,981

The Company does not have authorised capital or par value in respect of its issued shares.

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

Translation reserve

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

Hedging reserve

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

Equity compensation reserve

The equity compensation reserve represents the fair value of the cumulative net charges of the performance rights.

Dividends

Dividends recognised in the current year by the consolidated entity and the Company are:

In thousands of AUD	Cents per share	Total amount	Franked	Date of payment
2010				
Interim 2010 ordinary	9.5	28,563	100%	7th April 2010
Final 2009 ordinary	8.5	25,332	100%	7th Oct 2009
Total amount	18.0	53,895		
2009				
Interim 2009 ordinary	9.5	26,831	100%	1st April 2009
Final 2008 ordinary	8.0	22,414	100%	7th Oct 2008
Total amount	17.5	49,245		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

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25. CAPITAL AND RESERVES (cont.)

Dividends (cont.)

After the balance sheet date the following dividends were approved by the directors. The dividends have not been provided for. The declaration and subsequent payment of dividends has no income tax consequences.

In thousands of AUD	Cents per share	Total amount	Franked	Date of payment
Final ordinary	8.5	25,594	100%	6th Oct 2010

The financial effect of these dividends has not been brought to account in the financial statements for the financial year ended 30 June 2010 and will be recognised in subsequent financial reports.

Dividend franking account

In thousands of AUD	2010	2009
30 per cent franking credits available to shareholders of GWA International Limited for subsequent financial years	17,848	21,251

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

- (a) franking credits/debits that will arise from the payment/settlement of the current tax liabilities/assets; and
- (b) franking debits that will arise from the payment of dividends recognised as a liability at year-end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date, but not recognised as a liability, is to reduce it by \$10,969,000 (2009: \$10,857,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of \$17,848,000 (2009: \$21,251,000) franking credits.

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GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Risk management policy

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Executive Risk Committee, which is responsible for developing and monitoring risk management policies. The Committee is required to report regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities.

The Board Audit Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity. The Board Audit Committee is assisted in its oversight role by the Internal Audit team. The Internal Audit team conducts both regular and ad hoc reviews of risk management controls and procedures. The results of the reviews are reported to the Board Audit Committee.

Capital management policy

The Board's policy is to maintain a strong capital base and grow shareholder wealth. The Board monitors debt levels, cash flows and financial forecasts to establish appropriate levels of dividends and funds available to reinvest in the businesses or invest in growth opportunities.

The Board focuses on growing shareholder wealth by monitoring the performance of the consolidated entity by reference to the return on funds employed. The Board defines return on funds employed as trading earnings before interest and tax divided by net assets after adding back net debt.

There were no changes to the Boards approach to capital management during the year.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or other counterparty to a financial instrument fails to discharge their obligations.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. A risk assessment process is used for customers requiring credit and credit insurance is utilised for major concentrations of trade debts. Goods are sold subject to retention of title clauses in most circumstances. The consolidated entity does not require collateral in respect of financial assets.

The consolidated entity maintains an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

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

The consolidated entity has two major customers which comprise 33% of the trade receivables carrying amount at 30 June 2010 (2009: 42%). At the balance sheet date there were no material uninsured concentrations of credit risk.

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GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

Credit risk (cont.)

The carrying amount of financial assets represents the maximum credit exposure of the consolidated entity. The maximum exposure to credit risk at balance date was:

In thousands of AUD	2010	2009
Cash and cash equivalents	54,914	45,015
Gross trade receivables	130,947	128,542
Employee share loans	5,668	6,520
Commodity contracts used for hedging	7,848	13,819
Forward exchange contracts used for hedging	29,586	16,442
	228,963	210,338

The ageing of gross trade receivables for the consolidated entity at balance date is as follows:

In thousands of AUD	2010 Gross	2010 Impairment	2009 Gross	2009 Impairment
Not yet due	87,036	(784)	78,523	(69)
Past due 0-30 days	33,709	(80)	40,155	(13)
Past due 31-60 days	3,819	(204)	3,245	(361)
Past due 61-90 days	1,061	(180)	1,584	(150)
Past due 91-120 days	698	(138)	2,850	(464)
Past due 120+ days	4,624	(3,365)	2,185	(971)
	130,947	(4,751)	128,542	(2,028)

The carrying amount of gross trade receivables classified as not yet due at balance date for the consolidated entity that would be past due if terms had not been re-negotiated is as follows:

In thousands of AUD	2010 Gross	2010 Impairment	2009 Gross	2009 Impairment
Gross trade receivables with terms re-negotiated	-	-	74	(60)

The movement in the allowance for impairment in respect of trade receivables during the year for the consolidated entity was as follows:

In thousands of AUD	2010	2009
Balance at 1 July	(2,028)	(1,052)
Impairment loss recognised	(985)	(1,305)
Impairment losses applied	159	354
Acquired through business combinations	(2,068)	-
Disposals	145	-
Effect of movements in foreign exchange	26	(25)
Balance at 30 June	(4,751)	(2,028)

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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity prepares cash flow forecasts and maintains financing and overdraft facilities with a number of institutions to ensure sufficient funds will be available to meet obligations without incurring excessive costs. The cash flows of the consolidated entity are controlled by management and reported monthly to the Board who is ultimately responsible for maintaining liquidity.

The contractual maturities of financial liabilities and derivatives that are cash flow hedges of the consolidated entity, including estimated interest payments are as follows:

Maturity analysis

In thousands of AUD	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years
Non-derivative financial liabilities – 2010					
Unsecured bank loans	(230,866)	(94,167)	(8,542)	(8,542)	(77,083)
Trade and other payables	(59,383)	(59,383)	(59,383)	-	-
Derivative financial liabilities - 2010					
Interest rate swaps designated as hedges	(740)	(835)	(283)	(203)	(349)
Commodity contracts designated as hedges – outflow	(6,475)	(6,475)	(3,998)	(2,477)	-
Commodity contracts designated as hedges – inflow	7,848	7,848	4,689	3,159	-
Forward exchange contracts designated as hedges – outflow	(28,708)	(28,708)	(28,708)	-	-
Forward exchange contracts designated as hedges – inflow	29,586	29,586	29,586	-	-
Total at 30 June 2010	(288,738)	(152,134)	(66,639)	(8,063)	(77,432)
Non-derivative financial liabilities – 2009					
Unsecured bank loans	(200,000)	(218,681)	(5,490)	(5,491)	(207,700)
Trade and other payables	(63,754)	(63,754)	(63,718)	(36)	-
Derivative financial liabilities – 2009					
Interest rate swaps designated as hedges	(1,839)	(2,056)	(1,205)	(733)	(118)
Commodity contracts designated as hedges – outflow	(12,280)	(12,280)	(3,982)	(2,713)	(5,585)
Commodity contracts designated as hedges – inflow	13,819	13,819	4,342	3,159	6,318
Forward exchange contracts designated as hedges – outflow	(16,943)	(16,943)	(15,064)	(1,879)	-
Forward exchange contracts designated as hedges – inflow	16,442	16,442	14,568	1,874	-
Total at 30 June 2009	(264,555)	(283,453)	(70,549)	(5,819)	(207,085)

The unsecured bank loans have a maximum three year rolling maturity, subject to annual review. The periods in which the cash flows associated with derivatives arise match the periods of profit and loss impact.

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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

Market risk

Market risk is the risk that changes in market prices such as interest rates and foreign exchange rates will affect the consolidated entity's income or value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The consolidated entity enters into derivatives and also incurs financial liabilities in order to manage market risks. All transactions are carried out within the guidelines set by the Executive Risk Committee.

(a) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the consolidated entity's income. The consolidated entity's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The consolidated entity adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is reduced. Interest rate swaps, denominated in Australian dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure. The swaps mature over the next 3 years and have fixed swap rates ranging from 5.05 % to 6.81 % (2009: 3.76% - 7.36%). At 30 June 2010, the consolidated entity had interest rate swaps with a notional contract amount of \$125,000,000 (2009: \$125,000,000).

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

The net fair value of swaps at 30 June 2010 was \$740,000 recognised as a fair value derivative liability. (2009: \$1,839,000 fair value derivative liability).

(i) Profile

At balance date the consolidated entity's interest bearing financial instruments were:

In thousands of AUD	2010 Notional value	2010 Carrying amount	2009 Notional value	2009 Carrying amount
Variable rate financial instruments				
Unsecured bank loans	(230,866)	(230,866)	(200,000)	(200,000)
Bank balances	22,913	22,913	22,011	22,011
Call deposits	32,001	32,001	23,004	23,004
	(175,953)	(175,952)	(154,985)	(154,985)
Fixed rate financial instruments				
Interest rate swap derivatives	125,000	(740)	125,000	(1,839)
Total	(50,953)	(176,692)	(29,985)	(156,824)

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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

Market risk (cont.)

(a) Interest rate risk (cont.)

(ii) Fair value sensitivity analysis for fixed rate instruments

The consolidated entity does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates at balance date would have affected the consolidated entity's equity and financial assets and liabilities as follows:

In thousands of AUD	2010	2009
Increase of 100 basis points		
Hedging reserve (increase)/decrease	(2,103)	(603)
Financial assets increase/(decrease)	1,363	-
Financial liabilities (increase)/decrease	740	603
	-	-
Decrease of 100 basis points		
Hedging reserve (increase)/decrease	2,149	609
Financial assets increase/(decrease)	-	-
Financial liabilities (increase)/decrease	(2,149)	(609)
	-	-

(iii) Cash flow sensitivity analysis for fixed and variable rate instruments

A change of 100 basis points in interest rates during the period would have affected the consolidated entity's profit or loss as follows:

In thousands of AUD	2010	2009
Increase of 100 basis points		
Unsecured bank loans (AUD)	(2,078)	(2,207)
Unsecured bank loans (EUR)	-	(117)
Unsecured bank loans (USD)	(36)	-
Bank balances	229	220
Interest rate swap derivatives	877	1,198
Call deposits variable rate	334	303
Call deposits fixed rate	15	-
	(659)	(603)
Decrease of 100 basis points		
Unsecured bank loans (AUD)	2,078	2,209
Unsecured bank loans (EUR)	-	117
Unsecured bank loans (USD)	36	-
Bank balances	(229)	(220)
Interest rate swap derivatives	(877)	(1,198)
Call deposits variable rate	(334)	(303)
Call deposits fixed rate	(15)	-
	659	605

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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

Market risk (cont.)

(b) Foreign currency risk

The consolidated entity is exposed to foreign currency risk on sales, purchases and asset and liability holdings that are denominated in a currency other than the respective functional currencies of its subsidiaries and retranslation of the financial statements of foreign subsidiaries. The currencies giving rise to this risk are primarily USD and NZD.

The consolidated entity hedges its foreign currency exposure in respect of forecasted sales and purchases by entering into forward exchange contracts. The forward exchange contracts have maturities of less than six months after the balance sheet date. The consolidated entity classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value.

The consolidated entity's USD denominated bank loan was designated as a hedge of the consolidated entity's investment in its subsidiary in North America.

(i) Exposure to currency risk

In thousands of AUD equivalent	AUD	USD	NZD	EUR	HKD	UKP	YEN
2010							
Trade receivables	-	3,562	3,191	775	947	853	-
Trade payables	-	(1,882)	(154)	(492)	-	(544)	-
Loans and borrowings	-	(5,866)	-	-	-	-	-
Cash	-	1,469	2,397	14,390	166	563	-
Gross balance sheet exposure	-	(2,717)	5,434	14,673	1,113	872	-
Estimated forecast sales	-	7,958	12,372	1,313	-	-	-
Estimated forecast purchases	-	(55,063)	(3,950)	(3,200)	-	-	(2,934)
Gross exposure	-	(47,105)	8,422	(1,887)	-	-	(2,934)
Forward exchange contracts	-	17,717	-	(11,463)	-	-	-
Net exposure 30 June 2010	-	(32,105)	13,856	1,323	1,113	872	(2,934)
Foreign exchange rates at balance date	1.0000	0.8523	1.2308	0.6979	6.6340	0.5666	75.46
2009							
Trade receivables	-	1,457	-	1,400	1,528	3	-
Trade payables	-	(1,065)	-	(191)	(26)	(1)	-
Cash	-	93	-	51	399	-	-
Gross balance sheet exposure	-	485	-	1,260	1,901	2	-
Estimated forecast sales	-	7,231	10,549	17,825	-	-	-
Estimated forecast purchases	-	(66,101)	(4,624)	(20,501)	-	-	(3,472)
Gross exposure	-	(58,870)	5,925	(2,676)	-	-	(3,472)
Forward exchange contracts	-	16,330	-	-	-	-	-
Net exposure 30 June 2009	-	(42,055)	5,925	(1,416)	1,901	2	(3,472)
Foreign exchange rates at balance date	1.0000	0.8114	1.2428	0.5751	6.2884	0.4872	77.76

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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

Market risk (cont.)

(b) Foreign currency risk (cont.)

(ii) Sensitivity analysis

The impact of exchange rate movements on profit is subject to other variables including competitor exchange rate positions and movement in market prices. The impact of exchange rate movements on equity is not material.

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

In thousands of AUD	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
Cash and cash equivalents	54,914	54,914	45,015	45,015
Trade and other receivables	116,237	116,237	116,963	116,963
Interest rate swaps:				
Liabilities	(740)	(740)	(1,839)	(1,839)
Commodity contracts:				
Assets	7,848	7,848	13,819	13,819
Liabilities	(6,475)	(6,475)	(12,280)	(12,280)
Forward exchange contracts:				
Assets	29,586	29,586	16,442	16,442
Liabilities	(28,708)	(28,708)	(16,943)	(16,943)
Unsecured bank loans	(230,866)	(230,866)	(200,000)	(200,000)
Trade payables and accrued expenses	(59,383)	(59,383)	(63,754)	(63,754)
	(117,587)	(117,587)	(102,577)	(102,577)

Estimation of fair values

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

(i) Derivatives

Forward exchange contracts are marked to market by discounting the contractual forward price and deducting the current spot rate. Commodity contracts are marked to market by discounting the contractual forward price and deducting the current commodity spot price. For interest rate swaps broker quotes are obtained. These quotes are back tested using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

(ii) Interest-bearing loans and borrowings

The notional amount of the interest-bearing loans is deemed to reflect the fair value. The interest-bearing loans have a maximum three-year rolling maturity.

(iii) Trade and other receivables / payables

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

(iv) Employee share loans and other employee loans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

Estimation of fair values (cont.)

(v) Interest rates used for determining fair value

The consolidated entity uses the government yield curve as of 30 June 2010 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2010	2009
Derivatives	4.81% - 4.91%	3.19% - 4.84%
Employee share loans and other loans	5.85% - 6.65%	5.85% - 8.05%
Interest bearing loans and borrowings	4.38% - 7.73%	5.01% - 5.26%

(vi) Fair value hierarchy

The consolidated entity recognises the fair value of its financial instruments using the level 2 valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

27. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2010	2009
Less than one year	12,300	13,416
Between one and five years	20,824	29,494
More than five years	967	2,967
	34,091	45,877

The consolidated entity leases warehouse and factory facilities and motor vehicles under operating leases. The warehouse and factory facility leases typically run for a period of 3 to 5 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

One of the leased properties has been sublet by the consolidated entity. The lease and sublease expire in November 2010. Sublease payments of \$188,000 will be received during the following financial year.

During the financial year ended 30 June 2010, \$13,040,000 (2009: \$11,407,000) was recognised as an expense in profit or loss in respect of operating leases.

28. CAPITAL AND OTHER COMMITMENTS

In thousands of AUD	2010	2009
Capital expenditure commitments		
Plant and equipment		
<i>Contracted but not provided for and payable:</i>		
Within one year	2,890	4,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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29. CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

In thousands of AUD	2010	2009
Contingent liabilities not considered remote		
In previous financial years, the Company investigated and reported two environmental contamination issues at factory sites at Eagle Farm, Queensland and Revesby, NSW. The Revesby site is leased and occupied by a wholly owned subsidiary of the ultimate parent entity, GWA International Limited. The Eagle Farm site was previously occupied by Corille Limited (formerly Rover Mowers Limited) and was sub-leased to MTD Products Australia Pty Ltd on 1 April 2010 following the sale of the Rover Mowers business.		
The costs to remediate both sites, based on the best available estimates have been provided in prior years.	-	-
Contingent liabilities considered remote		
<i>Guarantees</i>		
(i) Under the terms of a Deed of Cross Guarantee, described in note 30, the parent entity has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed is wound up. No deficiency in net assets exists in these companies at reporting date.	-	-
(ii) Bank guarantees	2,658	1,404

30. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries as listed in Note 31 are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

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

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2010, is set out below.

Summarised statement of comprehensive income and retained profits

In thousands of AUD	2010	2009
Profit before tax	93,330	68,446
Income tax expense	(22,249)	(20,396)
Profit after tax	71,081	48,050
Retained profits at beginning of year	13,557	14,752
Dividends recognised during the year	(53,895)	(49,245)
Retained profits at end of year	30,743	13,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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30. DEED OF CROSS GUARANTEE (cont.)

Statement of financial position

In thousands of AUD	2010	2009
Assets		
Cash and cash equivalents	39,159	37,979
Trade and other receivables	143,377	126,447
Inventories	98,564	99,729
Other	3,015	3,052
Total current assets	284,115	267,207
Receivables	5,102	12,185
Intercompany receivables	22,205	25,729
Investments	37,219	22,973
Deferred tax assets	17,969	22,516
Property, plant and equipment	74,575	63,040
Intangible assets	365,155	334,206
Other	3,362	2,894
Total non-current assets	525,587	483,543
Total assets	809,702	750,750
Liabilities		
Trade and other payables	96,016	85,063
Income tax payable	4,348	7,211
Employee benefits	14,097	12,953
Provisions	15,021	19,473
Total current liabilities	129,482	124,700
Trade and other payables	-	5,585
Interest-bearing loans and borrowings	230,866	200,000
Employee benefits	12,197	11,091
Provisions	8,862	8,864
Total non-current liabilities	251,925	225,540
Total liabilities	381,407	350,240
Net assets	428,295	400,510
Equity		
Issued capital	396,539	387,981
Reserves	1,013	(1,028)
Retained earnings	30,743	13,557
Total equity	428,295	400,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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31. CONSOLIDATED ENTITIES

	Parties to cross guarantee	Country of incorporation	Ownership interest	
			2010	2009
Parent entity				
GWA International Limited	Y	Australia		
Subsidiaries				
GWA Group Limited	Y	Australia	100%	100%
Gainsborough Hardware Industries Limited	Y	Australia	100%	100%
Caroma Holdings Limited	Y	Australia	100%	100%
GWA (North America) Pty Ltd	Y	Australia	100%	100%
Caroma Industries Limited	Y	Australia	100%	100%
G Subs Pty Ltd	Y	Australia	100%	100%
Sebel Furniture (Hong Kong) Ltd	N	Hong Kong	100%	100%
GWA Trading (Shanghai) Co Ltd	N	China	100%	100%
Stylus Pty Ltd	Y	Australia	100%	100%
Brivis Climate Systems Pty Ltd (previously Ecohome Pty Ltd)	Y	Australia	100%	100%
Fowler Manufacturing Pty Ltd	Y	Australia	100%	100%
Starion Tapware Pty Ltd	Y	Australia	100%	100%
Dorf Clark Industries Ltd	Y	Australia	100%	100%
Dorf Industries (NZ) Ltd	N	New Zealand	100%	100%
McIlwraith Davey Pty Ltd	Y	Australia	100%	100%
Caroma Industries Europe BV	N	Netherlands	100%	100%
Wisa Beheer BV (disposed)	N	Netherlands	-	100%
Wisa BV (disposed)	N	Netherlands	-	100%
Wisa Systems BV (disposed)	N	Netherlands	-	100%
Wisa GmbH (disposed)	N	Germany	-	100%
Stokis Kon Fav. Van Metaalwerken NV (disposed)	N	Netherlands	-	100%
Caroma International Pty Ltd	Y	Australia	100%	100%
Caroma USA Inc	N	USA	100%	100%
Canereb Pty Ltd	N	Australia	100%	100%
Dux Manufacturing Limited	Y	Australia	100%	100%
GWA Taps Manufacturing Limited	Y	Australia	100%	100%
Lake Nakara Pty Ltd	N	Australia	100%	100%
Warapave Pty Ltd	N	Australia	100%	100%
Mainrule Limited (previously Rover Mowers (NZ) Limited)	N	New Zealand	100%	100%
Caroma Industries (NZ) Limited	N	New Zealand	100%	100%
GWAIL (NZ) Ltd	N	New Zealand	100%	100%
Corille Limited (previously Rover Mowers Limited)	Y	Australia	100%	100%
Industrial Mowers (Australia) Limited	Y	Australia	100%	100%
Olliveri Pty Ltd	Y	Australia	100%	100%
Sebel Service & Installations Pty Ltd	Y	Australia	100%	100%
Sebel Properties Pty Ltd	Y	Australia	100%	100%
Austral Lock Pty Ltd	Y	Australia	100%	100%
Sebel Furniture Limited (NZ)	N	New Zealand	100%	100%
Sebel Furniture Limited	Y	Australia	100%	100%
Sebel Sales Pty Limited	Y	Australia	100%	100%
GWA Finance Pty Limited	Y	Australia	100%	100%
Hetset (No. 5) Pty Ltd	Y	Australia	100%	100%
Bankstown Unit Trust	N	Australia	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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32. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2010 the parent company of the consolidated entity was GWA International Limited.

In thousands of AUD	2010	2009
Results of the parent entity		
Profit for the period	43,770	39,335
Other comprehensive income	-	-
Total comprehensive income for the period	43,770	39,335
Financial position of the parent entity		
Current assets	1,106	1,223
Total assets	485,420	1,033,414
Current liabilities	4,228	7,180
Total liabilities	56,600	604,257
Shareholders equity of the parent entity		
Share capital	396,539	387,981
Equity compensation reserve	1,880	650
Retained earnings	30,401	40,526
Total shareholders equity	428,820	429,157

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities

The directors are not aware of any contingent liabilities of the parent entity as at reporting date (2009: nil).

Capital expenditure commitments

The parent entity has not entered into any contractual commitments for the acquisition of property, plant or equipment as at reporting date (2009: nil).

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the parent entity has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed is wound up. No deficiency in net assets exists in these companies at reporting date (2009: nil). Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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33. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In thousands of AUD	2010	2009
Cash flows from operating activities		
Profit for the period	48,527	48,325
<i>Adjustments for:</i>		
Depreciation	13,663	16,789
Amortisation	4,514	1,316
Share-based payments	1,230	650
Foreign exchange (gains)/losses	1,164	(1,183)
Interest expense	15,027	13,844
Loss on disposal of discontinued operations, net of income tax	7,406	-
(Gain)/loss on sale of property, plant and equipment and intangible assets	170	(113)
Income tax expense	24,040	20,690
Operating profit before changes in working capital and provisions	115,741	100,318
(Increase)/decrease in trade and other receivables	2,346	(19,114)
(Increase)/decrease in inventories	292	(1,264)
Increase/(decrease) in trade and other payables	(4,510)	28,943
Increase/(decrease) in provisions and employee benefits	(8,578)	1,677
	105,291	110,560
Net interest paid	(15,053)	(12,782)
Income taxes paid	(23,073)	(19,150)
Net cash from operating activities	67,165	78,628

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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34. RELATED PARTIES

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 6) are as follows:

In AUD	2010	2009
Short-term employee benefits	6,895,280	5,617,034
Other long term benefits*	242,777	391,570
Post-employment benefits	523,240	1,014,097
Share-based payments	841,796	439,122
Termination benefits	181,875	710,000
	8,684,968	8,171,823

* Other long term benefits represent the amount of commercial interest that would have been charged during the period on the outstanding employee loan balances owed to the Company had these loans not been interest free. In the prior year, the benefit was classified as a short-term employee benefit. The benefit has been restated as a long term benefit which properly reflects the long term nature of the incentive.

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the director's report.

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

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

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

In AUD	Balance 1 July 2009	Balance 30 June 2010	Interest paid and payable in the reporting period	Highest balance in period
Directors				
P Crowley	1,590,000	1,455,000	-	1,590,000
R Thornton	281,496	263,496	-	281,496
Executives				
A Rusten	740,040	686,040	-	740,040
L Patterson	907,491	655,536	-	907,491
W Saxelby	833,600	779,600	-	833,600

No loans were made to key management personnel or their related parties during the year (2009: nil).

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

In AUD	Opening balance	Closing balance	Interest paid and payable in the reporting period	Number in group at 30 June
Total for key management personnel 2010	4,352,627	3,839,672	-	5
Total for key management personnel 2009	5,086,209	4,352,627	-	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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34. RELATED PARTIES (cont.)

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

The Employee Share Plan loans are interest free and repayable over 15 years or earlier in certain circumstances. Dividends paid on the shares acquired under the Plan are applied against the balance of the loan outstanding.

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

The consolidated entity purchased components and tooling of \$222,795 (2009: \$214,331) from Great Western Corporation Pty Ltd, a company of which Mr B Thornton is a director. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms. The consolidated entity incurred legal fees of \$689,693 (2009: \$380,343) from Clayton Utz Lawyers, a legal firm of which Mr D McDonough is an equity partner. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms. Amounts receivable from and payable to key management personnel at reporting date arising from these transactions were as follows:

In AUD	2010	2009
Trade creditors	13,951	66,899

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

Movements in shares

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

	Held at 1 July 2009	Purchases	Sales	Held at 30 June 2010
Directors: non-executive				
B Thornton (<i>Retired 30 June 2010</i>)	17,449,950	555,244	-	18,005,194
J Kennedy (<i>Retired 29 October 2009</i>)	101,000	-	-	n/a
D Barry	12,903,534	-	(26,135)	12,877,399
R Anderson	29,786,195	-	-	29,786,195
G McGrath	150,000	-	-	150,000
W Bartlett	15,425	489	-	15,914
D McDonough	83,635	36,860	-	120,495
Executive directors				
P Crowley	750,000	-	-	750,000
R Thornton	111,935	378	-	112,313
Executives				
A Rusten	300,000	-	-	300,000
G Oliver	169,530	5,377	-	174,907
W Saxelby	300,000	-	-	300,000
L Patterson	300,000	-	(59,261)	240,739
N Evans (<i>Commenced employment 17 March 2010</i>)	n/a	-	-	14,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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34. RELATED PARTIES (cont.)

Movements in shares (cont.)

The relevant interest of each director in the share capital of the Company as notified by the directors' to the Australian Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001 as at 30 June 2010 is listed in the Directors' Report. Mr D McDonough is a director of a company which is the registered owner of 60,000 shares in GWA International Limited; he has no economic interest in that company nor does he have any economic interest in the shares and he does not exercise control over those shares or the voting rights attached to them.

	Held at 1 July 2008	Purchases	Sales	Held at 30 June 2009
Directors: non-executive				
B Thornton	16,186,722	1,263,228	-	17,449,950
J Kennedy	101,000	-	-	101,000
M Kriewaldt (<i>Retired 30 October 2008</i>)	100,000	-	-	n/a
D Barry	12,386,119	517,415	-	12,903,534
R Anderson	28,890,832	895,363	-	29,786,195
G McGrath	300,000	-	(150,000)	150,000
W Bartlett	5,000	10,425	-	15,425
D McDonough (<i>Appointed 16 February 2009</i>)	n/a	-	-	83,635
Executive directors				
P Crowley	750,000	-	-	750,000
R Thornton (<i>Appointed 6 May 2009</i>)	n/a	-	-	111,935
Executives				
S Wright (<i>Retired 18 July 2008</i>)	268,750	-	-	n/a
A Rusten	300,000	-	-	300,000
G Oliver	156,250	13,280	-	169,530
W Saxelby	300,000	-	-	300,000
L Patterson	300,000	-	-	300,000

No shares were granted to key management personnel during the reporting period as compensation. The aggregate number of shares held by key management personnel or their related parties at 30 June 2010 was 62,847,494 (2009: 62,421,204).

Subsidiaries

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

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

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

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

35. SUBSEQUENT EVENTS

To the Director's best knowledge, there are no events that have arisen subsequent to 30 June 2010 that will, or may, significantly affect the operation or results of the consolidated entity.

DIRECTOR'S DECLARATION

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 15 055 964 380

- 1 In the opinion of the directors of GWA International Limited ('the Company'):
 - (a) the consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the entities identified in Note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2010.
4. The directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Brisbane on 17 August 2010.

Signed in accordance with a resolution of the directors:



Geoff McGrath
Director



Peter Crowley
Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of GWA International Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG
Sydney, 17 August 2010



Mark Epper
Partner



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

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the consolidated entity comprising GWA International Limited (the 'Company') and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2010, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 35 and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards

(including the Australian Accounting Interpretations), a view which is consistent with our understanding of the consolidated entity's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of GWA International Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG
Sydney, 17 August 2010

Mark Epper
Partner

OTHER STATUTORY INFORMATION AS AT 16 AUGUST 2010

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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STATEMENT OF SHAREHOLDING

In accordance with the Australian Securities Exchange Listing Rules, the directors state that, as at 16 August 2010, the share capital in the Company was held as follows:-

Range	Ordinary Shareholders	Ordinary Shares	%
1 - 1,000	1,933	1,058,088	0.35
1,001 - 5,000	6,422	19,077,846	6.34
5,001 - 10,000	3,178	24,035,977	7.98
10,001 - 100,000	2,196	47,103,777	15.64
100,001 and over	120	209,826,826	69.69
Total	13,849	301,102,514	100.0

The number of shareholders with less than a marketable parcel of 168 shares is 394.

VOTING RIGHTS

The voting rights attached to shares are as set out in clause 9.20 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 16 August 2010:-

Shareholder	Number of Shares	% Shares on Issue
HGT Investments Pty Limited	16,285,311	5.41

OTHER STATUTORY INFORMATION AS AT 16 AUGUST 2010

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
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20 LARGEST SHAREHOLDERS AS AT 16 AUGUST 2010

Shareholder	Number of Shares	% Shares on Issue
National Nominees Limited	21,985,204	7.30
J P Morgan Nominees Australia Limited	18,057,305	6.00
Citicorp Nominees Pty Limited	17,958,255	5.96
HGT Investments Pty Limited	16,285,311	5.41
KFA Investments Pty Limited	11,209,542	3.72
Erand Pty Limited	9,898,229	3.29
HSBC Custody Nominees (Australia) Limited	9,824,203	3.26
JMB Investments Pty Limited	9,186,434	3.05
Ashberg Pty Limited	8,418,442	2.80
Theme (No 3) Pty Limited	8,017,985	2.66
CJZ Investments Pty Limited	7,239,381	2.40
Australian Foundation Investment Company Limited	6,681,130	2.22
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	5,692,687	1.89
ITA Investments Pty Limited	5,152,338	1.71
Dabary Investments Pty Limited	3,553,830	1.18
Mr Peter Zinn & Mrs Carol Joan Zinn <Carol Zinn Family No 2 A/C>	3,353,740	1.11
Harvest Home Holdings Pty Limited <Mark McFadyen A/C>	2,426,416	0.81
Cogent Nominees Pty Limited	2,365,670	0.79
Mr William Edward Duncan & Mr Rodney John Turner	2,219,714	0.74
Mr Michael John McFayden <Michael McFayden A/C>	2,171,136	0.72
Total	171,696,952	57.02

SHAREHOLDER INFORMATION

GWA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES
ABN 15 055 964 380

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 2010 commencing at 10:30am. Shareholders will be mailed their Notice of Annual General Meeting and Proxy Form during September 2010.

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about their shareholding or dividend payments should contact the Company's share registry, Computershare Investor Services Pty Limited, on 1300 552 270 or write to GPO Box 523 Brisbane Queensland Australia 4001. Alternatively, you can view details of your holding or make changes to your personal information online at www.computershare.com.au.

CHANGE OF ADDRESS

Shareholders who have changed their address should immediately notify the Company's share registry in writing or online at www.computershare.com.au.

CONSOLIDATION OF SHAREHOLDINGS

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

ANNUAL REPORTS

Annual Reports are made available to shareholders on the Company's website at www.gwail.com.au. Shareholders wishing to be mailed a copy of the Annual Report should notify the Company's share registry in writing or online at www.computershare.com.au. Shareholders will be mailed the Notice of Annual General Meeting and Proxy Form which will include details on accessing the online Annual Report.

DIVIDENDS

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

DIRECT CREDIT OF DIVIDENDS

Dividends may be paid directly to a bank, building society or credit union account in Australia. Payments are electronically credited on the dividend payment date and confirmed by an advice mailed to shareholders on that date, or emailed where shareholders have requested this form of communication. Direct credit application forms can be obtained from the Company's share registry or online at www.computershare.com.au.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan was suspended by the Board in February 2010. At the present time the Company has access to sufficient capital to support its funding requirements. The Board keeps this position under review.

SECURITIES EXCHANGE LISTING

The Company's shares are listed on the Australian Securities Exchange under the ASX code: GWT. From 1 November 2010 the ASX code will change to "GWA". Details of the trading activity of the Company's shares are published in most daily newspapers, generally under the abbreviation GWA Intl.

SHAREHOLDER TIMETABLE 2010

30 June

Financial year end

17 August

Year end result and final dividend announcement

9 September

Ex dividend date for final dividend

15 September

Record date for determining final dividend entitlement

17 September

Notice of Annual General Meeting and Proxy Form mailed to shareholders

6 October

Final ordinary dividend paid

26 October

Proxy returns close 10:30 am Brisbane

28 October

Annual General Meeting

31 December

Half year end

HEAD OFFICE LOCATIONS

GWA International Limited

Level 14 10 Market Street
Brisbane QLD 4000
AUSTRALIA

Telephone: 61 7 3109 6000
Facsimile: 61 7 3236 0522

Website: www.gwail.com.au

GWA Bathrooms and Kitchens

4 Ray Road
Epping NSW 2121
AUSTRALIA

Telephone: 61 2 9202 7000
Facsimile: 61 2 9869 0625

Websites: www.caroma.com.au
www.mycaroma.com.au
www.fowler.com.au
www.dorf.com.au
www.irwell.com.au
www.stylus.com.au
www.clark.com.au
www.radiantstainless.com.au
www.ecologicalsolutions.com
www.toiletrebate.com.au
www.economicstimulus.com.au
www.starionaust.com.au

GWA Heating and Cooling

Lackey Road
Moss Vale NSW 2577
AUSTRALIA

Telephone: 61 2 4868 0200
Facsimile: 61 2 4868 2014

Websites: www.dux.com.au
www.ecosmart.com.au
www.hotwaterrebate.com.au

GWA Door and Access Systems

31-33 Alfred Street
Blackburn VIC 3130
AUSTRALIA

Telephone: 61 3 9877 1555
Facsimile: 61 3 9894 1599

Website: www.gainsboroughhardware.com.au
www.ausloc.com

GWA Commercial Furniture

92 Gow Street
Padstow NSW 2211
AUSTRALIA

Telephone 61 2 9780 2222
Facsimile 61 2 9780 2111

Website: www.sebel.com.au

CORPORATE DIRECTORY

Directors

G J McGrath, Chairman
D D McDonough, Deputy Chairman
P C Crowley, Managing Director
D R Barry, Non-Executive Director
R M Anderson, Non-Executive Director
W J Bartlett, Non-Executive Director
R J Thornton, Executive Director

Chief Financial Officer

W R Saxelby, FCPA GAICD

Company Secretary

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

Registered Office

Level 14, 10 Market Street
Brisbane QLD 4000
AUSTRALIA

Telephone: 61 7 3109 6000
Facsimile: 61 7 3236 0522

Website: www.gwail.com.au

ASX code: GWT

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000
AUSTRALIA
Telephone: 61 2 9335 7000
Facsimile: 61 2 9335 7001

Share Registry

Computershare Investor Services Pty Ltd
Level 19, 307 Queen Street
Brisbane QLD 4000
AUSTRALIA
GPO Box 523
Brisbane QLD 4001
AUSTRALIA
Telephone: 1300 552 270
Facsimile: 61 7 3237 2152
Website: www.computershare.com.au

Group Bankers

Commonwealth Bank of Australia
Australia and New Zealand Banking Group Limited
HSBC Bank Australia Limited
National Australia Bank
Westpac Banking Corporation



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GWA COMMERCIAL FURNITURE



Level 14, 10 Market Street
Brisbane Queensland
4000 Australia

Telephone: 61 7 3109 6000
Facsimile: 61 7 3236 0522

Website: www.gwail.com.au