2019 ANNUAL REPORT

GWA Group Limited

FY19 PERFORMANCE HIGHLIGHTS

GWA delivers solid full year result

Continued market share growth with revenue and margins maintained despite challenging market conditions

NORMALISED[1] FROM CONTINUING OPERATIONS[2]

REVENUE
$381.7 million ↑ **6.4%**

EBITDA
$82.3 million ↑ **2.7%**

EBIT
$77.4 million ↑ **1.5%**

NPAT
$51.8 million ↑ **3.2%**

OPERATING CASHFLOW
$94.2 million ↑ **64.4%**

EPS
19.6 cents ↑ **3.2%**

Reported Net Profit After Tax[3] for the period was $95.0 million compared to $54.3 million for the prior year

$95.0 million

Full year dividend 18.5 cents per share, fully franked, up 2.8%

↑ **2.8%**

Acquisition of Methven **increases presence** in renovation and replacement segment, taps & showers and select international markets

Caroma Smart Command® **gaining market traction** and was awarded the highest award (Best in Class) in product design, hardware and building at the Good Design Awards in July 2019

1 Normalised is before $8.7 million in significant items (pre-tax) and $7.6 million in significant items (after tax) relating to transaction and integration costs associated with the acquisition of Methven.

2 Continuing Operations include the revenue and earnings contribution from Methven from the effective date of acquisition, 10 April 2019, but exclude the Door & Access Systems' business which was sold on 3 July 2018.

3 Reported net profit includes the $50.8 million after tax profit from the sale of the Door & Access Systems' business which was sold on 3 July 2018, and $7.6 million in significant items (after tax) relating to transaction and integration costs associated with the acquisition of Methven.

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FIVE YEAR FINANCIAL SUMMARY

Continuing operations[1]	2014/15 $'000	2015/16 $'000	2016/17 $'000	2017/18 $'000	2018/19 $'000
Revenue from continuing operations	426,218	439,666	350,437	358,622	381,730
Earnings before interest, tax, depreciation, amortisation (EBITDA) and significant items[3]	81,734	84,250	78,423	80,171	82,339
EBITDA margin (%)	19.2	19.2	22.4	22.4	21.6
Depreciation and amortisation	(8,970)	(5,985)	(4,122)	(3,929)	(4,958)
Earnings before interest, tax (EBIT) and significant items[3]	72,764	78,265	74,301	76,242	77,381
EBIT margin (%)	17.1	17.8	21.2	21.3	20.3
Interest (net)	(7,329)	(6,508)	(5,338)	(4,813)	(3,761)
Normalised profit before tax[3]	65,435	71,757	68,963	71,429	73,620
Normalised profit before tax margin (%)	15.4	16.3	19.7	19.9	19.3
Tax expense on normalised profit	(20,278)	(19,837)	(19,712)	(21,290)	(21,863)
Effective tax rate (%)	31.0	27.6	28.6	29.8	29.7
Normalised profit after tax[3]	**45,157**	**51,920**	**49,251**	**50,139**	**51,757**
Significant items after tax	(34,796)	–	–	–	(7,597)
Net profit after tax from continuing operations	**10,361**	**51,920**	**49,251**	**50,139**	**44,160**
Profit/(loss) from discontinued operations (net of income tax)	(26,544)	1,761	4,420	4,113	50,802
Net profit/(loss) after tax for the period	**(16,183)**	**53,681**	**53,671**	**54,252**	**94,962**
Net cash from operating activities	43,505	54,924	57,171	39,158	56,178
Capital expenditure	5,062	3,628	5,281	12,475	4,326
Net debt[4]	94,763	88,420	79,756	97,729	141,930
Shareholders' equity	305,894	307,698	320,603	333,401	373,793

Other Ratios and Statistics	2014/15	2015/16	2016/17	2017/18	2018/19
Interest cover (times)[7]	12.8	14.3	17.1	19.6	23.5
Gearing: net debt/(net debt + equity) (%)[4]	23.7	22.3	19.9	22.7	27.5
Return on shareholders' equity (%)	(5.3)	17.4	16.7	16.3	25.4
Dividend payout ratio (%)[6]	–	81.4	81.1	87.4	51.4
Dividend per share (cents)[8]	6.0	16.0	16.5	18.0	18.5
Franking (%)	76.7	100	100	100	100
Capital return (cents)[5]	22.8	–	–	–	–
Share price (30 June) ($)	2.28	2.09	3.15	3.40	3.42
Dividend yield at 30 June share price (%)	2.6	7.7	5.2	5.3	5.4
Number of employees	1,183	876	760	757	665
Basic earnings per share (cents) – Group	(5.3)	19.7	20.3	20.6	36.0
Basic earnings per share (cents) – Continuing	3.4	19.0	18.7	19.0	16.7
Normalised earnings per share (cents) – Continuing[2]	14.8	19.0	18.7	19.0	19.6

(1) The Door and Access Systems' business has been sold with an effective date of 3 July 2018. During the year ended 30 June 2016, the Gliderol business was sold with an effective date of 31 July 2015. During the year ended 30 June 2015, the Dux Hot Water Business was sold with an effective date of 19 December 2014 and the Brivis Heating & Cooling business was sold with an effective date of 2 February 2015. Accordingly, the operating activities of Door and Access Systems were classified as discontinued in FY18 and FY17, and Gliderol, Dux and Brivis were classified as discontinued operations in FY15 and FY16 and presented separately from the results of continuing operations. FY15 and FY16 includes the operating activities of Door and Access Systems as part of continuing operations.

(2) Excludes significant items.

(3) Normalised profit before significant items is a non-IFRS financial measure reported to provide a greater understanding of the underlying business performance of the Group. The disclosures are extracted or derived from the financial reports and have not been subject to review or audit. The non-IFRS financial measures included in this table exclude significant items that are detailed in the relevant years' financial reports.

(4) Net debt reflects the Group's borrowings and bank guarantees less cash (including cash classified within assets held for sale).

(5) A capital return of 22.8 cents per share and a special dividend of 6.0 cents per share from the Brivis and Dux net sale proceeds were paid to shareholders on 15 June 2015.

(6) Dividend payout ratio is calculated as the Dividend per share (cents) divided by the Basic EPS for the Group (cents). Basic EPS is calculated using the weighted average number of ordinary shares at 30 June. FY18's normalised dividend payout ratio was 84.7%. FY19's normalised dividend payout ratio was 94.3%.

(7) Interest cover (times) is calculated using EBITDA excluding non-recurring other significant items divided by net interest expense.

(8) Dividend per share includes ordinary and special dividends.

COMPANY PROFILE

We make life better with superior solutions for water.

GWA Group Limited (GWA) listed on the Australian Securities Exchange in May 1993 and is a leading supplier of building fixtures and fittings to households and commercial premises. The Group has sales and distribution facilities located across its primary markets in Australia, New Zealand, United Kingdom and China and has manufacturing facilities in New Zealand and China.

GWA operates a central-led business with corporate functions supporting its Bathrooms & Kitchens business. GWA is a member of the ASX 200 index of listed Australian companies.

GWA Bathrooms & Kitchen is Australia's foremost designer, importer and distributor of iconic brands and products, servicing and enhancing residential and commercial bathrooms and kitchens across Australia and New Zealand. The product range is distributed under market leading brands including Caroma, Methven, Dorf and Clark.

GWA has grown since listing through the strong performance of its Bathrooms & Kitchens business and strategic acquisitions. The Group remains committed to growing shareholder value through its focus on superior solutions for water within the Bathrooms & Kitchens business which has strong market positions, market-leading brands and significant growth opportunities.

CAROMA METHVEN dorf CLARK

STRATEGIC SUMMARY

WE MAKE LIFE BETTER WITH SUPERIOR SOLUTIONS FOR WATER

Build GWA as the most trusted and respected water solutions company
Maximise shareholder value creation – NPAT growth, ROFE, TSR

CORPORATE PRIORITIES

CUSTOMER FOCUSED

Add value to customers through superior execution, insights, analytics and processes

CONSUMER DRIVEN

Deliver experiences to excite consumers and drive revenue and market share growth

BUSINESS EFFICIENCY

Simple, effective processes and plans delight consumers and customers

BEST COST

Continuous improvement to support profitability and fund selective reinvestment

GREAT PEOPLE

Continue to build "fit for future" culture, engagement and capability

GWA OPERATIONAL MEASURES

Market share, NSV, EBIT, ROFE, DIFOT, NPS, Safety, Engagement

GROWTH DRIVERS

SEGMENTS

Build on Commercial leadership and grow in R&R

CATEGORIES

Leverage sanitary to win all of bathrooms and kitchens

BRANDS

Deliver the best water experiences

SOLUTIONS

Lead "smart water management"

CHAIRMAN'S REVIEW

During the year the Group successfully completed the divestment of its Door & Access Systems' business, acquired Methven Ltd and delivered a solid financial result for shareholders.

GWA is singularly focused on driving growth opportunities and sustainable value creation for shareholders over the medium term.

The Group continued to grow market share and maintain margins in what was a challenging market. The growth of market share and maintenance of margins reinforces our competitive position.

FINANCIAL RESULTS

Normalised[1] Group Net Profit After Tax from Continuing Operations[2] was $51.8 million compared to $50.1 million for the prior year.

Total Revenue increased by 6.4 per cent to $381.7 million compared to $358.6 million last year with normalised[1] Group EBITDA increasing by 2.7 per cent to $82.3 million with normalised[1] Group EBIT improving 1.5 per cent to $77.4 million.

GWA's reported Net Profit After Tax[3] for the period was $95.0 million which includes the $50.8 million after tax profit from the sale of the Door & Access Systems' business which was finalised on 3 July 2018, and $7.6 million in significant items (after tax) relating to transaction and integration costs associated with the acquisition of Methven.

Reported earnings per share were 36.0 cents compared to 20.6 cents in the prior year. An outstanding result by any measure.

DIVIDENDS AND CAPITAL MANAGEMENT

The Board resolved to pay a final dividend of 9.5 cents per share, fully franked, bringing the full-year dividend to 18.5 cents per share, compared with 18.0 cents per share for the prior year.

The full year dividend represents a normalised dividend payout ratio of 94.3 per cent which is higher than the company's dividend policy. However, the Board believes the level of dividend is appropriate and strikes the right balance between immediate returns to shareholders and investment for future growth, coupled with the expectation that Methven will positively contribute to future earnings growth.

During the year, net debt increased to $141.9 million compared to $97.7 million in the prior year which reflects the acquisition of Methven which was funded from GWA's existing debt facilities[4].

The Group remains in a strong financial position.

GWA's financial metrics, including leverage, gearing and interest cover ratios remain consistent with investment grade.

STRATEGY

Over the past two years, GWA has articulated that its strategy is to focus on developing and delivering superior solutions for water.

In that context we have identified growth opportunities to leverage our market- leading brands in the Bathrooms & Kitchens fixtures sector to maximise value creation for shareholders.

The two major transactions completed during the year were key components in delivering this strategy.

We successfully divested the Door & Access Systems' business which was considered non-core to this strategy for a multiple of 11.1 times earning[5], realising a profit on sale of $50.8 million.

We subsequently acquired Methven Ltd, a leading taps, showers and valves business, which is strongly aligned to our strategic focus on water solutions, for a lower multiple (10.1 times earnings)[6].

Your Board believes the transactions represent an effective use of shareholder funds in the creation of value over the medium term.

Importantly, the acquisition of Methven has strengthened our core business in Australia and New Zealand while also providing us with the opportunity to leverage Methven's presence in international markets to accelerate growth opportunities over the medium term.

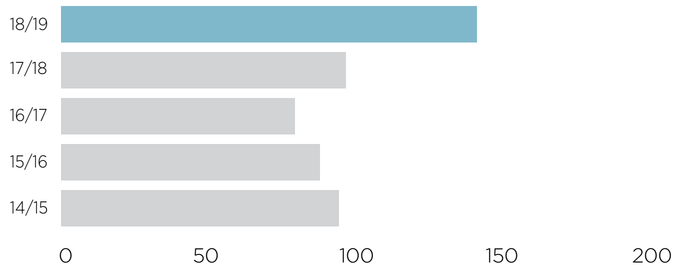
The Managing Director's Review of Operations provides more detail on the significant progress made on GWA's strategy during the year and I encourage you to read that.

SUSTAINABILITY

GWA remains committed to sustainable practices throughout its operations and we continue to work with our key stakeholders and communities.

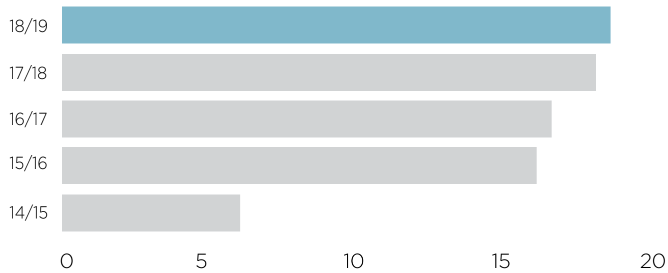
Sustainability is at the core of our business.

Net Debt ($m)



GWA remains in a strong financial position with net debt at 30 June 2019 of $141.9 million. The increase in net debt in FY19 reflects the acquisition of Methven partially offset by the proceeds from the sale of Door & Access Systems.

Dividend per share (cents)



The Board resolved to pay a final dividend of 9.5 cents per share fully-franked, bringing the full-year FY19 dividend to 18.5 cents per share fully-franked.

1 Normalised is before $8.7 million in significant items (pre-tax) or $7.6 million (post tax) relating to transaction and integration costs associated with the acquisition of Methven.

2 Continuing Operations include the revenue and earnings contribution from Methven from the effective date of acquisition, 10 April 2019, but exclude the Door & Access Systems' business which was sold on 3 July 2018.

3 Reported net profit includes the $50.8 million after tax profit from the sale of the Door & Access Systems' business which was sold on 3 July 2018, and $7.6 million in significant items (after tax) relating to transaction and integration costs associated with the acquisition of Methven.

4 The net debt position was assisted by the receipt of the net proceeds from the sale of the Door & Access Systems' business.

5 EV/EBITDA.

6 EV/FY18 EBITDA excluding synergies. Purchase price of NZ$1.60 per share and Methven net debt, as reported at 30 June 2018, of NZ$22.6m.

As foreshadowed in last year's Annual Report, GWA has this year introduced a separate Sustainability Report to provide shareholders and other stakeholders with detailed information on our approach to sustainability.

The report will include information and data on important sustainability metrics such as workplace health and safety, environment, governance and risk management, community and our people (including diversity, education and training).

Across GWA, our approach to sustainability is based around two central objectives:

- We operate in a sustainable manner across our business by managing our resources as efficiently as possible and act in a socially responsible manner; and
- We provide a range of products and systems that set the standard for water sustainability in the built environment.

Your company continues to make significant progress in addressing these objectives.

Workplace Health and Safety – GWA's safety performance improved in FY19 and the company has robust plans in place for continued improvement this year.

The Board and management have a singular focus on initiatives to improve GWA's safety performance and culture, with the aim of achieving and maintaining an injury free workplace.

Diversity – GWA is committed to promoting diversity and inclusion through the implementation of employment policies and initiatives to achieve a diverse workforce. GWA's overall workforce has 39 per cent female representation. This increased by two percentage points in this last year. Female representation across all levels of management increased this year with 65 per cent of all promotions being female.

The recent appointment of Alison Barrass as a Non-executive Director (see below) increased female representation on GWA's board to 25 per cent.

Environment – The launch of our latest innovation, Caroma Smart Command®, an intelligent bathroom system to monitor and manage water in the built environment, further enhances Caroma's reputation and commitment to reducing water usage in the built environment.

The system was awarded Best in Class in product design, hardware and building at the Good Design Awards in July 2019 while Caroma's design team was awarded the Design Team of the Year award. Both are outstanding achievements by your company and its employees.

The Caroma National Innovation and Distribution Centre in Prestons, NSW was awarded a 5 Star Green Star rating which represents Australian excellence in sustainable design and construction. Yet another outstanding achievement.

Shareholders are able to see more details on the initiatives in the Sustainability Report which will be available on the Group's website in September 2019.

EXECUTIVE REMUNERATION

During the year, the Board undertook a review of its executive remuneration structure with the invaluable assistance of an independent remuneration consultant. The review was designed to ensure our structure remains aligned with the Board's remuneration strategy and market practice.

The review concluded that the Group's remuneration framework is fit for purpose and aligned with its growth strategy and market practice. There are some changes as a consequence of the review which are outlined in the Remuneration Report and these will be implemented this year.

The Board seeks to remunerate executives on a fair basis that is sufficient to attract and retain a high-quality management team with the requisite experience, knowledge, skills and judgement required for the business.

In order to achieve this objective, the key principle is that fixed remuneration for executives varies between the median and third quartiles relative to companies of comparable size and scope.

In FY16 the remuneration package for the Managing Director, Tim Salt, was determined by the Board and was aligned to the then market median in relation to a group of comparable companies to GWA. Mr Salt's remuneration arrangements have not changed since then.

The short-term incentive payments for the Managing Director and other executives for FY19 reflect the improving safety record, earnings growth and continuing gains in market share in core segments. The result was achieved at a time of challenging market conditions and enabled the Board to maintain the high dividend payout to shareholders for FY19.

BOARD APPOINTMENT

The Board was pleased to welcome Alison Barrass as a Non-executive Director to the Board in May 2019. Alison was the Chair of Methven and brings wide-ranging experience across several industries which will be a strong complement to our Board.

Her direct industry experience and knowledge as the recent Chair of Methven is an invaluable addition to the Board as we move to finalise the integration of the Methven business in order to leverage growth opportunities of the combined group as part of our water solutions strategy.

CONCLUSION

GWA continues to execute on its strategy for the benefit of its shareholders.

We have focused and strengthened the business and enhanced our competitive position so that we might continue to maximise returns to shareholders.

On your behalf and on behalf of the Board I acknowledge and thank our Managing Director and CEO Tim Salt, our executive leadership team and employees across the Group for their significant positive contribution over the year.

Finally, I welcome the Methven team and I look forward to their contribution to the company.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

FY19 was a significant year of transformation for GWA. The successful divestment of the Door & Access Systems' business enabled GWA to focus on executing our superior solutions for water strategy.

SUMMARY

We further progressed this strategy with the acquisition of Methven Ltd (Methven), a leading taps, showers and valves business on 10 April 2019.

As a result, GWA has built greater scale in its core Australia and New Zealand business and enhanced the regional diversity of our revenue and earnings. We are now focused on further strengthening our Australia and New Zealand business and leveraging Methven's presence in international markets to accelerate growth opportunities across both the Methven and Caroma brands aligned to our core focus on water solutions.

GWA has continued to work more collaboratively with primary and secondary customers and improve our engagement with end consumers.

This has resulted in the fourth consecutive year of continuing market share growth in FY19. This share growth and ongoing focus on cost efficiency throughout our business has enabled GWA to deliver a solid financial result in a market that declined in the second half of FY19.

Pleasingly, we have also maintained our EBIT margin in our Bathroom & Kitchens (ex Methven) business despite the decline in market conditions.

Additionally, GWA continues to generate strong operating cashflow from continued improvements in working capital management.

The broad opportunities arising from the acquisition of Methven Ltd and the launch of Caroma Smart Command®, our intelligent bathroom system that enables GWA to monitor and manage water in the built environment, represent significant milestones to create a stronger platform for medium term growth across our business.

MARKET CONDITIONS IN FY19

In total, GWA estimates that the Bathroom and Kitchen fixtures market declined by approximately 1.4 per cent for the year ended 30 June 2019.

The market slowdown was driven primarily by the reduction in activity in the residential new build segment and a small reduction in residential renovation activity. Weak consumer sentiment impacted retail spending and, coupled with house price declines and lower housing sales volumes, contributed to the market decline.

However, commercial activity remained robust, particularly in Victoria and NSW.

For FY19[1]:

- Home Renovations and Replacements market segment declined by approximately 1 per cent. (This segment accounted for approximately 52% of GWA revenue).
- Detached House completions decreased by approximately 3 per cent. (This segment accounted for approximately 20% of GWA revenue).
- Medium and high-density dwelling completions decreased by approximately 4 per cent. (This segment accounted for approximately 12% of GWA revenue).
- On a value of work done basis, Commercial building activity increased by approximately 1 per cent. (This segment accounted for approximately 16% of GWA revenue).

PROGRESS ON STRATEGY

I am pleased with the ongoing progress GWA made in executing our strategy over the course of the year.

Customer Focused – add value to customers through superior execution, insights, analytics and processes

We continued to build joint business plans with our key primary merchant customers and increased our penetration with secondary customers such as plumbers, developers, aged care providers and builders.

The successful execution of these plans is resulting in enhanced ranging of GWA products in showrooms and trade counters. We have also made progress in engaging more collaboratively with customers in targeting specific growth segments such as aged care/health care and commercial renovation with strong year on year sales growth in these segments.

We are also working with customers on the continued transition of sanitaryware products to Caroma Cleanflush. As a result, Caroma Cleanflush sales increased by 24 per cent this year and now represent approximately 31 per cent of sanitaryware sales which also contributes positively to sales mix.

Consumer Driven – deliver experiences to excite consumers and drive revenue and market share growth

We continue to invest in marketing activities to ensure our brands resonate more effectively with end consumers, particularly in our core market of Residential Renovation and Replacements.

An independent brand study[2] concluded that Caroma is the most recognised brand among target consumers with the highest brand favourability rating and strong consumer engagement score.

Key metrics of foot traffic and sales conversion at our two flagship stores in Adelaide and Sydney have improved during the year, providing a compelling physical brand and product experience for customers and consumers alike.

The launch of our intelligent bathroom system, Caroma Smart Command®, continues Caroma's pioneering approach to delivering superior sustainable water solutions in the built environment. Caroma Smart Command® includes a set of Bluetooth-enabled, touchless bathroom products that enable monitoring and management of water usage in commercial buildings.

The system has been successfully installed in eighteen sites with a solid bank of additional projects in the pipeline. To date four customers have been migrated to the cloud dashboard[3] with a majority of future clients expected to migrate to the cloud solution.

We are now exploring international expansion options for Caroma Smart Command® through GWA-generated leads and from leveraging Methven's footprint across South East Asia and China.

Caroma Smart Command® was awarded the highest award (Best in Class) in product design, hardware and building at the Good Design Awards in July 2019 while Caroma's design team was awarded the Design Team of the Year award.

These initiatives have enabled GWA to maintain revenue and improve share in a market which declined on the prior year.

Business Efficiency/Best Cost – continuous improvement to support profitability and fund selective reinvestment

GWA is continuing to target cost efficiencies and is on track to deliver its $9-12 million cost out programme by FY21 with cost savings of approximately $3 million achieved in FY19, primarily from procurement, network optimisation and warehousing. These cost savings are being used to selectively re-invest in the business and maintain margins.

UPDATE ON METHVEN INTEGRATION

GWA acquired Methven Ltd (Methven) on 10 April 2019. The acquisition was funded from GWA's existing debt facilities.

Methven is a leading New Zealand-based designer and manufacturer of showers, taps and valves which also has a strong presence in the Australia market and an international footprint.

For the year ended 30 June 2019, Methven's pro-forma revenue was $95.1 million compared to $94.7 million for the prior year. Pro-forma EBIT was $6.6 million compared to $9.8 million in FY18.

The decline in housing activity, particularly in the second half of the year, and delayed new product development, impacted Methven's FY19 performance.

However, the strategic rationale for the acquisition remains compelling.

The acquisition strengthens GWA's core Australia/New Zealand business while enabling GWA to leverage Methven's presence in international markets to accelerate growth opportunities across both the Methven and Caroma brands.

It also increases GWA's exposure to the more resilient Renovations and Replacements segment from 52 per cent to 55 per cent in Australia and to approximately 59 per cent globally.

GWA and Methven are an excellent fit of two like-minded companies. We can combine GWA's and Methven's talent, know-how and intellectual property to develop new products and solutions aligned to our strategy to deliver further value for our customers and shareholders.

1 Segment Revenue exposure in FY19 excludes Methven.

2 2019 Incanta quantitative brand tracking report.

3 The Caroma Smart Command Cloud platform provides an efficient means of deploying changes to bathroom fixtures across the enterprise from a central/remote location. Using the Caroma Smart Command Cloud platform, the facilities managers can make informed decisions about water usage in one place.

The two businesses were operated in parallel from acquisition to 30 June 2019 to allow time for integration plans to be developed to capture at least NZ$5 million in cost synergies by FY21 and to identify revenue opportunities to leverage the scale and segment and geographic reach of both businesses.

We have now implemented an integrated sales structure focused on key segments, supported by group functions, which is fundamental to delivering these synergy and revenue opportunities.

GWA is leveraging its leading market position to rebuild Methven momentum in the Australia and New Zealand markets and to further build on Methven's international growth.

Group Financial Results – Continuing Operations (Normalised – Before Significant Items)

A$ million (Before Significant Items)	FY18	FY19	% change
Revenue	358.6	381.7	6.4%
EBITDA	80.2	82.3	2.7%
EBIT	**76.2**	**77.4**	**1.5%**
NPAT	**50.1**	**51.8**	**3.2%**
Earnings Per Share (cents)	19.0	19.6	3.2%

Group Financial Results from Continuing Operations include the revenue and earnings contribution from Methven from the effective date of acquisition – 10 April 2019 – but exclude the Door & Access Systems' business which was sold on 3 July 2018.

Normalised Results exclude $8.7 million of significant items (pre-tax) ($7.6 million post tax) relating to costs associated with the acquisition and integration of Methven.

Total Revenue for FY19 was $381.7 million compared to $358.6 million for the prior year.

Group EBITDA increased by 2.7 per cent to $82.3 million while Group EBIT improved by 1.5 per cent to $77.4 million.

Net Profit After Tax was $51.8 million compared to $50.1 million for the prior year.

GWA's earnings per share were 19.6 cents compared to 19.0 cents for the prior year.

Continuing Operations excluding Methven

Excluding Methven, GWA's normalised EBIT from Continuing Operations was $76.4 million which is consistent with the guidance provided at the half year result in February 2019.

Group EBIT Margin from Continuing Operations was steady at 21.3 per cent while ROFE was 20.2 per cent compared to 21.3 per cent for the prior year due to the increase in funds employed from prior investment in growth initiatives.

Reported Results – Continuing (including Methven) and Discontinued Operations

A$ million (unless specified)	FY18	FY19	% change
Revenue	452.5	381.7	(15.6)%
EBITDA	87.6	123.7	41.2%
EBIT	**82.6**	**118.7**	**43.7%**
NPAT	**54.3**	**95.0**	**75.0%**
Earnings Per Share (cents)	20.6	36.0	75.1%

GWA's reported net profit after tax for the period was $95.0 million.

Reported net profit includes the $50.8 million after tax profit from the sale of the Door & Access Systems' business which was sold on 3 July 2018, and $7.6 million in significant items (after tax) relating to transaction and integration costs associated with the acquisition of Methven.

Reported earnings per share were 36.0 cents compared to 20.6 cents in the prior year.

CONTINUED STRONG IMPROVEMENT IN CASH FLOW FROM OPERATIONS

GWA continues to generate strong operating cashflow, maintaining the significant improvement in cashflow from operations from the first half.

Cashflow from operations in FY19 was $94.2 million compared to $57.3 million in the prior year.

Cash conversion was particularly strong with the cash conversion ratio from Continuing Operations 115%.

The 30,000 square metre Caroma Innovation and Distribution Centre at Prestons, NSW which has been operational since May 2018 is continuing to assist in driving more efficient inventory and working capital management. Debtor management also contributed to improved working capital.

Capital expenditure was $4.3 million in FY19 compared to $11.3 million for the prior year reflecting management's decision to delay some specific projects in light of the Methven acquisition.

FINANCIAL POSITION AND CAPITAL MANAGEMENT

GWA remains in a strong financial position.

Net debt as at 30 June 2019 was $141.9 million compared to $97.7 million for the prior year.

The increase in net debt in FY19 reflects the acquisition of Methven which was funded from GWA's existing debt facilities, partially offset by the net proceeds from the sale of Door & Access Systems which were applied to net debt.

In April 2019, GWA increased its three-year revolving $225 million debt facility maturing in October 2020 by a further $25 million to provide additional financial flexibility for the group.

GWA's credit metrics remain consistent with investment grade with the company's gearing ratio (net debt/net debt plus equity) of 27.5 per cent compared to 22.7 per cent at 30 June 2018 and leverage ratio (net debt/EBITDA[4]) of 1.6x times compared to 1.1 times for the prior year.

GWA's interest cover ratio (EBITDA/net interest) was 23.5 times at 30 June 2019 compared to 19.6 times last year.

DIVIDEND

The Board resolved to pay a final dividend of 9.5 cents per share, fully-franked, bringing the full-year dividend to 18.5 cents per share, fully-franked compared with 18 cents per share for the prior year – an increase of 2.8 per cent.

This represents a normalised dividend payout ratio of 94.3 per cent. While this is higher than the company's dividend policy to pay out as ordinary dividends 65-85 per cent of net profit after tax, the Board believes the level of dividends is appropriate and strikes the right balance between immediate returns to shareholders and investment for future growth while expecting that Methven will contribute positively to future earnings growth.

The record date for entitlement to receive the final dividend will be 27 August 2019 with the dividend being paid on 4 September 2019. The Dividend Reinvestment Plan will not be offered to shareholders for the final dividend.

4 Includes pro-forma 12 months Methven EBITDA.

GWA Bathrooms & Kitchens (ex Methven and ex Corporate)

In a declining market, GWA Bathrooms & Kitchens (ex Methven) delivered continued market share gains in core categories. Strong focus on cost containment enabled Bathrooms & Kitchens to maintain EBIT margins despite weaker market conditions for the year.

A$ million (unless specified)	FY18	FY19	% change
Revenue	358.6	358.7	–
EBIT	89.8	90.2	0.5%
EBIT Margin	25.0%	25.2%	0.2 ppts
Return on Funds Employed (ROFE)	24.6%	24.0%	(0.6) ppts

GWA's Bathrooms & Kitchens' business performed solidly in a market which declined over the year.

Revenue was steady on the prior year at $358.7 million despite a 1.4 per cent decline in GWA's addressable market for the year.

Net sales performed ahead of the market from continued profitable market share growth in GWA's core segments and new product development.

Geographically, revenue was stronger in the eastern states with net sales in VIC up 10 per cent, NSW up by 2 per cent, as well as SA up 3 per cent and NZ up 7 per cent; partially offset by weaker market conditions in QLD and WA where sales declined by (12) and (11) per cent respectively.

Sanitaryware sales benefitted from the continued strong market response to the Caroma Cleanflush range of rimless toilets, with Cleanflush sales increasing by 24 per cent compared to the prior period. Tapware sales declined, lapping new product development launched into a major customer in the prior year.

Ongoing cost discipline from SG&A efficiencies and continued optimisation of the Group's supply chain to deliver the $9 – 12 million in cost savings by FY21 has enabled GWA to increase its investment in marketing, flagship stores and Caroma Smart Command® while maintaining EBIT margin. EBIT margin of 25.2 per cent was slightly ahead of the prior year of 25.0 per cent.

Bathrooms & Kitchens' normalised EBIT for FY19 was $90.2 million compared to $89.8 million for the prior year.

FY20 MARKET OUTLOOK

GWA is now a stronger more focused business following the divestment of the Door & Access Systems' business and the subsequent acquisition of Methven.

Importantly, GWA has a demonstrated track record of outperforming the sector even in challenging environments. GWA has strategies to focus on areas of opportunity and is building capabilities and solutions to capitalise on those opportunities.

Weaker consumer sentiment, credit tightening and falling house prices are expected to lead to a small decline in GWA's addressable market in FY20, driven predominantly by the residential new build segment in multi-residential and detached housing.

However, more recent changes to personal income taxes and interest rate reductions, coupled with relaxation of lending requirements, are expected to make this decline both shallower and shorter than previously anticipated.

The residential renovation and replacement segment is expected to moderate slightly. GWA will continue to execute focused customer and consumer initiatives to generate share growth in this segment in particular.

Commercial activity across both new build and renovation and replacement is expected to remain strong, primarily on the eastern seaboard, driven by both government and non-government spending over the next 24 months in areas including health & aged care, hotels and offices. The Group is well placed to take full advantage in this segment.

GWA's commercial forward order book remains strong with several major Commercial projects secured, primarily across the eastern states.

GWA's priorities in FY20 are focused on driving revenue opportunities to continue to deliver above market sales growth while maintaining cost discipline for margin maintenance and continued investment in medium term growth initiatives.

In terms of **revenue opportunities**, GWA is focused on increasing market share through its focus on: renovation across both commercial and residential segments; customer value add and consumer engagement initiatives; growing Methven in Australia and New Zealand by leveraging GWA's scale and customer relationships.

GWA will also drive Methven and Caroma revenue opportunities in Asia and the United Kingdom. In addition, we will continue to expand and invest in Caroma Smart Command® across all markets.

Price increases are planned in FY20 to offset cost inflation in conjunction with other cost saving initiatives.

On **cost discipline**, GWA will deliver the second year of its $9 – 12 million cost out programme and is on track to realise at least NZ$5 million Methven integration savings by FY21.

GWA monitors foreign exchange rates closely and adopts appropriate mitigation strategies. Approximately 77 per cent of US dollar exposure is hedged to 30 June 2020 at US$72 cents.

GWA expects to provide an update on trading at the Company's Annual General meeting on 25 October 2019.

BOARD OF DIRECTORS

DARRYL MCDONOUGH

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

INDEPENDENT CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Expertise: Experienced Non-Executive Director
Special Responsibilities: Chairman of Board and member of Nomination and Remuneration and Audit and Risk Committees

Mr McDonough was appointed Deputy Chairman and Non-Executive Director of GWA Group Limited in 2009 and Chairman effective 31 October 2013. He has over 30 years of experience as a director and corporate lawyer. He has served as a director of a number of public companies in the past, including Bank of Queensland Limited and Super Retail Group Limited. He is a Past-President of The Australian Institute of Company Directors, Queensland Division.

JOHN MULCAHY

PHD (CIVIL ENGINEERING), FIE AUST

INDEPENDENT DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Expertise: Engineer, banker and experienced public company director
Special Responsibilities: Deputy Chairman of Board and Chairman of Nomination and Remuneration Committee

Mr Mulcahy was appointed a Non-Executive Director of GWA Group Limited in 2010 and Deputy Chairman effective 1 November 2013. He is a Fellow of the Institute of Engineers and is Chairman of Mirvac Group Limited and a Non-Executive Director of ALS Limited. He is the former Managing Director and Chief Executive Officer of Suncorp Group Limited ("Suncorp"). Prior to joining Suncorp, he held a number of senior executive roles at the Commonwealth Bank and Lend Lease Corporation.

During the past three years Mr Mulcahy has served as a director of the following listed companies for the time periods noted:

- Mirvac Group Limited since 2009*
- ALS Limited since 2012*
- Coffey International Limited 2009 to 2016

PETER BIRTLES

BSC, ACA, MAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Expertise: Chartered Accountant, retail, financial and operational
Special Responsibilities: Member of Audit and Risk Committee

Mr Birtles was appointed a Non-Executive Director of GWA Group Limited in 2010. He is a Chartered Accountant and is the former Managing Director and Chief Executive Officer of Super Retail Group Limited ("Super Retail"). He was formerly the Chief Financial Officer of Super Retail. Prior to joining Super Retail, he held a variety of finance, operational and information technology roles with The Boots Company in the United Kingdom and Australia and worked for Coopers & Lybrand. He is also a director of Metcash Limited, Apparel Group (Hong Kong) Limited and APG & Co Pty Ltd.

During the past three years Mr Birtles has served as a director of the following listed companies for the time periods noted:

- Metcash Limited since August 2019*
- Super Retail Group Limited since 2006 to 2019

TIM SALT

BSC

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Expertise: Extensive global experience in managing market leading branded portfolios

Mr Salt was appointed Managing Director and Chief Executive Officer of GWA Group Limited on 1 July 2016. He was appointed Executive General Manager of GWA Bathrooms & Kitchens in September 2015 and Chief Executive Officer of GWA Group Limited on 1 January 2016.

Originally from the UK, Mr Salt was appointed Managing Director at Diageo Australasia in July 2008. As Managing Director for Diageo Australasia, he was responsible for all aspects of Diageo's business in Australia, New Zealand and the South Pacific Islands, including product supply, marketing, sales, innovation and company reputation.

After starting at Unilever, Mr Salt spent much of his career in beverage companies including Tetley Tea in the UK, Pepsi in Australia and USA, and brewer Lion Nathan in Australia. In March 2004 he joined Campbell Arnott's and was General Manager Arnott's Australasia prior to his move to Diageo in 2008.

*denotes current directorship

JANE McKELLAR

BA, MA (HONS), GAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Special Responsibilities: Member of Nomination and Remuneration Committee

Ms McKellar was appointed a Non-Executive Director of GWA Group Limited on 28 October 2016. She is an experienced Non-Executive Director in both public and private companies in Australia and the USA, with key contributions in customer-focused business transformation, harnessing digital technology, and brand and marketing strategies to enhance business performance. Her executive experience includes senior roles with Unilever, NineMSN, Microsoft, Elizabeth Arden and Stila Corp. She is presently a Non-Executive Director at ASX listed McPhersons Limited and Automotive Holdings Group Limited, and is also on the Board of the NRMA.

During the past three years Ms McKellar has served as a director of the following listed companies for the time periods noted:

- Automotive Holdings Group Limited since 2015*
- McPherson's Limited since 2015*

ALISON BARRASS

BSC, DIPMA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Expertise: Extensive experience in FMCG Sector, governance leadership and innovation

Ms Barrass was appointed a Non-Executive Director of GWA Group Limited on 24 May 2019. She is a highly experienced executive across private and publicly-listed organisations and was most recently the Chair of Methven Ltd, a leading New Zealand-based business which was acquired by GWA in April 2019. Her career has included significant marketing and business transformation roles with major FMCG companies, including CEO roles with both Goodman Fielder New Zealand and Griffin Foods. She is currently a Non-Executive Director of Spark NZ, Heilala Vanilla, Rockit International, Lewis Road Creamery, and Chair of Tom and Luke Limited.

During the past three years Ms Barrass has served as a director of the following listed companies for the time periods noted:

- Spark NZ Limited since 2016*
- Methven Limited 2012 – 2019

STEPHEN GODDARD

BSC (HONS), MSC

INDEPENDENT NON-EXECUTIVE DIRECTOR

Special Responsibilities: Chairman of Audit and Risk Committee

Mr Goddard was appointed a Non-Executive Director of GWA Group Limited on 28 October 2016. He has more than 30 years' retail experience having held senior executive positions with some of Australia's major retailers. His executive experience includes Finance Director and Operations Director for David Jones, founding Managing Director of Officeworks, and various senior management roles with Myer. He is a Non-Executive Director of JB Hi-Fi Limited, Accent Group Limited and Nick Scali Limited. Stephen is a former Non-Executive Director and Chairman of the Audit and Risk Committees of Pacific Brands Limited and Surfstitch Group Limited.

During the past three years Mr Goddard has served as a director of the following listed companies for the time periods noted:

- JB Hi-Fi Limited since 2016*
- Accent Group Limited since 2017*
- Nick Scali Limited since 2018*
- Pacific Brands Limited 2013 to 2016
- Surfstitch Group Limited 2014 to 2016

RICHARD THORNTON

CA, B COM (ACC), LLB (HONS), LLM

EXECUTIVE DIRECTOR AND COMPANY SECRETARY

Expertise: Chartered Accountant, taxation and finance

Mr Thornton was appointed an Executive Director of GWA Group Limited in May 2009. He joined GWA Group 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. He is a Director of Great Western Corporation Pty Ltd.

*denotes current directorship

DIRECTORS' REPORT
AS AT 30 JUNE 2019

Your directors present their report on the consolidated entity of GWA Group Limited (the Group) and the entities it controlled during FY19.

DIRECTORS
The following persons were directors of the Group during the financial year and up to the date of this report unless otherwise stated.

D D McDonough, Chairman and Non-Executive Director
J F Mulcahy, Deputy Chairman and Non-Executive Director
T R Salt, Managing Director and Chief Executive Officer
P A Birtles, Non-Executive Director
J M McKellar, Non-Executive Director
S T Goddard, Non-Executive Director
A J Barrass, Non-Executive Director (appointed 24 May 2019)
R J Thornton, Executive Director and Company Secretary

Details of the directors' qualifications, experience and special responsibilities are outlined in the director profiles 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 FY19, and the period for which each directorship has been held, are outlined in the director profiles in the Annual Report.

COMPANY SECRETARY
Mr R J Thornton was appointed Company Secretary of GWA Group Limited in 2003. Mr Thornton continued in his role as Company Secretary following his appointment as Executive Director in May 2009. Details of Mr Thornton's qualifications and experience are outlined in the director profiles in the Annual Report.

DIRECTORS' INTERESTS
The relevant interest of each director in the share capital of the Group 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
D D McDonough	150,000
J F Mulcahy	40,950
T R Salt*	298,070
P A Birtles	38,650
J M McKellar	3,054
S T Goddard	10,000
A J Barrass	–
R J Thornton*	185,577
Total**	**726,301**

Notes:

* The executive directors, Mr T R Salt and Mr R J Thornton, are holders of Performance Rights under the GWA Group Limited Long Term Incentive Plan. For details of the Performance Rights held, please refer to section 7.2.1 of the Remuneration Report.

** Section 7.3.3 of the Remuneration Report sets out the number of shares held directly, indirectly or beneficially by key management personnel or their related entities at balance date as prescribed in Accounting Standard AASB 124, this being 918,301 shares (2018: 407,247 shares).

DIRECTORS' MEETINGS
The number of meetings of directors (including meetings of Committees of directors) held during FY19 and the number of meetings attended by each director is outlined in the following table:

Director	Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
D D McDonough	12	12	4	4	5	5
J F Mulcahy	12	12	–	–	5	5
T R Salt	12	12	–	–	–	–
P A Birtles	12	12	4	4	–	–
J M McKellar	12	12	–	–	5	5
S T Goddard	12	12	4	4	–	–
A J Barrass[1]	2	2	–	–	–	–
R J Thornton[2]	12	12	–	–	–	–

Notes:

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

B Number of meetings attended.

1. A J Barrass was appointed a Non-Executive Director on 24 May 2019.
2. R J Thornton attends Committee meetings as Company Secretary.

PRINCIPAL ACTIVITIES

The principal activities during the year of the consolidated entity were the research, design, manufacture, import and marketing of building fixtures and fittings to residential and commercial premises and the distribution of these various products through a range of distribution channels in Australia, New Zealand and selected international markets.

In April 2019, the Group acquired Methven Ltd which is a leading New Zealand designer and manufacturer of showers, taps and valves.[1] Methven has operations in New Zealand, Australia, United Kingdom and China. There have been no other significant changes in the nature of the activities of the consolidated entity during the year.

OPERATING AND FINANCIAL REVIEW

The Operating and Financial Review for the consolidated entity during FY19 is provided in the Managing Director's Review of Operations, and forms part of this Directors' Report.

DIVIDENDS

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

DECLARED AND PAID DURING FY19

Dividends	Cents per share	Total Amount $'000	Franked	Date of Payment
Final 2017/18 Ordinary	9.5	25,075	Fully Franked	6 September 2018
Interim 2018/19 Ordinary	9.0	23,755	Fully Franked	5 March 2019

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

DECLARED AFTER END OF FY19

After the balance date the following dividend was approved by the directors. The dividend has not been provided and there are no income tax consequences at 30 June 2019.

Dividend	Cents per share	Total Amount $'000	Franked	Date of Payment
Final 2018/19 Ordinary	9.5	25,075	Fully Franked	4 September 2019

The financial effect of the final dividend has not been brought to account in the financial statements for FY19 and will be recognised in subsequent financial reports.

The record date for the final dividend is 27 August 2019 and the dividend payment date is 4 September 2019. The Dividend Reinvestment Plan will not be offered to shareholders for the final dividend.

1 GWA announced the acquisition of Methven Ltd on 14 December 2018 with the acquisition completing on 10 April 2019.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

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

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

ENVIRONMENTAL ISSUES

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

INDEMNIFICATION

The Group's constitution provides that, to the extent permitted by the law, every current (and former) director or secretary of the Group shall be indemnified out of the assets of the Group against all costs, expenses and liabilities which result directly or indirectly from facts or circumstances relating to the person serving (or having served) in their capacity as director or secretary of the Group, 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 Group or related body corporate.

INSURANCE PREMIUMS

The Group has paid premiums in respect of insurance contracts which provide cover against certain liabilities of every current (and former) director and officer of the Group 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 Group 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 Group and its controlled entities.

NON-AUDIT SERVICES

During the year KPMG, the consolidated entity's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the consolidated entity and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the consolidated entity, KPMG, and its network firms for audit and non-audit services provided during the year are outlined in Note 22 of the financial statements.

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 FY19.

ROUNDING

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the rounding of amounts in the Directors' Report.

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

REMUNERATION REPORT

INTRODUCTION

The Directors of GWA Group Limited present this Remuneration Report for the period ended 30 June 2019. The Remuneration Report outlines the Group's remuneration strategy and principles, explains how the Group's FY19 performance has driven executive remuneration outcomes, and provides the details of specific remuneration arrangements that apply to Key Management Personnel (KMP) in accordance with section 300A of the *Corporations Act 2001* (Cth) (Corporations Act) and applicable accounting standards.

The structure of the Remuneration Report is outlined below:

1. Message from the Remuneration and Nomination Committee;
2. Key Management Personnel;
3. Board role in setting remuneration strategy and principles;
4. Relationship between remuneration policy and Group performance;
5. Description of non-executive director remuneration;
6. Description of executive remuneration;
7. Details of director and executive remuneration; and
8. Key terms of employment contracts.

1. MESSAGE FROM THE REMUNERATION AND NOMINATION COMMITTEE (RNC)

The RNC is pleased to present shareholders with the FY19 Remuneration Report. This report outlines GWA's approach to remuneration for its executives and in particular, the link between GWA's strategy and its remuneration framework and the link between performance and executive reward.

GWA delivered a solid financial performance in FY19 against key financial measures in challenging market conditions. GWA also made significant progress against its strategic objectives following the divestment of the non-core Door and Access Systems' business and acquisition of NZ-based taps, showers and valves business, Methven Ltd which is strongly aligned to our strategic focus on superior water solutions.

The solid financial performance and strategic outcomes lead to increased shareholder returns for FY19 through higher dividends. It has also laid a solid platform for future sustainable growth.

This report outlines how GWA's performance has driven the remuneration outcomes for executives. The RNC had oversight of the performance and remuneration arrangements of the Managing Director and the other Executive Leadership Team members during FY19, together with the Group's remuneration framework and incentive plans. The RNC ensures that the financial reward for executives is aligned with performance and shareholders' interests.

GWA's remuneration framework reflects our approach on providing remuneration which is fair and equitable to attract and retain talented individuals necessary to deliver our strategy, while aligning the interests of executives and shareholders.

At the centre of our remuneration framework are:

- challenging financial and non-financial measures to assess performance and focus executives on key operational and strategic objectives critical to GWA's long term success;
- incentive plans that align reward for executives to shareholder wealth creation over the short and medium term;
- ability for the Board to exercise its discretion to adjust or 'clawback' executive reward where business and operational risks have not been adequately managed; and
- best practice governance in determining remuneration arrangements and outcomes that are fair and reasonable taking into consideration community and shareholder expectations.

During FY19, the RNC completed a review of the executive remuneration structure which confirmed that the remuneration framework is fit for purpose and aligned with our strategy and market practice, with some changes to our approach for FY20. Most of the changes relate to our Long Term Incentive plan to reflect current market practice and alignment of the Managing Director's incentive opportunity with peer company CEOs based on market benchmarking data provided by an independent adviser.

Further details on the changes for FY20 are outlined in section 3.2.

2. KEY MANAGEMENT PERSONNEL

The names and titles of the Group's KMPs for FY19, being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, are set out below.

Name	Position	Term as KMP
Non-Executive Directors		
D McDonough	Chairman and Non-Executive Director	Full year
J Mulcahy	Deputy Chairman and Non-Executive Director	Full year
P Birtles	Non-Executive Director	Full year
J McKellar	Non-Executive Director	Full year
S Goddard	Non-Executive Director	Full year
A Barrass[1]	Non-Executive Director	From 24 May 2019
Executive Directors		
T Salt	Managing Director and Chief Executive Officer	Full year
R Thornton	Executive Director and Company Secretary	Full year
Other Executive KMP		
P Gibson	Group Chief Financial Officer	Full year
C Norwell	General Manager Sales – GWA Bathrooms & Kitchens	Full year
C Reil	Group General Manager – People & Performance	Full year

Note:

1. A Barrass was appointed a non-executive director effective 24 May 2019.

3. BOARD ROLE IN SETTING REMUNERATION STRATEGY AND PRINCIPLES

The Board has overall responsibility for reviewing, approving and monitoring GWA's remuneration strategy and outcomes including for the directors and executives. The strategy is designed to provide remuneration that is fair and equitable, and which is designed to attract and retain directors and management with the experience, knowledge, skills and judgement required for success.

The Board also engages with all stakeholders to continuously refine and improve director and executive remuneration policies and practices.

The Board delegates some aspects of the review and monitoring process to the Nomination and Remuneration Committee. The charter for the Nomination and Remuneration Committee is available on the Company's website at www.gwagroup.com.au under Corporate Governance Policies.

3.1 GWA'S REMUNERATION GOVERNANCE FRAMEWORK

GWA BOARD

- Overall responsibility for the remuneration strategy and outcomes for the Group; and
- Reviews and, as appropriate, approves recommendations from the Remuneration and Nomination Committee.

WITH ADVICE FROM:

REMUNERATION AND NOMINATION COMMITTEE

Review of the:

- Group's executive remuneration and incentive policies and schemes;
- Remuneration framework for non-executive directors;
- MD and other executives' remuneration packages and performance objectives;
- Evaluation of MD performance;
- MD and other executives' development plans;
- Group's recruitment, retention and termination policies and procedures;
- Group's superannuation arrangements; and
- Diversity policy and assessing progress against objectives.

EXTERNAL ADVISERS

- Provide independent advice, information and recommendations relevant to remuneration decisions;
- The Remuneration and Nomination Committee receives information from independent external adviser related to remuneration market benchmark data and analysis for the annual executive fixed remuneration review; and
- There were no remuneration recommendations received from the external adviser during the year.

BASED ON:

REMUNERATION PRINCIPLES

- Align and contribute to GWA's key strategic business objectives and desired business outcomes;
- Align executives' remuneration with the interests of securityholders;
- Assist GWA in attracting executives and retaining the best talent required to execute the business strategy;
- Support GWA's performance based culture against business plans and shareholder returns; and
- Be fair, equitable and easy to understand.

3.2 EXECUTIVE REMUNERATION STRUCTURE REVIEW

As outlined in the FY18 Remuneration Report, during FY19 the Remuneration and Nomination Committee engaged an independent remuneration consultant to review the executive remuneration structure to ensure that it remains aligned with its remuneration strategy and market practice. The review concluded that the Group's remuneration framework is fit for purpose and aligned with its growth strategy and market practice.

The following is an overview of the changes for implementation in FY20:

- The clawback provisions under the Long Term Incentive (LTI) plan have been strengthened so that the Board may reduce or 'clawback' benefits under the LTI plan (including Performance Rights, shares, proceeds of shares or cash amounts) if the Board considers that is justified by the performance of the Group, any member of the Group, any business, area or team, or the conduct, capability or performance of the executive;
- The LTI plan has been revised to provide flexibility for executives in the timing of exercise of vested Performance Rights, by providing that a Performance Right is not deemed to be exercised automatically upon vesting, but rather may be exercised by the executive at any time from vesting until expiry of the Performance Right 7 years after the date of grant;
- The LTI plan has been revised to provide the Group with the flexibility, at the discretion of the Board, to settle vested and exercised Performance Rights in cash to executives as an alternative to shares;
- The LTI plan has been revised to provide the Board with broader discretion to determine whether some or all of the Performance Rights lapse, vest, are exercised or settled in shares or cash in the event that the Group is the subject of a successful takeover bid or acquisition by scheme of arrangement. The treatment for unvested rights will be determined by the Board in its absolute discretion. Vested rights will be automatically exercised unless the Board determines otherwise;
- Under the Short Term Incentive (STI) plan for FY20 there has been an increased focus on the measurability of personal KPIs and the inclusion of role specific non-financial KPIs for executives that reflect how the financial goals have been achieved during the period with an increased focus on customer outcomes;
- The remuneration mix for the Managing Director between fixed and variable components for FY20 has been adjusted to reflect a higher variable component. The Managing Director's STI opportunity for FY20 has been increased to 50% at target performance and 75% at stretch performance (previously 40% at target and 50% at stretch) and the LTI opportunity has been increased to 100% (previously 60%). This is in line with the market benchmarking data provided by an independent adviser during FY19 which indicated that peer company CEO's typically have a higher variable opportunity for STI and LTI plans. The Managing Director's fixed remuneration remains unchanged for FY20 and has not changed since his appointment during FY16. There are no changes to the variable components for the other executives for FY20; and
- A number of general disclosure enhancements have been made to the FY19 Remuneration Report to provide more clarity and transparency of the Group's remuneration framework and outcomes to ensure meeting best practice.

4. RELATIONSHIP BETWEEN REMUNERATION POLICY AND GROUP PERFORMANCE

Remuneration is linked to performance by:

- Applying challenging financial and non-financial measures to assess performance; and
- Ensuring that these measures focus management on operational and strategic business objectives that create shareholder value while balancing short-term and medium/longer term shareholder value creation.

GWA measures performance on the following key corporate measures:

- Earnings before interest and tax (EBIT);
- Return on funds employed (ROFE); and
- Total shareholder return (TSR).

The Board has the discretion to normalise the EBIT and ROFE measures where they are unduly distorted by significant or abnormal events, and in order to ensure that the measures reflect underlying trading performance. Examples include the impact of restructuring costs or other non-recurring expenses or income to ensure management is not discouraged from undertaking initiatives in the long term interests of shareholders.

Any adjustments to normalise the EBIT and ROFE measures, and the reasons for any adjustments, will be disclosed.

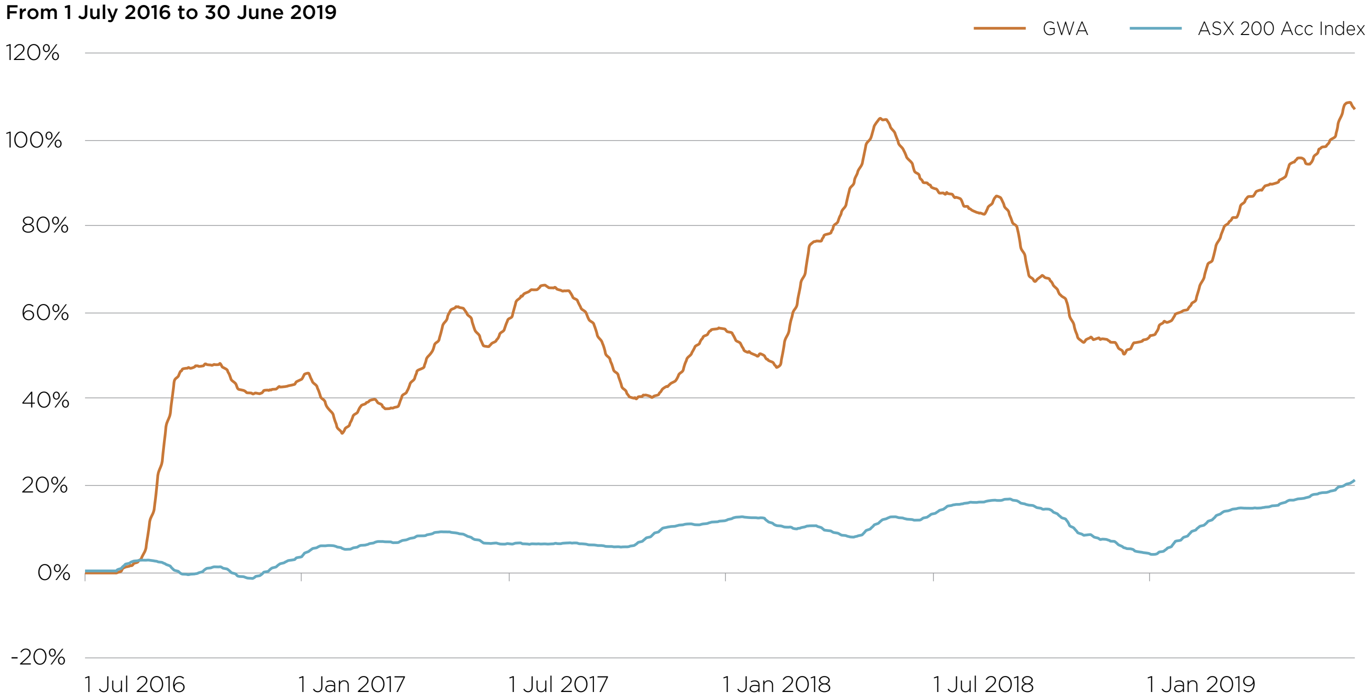
In FY19 EBIT and ROFE measures were normalised for (i.e. exclude):

- $50.8 million (after tax) profit on the successful sale of the Door & Access Systems' business which completed on 3 July 2018. This was considered appropriate as the profit on sale represents a non-recurring gain relating to a discontinued business;
- $0.2 million (after tax, pre-integration costs) profit from Methven which was acquired on 10 April 2019. This was considered appropriate in order to reward management for performance against the current period goals of the business which were established at the beginning of FY19 and excluded any impact from acquisitions. The acquisition of Methven was a strategic acquisition to accelerate growth opportunities aligned to the Group's core focus on superior water solutions; and
- $7.6 million (after tax) transaction and integration costs incurred in the year to 30 June 2019 associated with the acquisition of Methven.

The net effect of the above exclusions from the FY19 EBIT and ROFE measures resulted in lower EBIT and ROFE performance and therefore lower incentive payments than if it was included. The Methven acquisition will be included in financial targets for the FY20 STI as well as in the achievement of future LTI grants which will align management reward with shareholder value creation.

Remuneration for all executives varies with performance on the key EBIT, ROFE and TSR measures together with achievement of their measurable personal KPI objectives, which underpin delivery of the financial outcomes, and are linked to the Group's performance review process.

Total Shareholders Return (TSR) Chart for GWA vs ASX 200 Acc Index
From 1 July 2016 to 30 June 2019



The graph above shows the Group's relative TSR performance over the three year period from 1 July 2016 to 30 June 2019 compared to the ASX 200 Accumulation Index. The chart highlights the outperformance of the GWA share price since 1 July 2016 compared to the ASX 200 Accumulation Index which comprises the top 200 stocks on the Australian Securities Exchange based on liquidity and size, and is recognised as the investable benchmark for the Australian equity market.

Over the three year period, the Group's market capitalisation (i.e. market value of GWA's shares) has increased 64% to $902.7m at 30 June 2019.

The following is a summary of key statistics for the Group over the last five years:

Financial Year	EBIT[a] ($m)	EPS[a] (cents)	Total DPS (cents)[d]	Capital Return[c] (cents)	Share Price (30 June) ($)	Market Capitalisation (30 June) ($m)
2014/15[b]	72.8	14.8	6.0	22.8	2.28	636.0
2015/16[b]	78.3	19.0	16.0	–	2.09	551.7
2016/17[e]	74.3	18.7	16.5	–	3.15	831.4
2017/18[e]	76.2	19.0	18.0	–	3.40	897.4
2018/19[e]	77.4	19.6	18.5	–	3.42	902.7

Notes:

(a) excludes significant items.

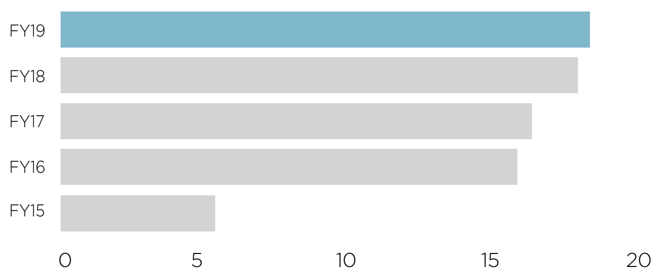
(b) excludes the discontinued operations of Gliderol, Dux and Brivis.

(c) a capital return of 22.8 cents per share and a special dividend of 6 cents per share from the Brivis and Dux net sale proceeds was paid to shareholders on 15 June 2015.

(d) includes ordinary and special dividends.

(e) FY17 to FY19 represent continuing operations and exclude the discontinued operations of the Door & Access Systems' business (including the gain on sale) which was sold on 3 July 2018. FY15 and FY16 include the results of the Door & Access Systems' business.

Total Dividend Per Share Growth (cents)



The remuneration and incentive framework seeks to focus executives on sustaining short term operating performance coupled with investment in long term strategic growth in the markets in which the business operates.

The Group delivered an improved Normalised[2] profit performance for Continuing Operations[3] in FY19 driven by market share gains in the Bathrooms & Kitchens business. This was a solid financial result in challenging market conditions. The earnings growth enabled the Board to increase dividend payments to shareholders for FY19 with the dividend pay-out ratio at 94%. The improved performance for FY19 resulted in higher shareholder returns through higher dividends and an improvement in GWA's share price at 30 June 2019.

The Group has continued its progress in FY19 against its strategic objectives to enhance the operating performance of the business, to continue to grow market share and to maximise returns to shareholders over time. The progress against the strategy is outlined in the Managing Director's Review of Operations. In particular, there were two major transactions in FY19 which were key components in delivering on the Group's strategy and the creation of value over the medium term, including the following:

- Successful divestment of the non-core Door and Access Systems' business realising a profit of $50.8 million; and
- The acquisition of NZ-based taps, showers and valves business, Methven Ltd which is strongly aligned to the Group's strategic focus on superior water solutions.

The successful execution of the Group's strategy was included in executives' measurable personal goals and reflected in the financial performance targets under the STI and LTI plans for FY19; refer sections 6.3 Short Term Incentive and 6.4 Long Term Incentive.

The remuneration and incentive framework has focused executives on responding appropriately to the challenging market conditions in FY19. STI payments related to performance improvement and strategy execution have encouraged management to respond quickly and make long term decisions to sustain competitiveness and improve profitability ensuring that the Group is well placed to maximise returns through the housing market cycle.

5. DESCRIPTION OF NON-EXECUTIVE DIRECTOR REMUNERATION

Fees for non-executive directors are fixed and are not linked to the financial performance of the Group to ensure that non-executive directors maintain their independence.

At the 2018 Annual General Meeting, shareholders approved an increase in non-executive director fees to an annual maximum aggregate amount of $1,350,000 including statutory superannuation. This increase was to allow for new director appointments over time in accordance with the Board succession plans.

The actual fees paid to the non-executive directors are outlined in the Remuneration Tables in section 7.1 and are based on the following:

- Board Chair $280,000 (including superannuation);
- Other non-executive directors $120,000 (including superannuation); and
- Committee Chair $10,000 (including superannuation).

There have been no changes to these amounts since FY16.

Non-executive director remuneration comprises base fees and statutory superannuation, plus an additional fee for chairing a Board Committee (where applicable). The payment of committee fees recognises the additional time commitment required by a chair of a Board committee. Non-executive directors are not able to participate in the executive incentive schemes.

The Nomination and Remuneration Committee obtains market benchmarking data from an external remuneration adviser to ensure that the level and allocation of non-executive director remuneration is market based and fairly represents the responsibilities and time spent by the directors on Group matters.

Retirement benefits other than statutory superannuation are not available for non-executive directors.

The Board does not require its non-executive directors to hold GWA shares, however the holding of shares is actively encouraged. For details of the non-executive director shareholdings, please refer to section 7.3.3.

6. DESCRIPTION OF EXECUTIVE REMUNERATION

6.1 EXECUTIVE REMUNERATION STRUCTURE

Executive remuneration has a fixed component and a component that varies with performance. The variable component comprises a short term incentive (STI) plan which provides rewards for performance over a 1 year period, and a long term incentive (LTI) plan which provides rewards for performance over a 3 year period. The maximum total remuneration that can be provided to an executive is capped, with incentive payments expressed as a percentage of total fixed remuneration. Total fixed remuneration for the purposes of incentives includes superannuation and non-monetary benefits.

The remuneration structure implemented for executives, including the Managing Director, recognises the short term challenges posed by operating in the cyclical housing industry, ability to sustain competitiveness, deliver value and growth in mature markets and maintain operating cash flows for dividends.

As outlined in section 3.2, during FY19 the Board engaged an independent remuneration consultant to review the executive remuneration structure to ensure it remains aligned with the Board's remuneration strategy and market practice. The changes following the review will be implemented in FY20.

2 Normalised is before $8.7 million in significant items (pre-tax) and $7.6 million in significant items (after tax) relating to transaction and integration costs associated with the acquisition of Methven.

3 Continuing Operations include the revenue and earnings contribution from Methven from the effective date of acquisition, 10 April 2019, but exclude the Door & Access Systems' business which was sold on 3 July 2018.

6.1.1 GWA's Executive Remuneration Structure for FY19

Objective	Attract and retain best talent	Reward current year performance	Reward long-term performance
	Fixed	Variable (at risk)	
Remuneration Components	**Fixed Remuneration**	**Short Term Incentive (STI)**	**Long Term Incentive (LTI)**
Delivery	• Base Salary • Non-monetary benefits • Superannuation	• Annual cash payment subject to performance • Portion deferred for one year and paid in cash	• Annual grant of Performance Rights vesting after 3 years subject to performance
FY19 Approach	• Fixed remuneration targeted between median and 75th percentile of comparator group • Benchmark companies of similar size and operational scope	STI performance measures: • Gateway: Revenue and EBIT at 95% of target • Financial targets (60%): EBIT and ROFE • Personal targets (40%): measureable personal KPIs	LTI performance measures: • 3 year performance period • Performance hurdles (each 50%): ROFE (absolute measure) TSR (relative measure)

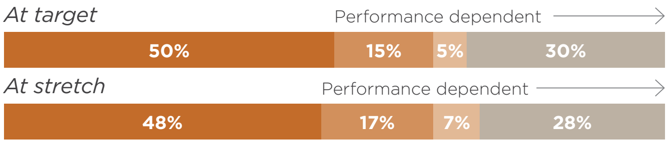
The Board is of the view that a combination of EBIT, ROFE and TSR performance measures are an effective basis for STI and LTI targets as they are currently key metrics used in the business and aligned with the Group's strategy.

ROFE is an appropriate target, both over the one year horizon, for STI purposes, and over the three year horizon, for LTI purposes. The Board is cognisant that in any one year or longer period ROFE can be impacted by the timing of investments in growth, e.g. capital spend, where benefits (EBIT) may accrue in subsequent periods, thereby depressing ROFE in the current year. By setting a longer term ROFE target the Board is also able to incentivise executives for achievement of the ROFE target above the cost of capital over time and to ensure that management make decisions aligned with shareholders' interests over time, notwithstanding, that in the short term, investments in future growth may detract from headline ROFE numbers.

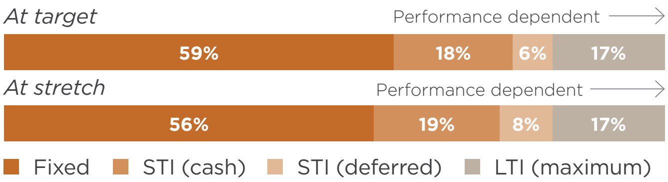
6.1.2 Managing Director and other executives' remuneration mix

The components of remuneration for the Managing Director and other executives' for FY19 at 'target' and 'stretch' performance is provided in the following table:

Managing Director Remuneration Mix



Other Executives' Remuneration Mix[1]



Note:

1 Based on the average of the other executives' fixed remuneration excluding the Managing Director and CFO.

6.1.3 Managing Director variable remuneration structure

The FY19 incentives structure for the Managing Director is provided in the following table:

Managing Director	Maximum STI as % of fixed remuneration	Maximum LTI as % of fixed remuneration (grant date fair value)	Maximum total performance pay as % of fixed remuneration
FY19	50	60	**110**

The FY19 STI components for the Managing Director are provided in the following table:

Managing Director	Financial Targets as maximum % of fixed remuneration	Personal Goals as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY19	30	20	**50**

6.1.4 Other Executives' variable remuneration structure

The FY19 incentives structure for other executives is provided in the following table:

Other Executives	Maximum STI as % of fixed remuneration	Maximum LTI as % of fixed remuneration (grant date fair value)	Maximum total performance pay as % of fixed remuneration
FY19	50	30	**80**

The FY19 STI components for other executives are provided in the following table:

Other Executives	Financial Targets as maximum % of fixed remuneration	Personal Goals as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY19	30	20	**50**

6.2 FIXED REMUNERATION

Fixed remuneration is the sum of base salary, non-monetary benefits and superannuation.

The level of fixed remuneration is set:

- to retain proven performers who possess difficult to source experience;
- to attract external recruits with depth and breadth of expertise usually acquired while working with larger companies; and
- in recognition of the short term challenges posed by cyclical factors and the focus on conserving market leadership, cash flow and dividends where opportunities for out-performance and subsequent incentive payments are more limited.

The Board targets the setting of fixed remuneration for executives between the median and third quartiles or higher if warranted by superior performance and relative to companies of comparable size and operational scope to GWA. The comparator companies are primarily from the Consumer Discretionary, Industrial and Material sectors.

Based on a market benchmarking report provided by an independent adviser for the FY19 executive remuneration review, the fixed remuneration for most executive positions at GWA are comparable to market benchmark levels for companies of comparable operational scope and size to GWA, having regard to market capitalisation and revenue. The 18 listed peer companies included in the survey provided reliable and robust statistical remuneration benchmarking and shared some common attributes with GWA, but few direct competitors and good position matches exist for precise remuneration positioning. The Nomination and Remuneration Committee therefore exercised judgement in determining appropriate remuneration levels, having regard to the background and experience of the individuals.

While market levels of remuneration are monitored on a regular basis, there is no contractual requirement that pay will be adjusted each year. Where these levels are above the 75th percentile, fixed remuneration will either be frozen or increases will be below market levels.

For FY19, the Board made no adjustment to the Managing Director's fixed remuneration which was at the median of the comparator group based on the independent benchmark data. The Managing Director's fixed remuneration has remained unchanged since his appointment during FY16. This is reflected in the Remuneration Tables in section 7.1.

6.3 SHORT-TERM INCENTIVE (STI)

6.3.1 STI overview

The STI plan provides for an annual payment that varies with performance measured over the Group's financial year to 30 June 2019. The STI is aligned to shareholder interests as executives will only become entitled to the majority of payments if profitability improves (relative to peers in the cyclical housing industry), with maximum incentive payments above the target level linked directly to shareholder value creation. As noted in section 6.1, the maximum STI that can be earned is capped.

Financial gateways are in place to ensure a minimum level of financial performance is achieved before any STI payments (both financial and personal goals) are awarded to executives. The gateways represent 95% of at target Revenue and EBIT. If both gateways have not been achieved, then the executives are not eligible for an STI payment of either component – 'financials' and 'personal goals'.

The STI payment is made in cash after finalisation of the annual audited financial statements. As outlined in the Remuneration Tables in section 7.1, 50% of the financial target component of the STI is deferred for executives that achieved their STI financial targets for FY19. The deferred component is subject to further testing by the Board to confirm the integrity of the achievement of the STI financial targets following finalisation of next year's (i.e. FY20) audited financial statements. If the Board is satisfied the deferred component will be paid to executives in September 2020 together with nominal interest at market rates. However, if the Board is not satisfied the deferred component will be subject to forfeiture.

6.3.2 STI performance requirements

6.3.2.1 Financial Performance Targets

For FY19, STI financial performance targets are based on Earnings Before Interest and Tax (EBIT) and Return On Funds Employed (ROFE) targets as determined by the Nomination and Remuneration Committee. The use of EBIT and ROFE as the basis of STI financial targets is aimed at ensuring executives are accountable for delivering both profit and return on funds improvements.

The Board is of the view that a combination of EBIT and ROFE targets are an effective basis for STI targets as they are currently key metrics used in the business and ROFE is a key target in driving returns on capital employed in excess of the cost of capital. The EBIT and ROFE targets are weighted equally and assessed on an aggregated basis for divisional and corporate executives, and adjusted for normalisation if applicable; refer section 4.

The 'target' and 'stretch' STI financial targets are determined by the Nomination and Remuneration Committee at the beginning of the financial year following approval of the divisional and corporate budgets by the Board.

The budget performance levels are taken into consideration in setting the financial targets but different targets may be set (either higher or lower than budget) that ensure management is motivated while reflecting the degree of difficulty in achieving the budget. Performance between the 'target' and 'stretch' levels is rewarded on a straight line basis between 'target' achievement and 'stretch' achievement.

The Board retains the right to vary from policy if required. However, any variation from policy and the reasons for it will be disclosed. There was no variation from policy in setting the STI financial performance targets for FY19.

6.3.2.1.1 FY19 STI Financial Performance Outcomes

For FY19, GWA Corporate and Bathrooms & Kitchens achieved their EBIT and ROFE STI financial targets at the 'target' achievement level reflecting the earnings growth and gains in market share in core segments during the period. This was a solid financial result despite challenging market conditions during the period.

The following table provides an overview of the STI metrics for FY19 and outcomes:

Financial Metric	Gateway	FY19 STI Outcome
Revenue	Achieved	–
EBIT	Achieved	Achieved at 'target' level
ROFE	–	Achieved at 'target' level

The STI outcomes for FY19 were aligned with shareholders' interests as the Group achieved profit growth for FY19 despite the significantly weaker market conditions, and generated higher shareholder returns for the period through higher dividends and an improvement in GWA's share price at 30 June 2019.

In accordance with the STI plan rules, 50% of the STI incentive payment relating to financial targets has been deferred for GWA Corporate and Bathrooms & Kitchens executives and will be subject to further testing and potential clawback in August 2020 under the STI plan rules. The full amount of the STI cash bonuses (including the deferred component) is reflected in the Remuneration Tables in section 7.1.

The deferred component of the STI incentive payments for FY18 for executives was tested by the Board in August 2019 to confirm the integrity of the achievement of the STI financial targets in FY18. Following satisfaction with the testing, the Board approved the payment of the deferred component to executives together with interest at nominal market rates.

6.3.2.2 Personal Goals

The personal goals set for each executive include achievement of key milestones to improve or consolidate the Group or business unit's strategic position. The personal goals vary with the individual's role, risks and opportunities and are aligned with the Group's strategic plan and corporate priorities. Achievement of personal goals account for a maximum of 20% of each executive's fixed remuneration.

The achievement of personal goals reinforces the Group's leadership model for improved performance management through achieving measurable personal goals established during the performance review process at the beginning of the financial year. Strict criteria have been established by the Nomination and Remuneration Committee for the setting of personal goals in order for them to be approved. The goals can be drawn from a number of areas specific to individual roles but must be specific, measurable, aligned, realistic and time based. Weightings are allocated to the personal goals based on their importance to the individual's role and the Group.

Personal goals include both measurable financial and business improvement goals. The measurable financial goals are financial outcomes which the individual aims to achieve through their effort and that of their team and influence on the wider business. Examples may include achieving working capital reductions, sales/margin targets or cost reduction targets. The measurable business improvement goals are outcomes which drive sustainable business improvement and which may or may not have an immediate financial outcome but will improve the business in the short to medium term. Examples may include improved safety and environmental performance, enhancing sustainability, delivering a major project on time and budget, market share and productivity improvements or implementing a significant change or strategic initiative.

Assessment of the personal goals STI component for FY19 has been determined following a formal performance review process for each executive. The performance reviews for executives are conducted semi-annually by the Managing Director with the annual outcomes reviewed and approved bythe Nomination and Remuneration Committee. The personal goals for executives for FY20 were established at the performance reviews, and reviewed and approved by the Nomination and Remuneration Committee.

The Managing Director's performance review is conducted semi-annually by the Chairman following input from the Board and with the outcomes reviewed and approved by the Nomination and Remuneration Committee. An assessment of the Managing Director's key performance goals subject to STI incentive payments for FY19 is provided in section 6.3.2.2.1. The other executives were awarded STI payments for FY19 based on achievement of personal goals following their performance reviews. This is reflected in the Remuneration Tables in section 7.1.

The inclusion of personal goals in the remuneration structure ensures that executives can be recognised for good business performance, including periods where troughs in the housing industry cycle mean financial performance is consequently weaker across the sector. The Group operates in the cyclical housing industry so fluctuations in profitability can occur through the cycle which is out of the control of executives. The reward for achievement of personal goals provides specific focus on responding to changes in the economic cycle, as well as on continuous performance improvement. Hence the personal goals are a key part of the Group's performance management process.

6.3.2.2.1 Managing Director's key performance goals and outcomes

An assessment of the Managing Director's key performance goals and financial targets subject to STI incentive payments for FY19 is provided in the following table.

FY19 Goals	Performance	Assessment
Personal Objectives		
Achieve leading safety performance with the aim of an injury free workplace. **Measures:** • Safety initiatives to reduce risk • Leading safety indicators (Safety Interactions, Hazards Reported, Actions Closed) • Lagging safety measures (MTIFR, LTIFR, TIFR)	WHS performance for FY19 is primarily assessed on 'leading' safety indicators that include proactive measures to improve safety. Substantial progress was made to improve the Group's safety culture in FY19 with several safety initiatives implemented such as accreditation to the Australian standard for safety management, continuation of Safety Homecoming training to drive safe behaviour and engagement, and the implementation of a wellness program called Ritualize to assist staff in building healthy lifestyles. TIFR decreased by 39% to 6.2 for FY19 reflecting the improved WHS performance and culture. A three year safety plan is in place with specific initiatives for FY20. Ownership and accountability for safety exists at all levels in the business with "Caring For Each Other" central to the Group's cultural pillars and with employee engagement on safety at 87% based on an AON survey in 2018.	On target
Executing and delivering FY19 business plan – ensure planned, risk managed, communicated, resourced and tracked. **Measures:** • Improvement in profitability and market share • Strategy execution • Customer outcomes	Substantial progress has been made with the Group's strategy in FY19 as outlined in the Managing Director's Review of Operations. Performance is assessed on the basis of the improvement in the Group's normalised profit for continuing operations in FY19, principally driven by the implementation of strategies to work more collaboratively with customers and improve engagement with consumers. The Group improved market share and maintained margins in FY19 despite challenging market conditions. The Group successfully divested the non-core Door & Access Systems' (D&A) business on 3 July 2018 for an after tax profit of $50.8m enabling the focus on the Group's superior water solutions strategy. The strategy was further progressed with the successful acquisition of the leading taps, showers and valves business, Methven Ltd on 10 April 2019 at a lower earnings multiple than the D&A sale (excluding synergies). With the solid financial results for FY19 in a tough market and the acquisition of Methven, a stronger platform for medium term growth has been created.	Above target
Build employee engagement and culture and embed purpose and values to deliver the strategy. Continue to increase diversity with a focus on increasing female representation. **Measures:** • Culture and engagement surveys • Gender diversity	The Group continues to implement programs to drive a high performance culture and to encourage staff to perform their best while upholding GWA's Cultural Pillars. There is an active Culture Council which is led by the Managing Director who champions programs aligned to GWA's Cultural Pillars. GWA's Cultural Pillars have been successfully rolled out to the newly acquired Methven business ensuring alignment on company values and standards of behaviour. An employee engagement survey was conducted during FY19 with a baseline established and initiatives in place to improve engagement levels. Increasing the diversity of the Group's talent continues to be a focus and the percentage of female employees increased by two percentage points to 39% as outlined in the Group's 2019 Workplace Gender Equality Report. Female representation across all levels of management has increased versus the prior year and 65% of all promotions were women. The Group received notification during June 2019 that it is compliant with the *Workplace Gender Equality Act 2012*.	On target

FY19 Goals	Performance	Assessment
Deliver the growth strategy (including strategic acquisitions) in accordance with the horizon plans. Key growth initiatives planned, underway, funded and tracked. **Measures:** • Strategy development and execution • Growth from new business and acquisitions • Data services strategy	Long term growth plans have been developed for the Group in order to accelerate growth and improve shareholder returns. The plans outline growth initiatives to strengthen the core business, build emerging businesses and create growth options into the future in line with the Group's superior water solutions strategy. The acquisition of Methven strengthens the core Australasian business while providing growth options leveraging Methven's international presence. The Group also successfully launched an intelligent bathroom solution, Caroma Smart Command® (CSC) during FY19 to enable monitoring use and management of water in commercial buildings. Plans are in place to invest in CSC in Australia / New Zealand and select Asian markets, and to develop and commercialise smart data solutions as a new revenue stream. CSC was awarded the highest (Best in Class) in product design, hardware and building at the Good Design Awards in July 2019.	Above target
Financial Targets		
STI financial performance targets **Measures:** • EBIT and ROFE	For FY19, GWA Corporate and Bathrooms & Kitchens achieved their EBIT and ROFE STI financial targets at the 'target' achievement level reflecting the earnings growth and gains in market share in core segments during the period. This was a solid financial result despite challenging market conditions. This outcome is reflected in the Remuneration Tables in section 7.1.	On target

On target   Above target   Below target

6.4 LONG TERM INCENTIVE (LTI)

6.4.1 LTI overview

Executives participate in a LTI plan. This is an equity based plan that provides for a reward that varies with Group performance over three year periods. Three years is considered to be the maximum time period over which financial projections and detailed business plans can reasonably be made, and reflects what the Board considers is a reasonable period to require and test the sustainability of earnings accretion from investments and given the nature of the business.

The LTI is provided as Performance Rights, with each right entitling the holder to an ordinary share in the Group, subject to meeting financial performance hurdles and the holder remaining in employment with the Group until the nominated vesting date.

If the vesting conditions and performance hurdles are achieved, ordinary shares will be issued to the participants at no cost. Until that time, the participants have no right to dividends or voting rights on unvested Performance Rights. If the performance hurdles are not met then the Performance Rights are cancelled. The LTI plan rules do not allow for re-testing of the performance hurdles after the initial performance period.

The performance hurdles for the LTI are selected by the Nomination and Remuneration Committee. The basis of the grants of Performance Rights to executives is as follows:

- 50% of the Performance Rights are subject to a Total Shareholder Return (TSR) hurdle (which is a relative performance requirement); and
- 50% of the Performance Rights are subject to a Return On Funds Employed (ROFE) hurdle (which is an absolute performance requirement).

Both TSR and ROFE are key measures on which the Group's strategic plan is focused. Therefore, ensuring LTI rewards are contingent on these measures is consistent with the Board approved strategy.

The ROFE performance hurdle is calculated by reference to the Group's audited accounts. Threshold performance is required to be above the Group's Weighted Average Cost of Capital (WACC), which takes into account the minimum return required by investors given the perceived risk of the investment.

For the FY19 LTI grant, a participant may not dispose of the ordinary shares issued under the LTI until the seventh anniversary of the grant date and the shares are subject to a holding lock upon issue. This was to ensure that executives retain a suitable shareholding in the Group. There are limited circumstances where a participant may dispose of the shares before the end of the seven year period, including cessation of employment with the Group or where the Board grants approval. 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 Group, relevant policies and regulations, the extent of the executive's Group shareholdings as a multiple of fixed remuneration, and such other factors as it considers relevant to the application. No applications from participants to dispose of the shares were received by the Board in FY19.

In accordance with the LTI plan rules, the executives are prohibited from entering into hedging transactions or arrangements which reduce or limit the economic risk of holding unvested Performance Rights.

In the event of a change of control, the Board will determine in its discretion the extent to which outstanding Performance Rights granted to executives will vest and be exercised into ordinary shares. In exercising its discretion the Board will consider whether the vesting conditions are unlikely to be satisfied and the outstanding Performance Rights cancelled. If the Board makes the decision that not all outstanding Performance Rights will vest on a change of control, then all remaining Performance Rights will be cancelled.

For the FY19 LTI grant, the proportion of Performance Rights that can vest will be calculated and the shares will vest in August 2021 subject to achieving the performance hurdles. If the performance hurdles are not met the Performance Rights will be cancelled.

All unvested rights will be forfeited if the Board determines that an executive has committed an act of fraud, defalcation or gross misconduct or in other circumstances specified by the Board.

The maximum number of outstanding Performance Rights granted to executives must not exceed 5% of the total number of shares on issue by the Group. The total number of outstanding Performance Rights granted to executives at 30 June 2019 was 1,615,222 which represents 0.6% of the Group's total issued shares.

6.4.2 LTI performance requirements

For the FY19 LTI grant, the performance hurdles continue to provide for vesting scales graduated with performance and demanding performance hurdles.

6.4.2.1 TSR hurdle

The performance hurdles and vesting proportions for the TSR performance measure that applies to the FY19 LTI grant is outlined in the following table:

TSR of GWA Group Limited relative to TSRs of Comparator Companies	Proportion of Performance Rights to Vest if TSR hurdle is met
Less than the 50th percentile	0%
50th percentile	12.5%
Between the 50th percentile and 75th percentile	Straight line vesting between 12.5% and 50%
75th percentile or higher	50% (i.e. 50% of total grant)

The group of comparator companies for the TSR hurdle includes a bespoke group of 19 domestic ASX listed companies exposed to similar economic, market, and/or financial factors.

GWA and the comparator companies operate in a number of different sectors (e.g. Industrial, Material, Consumer Discretionary) and the choosing of one sector or industry will not provide a comprehensive list of related companies. To ensure an adequate number of comparator companies is included for the TSR hurdle, the Board has selected companies outside the building supplies and construction materials industry, but subject to similar external influences.

The group of comparator companies for the FY19 LTI grant is as follows:

James Hardie Industries PLC, Fletcher Building Ltd, Boral Ltd, Adelaide Brighton Ltd, DuluxGroup Ltd, Brickworks Ltd, Super Retail Group Ltd, CSR Ltd, ARB Corp Ltd, Bapcor Ltd, Breville Group Ltd, Asaleo Care Ltd, GUD Holdings Ltd, Cedar Woods Properties Ltd, Villa World Ltd, Decmil Group Ltd, Simonds Group Ltd, Hills Ltd, Fleetwood Corp Ltd.

The Board has discretion to adjust the comparator group to take into account events including, but not limited to, takeovers, mergers, de-mergers and similar transactions that might occur over the performance period. The Board reviews the comparator group on an annual basis to ensure they remain relevant and to ensure potential new peers are considered for inclusion.

6.4.2.2 ROFE hurdle

The performance hurdles and vesting proportions for the ROFE performance measure that applies to the FY19 LTI grant is outlined in the following table:

GWA Group Limited ROFE over three year performance period	Proportion of Performance Rights to Vest if ROFE hurdle is met
ROFE less than 16% per annum	0%
ROFE equal to 16% per annum	12.5%
ROFE between 16% and 19% per annum	Straight line vesting between 12.5% and 50%
ROFE equal to 19% or higher per annum	50% (i.e. 50% of total grant)

The ROFE hurdle is calculated as earnings before interest and tax (EBIT) divided by funds employed and adjusted for normalisation if applicable; refer section 4. Funds employed is calculated as net assets minus cash plus borrowings.

7. DETAILS OF DIRECTOR AND EXECUTIVE REMUNERATION

7.1 REMUNERATION TABLES

Details of the nature and amount of each element of remuneration for each director of the Group and other key management personnel (KMP) for the year ended 30 June 2019 are provided in the following Remuneration Tables.

		Short-term			Long-term		Post-employment					
		Salary & Fees $[(a)]	STI Cash Bonus $[(b)]	Non-Monetary $[(c)]	Value of Share-Based Awards $[(d)]	Long Service Leave $	Superannuation Benefits $	Termination Benefits $	Total $	Proportion of remuneration performance based %	STI Cash Bonus vested in year %	STI Cash Bonus forfeited in year %
Non-Executive Directors												
D McDonough, Chairman	2019	259,469	–	–	–	–	20,531	–	280,000	–	–	–
	2018	259,952	–	–	–	–	20,048	–	280,000	–	–	–
J Mulcahy, Deputy Chairman	2019	117,650	–	–	–	–	12,350	–	130,000	–	–	–
	2018	117,650	–	–	–	–	12,350	–	130,000	–	–	–
P Birtles, Non-Executive Director	2019	108,600	–	–	–	–	11,400	–	120,000	–	–	–
	2018	108,600	–	–	–	–	11,400	–	120,000	–	–	–
J McKellar, Non-Executive Director	2019	108,600	–	–	–	–	11,400	–	120,000	–	–	–
	2018	108,600	–	–	–	–	11,400	–	120,000	–	–	–
S Goddard, Non-Executive Director	2019	116,969	–	–	–	–	13,031	–	130,000	–	–	–
	2018	114,633	–	–	–	–	12,033	–	126,666	–	–	–
A Barrass, Non-Executive Director (Appointed 24 May 2019)[(f)]	2019	12,769	–	–	–	–	1,213	–	13,982	–	–	–
	2018	–	–	–	–	–	–	–	–	–	–	–
Total – Non-Executive Directors Remuneration[(g)]	**2019**	**724,057**	**–**	**–**	**–**	**–**	**69,925**	**–**	**793,982**			
	2018	**709,435**	**–**	**–**	**–**	**–**	**67,231**	**–**	**776,666**			
Executive Directors[(h)]												
T Salt, Managing Director[(e)]	2019	967,308	400,000	1,627	452,597	–	24,999	–	1,846,531	46	80	20
	2018	1,009,615	500,000	1,585	399,523	–	24,999	–	1,935,722	46	100	–
R Thornton, Executive Director	2019	389,008	163,816	8,013	92,763	6,325	20,531	–	680,456	38	80	20
	2018	393,870	204,770	7,861	47,996	6,327	20,048	–	680,872	37	100	–
Total – Directors Remuneration	**2019**	**2,080,373**	**563,816**	**9,640**	**545,360**	**6,325**	**115,455**	**–**	**3,320,969**			
	2018	**2,112,920**	**704,770**	**9,446**	**447,519**	**6,327**	**112,278**	**–**	**3,393,260**			
Executives												
P Gibson, Group Chief Financial Officer	2019	733,654	300,000	8,289	170,188	–	24,999	–	1,237,130	38	80	20
	2018	743,750	375,000	2,302	160,608	–	24,999	–	1,306,659	41	100	–
C Norwell, General Manager Sales – GWA Bathrooms & Kitchens	2019	409,842	173,000	718	95,974	–	24,999	–	704,533	38	80	20
	2018	385,355	208,000	1,036	87,418	–	24,999	–	706,808	42	100	–
C Reil, Group General Manager – People & Performance (Appointed 20 November 2017)	2019	386,512	168,000	2,040	69,373	–	24,999	–	650,924	36	80	20
	2018	241,881	122,500	1,000	29,890	–	13,076	–	408,347	37	100	–
Total – Executives Remuneration[(h)]	**2019**	**1,530,008**	**641,000**	**11,047**	**335,535**	**–**	**74,997**	**–**	**2,592,587**			
	2018	**1,370,986**	**705,500**	**4,338**	**277,916**	**–**	**63,074**	**–**	**2,421,814**			
Total – Directors and Executives Remuneration	**2019**	**3,610,381**	**1,204,816**	**20,687**	**880,895**	**6,325**	**190,452**	**–**	**5,913,556**			
	2018	**3,483,906**	**1,410,270**	**13,784**	**725,435**	**6,327**	**175,352**	**–**	**5,815,074**			

Notes to the Remuneration Tables

(a) Salary and fees represent base salary and includes the movement in annual leave provision.

(b) The Short Term Incentive (STI) plan cash bonuses relate to performance during FY19 based on the achievement of personal goals and financial performance targets, and includes the deferred component. GWA Corporate and Bathrooms & Kitchens achieved their STI financial performance targets in FY19 at the 'target' achievement level and in accordance with the STI Plan rules, 50% of the amount has been deferred and will be subject to further testing in August 2020. The FY19 STI cash bonuses for GWA Corporate and Bathrooms & Kitchens executives will be paid in FY20 excluding the deferred component. The amounts have been determined following individual performance reviews and have been approved by the Nomination and Remuneration Committee.

(c) The short term non-monetary benefits include insurance and other minor benefits including any applicable fringe benefits tax.

(d) The Long Term Incentive (LTI) plan was approved by shareholders at the 2008 Annual General Meeting. The outstanding Performance Rights at 30 June 2019 were granted to executives in FY17, FY18 and FY19 (as applicable) and are subject to vesting conditions and the achievement of specified performance hurdles over the three year performance periods. During FY19, 100% of the Performance Rights granted to executives in respect of the FY16 LTI grant vested as the ROFE and TSR hurdles were fully achieved. The fair value of the Performance Rights granted in FY17, FY18 and FY19 were calculated using Black Scholes Model (ROFE hurdle) and Monte Carlo Simulation (TSR hurdle) valuation methodologies and allocated to each financial year evenly over the three year performance period. If the specified performance hurdles are not achieved, then no benefits will be received by the executives under the LTI plan and the Performance Rights are cancelled.

(e) For details of Mr Tim Salt's remuneration arrangements as Managing Director, please refer to section 8.1. The Managing Director's fixed remuneration for FY19 was at the median of the comparator group based on the market benchmark data provided by an independent adviser and has remained unchanged since his appointment during FY16.

(f) Ms Alison Barrass was appointed a non-executive director effective 24 May 2019.

(g) Non-executive director remuneration has remained frozen since FY16. The total non-executive director remuneration is within the annual aggregate maximum amount approved by shareholders. For details of non-executive director remuneration, please refer to section 5.

(h) For the actual remuneration received by the executives for FY19, please refer to the table in section 7.1.1.

7.1.1 Actual remuneration received by executives for FY19

The following table sets out the actual value of remuneration received by executives for FY19, derived from the various components of their remuneration during FY19. This table differs from the more detailed statutory remuneration disclosures in the Remuneration Tables in section 7.1 due to the exclusion of LTI amounts not vested or reversal of accounting expenses associated with LTI grants and is therefore unaudited.

Executives FY19	Fixed Remuneration[(a)] $	Short Term Incentive[(b)] $	Long Term Incentive (Earned)[(c)] $	Total $
T Salt, Managing Director[(d)]	1,001,626	400,000	407,279	1,808,905
R Thornton, Executive Director	417,552	163,816	115,408	696,776
P Gibson, Group Chief Financial Officer	758,288	300,000	184,986	1,243,274
C Norwell, General Manager Sales – GWA Bathrooms & Kitchens	430,467	173,000	97,934	701,401
C Reil, Group General Manager – People & Performance	408,577	168,000	–	576,577
Total	**3,016,511**	**1,204,816**	**805,607**	**5,026,934**

Notes:

(a) Fixed remuneration represents amounts actually paid to executives during FY19 and includes base salary, non-monetary benefits and superannuation.

(b) Represents the STI payments awarded for FY19 inclusive of deferred amounts. These amounts, exclusive of the deferred amounts, will be paid in FY20.

(c) The performance hurdles for the FY16 LTI grant were tested during FY19 and fully achieved; refer section 7.2.1 Performance Rights. Excludes the value of any unvested LTI grants expensed or reversed during FY19.

(d) For details of Mr Tim Salt's remuneration arrangements as Managing Director refer to section 8.1.

7.2 SHARE BASED PAYMENTS

7.2.1 Performance Rights

The following table shows details of the Performance Rights granted to key management personnel during the year ended 30 June 2019 and in prior years that affects compensation in this or future reporting periods.

	Year of grant	Number of rights granted	Grant date*	% vested in year	% forfeit in year	Fair value of rights at grant date $*	Issue price used to determine number of rights granted
Executive Directors							
T Salt, Managing Director	2019	220,000	18 February 2019	–	–	566,500	2.73
	2018	224,000	19 February 2018	–	–	427,358	2.68
	2017	214,500	24 February 2017	–	–	363,931	2.80
	2016	262,000	23 March 2016	100	–	407,279	2.29
R Thornton, Executive Director	2019	45,000	18 February 2019	–	–	115,875	2.73
	2018	46,000	19 February 2018	–	–	87,761	2.68
	2017	44,000	24 February 2017	–	–	74,653	2.80
	2016	65,000	23 March 2016	100	–	115,408	1.89
Executives							
P Gibson, Group Chief Financial Officer	2019	83,000	18 February 2019	–	–	213,725	2.73
	2018	84,000	19 February 2018	–	–	160,259	2.68
	2017	80,500	24 February 2017	–	–	136,580	2.80
	2016	119,000	23 March 2016	100	–	184,986	1.89
C Norwell, General Manager Sales – GWA Bathrooms & Kitchens	2019	48,000	18 February 2019	–	–	118,450	2.73
	2018	47,000	19 February 2018	–	–	89,669	2.68
	2017	44,000	24 February 2017	–	–	74,653	2.80
	2016	63,000	23 March 2016	100	–	97,934	1.89
C Reil, Group General Manager – People & Performance (Appointed 20 November 2017)	2019	46,000	18 February 2019	–	–	123,600	2.73
	2018	47,000	19 February 2018	–	–	89,669	2.68
	2017	–	–	–	–	–	–
	2016	–	–	–	–	–	–

Note:

* The issue price used to determine the number of Performance Rights offered to key management personnel during FY19 was $2.73 being the volume weighted average price of the Group's shares calculated over the 20 trading days after the Group's Annual General Meeting on 26 October 2018. The grant dates and corresponding fair values per right in the table have been determined in accordance with Australian Accounting Standards. Fair values have been calculated using the Black Scholes Model valuation methodology for the ROFE hurdle and Monte Carlo simulation for the TSR hurdle. The fair value of rights issued during the year under the ROFE hurdle was $2.92 per right and TSR hurdle was $2.23 per right.

All of the rights carry an exercise price of nil. The rights granted on 24 February 2017, 19 February 2018 and 18 February 2019 will vest on the date of the release to the Australian Securities Exchange of the Group's annual audited financial statements for the years 30 June 2019, 2020 and 2021 respectively, subject to the achievement of the performance hurdles. The rights granted to Mr Salt and Mr Thornton were approved by shareholders at the 2016, 2017 and 2018 Annual General Meetings in accordance with ASX Listing Rule 10.14.

Rights were forfeited where an employee ceased employment with the Group during the year in accordance with the rules of the LTI plan.

The number of rights outstanding at 30 June 2019 represents the balance yet to be tested.

7.2.2 Status and key dates of LTI awards

The following table shows the status and key dates for Performance Rights granted to key management personnel under the LTI plan.

Grant Date	Valuation Per Right[1]	Performance Testing Windows	Expiry Date (if hurdle not met)	Performance Status[2]
23 March 2016	Tranche A (TSR) $1.33 Tranche B (ROFE) $1.78	30 October 2015 to 16 August 2018 (Tranche A) 1 July 2015 to 30 June 2018 (Tranche B)	16 August 2018	Tranche A (TSR): Performance condition met at 95th percentile resulting in maximum 100% vesting of the grant. Tranche B (ROFE): Performance condition met at an average of 20% per annum resulting in maximum 100% vesting of the grant.
24 February 2017	Tranche A (TSR) $1.28 Tranche B (ROFE) $2.11	28 October 2016 to 19 August 2019 (Tranche A) 1 July 2016 to 30 June 2019 (Tranche B)	19 August 2019	Performance testing in progress.
19 February 2018	Tranche A (TSR) $1.43 Tranche B (ROFE) $2.38	27 October 2017 to August 2020 (Tranche A) 1 July 2017 to 30 June 2020 (Tranche B)	August 2020	Performance testing not yet commenced.
18 February 2019	Tranche A (TSR) $2.23 Tranche B (ROFE) $2.92	26 October 2018 to August 2021 (Tranche A) 1 July 2018 to 30 June 2021 (Tranche B)	August 2021	Performance testing not yet commenced.

Notes:

1 The value of performance rights at grant date calculated in accordance with AASB 2 *Share-based Payments*. Valuations are performed by a third party, PWC for the 2016 to 2018 grants and Deloitte for the 2019 grant.

2 To ensure an independent TSR measurement, GWA engages the services of external organisations, Orient Capital and Deloitte, to assist with determining performance under the TSR hurdle. In addition, KPMG is engaged to perform agreed upon procedures to assist with ROFE measurement and the accuracy of LTI vesting outcomes.

7.3 KEY MANAGEMENT PERSONNEL TRANSACTIONS

7.3.1 Loans to key management personnel and their related parties

No loans were made to key management personnel or their related parties during the year ended 30 June 2019 (2018: nil).

7.3.2 Other key management personnel transactions with the Group or its controlled entities

There were no other key management personnel transactions with the Group or its controlled entities during the year ended 30 June 2019 (2018: nil).

From time to time, key management personnel of the Group 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.

7.3.3 Movements in shares

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

	Held at 1 July 2018	Granted as compensation	Purchases	Sales	Held at 30 June 2019
Non-Executive Directors					
D McDonough	150,000	–	–	–	150,000
J Mulcahy	40,950	–	–	–	40,950
P Birtles	38,650	–	–	–	38,650
J McKellar	1,000	–	2,054	–	3,054
S Goddard	10,000	–	–	–	10,000
A Barrass (Appointed 24 May 2019)	n/a	–	–	–	–
Executive Directors					
T Salt	36,070	262,000	–	–	298,070
R Thornton	120,577	65,000	–	–	185,577
Executives					
P Gibson	10,000	119,000	–	–	129,000
C Norwell	–	63,000	–	–	63,000
C Reil	–	–	–	–	–

	Held at 1 July 2017	Granted as compensation	Purchases	Sales	Held at 30 June 2018
Non-Executive Directors					
D McDonough	130,000	–	20,000	–	150,000
J Mulcahy	40,950	–	–	–	40,950
P Birtles	13,650	–	25,000	–	38,650
J McKellar	–	–	1,000	–	1,000
S Goddard	10,000	–	–	–	10,000
W Bartlett (Retired 27 October 2017)	30,207	–	–	–	n/a
Executive Directors					
T Salt	29,760	–	6,310	–	36,070
R Thornton	100,102	20,475	–	–	120,577
Executives					
P Gibson	5,000	–	5,000	–	10,000
C Norwell	–	–	–	–	–
C Reil (Appointed 20 November 2017)	n/a	–	–	–	–

The relevant interest of each director in the share capital of the Group 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 2019 is listed in the Directors' Report under Directors' Interests.

During the FY19 reporting period, there were 509,000 shares granted to key management personnel as compensation (2018: 20,475). The aggregate number of shares held by key management personnel or their related parties at 30 June 2019 was 918,301 (2018: 407,247).

8. KEY TERMS OF EMPLOYMENT CONTRACTS

8.1 MANAGING DIRECTOR REMUNERATION

The remuneration arrangements for Mr Tim Salt as Chief Executive Officer were determined by the Nomination and Remuneration Committee in FY16 following the provision of market data from Guerdon Associates. Based on the benchmark data, Mr Salt's total remuneration was aligned with the then market median in relation to a group of 16 companies of comparable operational scope and size to GWA. The remuneration arrangements for Mr Salt were advised to the market on 27 November 2015 and have not changed since then.

The following is a summary of Mr Salt's remuneration package for FY19:

- Total Fixed Remuneration (TFR) comprising salary, superannuation and all other benefits other than incentive plans of $1,000,000;
- Participation in GWA's Short Term Incentive (STI) plan:
  - » STI opportunity of 40% of TFR based on Mr Salt meeting Board approved Key Performance Indicator (KPI) objectives, with provision for a maximum 50% of TFR for out-performance against these KPIs.
- Participation in GWA's Long Term Incentive (LTI) plan:
  - » LTI opportunity of 60% of TFR over a three year performance period and subject to achievement of performance hurdles in respect of growth in Return on Funds Employed (ROFE) and Total Shareholder Return (TSR).

For the FY19 executive remuneration review, the market benchmark data provided by an independent adviser confirmed that the Managing Director's fixed remuneration was at the median level of the comparator group consisting of 18 companies with comparable operational scope and size to GWA.

8.2 NOTICE AND TERMINATION PAYMENTS

The specified executives in the Directors' Report including the Managing Director, Mr Tim Salt, are on open-ended contracts.

The employment contract for Mr Salt provides that if either the Group or Mr Salt wishes to terminate employment for any reason, no less than one year's written notice of termination is required. The Group retains the right to immediately terminate the employment contract of Mr Salt by making payment equal to twelve months salary in lieu of providing notice.

For the other specified executives, the Group or the executives are required to give no less than three months notice of termination of employment for any reason. The Group retains the right to immediately terminate the employment contracts of the executives by making payment equal to three months salary in lieu of providing notice.

The executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The termination arrangements for the executives are specified in their employment contracts and any other termination payments require approval of the Nomination and Remuneration Committee. Shareholder approval is required for termination payments in excess of twelve months salary.

8.3 TREATMENT OF INCENTIVES ON TERMINATION

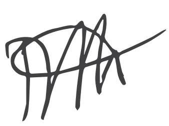
The following table shows the treatment of incentives on termination of employment in the various circumstances shown.

Circumstances	Short term incentive[1]	Long term incentive – unvested Performance Rights
Immediate termination for cause	No STI payable and clawback provisions may apply (including deferred STI)	Performance Rights are forfeited
Resignation	Board discretion to award STI on a pro-rata basis (including deferred STI)	Performance Rights are forfeited unless Board determines otherwise
Notice by company, good leaver, retirement, redundancy, death or permanent disability	Board discretion to award STI on a pro-rata basis (including deferred STI)	Board discretion to allow awards to vest or remain subject to performance hurdles after termination on a pro-rata basis
Change of control	STI will be paid on a pro-rata basis	The Board has discretion to allow awards to vest on a change of control of GWA (e.g. a takeover or merger).

Note:
1. Any STI payments will be paid according to the normal annual STI payment time frame (i.e. payment timing will not be accelerated).

The Directors' Report is made out in accordance with a resolution of the directors:

Darryl D McDonough
Chairman



Tim R Salt
Managing Director

19 August 2019

GWA GROUP LIMITED FINANCIAL REPORT

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

CONTENTS

NOTE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June

In thousands of AUD	Note	2019	2018
			****Restated**
Profit or loss			
CONTINUING OPERATIONS			
Sales revenue	5a	381,730	358,622
Cost of sales	5c	(219,015)	(204,553)
Gross profit		162,715	154,069
Other income	5b	2,014	383
Selling expenses		(52,001)	(44,652)
Administrative expenses		(35,325)	(33,295)
Other expenses	5d	(22)	(263)
Operating profit (excluding transaction & integration costs)		77,381	76,242
Transaction & integration costs on business combination***	3	(8,737)	–
Operating profit		68,644	76,242
Finance income		414	374
Finance expenses		(4,175)	(5,187)
Net financing costs	5f	(3,761)	(4,813)
Profit before tax		64,883	71,429
Income tax expense	6	(20,723)	(21,290)
Profit from continuing operations		44,160	50,139
DISCONTINUED OPERATIONS*			
Profit from discontinued operations, net of income tax	4	50,802	4,113
Profit for the period		94,962	54,252
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		(1,488)	(168)
Cashflow hedges, net of tax		(3,086)	5,020
Other comprehensive income, net of tax		(4,574)	4,852
Total comprehensive income for the period		90,388	59,104
EARNINGS PER SHARE (CENTS)			
Total			
– Basic	7	36.0	20.6
– Diluted	7	35.8	20.4
Continuing operations (excluding transaction & integration costs)			
– Basic	7	19.6	19.0
– Diluted	7	19.5	18.9
Continuing operations			
– Basic	7	16.7	19.0
– Diluted	7	16.6	18.9

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

* The Door & Access Systems' business was sold with an effective date of 3 July 2018 and is classified as a discontinued operation, including for comparative purposes, in the above statement. Refer to Note 4 for further information regarding discontinued operations.

** Refer to Note 1(c) for information on the impact of the adoption of AASB 15 Revenue from Contracts with Customers, including restatement of comparatives.

*** Transaction costs are a form of 'other expenses' however disclosed separately due to their significance.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

In thousands of AUD	**Note**	**2019**	**2018**
			****Restated**
CURRENT ASSETS			
Cash and cash equivalents	8a	39,637	27,860
Trade and other receivables	9	71,057	61,476
Inventories	10	76,846	70,029
Derivative financial instruments	19	1,656	4,777
Other		4,178	2,413
Assets classified as held for sale*	4	–	61,912
Total current assets		193,374	228,467
NON-CURRENT ASSETS			
Deferred tax assets	11	13,224	10,175
Property, plant and equipment	12	21,951	14,906
Intangible assets	13	402,699	286,808
Other		71	297
Total non-current assets		437,945	312,186
Total assets		631,319	540,653
CURRENT LIABILITIES			
Trade and other payables	14	55,456	46,044
Employee benefits	15	5,786	4,371
Income tax payable	6	947	6,532
Provisions	16	7,839	6,348
Derivative financial instruments	19	1,448	156
Liabilities classified as held for sale*	4	–	12,025
Total current liabilities		71,476	75,476
NON-CURRENT LIABILITIES			
Trade and other payables	14	3,413	718
Loans and borrowings	17	177,759	125,000
Employee benefits	15	3,884	4,427
Provisions	16	994	1,631
Total non-current liabilities		186,050	131,776
Total liabilities		257,526	207,252
Net assets		373,793	333,401
EQUITY			
Issued capital	18	307,790	307,790
Reserves	18	(1,289)	4,451
Retained earnings		67,292	21,160
Total equity		373,793	333,401

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

* The Door & Access Systems' business was sold with an effective date of 3 July 2018 and is classified as a discontinued operation. The assets and liabilities associated with the Door & Access Systems' business are classified as held for sale as at 30 June 2018. Refer to Note 4 for further information regarding discontinued operations.

** Refer to Note 1(c) for information on the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, including restatement of comparatives.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June			
In thousands of AUD	**Note**	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		424,661	496,179
Payments to suppliers and employees		(342,498)	(428,712)
Cash generated from operations		82,163	67,467
Interest and facility fees paid		(3,357)	(5,019)
Interest received		225	374
Income taxes paid		(22,853)	(23,664)
Net cash from operating activities		56,178	39,158
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		210	7
Acquisition of property, plant and equipment		(3,137)	(11,270)
Acquisition of intangible assets		(1,399)	(1,205)
Proceeds from business disposal, net of transaction costs	4b	98,883	(750)
Acquisition of subsidiary, net of cash acquired	3	(108,671)	–
Net cash used in investing activities		(14,114)	(13,218)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		193,759	26,000
Repayment of borrowings		(177,275)	(13,000)
Dividends paid	18	(48,830)	(46,191)
Capital return to holders of LTI grants		–	(48)
Net cash from/(used in) financing activities		(32,346)	(33,239)
Net (decrease)/increase in cash and cash equivalents		9,718	(7,299)
Cash and cash equivalents at the beginning of the year*		29,070	36,360
Effect of exchange rate changes		849	9
Cash within assets held for sale		–	(1,210)
Cash and cash equivalents at 30 June		39,637	27,860

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

The Door & Access Systems' business was sold with an effective date of 3 July 2018 and is classified as a discontinued operation. The above cash flows are inclusive of discontinued operations. Refer to Note 4 for further information regarding discontinued operations including summarised cash flow information.

* Including cash within assets held for sale as at 30 June 2018 which was disposed of within 'Proceeds from business disposal, net of transaction costs'.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

In thousands of AUD	**Share capital**	**Translation reserve**	**Hedging reserve**	**Equity compensation reserve**	**Retained earnings**	**Total**
Balance as at 1 July 2018	307,790	(1,161)	3,235	2,377	21,160	333,401
Total comprehensive income for the period						
Profit for the period	–	–	–	–	94,962	94,962
Other comprehensive income						
Exchange differences on translation of foreign subsidiaries, net of tax	–	(1,488)	–	–	–	(1,488)
Cash flow hedges, net of tax	–	–	(3,086)	–	–	(3,086)
Total other comprehensive income	–	(1,488)	(3,086)	–	–	(4,574)
Total comprehensive income	–	(1,488)	(3,086)	–	94,962	90,388
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	–	–	–	(1,166)	–	(1,166)
Dividends paid	–	–	–	–	(48,830)	(48,830)
Total transactions with owners	–	–	–	(1,166)	(48,830)	(49,996)
Balance at 30 June 2019	307,790	(2,649)	149	1,211	67,292	373,793

For the year ended 30 June 2018

In thousands of AUD	**Share capital**	**Translation reserve**	**Hedging reserve**	**Equity compensation reserve**	**Retained earnings**	**Total**
Balance at 1 July 2017	307,838	(993)	(1,785)	2,444	13,099	320,603
Total comprehensive income for the period						
Profit for the period	–	–	–	–	54,252	54,252
Other comprehensive income						
Exchange differences on translation of foreign subsidiaries, net of tax	–	(168)	–	–	–	(168)
Cash flow hedges, net of tax	–	–	5,020	–	–	5,020
Total other comprehensive income	–	(168)	5,020	–	–	4,852
Total comprehensive income	–	(168)	5,020	–	54,252	59,104
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	(48)	–	–	(67)	–	(115)
Dividends paid	–	–	–	–	(46,191)	(46,191)
Total transactions with owners	(48)	–	–	(67)	(46,191)	(46,306)
Balance at 30 June 2018	307,790	(1,161)	3,235	2,377	21,160	333,401

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I: OVERVIEW

1. SIGNIFICANT ACCOUNTING POLICIES

GWA Group Limited (the 'Company') is a for-profit company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2019 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The principal activities during the year of the consolidated entity were the research, design, manufacture, import, and marketing of building fixtures and fittings to residential and commercial premises and the distribution of these various products through a range of distribution channels in Australia, New Zealand and selected international markets.

The financial report was authorised for issue by the directors on 19 August 2019.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASB') 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 ('IFRS') 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 financial report is prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial report and Directors' Report have been rounded 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. 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 3 – valuation of identifiable assets and liabilities of businesses acquired
- Note 13 – measurement of the recoverable amounts of intangible assets
- Note 19 – valuation of financial instruments

The accounting policies set out in this consolidated financial report have been applied consistently to all periods presented. The accounting policies have been applied consistently by all entities in the consolidated entity. The entity has elected not to early adopt any accounting standards or amendments.

Certain comparative information included in note disclosures have been amended in these financial statements to conform to the current year presentation.

(c) Changes in accounting policies, disclosures, standards and interpretations

(i) Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted by the consolidated entity for the first time for the year ended 30 June 2019:

- *AASB 9 Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets and financial liabilities, and replaces AASB 139 *Financial Instruments: Recognition and Measurement*. On adoption, there were no material changes to the classification or measurement of financial instruments, and no opening balance adjustments were required.

The consolidated entity has adopted the general hedge accounting model which ensures hedge accounting relationships are aligned with risk management objectives and strategy, and applies a more qualitative and forward-looking approach to assessing hedge effectiveness.

AASB 9 introduces an expected credit loss (ECL) model for impairment of financial assets. The consolidated entity has applied a simplified approach in calculating ECLs. Refer to Note 9.

- *AASB 15 Revenue from Contracts with Customers*

The full retrospective transition method has been applied in adopting AASB 15 and no practical expedients were made on transition. The measurement and recognition impact of this standard is currently limited to accounting for estimated future stock returns.

This has led to a decrease in sales revenue and cost of sales (no impact to gross profit), and increases in inventories, trade and other receivables, and trade and other payables reported in the prior period. This is due to the period end stock return provision under AASB 15 being accounted for on a gross basis in the Income Statement (previously accounted for on a net basis within sales revenue) and recorded within trade and other payables (previously within trade and other receivables).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I: OVERVIEW CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Changes in accounting policies, disclosures, standards and interpretations continued

The impact accounted for in the consolidated financial report is a $0.7m decrease to sales revenue and cost of sales for the 30 June 2018 Income Statement, and increases in inventories ($1.9m), trade and other receivables ($2.8m), and trade and other payables ($4.7m) for the 30 June 2018 Balance Sheet.

Refer to Note 5 for the consolidated entity's revised revenue accounting policy.

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and; Measurement of Share-based Payment Transactions; and
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration.

The initial adoption of the above Standards and Interpretations have not had a material impact on the amounts reported, or disclosures made, in the consolidated financial report.

(ii) Standards and Interpretations issued but not yet effective

At the date of authorisation of the consolidated financial statements, the following Standards and Interpretations were issued but not yet effective.

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the period ending
AASB 16 Leases	1 January 2019	30 June 2020
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	30 June 2020

The consolidated entity is assessing the potential impact of the above standards and interpretations issued but not yet effective on its consolidated financial statements.

AASB 16 will be first applicable for the year commencing 1 July 2019. The impact of this standard will be material to the results and balances of the consolidated entity with the recognition of 'right of use' assets and lease liabilities, and corresponding depreciation and interest expense for the majority of operating leases.

The consolidated entity will initially apply the new standard using the full retrospective approach, which requires restatement of comparative information (e.g. 30 June 2019 results and balances in the 30 June 2020 financial statements), including an adjustment to opening retained earnings. The consolidated entity is in the final stages of its assessment determining the impact on its consolidated financial statements, and estimates the impact to be approximately as follows:

Statement of Financial Position as at 30 June 2019	AUD 'm
Right of use assets	47.9 – 50.3
Liabilities (lease liabilities, payables & make good provisions)	(53.9) – (56.6)
Deferred tax asset	1.6 – 2.0
Retained earnings	4.1 – 4.5
Income Statement for the year ending 30 June 2019	**AUD 'm**
EBITDA	10.4 – 10.9
EBIT	0.7 – 0.9
Profit/(loss) before tax	(1.1) – (1.4)

Adjustments are also required for any prepayment or accrued lease payments recognised in the financial position prior to adoption. Operating cash flows will increase and financing cash flows will decrease as the principle portion of the lease liabilities will be classified as financing cash flows.

Included within non-cancellable operating lease commitments (refer note 23) are low value leases (less than AUD5,000) and the consolidated entity will adopt the practical expedient to recognise these leases on a straight-line basis as an expense in the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I: OVERVIEW CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(d) Basis of consolidation

(i) Business combinations

The consolidated entity accounts for business combinations using the acquisition method when control is transferred to the consolidated entity. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the business combination date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. Transaction costs are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. The consolidated entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results and balances of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and unrealised income and expense arising from intra-group transactions, are eliminated.

(e) 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 date the fair value was determined.

(ii) Financial statements of foreign operations

The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.

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. Foreign exchange differences arising on retranslation at balance date are recognised in other comprehensive income, and presented in the foreign currency translation reserve (FCTR) in equity. Hedge instrument movements of a hedge of a net investment in a foreign operation is also recognised in the FCTR to the extent the hedge is effective.

When a foreign operation is disposed such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(f) Current vs non-current classification

The consolidated entity presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised within twelve months after the reporting period;
- Held primarily for trading; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is due to be settled within twelve months after the reporting period;
- Held primarily for trading; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR

2. OPERATING SEGMENTS

The consolidated entity has two continuing reportable segments for the year ended 30 June 2019; Bathrooms & Kitchens and Methven. The Bathrooms & Kitchens segment includes the sale of vitreous china toilet suites, basins, plastic cisterns, tapware, baths, kitchen sinks, laundry tubs and bathroom accessories. The Methven segment includes the sale of showerware, tapware and domestic water control valves. The CEO reviews internal management reports on a monthly basis.

Information regarding the results of the reportable segments are included below. Performance is measured based on segment profit before interest and income tax ('EBIT') 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 segment relative to other entities that operate in these industries.

Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, transaction and integration costs, loans and borrowings, treasury financial instruments and income tax assets and liabilities.

Discontinued operations include the Door & Access Systems' business that was sold with an effective date of 3 July 2018. Refer to Note 4 for further information regarding discontinued operations.

In thousands of AUD	**Bathrooms & Kitchens**		**Methven**		**Discontinued**		**Total**	
For the year ended 30 June	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sales revenue	358,658	358,622	23,072	–	–	93,890	381,730	452,512
Segment EBIT before gain on sale	90,220	89,802	972	–	–	8,176	91,192	97,978
Gain on sale*	–	–	–	–	50,060	(1,860)	50,060	(1,860)
Segment EBIT	90,220	89,802	972	–	50,060	6,316	141,252	96,118
Depreciation	3,185	2,033	403	–	–	825	3,588	2,858
Amortisation	–	–	156	–	–	304	156	304
Capital expenditure	1,874	9,577	995	–	–	1,143	2,869	10,720
As at	**30 June 2019**	**30 June 2018**	**30 June 2019**	**30 June 2018**	**30 June 2019**	**30 June 2018**	**30 June 2019**	**30 June 2018**
Reportable segment assets	412,426	430,765	159,157	–	–	57,612	571,583	488,377
Reportable segment liabilities	41,379	46,758	21,416	–	–	12,025	62,795	58,783

* Gain on sale of discontinued operations excluding tax benefit. Refer to Note 4 for further information regarding the gain on sale of discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

2. OPERATING SEGMENTS CONTINUED

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

In thousands of AUD	**2019**	**2018**
Revenues		
Total revenue for reportable segments	381,730	452,512
Elimination of discontinued operations	–	(93,890)
Consolidated revenue	381,730	358,622
Profit		
Total EBIT for reportable segments	141,252	96,118
Elimination of discontinued operations	(50,060)	(6,316)
Unallocated amounts: corporate expenses	(13,811)	(13,560)
EBIT from operating activities	77,381	76,242
Transaction & integration costs on business combination**	(8,737)	–
Net financing costs	(3,761)	(4,813)
Consolidated profit before tax	64,883	71,429
Assets		
Total assets for reportable segments	571,583	488,377
Unallocated amounts: corporate assets*	59,736	52,276
Consolidated total assets	631,319	540,653
Liabilities		
Total liabilities for reportable segments	62,795	58,783
Unallocated amounts: corporate liabilities**	194,731	148,469
Consolidated total liabilities	257,526	207,252
Reconciliations of other material items		
Depreciation		
Total depreciation for reportable segments	3,588	2,858
Elimination of discontinued operations	–	(825)
Unallocated amounts: depreciation on corporate assets	146	379
Consolidated depreciation – continuing operations	3,734	2,412
Amortisation		
Total amortisation for reportable segments	156	304
Elimination of discontinued operations	–	(304)
Unallocated amounts: amortisation on corporate assets	1,068	1,517
Consolidated amortisation – continuing operations	1,224	1,517
Capital expenditure		
Total capital expenditure for reportable segments	2,869	10,720
Elimination of discontinued operations	–	(1,143)
Unallocated amounts: corporate capital expenditure	1,457	1,748
Consolidated capital expenditure – continuing operations	4,326	11,325

* Corporate assets include cash and cash equivalents, tax assets and treasury financial instruments at fair value.

** Corporate liabilities include loans and borrowings, tax liabilities and treasury financial instruments at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

2. OPERATING SEGMENTS CONTINUED

Geographical information

	Australia		New Zealand		Other		Consolidated	
In thousands of AUD	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
External sales revenue	342,406	429,230	31,401	23,941	7,923	–	381,730	453,171
Non-current assets*	340,058	301,159	74,246	852	10,417	–	424,721	302,011

* Non-current assets exclude financial instruments and deferred tax assets.

The revenue information above is based on the geographical location of customers. Non-current assets are based on the geographical location of the assets.

Major customers
The consolidated entity conducts business with four customers (2018: three) where the net revenue generated from each customer exceeds 10% of the consolidated entity's net revenue. Net revenue from these customers was:

In thousands of AUD	**2019**	**2018**
Customer in all segments	79,370	75,874
Customer in all segments	65,136	65,654
Customer in all segments*	48,122	42,911
Customer in all segments**	45,183	65,194

* Customer over 10% threshold in 2019 but not in 2018. Comparative added for information purposes.

** 2018 consolidated net revenue was $65,194,000. Of which, $45,182,000 was from continuing operations and $20,012,000 from discontinued operations (Door & Access Systems). 2019 consolidated net revenue is from continuing operations only.

3. BUSINESS COMBINATION

On 10 April 2019, the consolidated entity acquired 100% of the share capital of Methven Limited.

The acquisition provides a number of strategic benefits, strengthening the consolidated entities' position in bathroom and kitchen fixtures across Australia and New Zealand, provides a platform for international growth, and opportunity to realise product, freight, logistics, and public company cost savings.

The provisional amount of goodwill recognised of $48,963,000 comprises the value of synergies to be achieved as a result of combining Methven Limited and its subsidiaries ('Methven') with the rest of the consolidated entity, as well as intangible assets that do not qualify for separate recognition. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of the identifiable assets and liabilities of Methven as at the date of the acquisition recognised in the financial statements for the year ended 30 June 2019, as disclosed on the following page, have been determined on a provisional basis only due to the timing of the acquisition. As such, goodwill has not yet been allocated to cash-generating units (CGU's) or group of CGU's.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

3. BUSINESS COMBINATION CONTINUED

In thousands of AUD	**10 April 2019**
Cash and cash equivalents	3,762
Trade and other receivables	14,518
Inventories	21,955
Other assets	1,867
Deferred tax assets	4,178
Property, plant and equipment	7,453
Intangible assets	68,336
Trade and other payables	(16,995)
Employee benefits	(1,636)
Income tax payable	(226)
Loans and borrowings	(36,275)
Provisions	(3,296)
Derivative financial instruments	(171)
Fair value of identifiable net assets – provisional	63,470
Goodwill arising on acquisition – provisional	48,963
	112,433
Cash paid	112,433
Acquisition date fair value of consideration transferred	112,433
Direct costs relating to the acquisition	5,843
Integration costs	2,894
Transaction and integration costs on business combination	8,737
Cash acquired on acquisition	3,762
Cash paid	(112,433)
Net consolidated cash outflow	(108,671)

The fair value of the acquired receivables amounts to $14,518,000. The gross contractual amount receivable was $14,551,000, however only the fair value amount is expected to be collected.

Various valuation techniques were used to determine fair value of the identifiable assets and liability of Methven. The relief-from-royalty method was used to value identifiable intangibles.

For the period 10 April 2019 to 30 June 2019, Methven contributed the following amounts to the consolidated entities' results:

In thousands of AUD	
Sales revenue	23,072
(Loss) after tax – including integration costs	(425)
Profit after tax – excluding integration costs	201

If the acquisition had occurred on 1 July 2018, the results of the continuing operations of the consolidated entity would have been approximately:

In thousands of AUD	
Sales revenue	453,790
Profit after tax – including transaction & integration costs	43,750
Profit after tax – excluding transaction & integration costs	55,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

4. 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 profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the period.

The Door & Access Systems' business (comprising of Gainsborough Hardware Industries Limited and API Services and Solutions Pty Ltd) has been sold with an effective date of 3 July 2018, and was classified as held for sale at 30 June 2018.

(a) Results of discontinued operations

In thousands of AUD

For the year ended 30 June	**2019**	**2018**
Revenue	–	93,890
Expenses	–	(85,714)
Profit before tax from operating activities	–	8,176
Tax expense on operating activities	–	(2,391)
Profit from operating activities	–	5,785
Gain on sale of discontinued operations*	50,802	(1,672)
Profit	50,802	4,113
Basic earnings per share (cents per share)	19.2	1.6
Diluted earnings per share (cents per share)	19.2	1.5

* Gain on sale of discontinued operations calculated as follows:

For the year ended 30 June 2019		
Consideration proceeds	105,370	
Net assets and liabilities	(50,595)	
Disposal costs	(4,715)	
Tax benefit on disposal costs	742	
	50,802	
For the year ended 30 June 2018		
Disposal costs	(1,860)	
Tax benefit on disposal costs	188	
	(1,672)	
Total gain on sale of discontinued operations	49,130	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

(b) Cash flows from discontinued operations

In thousands of AUD **For the year ended 30 June**	**2019**	**2018**
Net cash from operating activities	–	12,343
Net cash from/(used in) investing activities*	98,883	(1,889)
Net cash from discontinued operations	98,883	10,454

* Including net cash inflow from disposal of discontinued operations:		
Consideration proceeds	105,370	–
Cash and cash equivalents disposed of	(1,210)	–
	104,160	–
Disposal costs cash flows	(5,277)	(1,889)
Proceeds from business disposal, net of transaction costs	98,883	(1,889)

(c) Effect on the financial position of the consolidated entity

The financial position of the discontinued operation is stated at fair value less costs to sell, and comprised the following assets and liabilities at 30 June 2018. No impairment losses were required to be recognised.

In thousands of AUD	**As at 30 June 2018**
Cash	1,210
Trade and other receivables	10,027
Inventories	17,106
Other assets	136
Property, plant and equipment	3,530
Intangible assets	26,803
Net deferred tax assets	3,100
Assets classified as held for sale	61,912
Trade and other payables	(6,380)
Employee benefits	(4,625)
Provisions	(1,020)
Liabilities classified as held for sale	(12,025)

5. INCOME AND EXPENSES

(a) Sales revenue

In thousands of AUD	**2019**	**2018**
Sales revenue	381,730	358,622
	381,730	358,622

Sales revenue is recognised on the satisfaction of each performance obligation the consolidated entity has with its customers, and is measured based on an allocation of the contract's transaction price. The consolidated entity's key performance obligation is the delivery of goods to its customers. Key components of the transaction price include the price for the goods, along with retrospective rebates and stock return estimates.

Refer to Note 2 geographical segments for disaggregated revenue information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

5. INCOME AND EXPENSES CONTINUED

(b) Other income

In thousands of AUD	**2019**	**2018**
Foreign currency gains	106	185
Other – transitional services income, scrap income, royalties	1,908	198
	2,014	383

(c) Cost of sales

In thousands of AUD	**2019**	**2018**
Cost of sales	219,015	204,553
	219,015	204,553

Cost of sales comprises the cost of manufacturing and purchase of goods including supply chain costs such as freight and warehousing.

(d) Other expenses

In thousands of AUD	**2019**	**2018**
Foreign currency losses	22	253
Other	–	10
	22	263

(e) Personnel expenses

In thousands of AUD	**2019**	**2018**
Wages and salaries – including superannuation contributions, annual leave and long service leave	60,912	61,714
Equity-settled share-based payment transactions	1,113	474
	62,025	62,188

Superannuation

Defined contribution superannuation funds
The consolidated entity makes contributions to 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.

The amount recognised as an expense was $3,738,000 for the financial year ended 30 June 2019 (2018: $3,725,000) for continuing operations.

(f) Net financing costs

In thousands of AUD	**2019**	**2018**
Finance income	414	374
Finance expense		
Interest expense on financial liabilities	3,572	4,523
Interest expense on swaps	331	348
Fees on financial liabilities including amortisation	272	316
	4,175	5,187
Net financing costs	3,761	4,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

5. INCOME AND EXPENSES CONTINUED

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 unless they relate to qualifying assets. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

6. INCOME TAX EXPENSES

Recognised in profit or loss

In thousands of AUD	**2019**	**2018**
Current tax expense/(benefit) from continuing operations		
Current year	18,310	20,743
Adjustments for prior years	(81)	(74)
	18,229	20,669
Deferred tax expense/(benefit) from continuing operations		
Origination and reversal of temporary differences	2,494	621
Tax expense from continuing operations	20,723	21,290
Tax expense/(benefit) from discontinued operations	(742)	2,203
Total tax expense for the consolidated entity	19,981	23,493

Numerical reconciliation between tax expense and pre-tax profit

In thousands of AUD		
Profit from continuing operations before tax	64,883	71,429
Profit from discontinued operations before tax	50,060	6,316
Profit before tax for the consolidated entity	114,943	77,745
Tax expense using the domestic rate of 30% (2018: 30%)	34,483	23,324
Tax expense/(benefit) due to:		
Non-deductible expenses	184	147
Effect of tax rate in foreign jurisdictions	(23)	(40)
Non-deductible transaction & integration costs on business combination	1,454	–
Non-assessable accounting gain on disposal of discontinued operations on capital account (2018: non-deductible disposal costs)	(15,760)	370
Rebateable research and development	(158)	(200)
Other items	(118)	(12)
	20,062	23,589
(Over)/under provided in prior years	(81)	(96)
Income tax expense on pre-tax profit for the consolidated entity	19,981	23,493

Deferred tax recognised directly in equity

In thousands of AUD		
Cash flow hedges	(1,320)	2,151
Share buy-back and capital return costs	25	25
	(1,295)	2,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

6. INCOME TAX EXPENSES CONTINUED

Income tax

Tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the consolidated entity takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The consolidated entity believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the consolidated entity to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is GWA Group Limited.

The current tax liability for the consolidated entity represents the amount of income taxes payable. In accordance with tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the members in the tax-consolidated group.

In thousands of AUD	**30 June 2019**	**30 June 2018**
Current tax liability	947	6,532

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 statement of financial position.

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

SECTION II: RESULTS FOR THE YEAR CONTINUED

7. EARNINGS PER SHARE

In cents	2019	2018
Total		
– Basic	36.0	20.6
– Diluted	35.8	20.4
Continuing operations		
– Basic	16.7	19.0
– Diluted	16.6	18.9
- Basic (excluding transaction & integration costs)	19.6	19.0
- Diluted (excluding transaction & integration costs)	19.5	18.9
Discontinued operations		
– Basic	19.2	1.6
– Diluted	19.2	1.5

Basic earnings per share (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.

The calculation of basic and diluted EPS has been based on the following profit attributable to ordinary shareholders.

Profit attributable to ordinary shareholders – basic and diluted

In thousands of AUD	2019	2018
Continuing operations		
Profit before transaction & integration costs	51,757	50,139
Net transaction & integration costs	(7,597)	–
Profit for the year from continuing operations	44,160	50,139
Profit for the year from discontinued operations	50,802	4,113
Profit for the year	94,962	54,252

The calculation of basic earnings per share has been based on the following weighted average number of shares outstanding.

Weighted average number of ordinary shares (basic)

In thousands of AUD	2019	2018
Issued ordinary shares at 1 July	263,948	263,948
Weighted average number of ordinary shares	263,948	263,948

The calculation of diluted earnings per share has been based on the following weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

Weighted average number of ordinary shares (diluted)

In thousands of AUD	2019	2018
Weighted average number of ordinary shares (basic)	263,948	263,948
Effect of performance rights on issue	1,319	1,515
Weighted average number of ordinary shares (diluted)	265,267	265,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

8. CASH AND CASH EQUIVALENTS

(a) Balances

In thousands of AUD	**2019**	**2018**
Bank balances	39,637	27,860
Cash and cash equivalents	39,637	27,860

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.

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 19.

(b) Reconciliation of cash flows from operating activities to net profit

In thousands of AUD	**2019**	**2018**
Profit for the year	94,962	54,252
Adjustments for:		
Depreciation	3,734	3,237
Amortisation	1,223	1,821
Share-based payments	(1,624)	(167)
Unrealised foreign exchange loss/(gain)	(36)	135
Loss/(gain) on sale of PP&E and intangible assets	(160)	15
Gain on sale of the Door & Access Systems' business	(50,802)	–
Cash flow hedge movements	4,413	7,172
Other non-cash movements	(3,160)	(1,532)
Changes in assets and liabilities:*		
Decrease/(increase) in trade and other receivables	4,938	(10,418)
Decrease/(increase) in inventories	15,138	(14,816)
Decrease/(increase) in prepayments	328	120
(Decrease)/increase in trade payables and accrued expenses	(4,888)	1,688
Decrease in deferred taxes and (increase) in taxes payable	(4,682)	1,934
(Decrease) in provisions and employee benefits	(3,206)	(4,283)
Net cash flows from operating activities	56,178	39,158

* Including associated assets and liabilities classified as held for sale as at 30 June 2018.

9. TRADE AND OTHER RECEIVABLES

In thousands of AUD	**2019**	**2018**
Net trade receivables	70,151	61,287
Other	906	189
	71,057	61,476

Trade receivables are initially measured at the transaction price determined under AASB 15 (refer to Note 5(a)) and subsequently measured at amortised cost using the effective interest rate (EIR) method and are subject to impairment. Impairment losses are recognised in profit or loss and reflected in an allowance account against trade receivables.

The consolidated entity recognises an allowance for expected credit losses (ECLs) for trade receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at an approximation of the original EIR.

The consolidated entity applies a simplified approach in calculating ECLs. Therefore, the consolidated entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The consolidated entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The consolidated entity's exposure to credit and currency risk and impairment loss related to trade and other receivables are disclosed in Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

10. INVENTORIES

In thousands of AUD	2019	2018
Raw materials and consumables	2,763	–
Work in progress	466	259
Finished goods	73,617	69,770
	76,846	70,029

Inventories are measured at the lower of cost and net realisable value.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The future estimated recoverability of inventory was determined with consideration of excess inventory volumes (i.e. ageing analysis), discontinued product lines and risk weightings applied by management with reference to their assessment of recovery rates.

11. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2019	2018	2019	2018	2019	2018
Property, plant and equipment	1,028	–	(924)	(311)	104	(311)
Intangible assets	732	752	(777)	–	(45)	752
Inventories	3,522	2,763	–	–	3,522	2,763
Employee benefits	2,934	2,638	–	–	2,934	2,638
Provisions	2,860	3,229	–	–	2,860	3,229
Other items	3,849	2,483	–	(1,379)	3,849	1,104
Tax assets/(liabilities)	14,925	11,865	(1,701)	(1,690)	13,224	10,175
Set off of tax	(1,701)	(1,690)	1,701	1,690	–	–
Net tax assets/(liabilities)	13,224	10,175	–	–	13,224	10,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

11. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

Movement in temporary differences during the year

In thousands of AUD	**Balance 1 July 18**	**Recognised in income**	**Recognised in equity**	**Exchange differences**	**Acquisition of subsidiary**	**Balance 30 June 19**
Property, plant & equipment	(311)	(626)	–	(5)	1,046	104
Intangible assets	752	(21)	–	2	(778)	(45)
Inventories	2,763	(1,430)	–	(5)	2,194	3,522
Employee benefits	2,638	(184)	–	(1)	481	2,934
Provisions	3,229	(1,434)	–	(1)	1,066	2,860
Other items	1,104	1,201	1,295	80	169	3,849
	10,175	(2,494)	1,295	70	4,178	13,224

In thousands of AUD	**Balance 1 July 17**	**Recognised in income**	**Recognised in equity**	**Reclassified to assets classified Held for Sale**	**Balance 30 June 18**
Property, plant & equipment	(15)	(348)	–	52	(311)
Intangible assets	1,103	(107)	–	(244)	752
Inventories	3,893	31	–	(1,161)	2,763
Employee benefits	4,152	(126)	–	(1,388)	2,638
Provisions	4,452	(917)	–	(306)	3,229
Other items	2,438	895	(2,176)	(53)	1,104
	16,023	(572)	(2,176)	(3,100)	10,175

Unrecognised deferred tax assets

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

In thousands of AUD	**2019**	**2018**
Capital losses	15,203	71,337
Revenue losses from foreign jurisdictions	–	275

The deductible capital losses accumulated at balance date do not expire under current tax legislation.

Refer to Note 6 for the consolidated entity's accounting policy on deferred tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

12. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Plant and equipment	Work in progress	Total
Cost			
Balance at 1 July 2018	39,712	961	40,673
Additions	2,614	504	3,118
Acquisition of controlled entities	5,797	1,656	7,453
Disposals	(680)	–	(680)
Transfers	828	(828)	–
Exchange rate movements	187	49	236
Balance at 30 June 2019	48,458	2,342	50,800
Balance at 1 July 2017	43,080	2,281	45,361
Additions	9,849	1,421	11,270
Transferred to assets classified as held for sale	(11,148)	(1,024)	(12,172)
Disposals	(3,756)	–	(3,756)
Transfers	1,717	(1,717)	–
Exchange rate movements	(30)	–	(30)
Balance at 30 June 2018	39,712	961	40,673
Depreciation and impairment losses			
Balance at 1 July 2018	(25,767)	–	(25,767)
Depreciation	(3,734)	–	(3,734)
Disposals	680	–	680
Exchange rate movements	(28)	–	(28)
Balance at 30 June 2019	(28,849)	–	(28,849)
Balance at 1 July 2017	(34,868)	–	(34,868)
Depreciation	(3,237)	–	(3,237)
Transferred to assets classified as held for sale	8,642	–	8,642
Disposals	3,685	–	3,685
Exchange rate movements	11	–	11
Balance at 30 June 2018	(25,767)	–	(25,767)
Carrying amounts			
As at 30 June 2019	19,609	2,342	21,951
As at 30 June 2018	13,945	961	14,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Recognition and measurement
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 where 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.

When 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.

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.

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.

Depreciation
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. The estimated useful lives in the current and comparative periods are as follows:

- plant and equipment 3-15 years

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

Impairment
The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of property, plant and equipment is the higher of 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, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Impairment losses are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

13. INTANGIBLE ASSETS

In thousands of AUD	Software	Brand names	Trade names, designs, patents and customer relationships	Goodwill	Total
Cost					
Balance at 1 July 2018	30,202	284,181	–	–	314,383
Acquisition of controlled entities	474	63,208	4,654	48,963	117,299
Additions	950	–	478	–	1,428
Disposals	–	–	(50)	–	(50)
Exchange rate movements	(8)	(421)	(75)	(1,109)	(1,613)
Balance at 30 June 2019	31,618	346,968	5,007	47,854	431,447
Balance at 1 July 2017	29,642	302,800	5,580	6,006	344,028
Additions	1,205	–	–	–	1,205
Transferred to assets classified as held for sale	–	(18,602)	(5,580)	(6,006)	(30,188)
Disposals	(645)	–	–	–	(645)
Transfers					–
Exchange rate movements	–	(17)	–	–	(17)
Balance at 30 June 2018	30,202	284,181	–	–	314,383
Amortisation and impairment losses					
Balance at 1 July 2018	(27,575)	–	–	–	(27,575)
Amortisation	(1,224)	–	–	–	(1,224)
Disposals	–	–	–	–	–
Exchange rate movements	51	–	–	–	51
Balance at 30 June 2019	(28,748)	–	–	–	(28,748)
Balance at 1 July 2017	(26,706)	–	(3,080)	–	(29,786)
Amortisation	(1,516)	–	(305)	–	(1,821)
Transferred to assets classified as held for sale	–	–	3,385	–	3,385
Disposals	647	–	–	–	647
Balance at 30 June 2018	(27,575)	–	–	–	(27,575)
Carrying amounts					
As at 30 June 2019	2,870	346,968	5,007	47,854	402,699
As at 30 June 2018	2,627	284,181	–	–	286,808

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Goodwill acquired in business combinations is initially measured at cost being the excess of the cost of the business combination over the consolidated entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

13. INTANGIBLE ASSETS CONTINUED

Recognition and measurement continued

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss as incurred. Expenditure incurred in developing, maintaining or enhancing brand names is recognised in the Income Statement in the year in which it is incurred.

Amortisation

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. 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:

- goodwill indefinite
- brand names indefinite
- software 3-5 years
- trade names 10-20 years
- designs 15 years
- patents 3-19 years (based on patent term)
- customer relationships 8 years

Brand names are not amortised as the directors believe that they have an indefinite useful life.

Impairment

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with an indefinite useful life are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value is impaired.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its own value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU's. Subject to an operating segment ceiling test, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGU's that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGU's), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGU's) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

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

In thousands of AUD	**2019**	**2018**
Bathroom and Kitchens	284,199	284,181
Unallocated	110,623	–
	394,822	284,181

Refer to Note 3 for further information on unallocated goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

13. INTANGIBLE ASSETS CONTINUED

Impairment testing for brand names

The recoverable amounts of Bathrooms & Kitchens' brand names were assessed as at 30 June 2019 based on internal value in use calculations and no impairment was identified (2018: nil).

Value in use was determined by discounting the future cash flows to be generated from the continuing use of the business unit and to which the brand 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 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 2.6% (2018: 2.5%) in calculating the terminal value, which does not exceed the long-term average growth rate for the industry.
- A pre-tax discount rate of 12.8% was used (2018: 12.8%).

The key assumptions relate to dwelling completions, economic activity and market share. The values assigned to the key assumptions represent management's assessment of future trends in the Bathrooms & Kitchens industry and are based on both external sources and internal sources (historical data).

The recoverable amount of the cash generating units exceeds their carrying values at 30 June 2019 and there are no reasonably possible changes in any of the key assumptions that would cause the cash generating units' carrying amounts to exceed their recoverable amount.

14. TRADE AND OTHER PAYABLES

In thousands of AUD	**2019**	**2018**
Current		
Trade payables and accrued expenses	55,456	46,044
Non-current		
Trade payables and accrued expenses	3,413	718

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

The consolidated entity's exposure to currency risk and liquidity risk related to trade and other payables are disclosed in Note 19.

15. EMPLOYEE BENEFITS

In thousands of AUD	**2019**	**2018**
Current		
Liability for annual leave	4,837	3,265
Liability for long service leave	949	1,106
	5,786	4,371
Non-current		
Liability for long service leave	3,884	4,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

15. EMPLOYEE BENEFITS CONTINUED

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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 benefit 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 using market yields at the reporting date on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

16. PROVISIONS

In thousands of AUD	**Warranties**	**Restructuring**	**Site restoration**	**Other**	**Total**
Balance at 1 July 2018	2,018	3,984	1,341	636	7,979
Acquisition of controlled entities	2,495	–	801	–	3,296
Additional provisions made/(written back)	(121)	–	136	–	15
Provisions used	–	(2,291)	–	(148)	(2,439)
Exchange rate differences	(9)	–	(9)	–	(18)
Balance at 30 June 2019	4,383	1,693	2,269	488	8,833
Current	4,383	1,693	1,637	126	7,839
Non-current	–	–	632	362	994
	4,383	1,693	2,269	488	8,833

Recognition and Measurement

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.

Warranties

The provision for warranties relates to future warranty expense on products sold during the current and previous financial years. A provision for warranties is recognised when the underlying products or services are sold. The provision is based on estimates made from historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Restructuring

The restructuring provision relates to the estimated costs of redundancies, site closures and product rationalisation related to business 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.

Site restoration

A provision for restoration in respect of owned and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT

17. LOANS AND BORROWINGS

This note provides information about the contractual terms of the consolidated entity's 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, refer to note 19.

Non-current liabilities

In thousands of AUD	**2019**	**2018**
Unsecured cash advance facilities	177,759	125,000

Financing facilities		
Facilities available		
Unsecured cash advance facilities	250,000	225,000
Bank guarantees and standby letters of credit	7,418	9,000
	257,418	234,000
Facilities utilised at reporting date		
Unsecured cash advance facilities	177,759	125,000
Bank guarantees and standby letters of credit	3,808	1,799
	181,567	126,799
Facilities not utilised at reporting date		
Unsecured cash advance facilities	72,241	100,000
Bank guarantees and standby letters of credit	3,610	7,201
	75,851	107,201

Recognition and Measurement

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 using the effective interest rate (EIR) method. The EIR amortisation is included as finance costs in profit or loss.

Unsecured cash advance facility

On 10 April 2019, GWA increased its syndicate banking facility limit by $25,000,000 to $250,000,000. The facility comprises a single revolving facility which matures in October 2020, and was drawn in the following currencies.

In thousands of AUD	**2019**	**2018**
AUD	115,000	125,000
NZD	61,500	–
GBP	2,200	–

The loan bears interest at market rates and interest is typically payable every 30 to 90 days. The consolidated entity partially hedges its exposure to variable interest rates through interest rate swap transactions (refer Note 19d).

Bank guarantee and standby letter of credit facilities

The bank guarantee and standby letter of credit facilities are committed facilities available to be drawn down under the facility agreement. The limits are specified in the facility agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

18. CAPITAL AND RESERVES

Share capital

	Ordinary shares			
	Number of shares		AUD	
In thousands of AUD	**2019**	**2018**	**2019**	**2018**
On issue at 1 July – fully paid	263,948	263,948	307,790	307,838
Capital return to holders of FY15 LTI grant	–	–	–	(48)
On issue at 30 June – fully paid	263,948	263,948	307,790	307,790

Ordinary Shares

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

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

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 performance rights granted (refer Note 20).

Dividends

Dividends recognised in the current year are:

	Costs per share (In cents)	**Total amount** (In thousands of AUD)	**Franked**	**Date of Payment**
2019				
Interim 2019 ordinary	9.0	23,755	100%	5th March 2019
Final 2018 ordinary	9.5	25,075	100%	6th September 2018
Total amount	18.5	48,830		
2018				
Interim 2018 ordinary	8.5	22,436	100%	6th March 2018
Final 2017 ordinary	9.0	23,755	100%	5th September 2017
Total amount	17.5	46,191		

Dividends are recognised as a liability in the period in which they are declared. Franked dividends declared or paid during the year were franked at the tax rate of 30%.

After the balance date the following dividends were approved by the directors. These will be paid out of the parent entity's retained earnings in accordance with the *Corporations Act 2001*. The dividends have not been provided for as at the balance date. The declaration and subsequent payment of the dividend has no income tax consequences

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

18. CAPITAL AND RESERVES CONTINUED

Dividends declared

	Costs per share (In cents)	Total amount (In thousands of AUD)	Franked	Date of Payment
Final 2019 ordinary	9.5	25,075	100%	4th September 2019

The financial effect of these dividends has not been brought to account in the financial statements for the financial year ended 30 June 2019 and will be recognised in subsequent financial reports.

Dividend franking account

	The Company	
In thousands of AUD	**2019**	**2018**
30 per cent franking credits available to shareholders of GWA Group Limited for subsequent financial years (i.e. prior to payment of final 2019 ordinary dividend.)	13,371	16,936

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 above franking account balance will decrease following the payment of the final dividend declared subsequent to balance date.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Policies

Exposure to credit, interest rate and currency risks arise 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 Finance Risk Committee, which is responsible for developing and monitoring risk management policies. The Finance Risk Committee is required to report regularly to the Audit and Risk Committee on its activities.

Risk management policies are established to identify and analyse the risk 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 Audit and Risk 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 Audit and Risk Committee is assisted in its oversight role by the Internal Audit function. The Internal Audit function conducts both regular and ad hoc reviews of risk management controls and procedures. The results of the reviews are reported to the Audit and Risk 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 operating profit (earnings before interest and tax) divided by net assets after adding back net debt.

There were no changes to the Board's approach to capital management during the year.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

(a) Policies continued

Derivative financial instruments continued

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 re-measurement 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.

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.

Hedging

The consolidated entity holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the consolidated entity formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The consolidated entity makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged items. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variation in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period as the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

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.

(b) 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. 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 sound credit ratings, management does not expect any counterparty to fail to meet its obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

(b) Credit risk continued

The consolidated entity has four major customers which comprise 83% of the trade receivables carrying amount at 30 June 2019 (2018: three customers comprising 58% of trade receivables).

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	**2019**	**2018**
Cash and cash equivalents	39,637	27,860
Net trade receivables	70,151	61,287
Other receivables	906	189
	110,694	89,336

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

In thousands of AUD	**2019 Receivables**	**2019 Impairment**	**2018 Receivables**	**2018 Impairment**
Not yet due	67,283	–	49,403	–
Past due 0-30 days	18,545	–	29,224	–
Past due 31-60 days	1,296	(53)	325	–
Past due 61-120 days	109	–	99	–
Past due 120+ days	225	(18)	11	(1)
Less accrued rebates	(17,236)	–	(17,774)	–
	70,222	(71)	61,288	(1)

There were no trade receivables with re-negotiated terms.

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	**2019**	**2018**
Balance at 1 July	(1)	(20)
Acquisition of controlled entities	(33)	–
Impairment losses (recognised)/written back	(62)	3
Provisions used during the year	25	5
Reclassification to assets held for sale	–	11
Balance at 30 June	(71)	(1)

(c) 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

(c) Liquidity risk continued

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**	**0-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**5+ years**
2019							
Non-derivative financial liabilities							
Unsecured cash advance facilities	(177,759)	(185,869)	(3,139)	(3,139)	(179,591)	–	–
Trade and other payables	(58,869)	(59,373)	(58,554)	–	(117)	(351)	(351)
Derivative financial instruments							
Interest rate swaps used for hedging (net)	(1,448)	(1,448)	(293)	(299)	(466)	(390)	–
Forward exchange contracts used for hedging (net)	1,656	1,656	1,408	248	–	–	–
Total at 30 June 2019	(236,420)	(245,034)	(60,578)	(3,190)	(180,174)	(741)	(351)
2018							
Non-derivatives financial liabilities							
Unsecured cash advance facilities	(125,000)	(135,803)	(2,357)	(2,357)	(4,714)	(126,375)	–
Trade and other payables	(42,102)	(42,606)	(41,670)	–	(117)	(351)	(468)
Derivative financial instruments							
Interest rate swaps used for hedging (net)	(156)	(156)	(39)	(40)	(54)	(23)	–
Forward exchange contracts used for hedging (net)	4,777	4,777	3,105	1,672	–	–	–
Total at 30 June 2018	(162,481)	(173,788)	(40,961)	(725)	(4,885)	(126,749)	(468)

(d) 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 in order to manage market risks. All transactions are carried out within the guidelines set by the Finance Risk Committee.

(i) 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 in Australia, New Zealand and the United Kingdom.

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 and New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure.

As at 30 June 2019, the consolidated entity had interest rate swaps in operation with a notional contract amount of $119,117,000 (2018: $50,000,000). These swaps have fixed rates ranging from 1.49% to 2.30% (2018: 2.20% to 2.30%) and mature over the next four years.

The consolidated entity also has a replacement interest rate swap effective in the following financial year with a notional contract amount of $25,000,000. This swap has a fixed rate of 1.37% and matures over the next three years.

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

The net fair value of swaps as at 30 June 2019 of $1,448,000 was recognised as a fair value derivative liability (2018: $156,000 liability). No hedge ineffectiveness was recognised, and therefore the full movement in the value of the hedging instrument was recognised in Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

(d) Market risk continued

Profile

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

In thousands of AUD	2019 Notional value	2019 Carrying amount	2018 Notional value	2018 Carrying amount
Variable rate financial instruments				
Unsecured cash advance facilities	(177,759)	(177,759)	(125,000)	(125,000)
Cash	39,637	39,637	27,860	27,860
	(138,122)	(138,122)	(97,140)	(97,140)
Fixed rate financial instruments				
Interest rate swap derivatives	144,117	(1,448)	50,000	(156)
Total	5,995	(139,570)	(47,140)	(97,296)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting, with all other variables held constant.

The impact on the consolidated entity's profit is affected through the impact on floating rate borrowings and derivatives. The impact on the consolidated entity's other comprehensive income ('OCI') is due to changes in the fair value of interest rate swap contracts designated as cash flow hedges.

The assumed movement in basis points for the interest rate sensitivity analysis is considered reasonably possible given the market forecasts available at the reporting date and the current economic environment in which the consolidated entity operates.

In thousands of AUD – Higher / (Lower)	2019 Post Tax Profit	2019 OCI*	2018 Post Tax Profit	2018 OCI*
AUD denominated loans				
+75 basis points (2018: +100 basis points)	53	1,293	(339)	579
-75 basis points (2018: -50 basis points)	(53)	(1,293)	169	(289)
NZD denominated loans				
+75 basis points	(84)	342	–	–
-75 basis points	84	(342)	–	–
GBP denominated loans				
+50 basis points	(3)	–	–	–
-50 basis points	3	–	–	–

* Other Comprehensive Income: cash flow hedges, net of tax

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

(d) Market risk continued

(ii) 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. The currencies giving rise to this risk are primarily USD and RMB.

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 up to 12 months after the balance date.

Forward exposure for the 12 months after the balance date covered by forward exchange contracts	**2019**	**2018**
AUD:USD	77%	79%
AUD:RMB	78%	78%
NZD:USD	82%	–
GBP:USD	83%	–

The consolidated entity classifies forward exchange contracts as cash flow hedges and states them at fair value. The net fair value of contracts as at 30 June 2019 of $1,656,000 was recognised as a fair value derivative asset (2017: $4,777,000 asset).

The consolidated entity is also exposed to foreign currency risk on retranslation of the financial statements of foreign subsidiaries into AUD. The currencies giving rise to this risk are NZD, GBP and RMB. The consolidated entity hedges this exposure by holding net borrowings in foreign currencies, and designates these as net investment hedges.

Sensitivity analysis
The following table demonstrates the impact of reasonably possible exchange rate movements with all other variables held constant. However, 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 on the consolidated entity's other comprehensive income ('OCI') is due to changes in the fair value of forward exchange contracts designated as cash flow hedges, as well as from changes in the net borrowings in foreign currencies designated as net investment hedges (these movements will offset the translation of the financial statements foreign subsidiaries into AUD).

The assumed movement in exchange rates for the sensitivity analysis is considered reasonably possible given the market forecasts available at the reporting date and the current economic environment in which the consolidated entity operates.

The impact on foreign currency monetary assets and liabilities not designated as cash flow hedges are not material.

In thousands of AUD – Higher / (Lower)	**2019**	**2018**
USD		
10% increase in USD:AUD – OCI (cash flow hedges, net of tax)	5,573	5,971
10% decrease in USD:AUD – OCI (cash flow hedges, net of tax)	(4,961)	(4,885)
10% increase in USD:NZD – OCI (cash flow hedges, net of tax)	485	–
10% decrease in USD:NZD – OCI (cash flow hedges, net of tax)	(593)	–
10% increase in USD:GBP – OCI (cash flow hedges, net of tax)	451	–
10% decrease in USD:GBP – OCI (cash flow hedges, net of tax)	(551)	–
RMB		
10% increase in RMB:AUD – OCI (cash flow hedges, net of tax)	2,500	1,717
10% decrease in RMB:AUD – OCI (cash flow hedges, net of tax)	(2,045)	(1,405)
NZD		
10% increase in NZD:AUD – OCI (net investment hedge, net of tax)	(3,186)	–
10% decrease in NZD:AUD – OCI (net investment hedge, net of tax)	2,607	–
GBP		
10% increase in GBP:AUD – OCI (net investment hedge, net of tax)	(442)	–
10% decrease in GBP:AUD – OCI (net investment hedge, net of tax)	361	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

(e) Fair values

The carrying value of financial assets and liabilities as at 30 June 2019 equalled fair value (30 June 2018: equalled fair value).

The fair value of financial instruments were estimated using the following methods and assumptions.

(i) Derivatives

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

(ii) Loans and borrowings

Interest-bearing loans bear interest at market rates. Accordingly, the notional amount of the interest-bearing loans is deemed to reflect the fair value.

(iii) Trade and other receivables/payables

All current receivables/payables are either repayable within twelve months or repayable on demand. Non-current payables relate to a supplier contractual obligation. Accordingly, the notional amount is deemed to reflect the fair value.

(iv) Interest rates used for determining fair value

The consolidated entity uses the government yield curve as at the balance date plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2019	2018
Derivatives	2.0% – 2.1%	2.0% – 2.1%
Loans and borrowings denominated in AUD	3.3% – 3.8%	3.3% – 3.8%
Loans and borrowings denominated in NZD	3.2% – 3.7%	–
Loans and borrowings denominated in GBP	2.1% – 2.6%	–

(v) 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)

In thousands of AUD	Level 1	Level 2	Level 3	Total
30 June 2019				
Forward contracts used for hedging	–	1,656	–	1,656
Interest rate swaps used for hedging	–	(1,448)	–	(1,448)
	–	208	–	208
30 June 2018				
Forward contracts used for hedging	–	4,777	–	4,777
Interest rate swaps used for hedging	–	(156)	–	(156)
	–	4,621	–	4,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

20. 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), subject to meeting certain financial performance hurdles and the holder remaining in employment with the Company until the nominated vesting date.

The performance hurdles in relation to performance rights granted to executives in the 2018/19 year and 2017/18 year are subject to financial performance conditions which measure growth in Return on Funds Employed (ROFE) and Total Shareholder Return (TSR) compared to a peer group of companies. The performance hurdles are challenging but 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 based on a 50% allocation of each grant to the two performance hurdles. 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.

For performance rights granted to executives in the 2018/19 year and 2017/18 year, the performance hurdles and vesting proportions for the ROFE performance measure and TSR performance measure are outlined in the tables below.

GWA Group Limited ROFE over three year performance period	Proportion of Performance Rights to Vest if ROFE hurdle is met
ROFE less than 16% per annum	0%
ROFE equal to 16% per annum	12.5%
ROFE between 16% and 19% per annum	Straight line vesting between 12.5% and 50%
ROFE equal to 19% or higher per annum	50% (i.e. 50% of total grant)

TSR of GWA Group Limited relative to TSRs of Comparator Companies	Proportion of Performance Rights to Vest if TSR hurdle is met
Less than the 50th percentile	0%
50th percentile	12.5%
Between the 50th percentile and 75th percentile	Straight line vesting between 12.5% and 50%
75th percentile or higher	50% (i.e. 50% of total grant)

Recognition and Measurement
The grant date fair value of performance rights granted to employees is recognised as a personnel expense, with a corresponding increase in equity (equity compensation reserve), evenly over the specified three year 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 meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market based 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.

Fair Value
During the year 617,000 performance rights were granted to employees (2018: 537,000) at a weighted average fair value of $2.23 (TSR) and $2.92 (ROFE) (2018: $1.43 (TSR) and $2.38 (ROFE)).

The fair value of the performance rights granted subject to the ROFE hurdle was determined by using a Black Scholes Model. The fair value of the performance rights granted subject to the TSR hurdle for vesting was determined by using a Monte Carlo simulation. When determining the fair values it was assumed the Company would have a dividend yield of 5.39%, the risk free rate was 1.69% and annualised share price volatility was 34% for the Company and its comparator companies listed for the TSR hurdle.

The amount recognised as personnel expenses (Note 5) in the current financial year was $1,112,587 (2018: $473,879).

For further details of the Long Term Incentive (Equity) Plan, refer to the Remuneration Report section of the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

20. SHARE-BASED PAYMENTS CONTINUED

In number of performance rights	Grant date	Expiry date	Balance at beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at end of the year
2019							
	23/03/2016	30/06/2018	767,750	–	(767,750)	–	–
	24/02/2017	30/06/2019	464,972	–	–	(3,750)	461,222
	19/02/2018	30/06/2020	537,000	–	–	–	537,000
	18/02/2019	30/06/2021	–	617,000	–	–	617,000
			1,769,722	617,000	(767,750)	(3,750)	1,615,222
2018							
	25/02/2015	30/06/2017	423,000	–	(211,500)	(211,500)	–
	23/03/2016	30/06/2018	819,000	–	–	(51,250)	767,750
	24/02/2017	30/06/2019	581,500	–	–	(116,528)	464,972
	19/02/2018	30/06/2020	–	537,000	–	–	537,000
			1,823,500	537,000	(211,500)	(379,278)	1,769,722

21. RELATED PARTIES

Key management personnel compensation

The key management personnel compensation included in personnel expenses (Note 5) are as follows:

In AUD	2019	2018
Short-term employee benefits	4,835,884	4,947,173
Post-employment benefits	190,452	179,468
Termination benefits	–	–
Share-based payments	880,895	725,436
Other long term employee benefits	6,325	6,327
	5,913,556	5,858,404

Individual directors and executives compensation disclosures

Information regarding individual and executives compensation is provided in the Remuneration Report section of the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

22. AUDITOR'S REMUNERATION

In AUD	**2019**	**2018**
The auditor of GWA Group Limited is KPMG Australia.		
Audit services		
KPMG Australia:		
Audit and review of financial reports	403,710	393,000
Other assurance services	15,965	15,375
Overseas KPMG Firms:		
KPMG – Audit of financial reports	17,000	17,000
	436,675	425,375
Non-KPMG audit firms:		
PwC - Audit of financial reports	181,900	–
	618,575	425,375
Other services		
KPMG Australia:		
Other services	–	–
Overseas KPMG Firms:		
Taxation services	9,118	29,000
	9,118	29,000

23. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	**2019**	**2018**
Less than one year	13,210	12,897
Between one and five years	49,360	27,498
More than 5 years	24,091	20,064
	86,661	60,459

The consolidated entity leases various plant and equipment, property and motor vehicles under operating leases. These leases typically run for a period of 2 to 10 years, with an option to renew the lease after that date. None of these leases include contingent rentals.

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.

During the financial year ended 30 June 2019, $12,126,000 (2018: $15,282,000) was recognised as an expense in profit or loss in respect of operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

24. CAPITAL COMMITMENTS

Capital expenditure commitments for plant and equipment purchases contracted but not provided for are payable as follows:

In thousands of AUD	2019	2018
Less than one year	3,438	1,888
	3,438	1,888

25. CONSOLIDATED ENTITIES

	Parties to cross guarantee	Country of incorporation	Ownership Interest 2019	Ownership Interest 2018
Parent entity				
GWA Group Limited	Y	Australia		
Subsidiaries				
API Services and Solutions Pty Limited(d)	N	Australia	–	100%
Austral Lock Pty Ltd(b)	N	Australia	100%	100%
Canereb Pty Ltd	N	Australia	100%	100%
Caroma Holdings Limited	Y	Australia	100%	100%
Caroma Industries Limited	Y	Australia	100%	100%
Caroma Industries (NZ) Limited	N	New Zealand	100%	100%
Caroma International Pty Ltd(b)	N	Australia	100%	100%
Corille Limited(b)	N	Australia	100%	100%
Deva Tap Company Ltd	N	United Kingdom	100%	–
Dorf Clark Industries	N	Australia	100%	100%
Dorf Industries (NZ) Ltd(c)	N	New Zealand	–	–
G Subs Pty Ltd(b)	N	Australia	100%	100%
Gainsborough Hardware Industries Limited(d)	N	Australia	–	100%
GWA Finance Pty Limited	Y	Australia	100%	100%
GWA Group Holdings Limited	Y	Australia	100%	100%
GWAIL (NZ) Ltd	N	New Zealand	100%	100%
GWA Taps Manufacturing Limited(b)	N	Australia	100%	100%
GWA Trading (Shanghai) Co Ltd	N	China	100%	100%
Heshan Methven Bathroom Fittings Co. Limited	N	China	100%	–
Industrial Mowers (Australia) Limited	N	Australia	100%	100%
Methven Australia Pty Limited(a)	Y	Australia	100%	–
Methven Hotel Solutions Pty Ltd	N	Australia	100%	–
Methven Limited	N	New Zealand	100%	–
Methven UK Limited	N	United Kingdom	100%	–
Methven USA Inc	N	USA	100%	–
McIlwraith Davey Pty Ltd(b)	N	Australia	100%	100%
Plumbing Supplies (NZ) Ltd	N	New Zealand	100%	–
Sebel Furniture Holdings Pty Ltd(b)	N	Australia	100%	100%
Starion Tapware Pty Ltd(b)	N	Australia	100%	100%
Stylus Pty Ltd(b)	N	Australia	100%	100%

(a) Entity joined the Deed via a Deed of Variation dated 24 May 2019.

(b) Entities removed from the Deed via a Deed of Variation dated 24 May 2019.

(c) Entity liquidated and removed from NZ Companies Register on 30 April 2018.

(d) Entities sold on 3 July 2018 and released from their obligations under the Deed by executing a Notice of Disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

26. 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 25 are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

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 profit or loss and other 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 2019, is set out in the table below. Comparatives have been updated to align to entities party to the Deed at 30 June 2019.

Summarised statement of profit or loss and other comprehensive income and retained profits

In thousands of AUD	**2019**	**2018**
Sales revenue	342,321	335,198
Cost of sales	(159,513)	(151,538)
Gross profit	182,808	183,660
Operating expenses	(95,649)	(109,055)
Finance income	1,687	373
Finance expenses	(3,734)	(5,187)
Profit before tax	85,112	69,791
Tax expense	(20,172)	(20,705)
Profit from continuing operations	64,940	49,086
Profit from discontinued operations, net of tax	50,802	4,113
Net profit	115,742	53,199
Total comprehensive income, net of tax	115,742	53,199
Retained earnings at beginning of the year	377,458	370,450
Dividends recognised during the year	(48,830)	(46,191)
Retained earnings at end of the year	444,370	377,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

26. DEED OF CROSS GUARANTEE CONTINUED

Statement of financial position

In thousands of AUD	2019	2018
Assets		
Cash and cash equivalents	29,486	25,051
Trade and other receivables	61,081	61,607
Inventories	59,694	60,113
Assets classified as held for sale	–	61,912
Total current assets	150,261	208,683
Investments	448,367	345,136
Intercompany receivable	39,963	37,941
Deferred tax assets	11,242	11,355
Property, plant and equipment	15,239	14,527
Intangible assets	328,696	274,969
Total non-current assets	843,507	683,928
Total assets	993,768	892,611
Liabilities		
Trade and other payables	45,104	44,864
Employee benefits	4,693	4,308
Income tax payable	1,618	6,385
Provisions	4,945	6,348
Liabilities classified as held for sale	–	12,025
Total current liabilities	56,360	73,930

In thousands of AUD	2019	2018
Loans and borrowings	177,759	125,000
Employee benefits	3,778	4,427
Provisions	1,840	1,631
Total non-current liabilities	183,777	131,058
Total liabilities	239,737	204,988
Net assets	754,031	687,623
Equity		
Issued capital	307,790	307,790
Reserves	1,871	2,375
Retained earnings	444,370	377,458
Total equity	754,031	687,623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

27. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2019 the parent company of the consolidated entity was GWA Group Limited.

	The Company	
In thousands of AUD	**2019**	**2018**
Results of the parent entity		
Profit for the year	79,244	99,651
Other comprehensive income	–	–
Total comprehensive income for the year	79,244	99,651
Financial position of the parent entity		
Current assets	848	203
Total assets	852,486	823,239
Current liabilities	–	–
Total liabilities	419,162	419,162
Equity of the parent entity		
Share Capital	307,790	307,790
Equity compensation reserve	1,211	2,377
Retained earnings	124,323	93,910
Total equity	433,324	404,077

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 (2018: $nil).

Capital expenditure commitments
The parent entity has not entered into contractual commitments on behalf of wholly-owned subsidiaries for the acquisition of property, plant or equipment as at reporting date (2018: $nil).

Parent entity guarantees
The parent entity in the ordinary course of business has guaranteed the performance of certain contractual commitments entered into by 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. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Notes 25 and 26.

28. SUBSEQUENT EVENTS

To the Directors' best knowledge, there are no events that have arisen subsequent to 30 June 2019 that will, or may, significantly affect the operation or results of the consolidated entity.

DIRECTORS' DECLARATION

In the opinion of the directors of GWA Group Limited (the Company):

1. The consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001* including:
   a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance for the year ended on that date; and
   b) complying with Australian Accounting Standards and the *Corporations Regulations 200*1;
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
3. There are reasonable grounds to believe that the Company and the group entities identified in Note 25 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 group entities pursuant to ASIC Class Order 98/1418;
4. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2019; and
5. The directors draw attention to Note 1(a) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards (IFRS).

Dated 19 August 2019.

Signed in accordance with a resolution of the directors:

Darryl D McDonough
Director

Tim R Salt
Director

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GWA GROUP LIMITED

KPMG

Report on the audit of the Financial Report

OPINION

We have audited the **Financial Report** of GWA Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001.*

The **Financial Report** comprises:

- Consolidated Statement of Financial Position as at 30 June 2019;
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

BASIS FOR OPINION

We conducted our audit in accordance with *Australian Auditing Standards.* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

The **Key Audit Matters** we identified are:

- Business Acquisition; and
- Valuation of Inventory.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BUSINESS ACQUISITION $112.4M

Refer to Note 3 to the Financial Report

The key audit matter

During the year, the Group acquired Methven Limited for consideration of NZ$117.5M on 10 April 2019. The acquisition was considered a key audit matter due to the:

- Size of the acquisition having a pervasive impact on the financial statements;
- Extent of judgement and complexity relating to the valuation and preliminary purchase price allocation (PPA). The Group engaged an independent valuation expert to advise on the identification and measurement of acquired assets and liabilities in particular determining the allocation of purchase consideration to goodwill and separately identifiable intangible assets; and
- The preliminary acquisition accounting, which remains provisional at year end. This increases the possible range of outcomes for the auditor to consider and is impacted by the reduced precision of audit evidence.

These conditions and associated complex acquisition accounting required significant audit effort and greater involvement by senior team members.

How the matter was addressed in our audit

Our procedures included:

- Reading the transaction documents related to the acquisition to understand the structure, key terms and conditions;
- Evaluating the methodology used for the acquisition accounting against accounting standard requirements;
- Working with our valuation specialists to assess and challenge key assumptions used in the PPA to identify and value separate assets. This involved:
  - Assessing the objectivity, competence, experience and scope of the Group's independent valuation expert;
  - Comparing inputs used by the Group's independent valuation expert to the Group's strategic plans and approved business forecasts; and
  - Challenging the Group's significant judgmental assumptions such as identification of separate identifiable intangible assets and the Group's independent expert's approach and methodology to valuing their assets by comparing to the requirements of the accounting standards;
- Assessing the Group's accounting treatment of post-acquisition payments against the transaction documents and relevant accounting standards; and
- Assessing the adequacy of the Group's disclosures of the quantitative and qualitative considerations in relation to the business acquisition, by comparing these disclosures to our understanding of the acquisition and the requirements of the accounting standards.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GWA GROUP LIMITED

CONTINUED

VALUATION OF INVENTORY $76.8M

Refer to Note 10 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The valuation of inventory is a key audit matter as inventory is a significant asset in the financial report and the net realisable value is impacted by the building industry cycles and changes in consumer preferences. This necessitated an additional focus on excess and discontinued inventory SKU's (stock keeping unit) and judgemental valuation assumptions. These conditions gave rise to additional audit effort, including greater involvement by our senior team members, to gather evidence over the estimation of the valuation of inventory. We focused on the following elements of the Group's estimation of the valuation of inventory: • Criteria for categorisation of inventory SKU's by risk, such as discontinued, new products, excess or fast moving range, as they attribute different values due to the differing provision policy rates; • Expected forecast demand which is based on the last 12 months' sales, as this determines the categorisation of inventory SKU's as excess or fast moving; and • Assessing the impact of inventory sold in the current year below cost.	Our procedures included: • We assessed the accuracy of previous Group forecasts by inventory SKU by comparing forecast demand to actual sales in the prior period. This informed our evaluation of forecasts incorporated in the inventory provision calculation in the current year; • We tested the completeness of inventory identified as excess or fast moving and discontinued as follows: » We assessed the Group's calculation for identifying excess inventory. We did this by performing our own calculation based on sales data for the last 12 months and comparing the results. We considered the impact on our audit of any exceptions. Where relevant, we obtained underlying documentation from the Group to evaluate exceptions; and » We compared inventory SKU's to be discontinued to the approved discontinued inventory report used by the Group in assessing the recoverable value of inventory. • We independently developed an expected inventory valuation range by considering the following: » Inventory turnover rate by inventory SKU; » Recovery rates achieved historically when selling discontinued inventory. We considered the historical quantum recovered compared to the original cost; and » Overall recoveries achieved for sales recorded below original cost. • We compared our estimated inventory valuation range to the inventory value recorded by the Group; • We tested a sample of inventory items to purchase invoices and sales invoices to determine the recoverability and valuation of inventory in line with accounting standards; and • We assessed the write off history for the last 3 years against the provision to determine the adequacy of the inventory provision.

OTHER INFORMATION

Other Information is financial and non-financial information in GWA Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GWA GROUP LIMITED
CONTINUED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

REPORT ON THE REMUNERATION REPORT

Opinion

In our opinion, the Remuneration Report of GWA Group Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in the Annual report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Julie Cleary

Julie Cleary
Partner

Sydney, 19 August 2019

LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of GWA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of GWA Group Limited for the financial year ended 30 June 2019 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

KPMG

Julie Cleary

Julie Cleary
Partner

Sydney, 19 August 2019

OTHER STATUTORY INFORMATION
AS AT 16 AUGUST 2019

STATEMENT OF SHAREHOLDING

In accordance with the Australian Securities Exchange Listing Rules, the directors state that, as at 16 August 2019, the share capital in the Company was held as follows:

Range	Ordinary Shareholders	Ordinary Shares	%
1 – 1,000	1,512	657,512	0.25
1,001 – 5,000	3,145	8,696,298	3.29
5,001 – 10,000	1,319	9,606,998	3.64
10,001 – 100,000	949	19,844,267	7.52
100,001 and over	73	225,142,555	85.30
Total	**6,998**	**263,947,630**	**100.00**

The number of shareholders with less than a marketable parcel of 150 shares is 468.

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 2019:

Shareholder	Number of Shares	% Shares on Issue
Ethical Partners Funds Management Pty Ltd	13,834,228	5.24%
Investors Mutual Ltd	18,552,000	7.03%
Marathon Asset Management LLP	13,265,084	5.03%
The Vanguard Group, Inc	13,282,393	5.03%
Credit Suisse Holdings (Australia) Limited (on behalf of Credit Suisse Group AG and its affiliates)	18,623,743	7.06%

20 LARGEST SHAREHOLDERS AS AT 16 AUGUST 2019

Shareholder	Number of Shares	% Shares on Issue
HSBC Custody Nominees (Australia) Limited	83,667,597	31.70
J P Morgan Nominees Australia Pty Limited	30,935,323	11.72
Citicorp Nominees Pty Limited	17,160,269	6.50
HGT Investments Pty Ltd	10,000,000	3.79
KFA Investments Pty Ltd	9,200,684	3.49
JMB Investments Pty Ltd	6,984,655	2.65
National Nominees Limited	6,943,869	2.63
Mr Peter Zinn <Carol Zinn Family No 2 A/C>	5,898,176	2.23
Ashberg Pty Ltd	5,887,783	2.23
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	5,404,118	2.05
Theme (No 3) Pty Ltd	5,100,000	1.93
ITA Investments Pty Ltd	4,688,628	1.78
Dabary Investments Pty Ltd	3,178,986	1.20
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,166,767	1.20
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,154,576	1.20
CJZ Investments Pty Ltd	2,841,565	1.08
Eidde Pty Ltd <Duncan Family A/C>	2,019,940	0.77
Mr Michael John McFadyen <Michael McFadyen A/C>	1,975,734	0.75
HSBC Custody Nominees (Australia) Limited – GSCO ECA	964,548	0.37
AMP Life Limited	957,546	0.36
Total	**210,130,764**	**79.61**

SHAREHOLDER INFORMATION

Annual General Meeting

The Annual General Meeting of GWA Group Limited will be held on Level 6, at the Hilton Hotel, 190 Elizabeth Street, Brisbane on Friday 25 October 2019 commencing at 10:30am (AEST). Shareholders will be mailed their Notice of Annual General Meeting and Proxy Form during September 2019.

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 850 505 or write to GPO Box 2975 Melbourne Victoria Australia 3001. Alternatively, you can view details of your holding or make changes to your personal information online at www.investorcentre.com.

Change of Address

Shareholders who have changed their address should immediately notify the Company's share registry in writing or update your details online at www.investorcentre.com. If you are a CHESS sponsored holder and wish to change your address, please contact your broker.

Consolidation of Shareholdings

Shareholders who wish to consolidate their separate shareholdings into one holding should complete a Request to Consolidate Holdings Form which can be downloaded at www.investorcentre.com. If you are a CHESS sponsored holder and wish to consolidate your holdings, please contact your broker.

Annual Reports

Annual Reports are made available to shareholders on the Company's website at www.gwagroup.com.au. Shareholders wishing to be mailed a copy of the Annual Report should notify the Company's share registry in writing or update your communication preferences online at www.investorcentre.com. Shareholders who have elected to receive the Notice of Annual General Meeting and Proxy Form via post 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 March and September each year following the release of the Company's half and full year financial results to the market. The latest dividend details can be found on the Company's website at www.gwagroup.com.au.

Direct Credit of Dividends

To minimise cost and ensure fast and efficient payment of dividends to shareholders, the Company mandates direct credit for payment 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 by contacting the Company's share registry or can be updated online at www.investorcentre.com.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan was suspended by the Board in 2013. At the present time the Company has access to sufficient capital to meet 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: GWA. Details of the trading activity of the Company's shares are published in most daily newspapers, generally under the abbreviation GWA Grp.

Shareholder Timetable 2019

30 June	Financial year end
19 August	FY19 full year results and final dividend announcement
26 August	Ex dividend date for final dividend
27 August	Record date for determining final dividend entitlement
4 September	Final dividend paid
20 September	Notice of Annual General Meeting and Proxy Form mailed to shareholders
23 October	Proxy returns close 10:30am AEST
25 October	Annual General Meeting
31 December	Half year end

HEAD OFFICE LOCATIONS

GWA GROUP LIMITED

7 Eagleview Place
Eagle Farm QLD 4009
AUSTRALIA

Telephone 61 7 3109 6000
Facsimile 61 7 3852 2201

www.gwagroup.com.au

GWA BATHROOMS & KITCHENS

Caroma Industries Limited
Level 1, 7-9 Irvine Place
Bella Vista NSW 2153
AUSTRALIA

Telephone 61 2 8825 4400
Facsimile 61 2 8825 4567

www.caroma.com.au
www.caroma.co.nz
specify.caroma.com.au
www.smartcommand.com.au
www.dorf.com.au
www.clark.com.au

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41 Jomac Place
Avondale AUCKLAND 1026
NEW ZEALAND

Telephone +64 9 829 0429

www.methven.com
www.flexispray.com.au
www.deva-uk.com

CORPORATE DIRECTORY

Directors
D D McDonough, Chairman

J F Mulcahy, Deputy Chairman

T R Salt, Managing Director

P A Birtles, Non-Executive Director

J M McKellar, Non-Executive Director

A J Barrass, Non-Executive Director

S T Goddard, Non-Executive Director

R J Thornton, Executive Director

Chief Financial Officer
P A Gibson
BA, FCMA, FAICD, FGIA

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

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