

19 February 2024



GWA
Group Limited

ABN 15 055 964 380
t 61 7 3109 6000
www.gwagroup.com.au

Building 3B
188 Holt Street
Pinkenba QLD 4008

GPO Box 1411
Brisbane QLD 4001

ASX Release

GWA Group Limited (GWA Group) – Financial results for the half year ended 31 December 2023

GWA Group encloses the following documents for immediate release to the market:

- 1) Appendix 4D Half Year Report – 31 December 2023;
- 2) Appendix 4D Commentary; and
- 3) Interim Financial Report.

On 19 February 2024 at 10.00 am (AEDT), GWA Group is hosting a webcast of its FY24 half year results briefing. The webcast is accessible via the corporate website at www.gwagroup.com.au.

The release of this announcement was authorised by the Board.

Yours faithfully

Ernie Lagis
Company Secretary & General Counsel

CAROMA

METHVEN

CLARK

dorf

GWA GROUP LIMITED

ABN: 15 055 964 380

Appendix 4D Half Year Report - 31 December 2023 Results for announcement to the market

For the half year ended 31 December	2023	2022
-------------------------------------	------	------

Reported Results (\$'000)

Total Revenue from ordinary activities	Down	-0.5%	to	205,967	207,090
Total EBIT from ordinary activities	Up	8.0%	to	36,865	34,113
Total NPAT from ordinary activities	Up	8.9%	to	23,229	21,326

Continuing Operations (Normalised¹) (\$'000)

Revenue from continuing operations	Down	-0.5%	to	205,967	207,090
EBIT from continuing operations - normalised	Up	9.3%	to	37,277	34,113
NPAT from continuing operations - normalised	Up	10.2%	to	23,449	21,326

¹ Normalised results excludes certain project costs - H1 FY24: \$0.3m (\$0.2m post tax) in relation to UK entity's Enterprise Resource Planning / Customer Relationship Management (ERP / CRM) project. Prior half - None

Dividends (cents per share)

Interim ordinary dividend - 100% franked	7.0	6.0
--	-----	-----

The record date for determining entitlements to the interim ordinary FY24 dividend is 26 February 2024 and the dividend is payable on 5 March 2024.

Net tangible asset and net asset backing (cents per share)	As at	31 Dec 23	30 June 23
Net tangible asset backing		(41.7)	(42.6)
Net asset backing		115.7	115.2

Brief explanation of the figures reported above

Refer to the attached Appendix 4D commentary for the review of operations.
The attached Interim Financial Report has been reviewed by GWA's independent statutory auditors.
This Interim Financial Report should be read in conjunction with the most recent Annual Financial Report.

19 February 2024

GWA reports net profit after tax of \$23.2 million, up 9% on the prior corresponding period

Fully franked interim dividend of 7.0 cents per share, up 17% on the prior corresponding period

GWA Group Limited, a leading provider of water solutions products and systems to households and commercial premises, today announced its financial results for the half year ended 31 December 2023 ("1H FY24").

Earnings up 9% with EBIT margin up 1.6 ppts to 18.1%

- Group Revenue in line with prior corresponding half; 2% volume growth in Australia offset by decline in NZ (recession)
- Normalised Group Earnings Before Interest and Tax (EBIT) \$37.3 million, up 9%
- Normalised Group EBIT margin up 1.6 ppts to 18.1%, reflects continued operational and cost discipline
- Normalised Net Profit After Tax of \$23.4 million, up 10%
- Reported Net Profit After Tax of \$23.2 million, up 9%

Improved cashflow, strengthened balance sheet enables 17% lift in dividend

- Solid cashflow generation – cash conversion ratio of 130%
- Balance sheet strengthened further – net debt down 17% to lowest level in 5 years
- Fully franked interim dividend of 7.0 cents per share, payable on 5 March 2024 (1H FY23: 6.0 cents)

Continued progress on key strategic pillars

- Profitable Volume Growth initiatives gaining traction driving volume growth in Australia
- Focus on 'Customer First' leading to improved DIFOT and net promoter score
- Introduction of lead free tapware options in 5 core ranges

MANAGEMENT COMMENTARY

Managing Director and CEO, Urs Meyerhans, said GWA's focus on disciplined execution with priorities on Customer-First and Profitable Volume Growth strategies with merchant partners helped to deliver a solid result for the first half.

While market conditions remain uncertain, I am pleased with our progress during the period.

We returned to positive volume growth in our Australian business, benefiting from a specific focus on launching entry-level products in core segments, introducing products targeted at maintenance plumbers as part of our Win The Plumber strategy and the realignment of our sales organisation to a state-based structure to respond more quickly to local sales opportunities with localised solutions.

The decline in revenue from our New Zealand business reflects the recessionary climate in that market while in the UK, revenue was slightly below the prior half with a stronger second quarter performance.

The proactive decisions we took towards the end of last year to realign our cost base, together with our continued focus on operational and cost discipline resulted in increased earnings at an improved margin for the half.

We also continue to actively manage inventory levels, while maintaining the quality of our stock holdings to support product availability for our customers. This resulted in a continued improvement in operating cashflow.

We remain focused on capital management with the Group's leverage ratio reducing to 1.2 times and net debt declining by 17% to its lowest level in 5 years.

This strong financial position, together with our continued strong cashflow generation has enabled the Board to declare an interim dividend of 7 cents per share, fully franked; up 16% on the prior corresponding half.

In summary, GWA has made solid progress over the period in strengthening the business fundamentals to ensure we are well equipped to leverage growth opportunities in core segments while ensuring we remain a strong financial position to address continued uncertain market conditions.

Health & Safety

We have worked to enhance our safety performance with a key focus on leading indicators through worker insights reporting (Worker Insight Frequency Rate), which will help identify and proactively implement risk mitigation actions.

Our increased focus on safety across the organisation has led to an improvement in incidents reporting.

GWA's TIFR has increased from FY23 due to two minor injuries sustained in our Australian business. These injuries have presented an opportunity to improve our injury management practices and are not related to any change in GWA's risk profile.

In H2 FY24 we will be undertaking a comprehensive Chain of Responsibility review.

Group Financial Performance

Group Normalised Results (Excludes Significant Items)

A\$ million (unless specified)	1H FY24	1H FY23	% Change
Sales Revenue	206.0	207.1	(0.5%)
EBIT	37.3	34.1	+9.3%
<i>EBIT Margin (%)</i>	18.1%	16.5%	+1.6ppts
NPAT	23.4	21.3	+10.2%
<i>Return on Funds Employed (%)</i>	17.1%	16.5%	+0.6ppts

Group Reported Results

Significant Items in 1H FY24 were \$0.2 million (after tax) related to costs to date associated with the implementation of the Group's Enterprise Resource Planning (ERP) project in the UK. The total cost expected with this project is between \$1.8m and \$2.2m and will be incurred through FY24 and FY25. The Group did not incur significant items in 1H FY23.

A\$ million (unless specified)	1H FY24	1H FY23	% Change
Sales Revenue	206.0	207.1	(0.5%)
EBIT	37.0	34.1	+8.0%
<i>EBIT Margin (%)</i>	18.0%	16.5%	+1.5ppts
NPAT	23.2	21.3	+8.9%
<i>Return on Funds Employed (%)</i>	16.7%	14.3%	+2.4ppts

Revenue in 1H FY24 of \$206.0 million was in line with the prior corresponding half, reflecting mixed conditions across the Group's end markets.

Australian net sales increased by 2.5%. The Group returned to positive volume growth (up 2%) in the first half benefiting from continued traction from Profitable Volume Growth strategies including "win the plumber" and the launch of entry-level products targeting core segments.

Volume growth was also driven by the realignment of the Group's sales organisation to a state-based structure to enhance local accountability and enable a more agile response to sales opportunities with localised solutions.

GWA's commercial forward order bank remains strong and increased by 11% in value on the start of the financial year which continues to create a strong platform for future growth in the commercial new build and renovation and replacement segment.

Sales in **New Zealand** declined by 21%, reflecting weaker market conditions from the recessionary economic environment and customers prioritising cashflow and stock management in the challenging trading environment. However, the Group's ongoing focus on cost efficiency to address the challenging market conditions resulted in positive EBIT contribution for the half.

Revenue in the **UK** declined by 3%, with an improvement in the second quarter on the previous corresponding quarter.

Normalised Group EBIT increased by 9% to \$37.3 million compared to the prior corresponding period.

The Group benefitted from lower ocean freight and operational costs resulting from actions taken towards the end of FY23 to proactively align the cost base to the prevailing uncertain market conditions. These benefits were largely offset by the lower exchange rate.

These actions contributed to lift in Normalised EBIT margin to 18.1% compared to 16.5% in the previous period, demonstrating disciplined cost management.

Group Normalised EBIT in 1H FY24 includes an accrual of \$3.3m for expected payments of staff incentives in FY24 related to financial performance (1H FY23: nil).

Strengthened financial position enables GWA to pay 7.0 cents per share interim dividend

The Board resolved to pay an interim dividend of 7.0 cents per share, fully franked, compared to 6.0 cents per share for the prior corresponding period.

The record date for entitlement to receive the interim dividend will be 26 February 2024 with the dividend being paid on 5 March 2024.

As part of the Company's capital management approach, the Dividend Reinvestment Plan remains suspended for the interim dividend.

Credit metrics improved further

Net debt as at 31 December 2023 was \$96.9 million, which was down 17% from 30 June 2023.

GWA's credit metrics strengthened during the period. The Company's leverage ratio (net debt/EBITDA) reduced to 1.2 times (from 1.5 times at 30 June 2023) while the gearing ratio (net debt/net debt plus equity) was 19.8% at 31 December 2023 compared to 23.0% at 30 June 2023.

Continued strong operating cashflow generation

GWA continues to generate strong operating cashflow, with cashflow from operations of \$61.0 million for 1H FY24 compared to \$44.6 million for the prior corresponding period.

Cash conversion improved significantly with a cash conversion ratio of 130% for the half driven by a combination of improved profitability and a reduction in working capital from lower debtor days and the timing of payment for inventory.

Capital expenditure for the half was \$1.7 million compared to \$1.4 million for the prior corresponding period and was in line with expectations. Total capital expenditure for FY24 is expected to be \$4-6 million.

Outlook

Assuming no material change to the current economic conditions GWA expects:

- Continued demand for commercial new build in health and aged care and commercial repair and renovation, while the existing pipeline in residential detached housing should support a solid level of completions in that segment for the remainder of FY24.
- Increased activity in multi residential, social and affordable housing and build to rent categories, although the timing remains uncertain. Demand activity in residential renovation and replacement is expected to remain subdued.

**GWA Group Limited
and its controlled entities**

ABN 15 055 964 380

**31 December 2023
Interim Financial Report**

Table of Contents

Directors' Report.....	3
Consolidated statement of profit or loss and other comprehensive income.....	4
Consolidated statement of financial position	5
Consolidated statement of cash flows	6
Consolidated statement of changes in equity	7
Notes to the interim financial statements	8
Directors' Declaration	13

GWA Group Limited and its controlled entities

Directors' Report

Your directors submit their report on the consolidated entity of GWA Group Limited (the 'Group') and the entities it controlled for the half year ended 31 December 2023.

Directors

The names of the directors of the Group during the half year and up to the date of this report are listed below. Directors were in office for the entire period unless otherwise stated.

D D McDonough, Chairman and Non-Executive Director
J F Mulcahy, Deputy Chairman and Non-Executive Director
U B Meyerhans, Managing Director and Chief Executive Officer
J M McKellar, Non-Executive Director (retired 30 October 2023)
R J Thornton, Non-Executive Director
S P Roche, Non-Executive Director
B J M Inglis, Non-Executive Director
P M Mann, Non-Executive Director

Review of Operations

A review of operations for the Group for the half year ended 31 December 2023 and the results of those operations are set out in the Appendix 4D commentary.

Interim Dividend

The directors have declared a fully franked interim dividend to shareholders of 7.0 cents per share. The record date for the interim dividend is 26 February 2024 and is payable on 5 March 2024. The Dividend Reinvestment Plan will not be offered to shareholders for the interim dividend.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration forms part of the Directors' Report for the half year ended 31 December 2023.

Rounding

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191 dated 24 March 2016. Amounts in the Directors' Report have been rounded in accordance with that Instrument to the nearest thousand dollars, unless otherwise stated.

This Directors' Report is made out in accordance with a resolution of the directors.



Darryl D McDonough
Chairman



Urs B Meyerhans
Managing Director

19 February 2024

GWA Group Limited and its controlled entities

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December

2023

2022

In thousands of AUD

	Note		
Profit or loss			
Continuing operations			
Sales revenue		205,967	207,090
Cost of sales		(123,012)	(129,496)
Gross profit		82,955	77,594
Other income		267	896
Selling expenses		(24,166)	(24,009)
Administrative expenses		(21,785)	(20,253)
Other expenses ⁽ⁱ⁾		(406)	(115)
Operating profit		36,865	34,113
Finance income		614	238
Finance expenses		(4,214)	(4,168)
Net financing costs		(3,600)	(3,930)
Profit before tax		33,265	30,183
Income tax expense	8	(10,036)	(8,857)
Profit from continuing operations		23,229	21,326
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net change in fair value of financial assets		5	85
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		102	721
Cashflow hedges, net of tax		(3,795)	(3,602)
Other comprehensive income, net of tax		(3,688)	(2,796)
Total comprehensive income for the period		19,541	18,530
Earnings per share (cents)			
Total			
- Basic		8.8	8.0
- Diluted		8.7	8.0

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

(i) Other expenses in the current half year include \$313k (pre-tax) of costs incurred in relation to the UK entity's Enterprise Resource Planning / Customer Relationship Management (ERP / CRM) project. Refer to Note 5.

GWA Group Limited and its controlled entities

Consolidated statement of financial position

As at		31 Dec 2023	30 June 2023
<i>In thousands of AUD</i>	Note		
Current assets			
Cash and cash equivalents		43,161	43,443
Trade and other receivables		45,038	60,458
Inventories		100,503	88,136
Derivative financial instruments	10	-	206
Other		4,451	3,418
Total current assets		193,153	195,661
Non-current assets			
Deferred tax assets		3,184	3,149
Property, plant and equipment		13,499	14,515
Intangible assets		417,354	418,409
Right-of-use assets		37,177	42,303
Derivative financial instruments	10	3,113	5,691
Financial asset at fair value	10	526	520
Total non-current assets		474,853	484,587
Total assets		668,006	680,248
Current liabilities			
Trade and other payables		58,697	45,574
Loans and borrowings	9	35,000	35,000
Employee benefits		5,497	5,495
Income tax payable		3,846	3,567
Lease liabilities		11,562	11,709
Provisions		2,972	4,509
Derivative financial instruments	10	2,642	-
Total current liabilities		120,216	105,854
Non-current liabilities			
Deferred tax liability		90,262	93,076
Trade and other payables		211	211
Loans and borrowings	9	103,591	124,092
Lease liabilities		36,868	41,764
Employee benefits		4,476	4,297
Provisions		5,513	5,414
Total non-current liabilities		240,921	268,854
Total liabilities		361,137	374,708
Net assets		306,869	305,540
Equity			
Issued capital		311,294	311,294
Reserves		(2,160)	1,176
Retained earnings		(2,265)	(6,930)
Total equity		306,869	305,540

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

GWA Group Limited and its controlled entities

Consolidated statement of cash flows

For the year ended 31 December

2023

2022

In thousands of AUD

Cash flows from operating activities

Receipts from customers	250,316	255,881
Payments to suppliers and employees	(189,277)	(213,726)
Cash generated from operations	61,039	42,155
Interest and facility fees paid	(3,254)	(3,060)
Lease interest paid	(959)	(1,130)
Interest received	614	237
Income taxes paid	(10,844)	(7,653)
Net cash from operating activities	46,596	30,549

Cash flows from investing activities

Acquisition of property, plant and equipment	(1,672)	(1,219)
Acquisition of intangible assets	-	(180)
Net cash used in investing activities	(1,672)	(1,399)

Cash flows from financing activities

Proceeds from borrowings	15,000	45,000
Repayment of borrowings	(36,000)	(30,000)
Dividends paid	(18,564)	(21,216)
Repayment of lease liability	(6,070)	(5,625)
Net cash used in financing activities	(45,634)	(11,841)

Net (decrease)/increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year	43,443	31,440
Effect of exchange rate changes	428	(3)
Cash and cash equivalents as at 31 December	43,161	48,746

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

GWA Group Limited and its controlled entities

Consolidated statement of changes in equity

For the half year ended 31 December 2023

In thousands of AUD

	Share Capital	Translation Reserve	Hedging Reserve	Asset Revaluation Reserve	Equity Compensation Reserve	Retained Earnings	Total
Balance as at 1 July 2023	311,294	(2,765)	4,164	(1,620)	1,397	(6,930)	305,540
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	23,229	23,229
<i>Other comprehensive income</i>							
Exchange differences on translation of foreign subsidiaries, net of tax	-	102	-	-	-	-	102
Cash flow hedges, net of tax	-	-	(3,795)	-	-	-	(3,795)
Net change in fair value of financial assets	-	-	-	5	-	-	5
Total other comprehensive income	-	102	(3,795)	5	-	-	(3,688)
Total comprehensive income	-	102	(3,795)	5	-	23,229	19,541
Transaction with owners, recorded directly in equity							
Share-based payments, net of tax	-	-	-	-	352	-	352
Dividends paid	-	-	-	-	-	(18,564)	(18,564)
Total transactions with owners	-	-	-	-	352	(18,564)	(18,212)
Balance as at 31 December 2023	311,294	(2,663)	369	(1,615)	1,749	(2,265)	306,869

For the half year ended 31 December 2022

In thousands of AUD

	Share Capital	Translation Reserve	Hedging Reserve	Asset Revaluation Reserve	Equity Compensation Reserve	Retained Earnings	Total
Balance as at 1 July 2022	311,294	(4,172)	8,233	100	1,328	(12,957)	303,826
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	21,326	21,326
<i>Other comprehensive income</i>							
Exchange differences on translation of foreign subsidiaries, net of tax	-	721	-	-	-	-	721
Cash flow hedges, net of tax	-	-	(3,602)	-	-	-	(3,602)
Net change in fair value of financial assets	-	-	-	85	-	-	85
Total other comprehensive income	-	721	(3,602)	85	-	-	(2,796)
Total comprehensive income	-	721	(3,602)	85	-	21,326	18,530
Transaction with owners, recorded directly in equity							
Share-based payments, net of tax	-	-	-	-	(128)	-	(128)
Dividends paid	-	-	-	-	-	(21,214)	(21,214)
Total transactions with owners	-	-	-	-	(128)	(21,214)	(21,342)
Balance as at 31 December 2022	311,294	(3,451)	4,631	185	1,200	(12,845)	301,014

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

GWA Group Limited and its controlled entities

Notes to the interim financial statements

1. Reporting entity

GWA Group Limited (the 'Company') is a for-profit company domiciled in Australia, limited by shares, which are publicly traded on the Australian Securities Exchange ("ASX") under ASX code "GWA". The consolidated interim financial report of the Company as at and for the half year period ended 31 December 2023 comprises the Company and its controlled entities (together referred to as the 'consolidated entity').

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2023 is available from the Company's website www.gwagroup.com.au.

2. Statement of compliance

The consolidated interim financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2023.

This consolidated interim financial report was approved for issue by the Board of Directors on 19 February 2024.

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 have been rounded to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2023, except as noted below:

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 in the half year period ended 31 December 2023:

- Amendments to AASB 101 and AASB 108 – Disclosure of Accounting Policies and Definition of Accounting Estimate Transaction
- Amendments to AASB 112 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

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 interim financial report.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2023.

GWA Group Limited and its controlled entities

Notes to the interim financial statements (continued)

5. Operating segments

The consolidated entity has one continuing reportable segment, Water Solutions. This segment includes the sale of vitreous China toilet suites, basins, plastic cisterns, taps and showers, baths, kitchen sinks, laundry tubs, domestic water control valves, smart products and bathroom accessories. The CEO reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and income tax ('EBIT') and excludes certain project costs (e.g. costs in relation to the UK entity's ERP / CRM project), in line with 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.

In thousands of AUD

For the year ended 31 December

Water Solutions

	2023	2022
Sales revenue	205,967	207,090
Segment EBIT	37,178	34,113
Depreciation (property, plant and equipment)	2,485	2,536
Depreciation (right of use assets)	6,192	5,842
Amortisation	942	876
Capital expenditure	1,636	1,400
Reconciliation of profit		
Total EBIT for reportable segment	37,178	34,113
Project costs ⁽ⁱ⁾	(313)	-
Operating profit from continuing operations	36,865	34,113

(i) Project costs

In thousands of AUD

ERP / CRM project costs	313	-
Total project costs, pre-tax	313	-
Income tax benefit	(93)	-
Total project costs, net of tax	220	-

As at

	31 Dec 2023	30 June 2023
Reportable segment assets	668,006	680,248
Reportable segment liabilities	361,137	374,708

Sales revenue by geographical location of customer

In thousands of AUD

For the year ended 31 December

	Australia		New Zealand		Other		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
External sales revenue	171,645	167,410	18,736	23,630	15,586	16,050	205,967	207,090

GWA Group Limited and its controlled entities

Notes to the interim financial statements (continued)

6. Dividends

Dividends recognised and paid:

	Cost per share <i>In cents</i>	Total amount <i>In thousands of AUD</i>
For the half year period ended 31 December 2023:		
Final 2023 ordinary dividend paid 5 September 2023	7.0	18,564
For the half year period ended 31 December 2022:		
Final 2022 ordinary dividend paid 6 September 2022	8.0	21,214

Dividends declared after the balance date:

On 19 February 2024, the Board declared a fully franked interim ordinary dividend of 7.0 cents per share payable on 5 March 2024. Based on 265,205,113 shares outstanding at 31 December 2023, the aggregate dividend payable will be \$18,564,358.

7. Expenses

(a) Lease costs

The amounts recognised in the profit or loss statement are as follows:

In thousands of AUD

For the half year ended 31 December

	2023	2022
Amounts recognise in the profit and loss statement		
Interest on lease liabilities	959	1,130
Depreciation of right of use assets	6,192	5,842
Payments made for low value leases	272	497
	7,423	7,469

GWA Group Limited and its controlled entities

Notes to the interim financial statements (continued)

8. Income tax expense

Recognised in profit or loss

For the half year ended 31 December

2023

2022

In thousands of AUD

Current tax expense

Current year

11,246

9,141

Adjustments for prior years

(27)

(2)

11,219

9,139

Deferred Tax Benefit

Origination and reversal of temporary differences

(1,183)

(282)

Tax expense for the consolidated entity

10,036

8,857

Numerical reconciliation between tax expense and pre-tax profit

Profit before tax for the consolidated entity

33,265

30,183

Tax expense using the domestic rate of 30%

9,980

9,055

Tax expense / (benefit) due to:

Non-deductible expenses

85

78

Effect of tax rate in foreign jurisdictions

(67)

(88)

Rebateable research and development

(149)

(90)

Other items

214

(96)

10,063

8,859

Over provided in prior years

(27)

(2)

Income tax expense on pre-tax profit for the consolidated entity

10,036

8,857

9. Loans and borrowings

On 02 November 2023 the consolidated entity successfully completed the refinance of its syndicated banking facility. The facility comprises a single three year multicurrency revolving facility of \$180,000,000 which matures in October 2026.

On 09 October 2023, the consolidated entity extended its one year multicurrency revolving bilateral facility of \$40,000,000 which now matures in October 2024.

The loans bear 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.

The consolidated entity has unsecured bank loans of \$138,591,000 drawn as at 31 December 2023 (30 June 2023: \$159,092,000). The notional amount of the interest-bearing loans is deemed to reflect the fair value. The facilities were drawn in the following currencies.

In thousands of

31 Dec 2023

30 June 2023

AUD

133,000

135,000

NZD

-

20,000

GBP

3,000

3,000

GWA Group Limited and its controlled entities

Notes to the interim financial statements (continued)

10. Financial instruments

Estimation of fair values

Financial assets and liabilities that are not measured at cost or amortised cost in the half year financial report comprise forward foreign exchange contracts, interest rate swaps and an investment in an unlisted company.

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.

The investment in an unlisted company is accounted for as a financial asset at fair value through other comprehensive income ('FVOCI') following an irrevocable election made at initial recognition. Fair value is based on the equity price established in the most recent round of equity financing and consideration of any other key changes in the investment which requires a level of judgement.

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.

Fair value hierarchy

The consolidated entity recognises the fair value of its financial instruments using the level 2 and level 3 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)

There were no transfers between levels during the half year.

In thousands of AUD

As at 31 December 2023

Forward contracts used for hedging
Interest rate swaps used for hedging
Investment in an unlisted company

	Level 1	Level 2	Level 3	Total
Forward contracts used for hedging	-	(2,642)	-	(2,642)
Interest rate swaps used for hedging	-	3,113	-	3,113
Investment in an unlisted company	-	-	526	526
	-	471	526	997

As at 30 June 2023

Forward contracts used for hedging
Interest rate swaps used for hedging
Investment in an unlisted company

Forward contracts used for hedging	-	206	-	206
Interest rate swaps used for hedging	-	5,691	-	5,691
Investment in an unlisted company	-	-	520	520
	-	5,897	520	6,417

11. Subsequent events

To the Directors' best knowledge, there are no events that have arisen subsequent to 31 December 2023 that will, or may, significantly affect the operation or results of the consolidated entity.

GWA Group Limited and its controlled entities

Directors' Declaration

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

1. The financial statements and notes 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 31 December 2023 and of its performance for the half year ended on that date; and
 - b) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
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.

Dated 19 February 2024.

Signed in accordance with a resolution of the directors:



Darryl D McDonough
Chairman



Urs B Meyerhans
Managing Director



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 review of GWA Group Limited for the half-year ended 31 December 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Trent Duvall

Partner

KPMG Sydney

19 February 2024



Independent Auditor's Review Report

To the shareholders of GWA Group Limited

Conclusion

We have reviewed the accompanying **Interim Financial Report** of GWA Group Limited (The Group).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of GWA Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2023
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 11 comprising material accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises GWA Group Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2023.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



KPMG



Trent Duvall

Partner

Sydney

19 February 2024