



GWA
Group Limited

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20 February 2023

ASX Release

GWA Group Limited (GWA Group) – Financial results for the half year ended 31 December 2022

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

- 1) Appendix 4D Half Year Report – 31 December 2022;
- 2) Appendix 4D Commentary; and
- 3) Interim Financial Report.

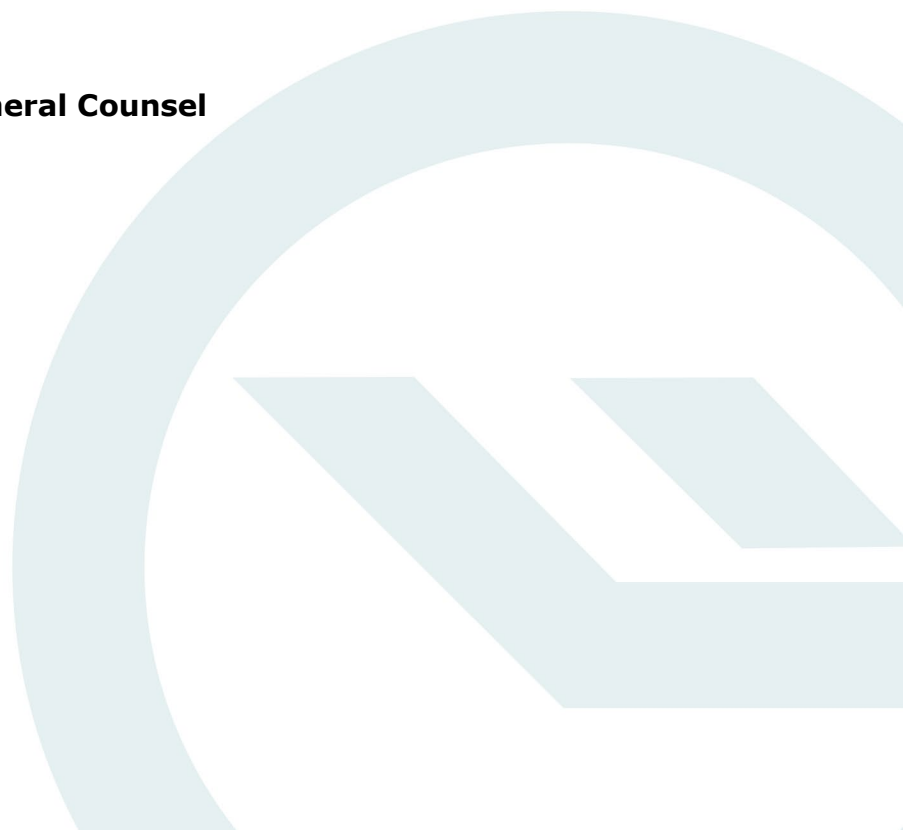
On 20 February 2023 at 11.00 am (AEDT), GWA Group is hosting a webcast of its FY23 half year results briefing. The webcast is accessible via the corporate website at www.gwagroup.com.au.

The release of this announcement was authorised by the Board.

Yours faithfully

Ernie Lagis

Ernie Lagis
Company Secretary and General Counsel



GWA GROUP LIMITED

ABN: 15 055 964 380

Appendix 4D Half Year Report - 31 December 2022 Results for announcement to the market

For the half year ended 31 December **2022** **2021**

Reported Results (\$'000)

Total Revenue from ordinary activities	Up	2.9%	to	207,090	201,343
Total EBIT from ordinary activities	Up	12.9%	to	34,113	30,205
Total NPAT from ordinary activities	Up	14.9%	to	21,326	18,562

Continuing Operations (Normalised¹) (\$'000)

Revenue from continuing operations	Up	2.9%	to	207,090	201,343
EBIT from continuing operations - normalised	Down	-4.2%	to	34,113	35,619
NPAT from continuing operations - normalised	Down	-4.6%	to	21,326	22,361

¹ Normalised results in the prior half year excludes costs incurred in the Group's ERP / CRM project of \$5.4m (\$3.8m post tax).

Dividends (cents per share)

Interim ordinary dividend - 100% franked	6.0	7.0
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The record date for determining entitlements to the interim ordinary FY23 dividend is 24 February 2023 and the dividend is payable on 7 March 2023.

Net tangible asset and net asset backing (cents per share) **As at** **31 Dec 22** **30 June 22**

Net tangible asset backing	(44.3)	(43.2)
Net asset backing	113.5	114.6

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.

20 February 2023

GWA reports net profit after tax of \$21.3 million, up 14.9% on a statutory basis, down 4.6% on a normalised¹ basis

AND

Pays fully franked interim dividend of 6.0 cents per share

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 2022 ("1H FY23").

Group Financial Performance

- Group Revenue up 3% to \$207.1 million – Australia revenue up 3.4%
- Statutory Net Profit After Tax \$21.3 million, up 14.9%
- Normalised Net Profit After Tax \$21.3 million, down 4.6%
- Solid cashflow generation – cash conversion ratio of 103%²
- Financial position remains solid with leverage ratio maintained at 1.7 times
- Fully franked interim dividend of 6.0 cents per share, payable on 7 March 2023 (1H FY22: 7.0 cents)

(Detailed commentary on the Group financial results for H1 FY23 are set out in the Annexure)

Commentary

Managing Director and CEO Urs Meyerhans, said:

"After the strong start in the first quarter, we experienced a growing contraction in volumes in the second quarter, primarily in the residential renovation and replacement segment which resulted in substantial de-stocking by one of our key merchants.

"Detached housing completions and commercial new build and renovation activity remained broadly steady.

"The increase in sales for the half of 3% was driven by price increase and favorable product mix offset by a decline in volume.

"As disclosed at the AGM in October, we recorded group sales growth of 8% for the first quarter with sales in Australia up 7%.

"In addition to the anticipated increase in ocean freight of \$3.5m we experienced an increase in customer freight (fuel levy surcharge) of \$4.0m on the prior corresponding period.

"In response to the contraction in volumes and cost increases we instituted cost savings measures and will apply price increases in H2 in response to the increase in customer freight.

"We remain focused on disciplined operation in what is likely to be a subdued environment particularly renovation and replacement activity.

1) Normalised is a non-IFRS measure and is based on statutory IFRS information adjusted for significant items
2) Cash Flow from Operations excluding significant items divided by normalised EBITDA

Health & Safety

- We have worked to enhance our safety performance with the introduction of leading indicators (Worker Insight Frequency Rate), which will support our lag indicators.
- GWA's TIFR has slightly increased over 1H FY23 due to two minor injuries sustained in our NZ business but not reported by the employees on a timely basis. These injuries have presented an opportunity to improve our injury management practices and employee reporting obligations, and are not related to any change in GWA's risk profile.
- We are reviewing our WHS risk profile across all of GWA's business functions and geographies. This will include an assessment of GWA's Psychosocial Risk Profile and responding to the changing ways of working, including hybrid working.

Business Environment

- Demand in the Commercial new build and renovation segment is expected to continue with GWA's Commercial forward order book remaining strong up 6.5% in Australia since June 2022.
- Momentum in residential detached building is expected to continue in the second half with the residential Renovation & Replacement segment expected to remain subdued due to inflationary pressures and rising interest rates impacting consumer sentiment and behaviour.
- The supply chain remains robust and GWA is well placed to continue to service our customers throughout the year ahead.

Costs

- Input cost inflation will be managed through proactive price increases such as those scheduled to be implemented in Australia from 1 April 2023 (4%) and New Zealand from 1 March 2023 (5%).
- Business operations will be adjusted to respond to prevailing market conditions.
- Inventory will continue to be managed to meet demand with a reduction in current inventory levels expected over the second half.
- For the second half of FY23, approximately 80% of US dollar exposure is hedged at a blended rate of US70 cents.

Strategy

- GWA continues to make solid progress on the implementation of our strategy to drive revenue growth over the medium term.
- GWA launched new products during the period including new consumer smart bathroom and kitchen collections.
- Aged care remains a core growth focus and we continue to evolve our popular independent living range.
- GWA will continue to drive its strategy agenda in the second half with a focus on:
 - Profitable volume growth targeting new markets and customers;
 - Acceleration of ease of doing business initiatives with a focus on our merchant partners; and
 - Continued focus on cost management.

Ends

ANNEXURE

Group Financial Performance

Group Reported Results

A\$ million (unless specified)	1H FY23	1H FY22	% Change
Sales Revenue	207.1	201.3	+2.9%
EBIT	34.1	30.2	+12.9%
<i>EBIT Margin (%)</i>	16.5%	15.0%	+1.5 pts
NPAT	21.3	18.6	+14.9%
<i>Earnings per share</i>	8.0	7.0	+14.3%

Group Normalised Results (Excludes Significant Items)

A\$ million (unless specified)	1H FY23	1H FY22	% Change
Sales Revenue	207.1	201.3	+2.9%
EBIT	34.1	35.6	(4.2%)
<i>EBIT Margin (%)</i>	16.5%	17.7%	(1.2 pts)
NPAT	21.3	22.4	(4.6%)
<i>Earnings per share</i>	8.0	8.4	(4.8%)

The Group did not incur significant items in 1H FY23. Significant Items in 1H FY22 amounted to \$3.8 million (after tax) related to net costs associated with the implementation of the Group's Enterprise Resource Planning (ERP)/Customer Relationship Management (CRM) project.

Revenue increased by 8% in the first quarter, however a decline in market activity, primarily in residential renovation and replacement, resulted in a sales decline of 2.2% in the second quarter when compared to the prior comparative period.

For 1H FY23 Australian sales increased by 3.4%. GWA increased sales with three of its top four merchant partners, however the Group experienced a significant decline in sales in one merchant due to de-stocking.

Sales in New Zealand increased by 4.8% on a constant currency basis (a decline of 0.4% on a reported basis in AUD). International (UK) sales increased by 5% in constant currency, a decline of 1% on a reported basis.

Effective price increases of 5% were implemented in Australia/New Zealand in July 2022 and in the UK from 1 November 2022 in response to increasing input cost inflation.

Normalised Group EBIT declined by 4% to \$34.1 million compared to the prior corresponding period.

Volume declined during the half reflecting the net sales contraction experienced in the second quarter, partially offset by mix improvement in the Australian business.

Operating margins were impacted by higher freight and warehouse costs, partially offset by continued disciplined cost control in response to weaker market conditions experienced in the second quarter.

Normalised EBIT margin was 16.5%, down 1.2 ppts from 1H FY22, primarily reflecting the impact of customer freight.

Continued strong financial position enables GWA to pay 6.0 cents per share dividend

The Board resolved to pay an interim dividend of 6 cents per share, fully franked, compared to 7.0 cents per share for the prior corresponding period.

The record date for entitlement to receive the interim dividend will be 24 February 2023 with the dividend being paid on 7 March 2023.

Financial metrics remain solid

Net debt as at 31 December 2022 was \$136.6 million, which was down from \$138.2 million as at 30 June 2022.

GWA's credit metrics remain solid. The Company's gearing ratio (net debt/net debt plus equity) of 26.1% compared to 26.2% at 30 June 2022, and leverage ratio (net debt/EBITDA) remains at 1.7 times.

GWA maintains a single three year multicurrency revolving facility of \$180 million which matures in October 2024.

GWA also maintains a separate \$40 million one-year multi-currency revolving bilateral facility which matures in October 2023 which is expected to be extended prior to this maturity.

Continued strong operating cashflow generation

GWA continues to generate strong operating cashflow, notwithstanding the decline in market activity, in the sectors in which we operate.

Normalised cashflow from operations was \$44.6 million for 1H FY23 compared to \$43.6 million for the prior corresponding period.

A favourable improvement in debtors was partially offset by an increase in inventory value.

The increase in inventory reflects rising freight and product costs. Stock on hand is predominantly "A" class stock, which comprises higher-demand and faster moving products. GWA expects a reduction in inventory over the second half.

Cash conversion remains solid with a cash conversion ratio of 103% for the half.

Capital expenditure for the half was \$1.4 million compared to \$1.6 million for the prior corresponding period. Total capital expenditure for FY23 is expected to be \$3-3.5 million.

**GWA Group Limited
and its controlled entities**

ABN 15 055 964 380

**31 December 2022
Interim Financial Report**

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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 2022.

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
A J Barrass, Non-Executive Director (retired 28 October 2022)
S T Goddard, Non-Executive Director
B J M Inglis, Non-Executive Director (appointed 9 November 2022)
P M Mann, Non-Executive Director (appointed 1 January 2023)
J M McKellar, Non-Executive Director
S P Roche, Non-Executive Director (appointed 28 October 2022)
R J Thornton, Non-Executive Director

Review of Operations

A review of operations for the Group for the half year ended 31 December 2022 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 6.0 cents per share. The record date for the interim dividend is 24 February 2023 and is payable on 7 March 2023. 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 2022.

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

20 February 2023

GWA Group Limited and its controlled entities

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December

In thousands of AUD

	2022	2021
	Note	
Profit or loss		
Continuing operations		
Sales revenue	207,090	201,343
Cost of sales	(129,496)	(121,674)
Gross profit	77,594	79,669
Other income	896	1,259
Selling expenses	(24,009)	(24,319)
Administrative expenses	(20,253)	(20,719)
Other expenses ⁽ⁱ⁾	(115)	(5,685)
Operating profit	34,113	30,205
Finance income	238	6
Finance expenses	(4,168)	(3,837)
Net financing costs	(3,930)	(3,831)
Profit before tax	30,183	26,374
Income tax expense	8 (8,857)	(7,812)
Profit from continuing operations	21,326	18,562
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of financial assets	85	100
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries, net of tax	721	485
Cashflow hedges, net of tax	(3,602)	3,039
Other comprehensive income, net of tax	(2,796)	3,624
Total comprehensive income for the period	18,530	22,186
Earnings per share (cents)		
Total		
- Basic	8.0	7.0
- Diluted	8.0	7.0

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 prior half year include \$5.4m (pre-tax) of costs incurred in relation to the Group'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 2022	30 June 2022
<i>In thousands of AUD</i>	Note		
Current assets			
Cash and cash equivalents		48,746	31,440
Trade and other receivables		55,917	70,394
Inventories		112,808	108,845
Derivative financial instruments	10	87	4,785
Other		4,427	2,951
Total current assets		221,985	218,415
Non-current assets			
Deferred tax assets		2,428	2,455
Property, plant and equipment		15,505	16,978
Intangible assets		418,437	418,430
Right-of-use assets		46,257	49,969
Derivative financial instruments		6,477	6,846
Financial asset at fair value	10	3,020	2,935
Total non-current assets		492,124	497,613
Total assets		714,109	716,028
Current liabilities			
Trade and other payables		56,290	66,042
Loans and borrowings	9	35,000	20,000
Employee benefits		5,835	5,786
Income tax payable		2,938	1,615
Lease liabilities		11,301	11,161
Provisions		2,820	3,666
Total current liabilities		114,184	108,270
Non-current liabilities			
Deferred tax liability		93,279	95,007
Trade and other payables		278	597
Loans and borrowings	9	149,006	148,328
Lease liabilities		46,313	49,808
Employee benefits		4,214	4,188
Provisions		5,821	6,004
Total non-current liabilities		298,911	303,932
Total liabilities		413,095	412,202
Net assets		301,014	303,826
Equity			
Issued capital		311,294	311,294
Reserves		2,565	5,489
Retained earnings		(12,845)	(12,957)
Total equity		301,014	303,826

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 half year ended 31 December

In thousands of AUD

	2022	2021
Cash flows from operating activities		
Receipts from customers	255,881	234,397
Payments to suppliers and employees	(213,726)	(194,671)
Cash generated from operations	42,155	39,726
Interest and facility fees paid	(3,060)	(2,437)
Lease interest paid	(1,130)	(1,248)
Interest received	237	6
Income taxes paid	(7,653)	(11,364)
Net cash from operating activities	30,549	24,683
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,219)	(1,164)
Acquisition of intangible assets	(180)	(475)
Net cash used in investing activities	(1,399)	(1,639)
Cash flows from financing activities		
Proceeds from borrowings	45,000	15,000
Repayment of borrowings	(30,000)	(23,000)
Dividends paid	(21,216)	(17,238)
Repayment of lease liability	(5,625)	(4,953)
Net cash used in financing activities	(11,841)	(30,191)
Net increase / (decrease) in cash and cash equivalents	17,309	(7,147)
Cash and cash equivalents at the beginning of the year	31,440	42,634
Effect of exchange rate changes	(3)	423
Cash and cash equivalents as at 31 December	48,746	35,910

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 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

For the half year ended 31 December 2021

In thousands of AUD

	Share Capital	Translation Reserve	Hedging Reserve	Asset Revaluation Reserve	Equity Compensation Reserve	Retained Earnings	Total
Balance as at 1 July 2021	311,294	(3,662)	(266)	-	1,579	(12,334)	296,611
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	18,562	18,562
<i>Other comprehensive income</i>							
Exchange differences on translation of foreign subsidiaries, net of tax	-	485	-	-	-	-	485
Cash flow hedges, net of tax	-	-	3,039	-	-	-	3,039
assets	-	-	-	100	-	-	100
Total other comprehensive income	-	485	3,039	100	-	-	3,624
Total comprehensive income	-	485	3,039	100	-	18,562	22,186
Transaction with owners, recorded directly in equity							
Share-based payments, net of tax	-	-	-	-	(665)	-	(665)
Dividends paid	-	-	-	-	-	(17,238)	(17,238)
Total transactions with owners	-	-	-	-	(665)	(17,238)	(17,903)
Balance as at 31 December 2021	311,294	(3,177)	2,773	100	914	(11,010)	300,894

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 2022 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 2022 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 2022.

This consolidated interim financial report was approved for issue by the Board of Directors on 20 February 2023.

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 2022, 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 2022:

- AASB 2020-3 – Narrow Scope amendments to AASB 16, AASB 137 and AASB 3. Annual improvements to AASB 16, AASB 1, AASB 9 and AASB 141.

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 2022.

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 Group'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.

<i>In thousands of AUD</i>	Water Solutions	
	2022	2021
For the half year ended 31 December		
Sales revenue	207,090	201,343
Segment EBIT	34,113	35,619
Depreciation (property, plant and equipment)	2,536	3,103
Depreciation (right of use assets)	5,842	5,923
Amortisation	876	1,228
Capital expenditure	1,400	1,639
Reconciliation of profit		
Total EBIT for reportable segment	34,113	35,619
Project costs ⁽ⁱ⁾	-	(5,414)
Operating profit from continuing operations	34,113	30,205
(i) Project costs		
<i>In thousands of AUD</i>		
ERP / CRM project costs	-	5,414
Total project costs, pre-tax	-	5,414
Income tax benefit	-	(1,615)
Total project costs, net of tax	-	3,799
As at	31 Dec 2022	30 June 2022
Reportable segment assets	714,109	716,028
Reportable segment liabilities	413,095	412,202

Sales revenue by geographical location of customer

<i>In thousands of AUD</i>	Australia		New Zealand		Other		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
For the half year period ended 31 December								
External sales revenue	167,410	161,923	23,630	23,703	16,050	15,717	207,090	201,343

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 2022:		
Final 2022 ordinary dividend paid 6 September 2022	8.0	21,216
For the half year period ended 31 December 2021:		
Final 2021 ordinary dividend paid 6 October 2021	6.5	17,238

Dividends declared after the balance date:

On 20 February 2023, the Board declared a fully franked interim ordinary dividend of 6.0 cents per share payable on 7 March 2023. Based on 265,205,113 shares outstanding at 31 December 2022, the aggregate dividend payable will be \$15,912,307.

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

Amounts recognise in the profit and loss statement

	2022	2021
Interest on lease liabilities	1,130	1,248
Depreciation of right of use assets	5,842	5,923
Payments made for low value leases	497	456
	<u>7,469</u>	<u>7,627</u>

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

2022

2021

In thousands of AUD

Current tax expense

Current year

9,141

7,904

Adjustments for prior years

(2)

(14)

9,139

7,890

Deferred tax benefit / (expense)

Origination and reversal of temporary differences

(282)

(78)

Tax expense for the consolidated entity

8,857

7,812

Numerical reconciliation between tax expense and pre-tax profit

Profit before tax for the consolidated entity

30,183

26,374

Tax expense using the domestic rate of 30%

9,055

7,912

Tax expense / (benefit) due to:

Non-deductible expenses

78

47

Effect of tax rate in foreign jurisdictions

(88)

(136)

Rebateable research and development

(90)

(63)

Other items

(96)

66

8,859

7,826

(Over) / under provided in prior years

(2)

(14)

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

8,857

7,812

9. Loans and borrowings

On 21 October 2021 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 2024. For the period 18 November 2020 to 20 October 2021 the facility was \$226,670,000.

On 6 October 2022, the consolidated entity extended its one year multicurrency revolving bilateral facility of \$40,000,000 which now matures in October 2023.

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 \$184,006,000 drawn as at 31 December 2022 (30 June 2022: \$168,328,000). 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 2022 30 June 2022

AUD

160,000

145,000

NZD

20,000

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 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 2022

	Level 1	Level 2	Level 3	Total
Forward contracts used for hedging	-	87	-	87
Interest rate swaps used for hedging	-	6,477	-	6,477
Investment in an unlisted company	-	-	3,020	3,020
	-	6,564	3,020	9,584

As at 30 June 2022

Forward contracts used for hedging	-	4,785	-	4,785
Interest rate swaps used for hedging	-	6,846	-	6,846
Investment in an unlisted company	-	-	2,935	2,935
	-	11,631	2,935	14,566

11. Subsequent events

To the Directors' best knowledge, there are no events that have arisen subsequent to 31 December 2022 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 2022 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 20 February 2023.

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 2022 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.

A handwritten signature in black ink, appearing to read 'Trent Duvall'.

KPMG

A handwritten signature in black ink, appearing to read 'Trent Duvall'.

Trent Duvall
Partner

Sydney
20 February 2023



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 2022 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 2022
- 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 a summary of significant 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 2022.

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 2022 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

20 February 2023