



GWA
Group Limited

ABN 15 055 964 380
t 61 7 3109 6000
f 61 7 3852 2201
www.gwagroup.com.au

Level 2, HQ (South Tower)
520 Wickham Street
Fortitude Valley QLD 4006

PO Box 1411
Brisbane QLD 4001

15 February 2011

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sirs

Financial Results for the Half Year Ended 31 December 2010

We enclose the following documents for immediate release to the market:

- Appendix 4D Half Year Report
- Media Release
- Directors' Report
- Interim Financial Report

Yours faithfully

R.J. Thornton
Executive Director



Appendix 4D

Half Year Report

Period Ended 31 December 2010

GWA GROUP LIMITED

ABN	Half Yearly	Preliminary Final	Year ended ('current period')
15 055 964 380	✓		31 December 2010

Results for announcement to the market

				\$A'000
Revenues from ordinary activities	Up	12.7%	to	368,330
Trading earnings before interest and tax	Up	16.9%	to	55,020
Net profit from ordinary activities after tax attributable to members	Up	19.7%	to	33,158
Net profit for the period attributable to members	Up	29.8%	to	33,158

Interim Dividend	Amount Per Security	Franked Amount Per Security
Ordinary dividend	9.5¢	9.5¢
Previous corresponding period:-		
Ordinary dividend	9.5¢	9.5¢
Record date for determining dividend entitlements	18 March 2011	
Date dividend payable	5 April 2011	
	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	0.23	0.28

Brief explanation of the figures reported above:-

Refer to the attached Media Release and Directors' Report.

The attached Interim Financial Report has been reviewed by GWA's independent statutory auditors.

This Half Year Report should be read in conjunction with the most recent Annual Financial Report.



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15 February 2011

Media Release

GWA Lifts Earnings With Improved Housing Market

- Revenue from continuing operations increased by 13% to \$368 million
- Underlying demand increased by 4% with the Brivis acquisition adding a further 9% to revenue
- Earnings before Interest and Tax (EBIT) from continuing operations increased by 17%
- Acquisition of Gliderol garage doors completed on 31 January 2011
- EPS from continuing operations increased by 19% to 11 cents per share
- Fully franked dividend maintained at 9.5 cents per share
- Full year 2010/11 trading EBIT forecast in the range of \$105 to \$111 million including Gliderol

GWA Group Ltd, Australia's leading supplier of fixtures and fittings to households and commercial premises, today announced a 17% increase in Earnings before Interest and Tax (EBIT) for continuing operations from \$47 million to \$55 million for the half year to December 2010.

Overall net profit after tax from continuing operations for the half year of \$33.2 million increased by 20% from \$27.7 million. Directors have maintained the interim fully franked dividend at 9.5 cents per share in accordance with GWA's dividend policy.

Managing Director Peter Crowley said, "This is a good result with improvements in housing activities flowing through to increased revenues and margins. It is particularly strong given the sales decline in December due to adverse weather along the eastern seaboard. We benefited from government stimulus spending on public housing and the Building Education Revolution program (BER), but this was offset by a sharp decline in Dux environmental water heating products with lower government rebates."

Sales by the Building Fittings segment increased by 4%, with EBIT increasing by 10% from \$45.1 million to \$49.7 million. Benefits of the stronger Australian currency were largely offset by higher commodity costs, with the increased margins reflecting tight cost management.

Bathrooms and Kitchens sales were particularly strong in NSW and Western Australia with Queensland sales lagging even before the adverse weather. Door and Access Systems sales showed a similar trend in NSW and WA with higher sales to residential builders and commercial projects reflecting ongoing product innovations.

Sales by the Heating and Cooling segment increased 20% with the inclusion of Brivis but EBIT declined 16% from \$8.5 million to \$7.1 million due to the sharp decline in sales of Dux environmental water heating products. This decline has been previously signalled with the reduction in Government rebates resulting in the market moving to less profitable products.

Mr Crowley said "The water heating market has been a roller coaster of change for the last three years as Federal and State Governments have constantly changed policy and regulatory settings. We have steps in place to lower our costs, with the Moss Vale factory upgrade and new product development to help us deliver more competitive product offerings in gas heating."

The Commercial Furniture segment increased revenue by 52% with an over seven fold increase in EBIT from \$0.8 million to \$5.9 million for the half year. This increase reflects the demand for seating and furniture under the BER government program. This spending will decline sharply in the second half of the financial year but underlying spending in education is still strong.

Commenting on the Company's future priorities Mr Crowley said "Our priorities are to keep focussing on our core building fixtures and fittings businesses through organic growth and acquisitions. The Gliderol acquisition, which completed on 31 January 2011, offers opportunities to improve our offer in door and access systems for residential housing and we will continue to look for growth in other products and adjacent markets."

"The floods and adverse weather along the eastern seaboard will cause some temporary delays in housing activity but we are confident this will return quickly as people start to rebuild. GWA will provide direct assistance to the impacted areas and ensure we are in a position to respond to demand as the replacement and rebuilding activity gathers pace. Trading EBIT for the 2010/11 financial year is forecast to increase to a range of \$105 to \$111 million, including five months of trading from Gliderol," concluded Mr Crowley.

For Further Information call:

Peter Crowley
GWA Group Limited
07 3109 6000

Tim Allerton
City PR
02 8916 4849

GWA GROUP LIMITED
ABN 15 055 964 380

Directors' Report for the Half Year Ended 31 December 2010

Your directors submit their report on the consolidated entity of GWA Group Limited and the entities it controlled for the half year ended 31 December 2010.

Directors

The names of the directors of the Company in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

G J McGrath, Chairman and Non-Executive Director
D D McDonough, Deputy Chairman and Non-Executive Director
P C Crowley, Managing Director
R M Anderson, Non-Executive Director
W J Bartlett, Non-Executive Director
J F Mulcahy, Non-Executive Director (Appointed 24 November 2010)
P A Birtles, Non-Executive Director (Appointed 24 November 2010)
R J Thornton, Executive Director
D R Barry, Non-Executive Director (Retired 28 October 2010)

Review of Operations

Net profit after tax for the December 2010 half year of \$33.2 million is 30% higher than the same period last year which included a loss after tax from discontinued operations of \$2.1 million. Discontinued operations comprise the Rover lawn mowers and Wisa Beheer sanitaryware businesses which were both sold during 2009/10.

For continuing operations net profit after tax of \$33.2 million increased by 20% above the corresponding period last year. Sales revenue from continuing operations for the half year increased by 13% to \$368.3 million. Underlying sales were approximately 4% above the previous period with sales from the Brivis acquisition accounting for the balance of increased sales revenue.

Trading earnings before interest and tax (EBIT) from continuing operations of \$55.0 million was 17% higher than last year. Results were positively impacted by increased housing activity and government initiatives in public housing and the Building Education Revolution program (BER). The higher Australian foreign exchange rate reduced costs for imported products but was offset by price reductions in targeted product segments.

Net cash flow from operating activities for the half year of \$44.9 million represented an increase of \$31.1 million from last year due to improved profitability and reduced working capital levels. The prior year was adversely impacted by a build up in inventories of Dux environmental water heating products due to changes in government rebates which resulted in sharp declines in demand. These excess inventories have now been sold.

Net borrowings at December 2010 of \$156.2 million have reduced from June 2010 due to the high cash flow. The Company has a strong balance sheet and financing facilities to fund growth and operating activities.

The Building Fittings segment, comprising Bathrooms and Kitchens and Door and Access Systems, recorded a trading EBIT of \$49.7 million, an increase of 10% over last year on 4% higher sales. Sales benefited from increased underlying demand, product development activities and government spending on public housing.

The Heating and Cooling segment, comprising Dux water heating and Brivis heating and cooling ducted climate systems, recorded a trading EBIT of \$7.1 million, a reduction of 16% on 20% higher sales. Sales benefited from the inclusion of Brivis climate systems but the Brivis profit contribution was more than offset by a reduced contribution from Dux environmental water heating products. Lower government rebates has shifted demand for water heating products from environmental to less profitable products. Competitiveness in these products is being addressed by upgrading manufacturing facilities to lower manufacturing costs and investing in new product development.

GWA's commercial furniture segment, comprising Sebel furniture, benefited from high demand from the government's BER initiative. Sales increased by 52% resulting in a trading EBIT of \$5.9 million for the half year. BER sales will finish in the second half of the year and revenue will return to normal levels.

Key achievements in the half year have included improved margins resulting from higher demand, announcement of the Gliderol garage door acquisition, progress with the Brivis integration which will deliver savings in the second half of the year and effective management of the surge in demand associated with the BER.

Adverse weather conditions along the eastern seaboard has impacted sales in December 2010 with further impact in January and February 2011 but this is expected to improve in the final quarter of the financial year. Trading EBIT is forecast to increase for the full year to a range of \$105 to \$111 million which includes 5 months of trading from Gliderol.

Interim Dividend

The directors have declared a fully franked interim dividend of 9.5 cents per share. The record date for the interim dividend is 18 March 2011, and is payable on 5 April 2011. The Dividend Reinvestment Plan will not be offered to shareholders for the interim dividend and remains suspended.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Lead Auditor's Independence Declaration forms part of the Directors' Report for the half year ended 31 December 2010.

Rounding

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

Signed in accordance with a resolution of the directors.



G J McGrath
Chairman



P C Crowley
Managing Director

Brisbane, 15 February 2011

GWA Group Limited and its controlled
entities

31 December 2010 interim financial
report

ABN 15 055 964 380

GWA Group Limited and its controlled entities Consolidated statement of comprehensive income

For the period ended 31 December 2010

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2010	31 Dec 2009 Restated*
Continuing operations			
Sales revenue	5	368,330	326,725
Cost of sales		(236,050)	(209,591)
Gross profit		132,280	117,134
Other income	7	620	1,390
Selling expenses		(48,912)	(46,038)
Administrative expenses		(27,656)	(24,063)
Other expenses	8	(1,312)	(1,370)
Results from operating activities		55,020	47,053
Finance income		1,346	923
Finance expenses		(8,871)	(7,886)
Net financing costs		(7,525)	(6,963)
Profit before tax		47,495	40,090
Income tax expense	9	(14,337)	(12,399)
Profit from continuing operations		33,158	27,691
Discontinued operation			
Loss from discontinued operations, net of income tax	6	-	(2,147)
Profit for the period		33,158	25,544
Other comprehensive income			
Foreign currency translation differences for foreign operations		(826)	(2,482)
Effective portion of changes in fair value of cash flow hedges, net of tax		(1,269)	2,196
Other comprehensive income for the period, net of income tax		(2,095)	(286)
Total comprehensive income for the period		31,063	25,258
Earnings per share			
Basic earnings per share (cents per share)		11.01	8.54
Diluted earnings per share (cents per share)		10.94	8.51
Continuing operations			
Basic earnings per share (cents per share)		11.01	9.26
Diluted earnings per share (cents per share)		10.94	9.22

* Refer to discontinued operations –note 6.

The statement of comprehensive income is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 7 to 12.

GWA Group Limited and its controlled entities Consolidated statement of financial position

As at 31 December 2010

In thousands of AUD

	<i>Note</i>	31 Dec 2010	30 Jun 2010
Current assets			
Cash and cash equivalents		43,754	54,914
Trade and other receivables		124,896	149,677
Inventories		108,172	104,435
Income tax receivable		562	420
Other		3,940	3,343
Total current assets		281,324	312,789
Non-current assets			
Receivables		4,997	5,102
Deferred tax assets		17,381	18,809
Property, plant and equipment		102,976	104,331
Intangible assets		367,892	369,033
Other		2,918	3,366
Total non-current assets		496,164	500,641
Total assets		777,488	813,430
Current liabilities			
Trade and other payables		87,522	95,306
Employee benefits		14,247	14,367
Income tax payable		5,007	4,543
Provisions		11,964	16,115
Total current liabilities		118,740	130,331
Non-current liabilities			
Interest-bearing loans and borrowings	12	199,920	230,866
Deferred tax liabilities		21	31
Employee benefits		12,575	12,251
Provisions		9,059	8,862
Total non-current liabilities		221,575	252,010
Total liabilities		340,315	382,341
Net assets		437,173	431,089
Equity			
Issued capital		396,539	396,539
Reserves		(3,196)	(1,716)
Retained earnings		43,830	36,266
Total equity		437,173	431,089

The statement of financial position is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 7 to 12.

GWA Group Limited and its controlled entities Consolidated statement of cash flows

For the period ended 31 December 2010

In thousands of AUD

	31 Dec 2010	31 Dec 2009
Cash flows from operating activities		
Cash receipts from customers	429,079	416,883
Cash paid to suppliers and employees	(363,983)	(383,376)
Cash generated from operations	65,096	33,507
Interest paid	(9,056)	(7,948)
Interest received	1,038	635
Income taxes paid	(12,165)	(12,362)
Net cash from operating activities	44,913	13,832
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	84	671
Acquisition of property, plant and equipment	(5,235)	(3,969)
Acquisition of intangibles	(1,617)	(3,871)
Proceeds from subsidiary acquisition/disposal settlements	6,185	-
Net cash from investing activities	(583)	(7,169)
Cash flows from financing activities		
Repayment of employee share loans	627	779
Repayment of loans by related parties	-	12
Drawdown of bank bills	-	5,575
Repayment of bank bills	(30,000)	-
Dividends paid, net of dividend reinvestment plan	(25,594)	(18,247)
Net cash from financing activities	(54,967)	(11,881)
Net increase decrease in cash and cash equivalents	(10,637)	(5,218)
Cash and cash equivalents at 1 July	54,914	45,015
Effect of exchange rate fluctuations on cash held	(523)	(384)
Cash and cash equivalents at 31 December	43,754	39,413

The statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 7 to 12.

GWA Group Limited and its controlled entities Consolidated statement of changes in equity

For period ended 31 December 2010

<i>In thousands of AUD</i>	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total
Balance at 1 July 2009	387,981	(3,539)	(562)	650	41,634	426,164
Total comprehensive income for the period						
Profit for the period	-	-	-	-	25,544	25,544
<i>Other comprehensive income</i>						
Foreign currency translation differences for foreign operations	-	(2,482)	-	-	-	(2,482)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	2,196	-	-	2,196
Total other comprehensive income	-	(2,482)	2,196	-	-	(286)
Total comprehensive income for the period	-	(2,482)	2,196	-	25,544	25,258
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	-	-	-	325	-	325
Dividends to shareholders	-	-	-	-	(25,332)	(25,332)
Issue of shares as a result of dividend reinvestment plan	7,085	-	-	-	-	7,085
Total transactions with owners	7,085	-	-	325	(25,332)	(17,922)
Balance at 31 December 2009	395,066	(6,021)	1,634	975	41,846	433,500

The statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 7 to 12.

GWA Group Limited and its controlled entities Consolidated statement of changes in equity (continued)

For period ended 31 December 2010

<i>In thousands of AUD</i>	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total
Balance at 1 July 2010	396,539	(4,654)	1,058	1,880	36,266	431,089
Total comprehensive income for the period						
Profit for the period	-	-	-	-	33,158	33,158
<i>Other comprehensive income</i>						
Foreign currency translation differences for foreign operations	-	(826)	-	-	-	(826)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(1,269)	-	-	(1,269)
Total other comprehensive income	-	(826)	(1,269)	-	-	(2,095)
Total comprehensive income for the period	-	(826)	(1,269)	-	33,158	31,063
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	-	-	-	615	-	615
Dividends to shareholders	-	-	-	-	(25,594)	(25,594)
Total transactions with owners	-	-	-	615	(25,594)	(24,979)
Balance at 31 December 2010	396,539	(5,480)	(211)	2,495	43,830	437,173

The statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 7 to 12.

Condensed notes to the consolidated interim financial statements

1. Reporting entity

GWA Group Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (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 2010 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 2010.

This consolidated interim financial report was approved by the Board of Directors on 15 February 2011.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off 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 2010.

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 expense. 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 2010.

Condensed notes to the consolidated interim financial statements (continued)

5. Operating segments

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

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

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

	Building Fittings		Heating and Cooling		Commercial Furniture		Discontinued Operations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<i>In thousands of AUD</i>										
External sales revenue	223,156	214,607	100,386	83,359	44,684	29,329	-	27,845	368,226	355,140
Inter-segment revenue	110	107	144	-	3	9	-	862	257	978
Total sales revenue	223,266	214,714	100,530	83,359	44,687	29,338	-	28,707	368,483	356,118
Reportable segment profit/(loss) before income tax	49,748	45,115	7,120	8,515	5,877	807	-	(3,279)	62,745	51,158
Depreciation	4,391	5,335	1,355	1,225	503	552	-	477	6,249	7,589
Amortisation	2,218	1,559	326	-	-	-	-	-	2,544	1,559
Capital expenditure	2,397	4,809	3,619	1,828	303	531	-	419	6,319	7,587

Condensed notes to the consolidated interim financial statements (continued)

5. Operating segments (continued)

Reconciliations of reportable segment revenues and profit

In thousands of AUD

	2010	2009
Revenues		
Total revenue for reportable segments	368,483	356,118
Unallocated amounts: corporate revenue	104	292
Elimination of inter-segment revenue	(257)	(978)
Elimination of discontinued operations	-	(28,707)
Consolidated revenue	<u>368,330</u>	<u>326,725</u>
Profit		
Total profit for reportable segments	62,745	51,158
Elimination of discontinued operations	-	3,279
Unallocated amounts: corporate expenses	(7,725)	(7,384)
Profit from operating activities	<u>55,020</u>	<u>47,053</u>
Net financing costs	(7,525)	(6,963)
Consolidated profit before tax	<u>47,495</u>	<u>40,090</u>

6. Discontinued operations

In the prior financial year, the lawn mower business, Rover, was sold with an effective date of 1 April 2010. The European sanitaryware business, Wisa, was also sold, with an effective date 28 February 2010. The operating activities of the Wisa business were not reported as discontinuing operations as at 31 December 2009 as the Wisa business was not actively marketed for sale until after the completion of the 31 December 2009 interim financial report. The comparative statement of comprehensive income has been re-presented to show the discontinued operations of Rover and Wisa separately from continuing operations. In the current reporting period, the final payment of \$2,276,000 for the sale of the Rover business was received.

In thousands of AUD

	2010	2009
Results of discontinued operations		
Revenue	-	28,707
Expenses	-	(27,366)
Results from operating activities	-	1,341
Income tax	-	(254)
Results from operating activities, net of income tax	-	1,087
Impairment loss on the carrying value of the discontinued operations	-	(4,620)
Income tax benefit on loss on sale of discontinued operations	-	1,386
Loss for the period	-	<u>(2,147)</u>
Basic loss per share (cents per share)	-	<u>(0.72)</u>
Diluted loss per share (cents per share)	-	<u>(0.71)</u>

In thousands of AUD

	2010	2009
Cash flows from/(used in) discontinued operations		
Net cash used in operating activities	-	(7,357)
Net cash from/(used) in investing activities	2,276	(377)
Net cash from/(used) in discontinued operations	<u>2,276</u>	<u>(7,734)</u>

Condensed notes to the consolidated interim financial statements (continued)

7. Other income

For the six months ended 31 December 2010

In thousands of AUD

	2010	2009
Foreign currency gains - realised	136	67
Foreign currency gains - unrealised	29	148
Net gain on disposal of property, plant and equipment and intangible assets	-	210
Other	455	965
	<u>620</u>	<u>1,390</u>

8. Other expenses

For the six months ended 31 December 2010

In thousands of AUD

	2010	2009
Foreign currency losses - realised	983	944
Foreign currency losses - unrealised	148	426
Net loss on disposal of property, plant and equipment and intangible assets	181	-
	<u>1,312</u>	<u>1,370</u>

9. Income tax expense

The consolidated entity's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2010 was 30.2 percent (for the year ended 30 June 2010: 30.3 percent; for the six months ended 31 December 2009: 30.9 percent).

Condensed notes to the consolidated interim financial statements (continued)

10. Acquisitions of subsidiaries

Business combinations

In the prior year, the consolidated entity acquired the assets and liabilities of the Bravis heating and cooling business. During the current period, acquisition price calculations were completed which resulted in the purchase consideration being reduced by \$1,108,000. In addition, estimates of acquisition fair values were revised. The adjustments made to the prior period acquisition accounting were as follows: goodwill decreased by \$131,000; deferred tax liabilities decreased by \$23,000 and provision for warranty increased \$1,000,000. Comparative information has been restated.

The acquisition had the following effect on the consolidated entity's assets and liabilities on the acquisition date:

Amounts recognised on acquisition	Bravis
<i>In thousands of AUD</i>	
Trade and other receivables	8,126
Inventories	6,588
Other current assets	69
Property, plant and equipment	14,075
Intangible assets	11,053
Trade and other payables	(4,975)
Employee benefits	(2,518)
Provisions	(4,600)
Deferred tax liabilities	(1,181)
Net identifiable assets and liabilities	26,637
Goodwill on acquisition	20,834
Consideration paid, satisfied in cash	<u>47,471</u>

Condensed notes to the consolidated interim financial statements (continued)

11. Capital and reserves

Share capital

In thousands of shares

	Ordinary shares
On issue at 1 July 2009	298,019
Issue of shares under the dividend reinvestment plan	2,649
Balance at 31 December 2009	<u>300,668</u>
Balance at 1 July 2010	301,103
Issue of shares	-
Balance at 31 December 2010	<u>301,103</u>

Dividends

The following dividends were paid by the consolidated entity.

For the six months ended 31 December 2010

In thousands of AUD

	2010	2009
Franked dividends paid		
- Final dividend 6 October 2010 (8.5c per share, 2009: 8.5c)	25,594	25,332
Total dividends paid	<u>25,594</u>	<u>25,332</u>

On 15 February 2011, the Board declared an interim ordinary dividend of 9.5 cents per share. The dividend is fully franked. The aggregate dividend payable on 5 April 2011 will be \$28,605,000.

12. Loans and borrowings

The consolidated entity has unsecured bank loans of \$199,920,000 as at 31 December 2010 (30 June 2010: \$230,866,000). The movement is due to repayment of borrowings of \$30,000,000 and \$946,000 due to foreign currency translation of the \$5,000,000 USD denominated borrowing. The notional amount of the interest-bearing loans is deemed to reflect the fair value. The interest-bearing loans are unsecured and have a maximum term of three years. The loans bear interest at market rates and interest is payable every 90 days. The consolidated entity hedges its exposure to variable interest rates through interest rate swap transactions.

13. Contingencies

In February 2011 the consolidated entity issued a product recall for Bravis evaporative coolers manufactured between August 2000 and November 2003 due to fire incidents caused by faulty components. All products are identified by specific serial numbers and no other products have been identified with faults. On the acquisition of Bravis, a provision of \$4,600,000 was recognised in respect of potential warranty and product liability claims. The total cost of the product recall cannot be reliably estimated at this early stage; however the directors believe the provision recognised on acquisition is adequate.

14. Subsequent events

Subsequent to the interim balance sheet date, the consolidated entity has acquired 100% of the shares in Gliderol International Pty Ltd for \$42,000,000 on 31 January 2011. Gliderol International Pty Ltd is an Australian manufacturer and distributor of garage doors and openers.

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 2010 and of its performance, as represented by the results of its operations and cash flows 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 at Brisbane this 15 day of February 2011.

Signed in accordance with a resolution of the directors:



G J McGrath
Director



P C Crowley
Director



Independent auditor's review report to the members of GWA Group Limited

We have reviewed the accompanying interim financial report of GWA Group Limited, which comprises the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of 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 14 comprising a summary of significant accounting policies, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility 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* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and 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*. As auditor of GWA Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



**Independent auditor's review report to the members of GWA Group Limited
(continued)**

Conclusion

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 is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Greg Boydell
Partner

Sydney

15 February 2011



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 for the half-year ended 31 December 2010 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

KPMG

A handwritten signature in blue ink, appearing to read 'Greg Boydell', written in a cursive style.

Greg Boydell
Partner

Sydney

15 February 2011