GWA
Group Limited

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GPO Box 1411
Brisbane QLD 4001

16 August 2011

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results for the Year Ended 30 June 2011

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

- Appendix 4E Preliminary Final Report
- Media Release
- Chairman's Review
- Managing Director's Review of Operations
- Directors' Report
- Annual Financial Report

Yours faithfully

R J Thornton
Executive Director

Appendix 4E

Preliminary Final Report
Period ended 30 June 2011

GWA GROUP LIMITED

ABN	Half Yearly	Preliminary Final	Year ended ('current period')
15 055 964 380		✔	**30 June 2011**

Results for announcement to the market

				$A'000
Revenue from ordinary activities	Up	10.6%	to	726,367
Trading earnings before interest and tax	Up	13.3%	to	107,156
Net profit from ordinary activities after tax attributable to members (from continuing operations)	Up	14.3%	to	63,359
Net profit for the period attributable to members	Up	30.6%	to	63,359

Final Dividend	**Amount Per Security**	**Franked Amount Per Security**
Ordinary dividend	8.5¢	8.5¢
Previous corresponding period:		
Ordinary dividend	8.5¢	8.5¢
Record date for determining dividend entitlements	16 September 2011	
Date dividend payable	6 October 2011	

	Current Period	**Previous Corresponding Period**
Net tangible asset backing per ordinary security	0.14	0.21

Brief explanation of the figures reported above:

Refer to the attached Media Release and Managing Director's Review of Operations.

The attached Annual Financial Report has been audited.

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16 August 2011

Media Release

GWA Group maintains earnings growth in subdued market

- **Revenue from continuing operations increased by 11% to $726 million principally due to recent acquisitions**
- **Earnings before Interest and Tax (EBIT) from continuing operations of $107 million increased by 13%**
- **Contributions from all business segments increased during the year with new acquisitions performing to plan**
- **Earnings Per Share (EPS) from continuing operations improved by 14%**
- **Fully franked final dividend of 8.5 cents per share, with total dividend maintained at 18.0 cents for the year**
- **Strong Australian currency and high Australian costs require further restructuring in 2011/12 to maintain competitiveness**

GWA Group Ltd, Australia's leading supplier of fixtures and fittings to households and commercial premises, today announced a 13% increase in EBIT from continuing operations from $94.5 million to $107.2 million for the year to 30 June 2011.

Overall net profit after tax for the year of $63.4 million rose 14% for continuing operations and EPS increased to 21.0 cents per share. Directors have maintained the final fully franked dividend at 8.5 cents per share bringing the total full year dividend to 18.0 cents per share representing an 86% payout ratio.

Managing Director Peter Crowley said, "Our businesses have performed well to deliver a result within our EBIT guidance range of $105 to $111 million, despite weak trading conditions in the second half of the year. Benefits from Government stimulus spending on public housing and the Building Education Revolution program (BER) ended around the time underlying market demand weakened in the second half. We expected like for like underlying Australian demand to increase by 3% to 4% for the year but this was nearer to 1% due to market conditions".

Sales by the Bathrooms and Kitchens segment increased by 1%, with EBIT rising 5% from $74.2 million to $77.6 million. The strong Australian currency required some product price repositioning in the Caroma sanitaryware and bathroom products business, but targeted market growth and cost improvements have underpinned the improved result.

Sales by the Door and Access Systems segment lifted 38%, due to the inclusion of the recent acquisition, Gliderol Garage Doors, since January. EBIT increased 17% from $14.6 million to $17.2 million due principally to Gliderol's contribution. The Gainsborough door furniture and hardware business was flat year on year.

Sales by the Heating and Cooling segment increased 21% with the inclusion of a full year of sales from Brivis Climate Systems which was acquired in April last year. EBIT rose 18% from $14.6 million to $17.2 million with the inclusion of Brivis and improved performance from the Dux water heater business in the second half of the year.

The Commercial Furniture segment increased revenue by 3% with EBIT rising 56% to $8.9 million as the full benefit of the Government's BER program was realised. Spending on the BER program has now ceased. GWA tested the market in the past 12 months to see if there were potential new owners who put more value on the Sebel commercial furniture business than GWA. We have not yet reached agreement with a potential owner but are continuing with negotiations to sell the business, with a decision expected by the end of August 2011.

Commenting on the Company's future priorities Mr Crowley said "We will continue to focus on our core building fixtures and fittings businesses through cost management, organic growth and acquisitions. The strong Australian currency and high Australian costs will require further restructuring in 2011/12 to maintain our competitiveness. This will reduce our workforce by approximately 8% during the year and increase the proportion of product sourced offshore".

"We are committed to Australian manufacturing where it supports our competitiveness. This is demonstrated by our current investment to upgrade the Dux water heater factory at Moss Vale and further planned capital expenditures at the Caroma sanitaryware factory at Wetherill Park. We will continue to maintain a significant Australian manufacturing footprint despite the difficult environment for Australian manufacturing" Mr Crowley added.

"The outlook for 2011/12 is difficult to assess due to the uncertainties in the market but our businesses are in good shape to take advantage of market opportunities and we have well defined plans to maintain our competitiveness. Restructuring costs and related capital investment will cost approximately $20 million but we expect the profit and cash impact to be largely offset in the year through property sales and working capital management improvements".

"The trading environment is weak following the sharp declines in dwelling approvals in early 2011, the ending of Government stimulus programs, and the cautious consumer behaviour impacting on household spending and renovation activity. We will update the market on first quarter trading and outlook for the year at our Annual General Meeting in October" concluded Mr Crowley.

For Further Information call:

Peter Crowley	Tim Allerton
GWA Group Limited	City PR
07 3109 6000	02 8916 4848

Chairman's Review

The 2010/11 year has been one of contrast with the inconsistent performance of the dual speed Australian economy and extreme weather conditions causing disruption to building activity. The Board considers that the GWA businesses performed well in these circumstances. We now have three core business segments of scale including Bathrooms and Kitchens, Heating and Cooling and Door and Access Systems in the Australian building fixtures and fittings sector, and an efficient Commercial Furniture business. Our strategy to focus on the core Australian building fixtures and fittings businesses has been reinforced during the year with the acquisition of Gliderol Garage Doors and we will continue to look for sensible growth opportunities.

Our overarching strategy is to expand through market and product extensions in our core business segments. This will be achieved through growing our existing businesses (organic growth) or through acquisitions (inorganic growth). We estimate that our core markets constitute $4 to $5 billion of annual activity in which the GWA Group currently has less than 15% market share. This provides opportunities for growth despite the competitive nature of these markets. The Commercial Furniture business has had a strong year but we will continue to test whether more value can be achieved by divesting this business.

The Board itself is continuing to undergo a transition and has been strengthened during the year by the appointments of John Mulcahy and Peter Birtles as directors following the retirements of Barry Thornton and David Barry last year. Both appointments were made after an extensive search for suitable directors to complement the skills of the existing Board members. We are aware of the current focus on Board diversity but the appointments were based on attracting the most relevant skills and experience which are required for an effective Board. We will continue to look for opportunities to improve both diversity and relevant experience when making future appointments.

Overview of Results

The Group achieved a net profit after tax from continuing businesses of $63.4 million in the 2010/11 year on sales revenue of $726.4 million. Trading earnings before interest and tax of $107.2 million represented a 13.3% increase on the prior year's performance due to contributions from acquisitions, sales generated from the Government stimulus programs and ongoing business improvement initiatives. We believe this is a credible performance given the decline in business activity in the second half of the year.

The sharp decline in dwelling approvals in the second half of the year and the uncertainty and lack of confidence which is causing households to constrain discretionary spending, will create a challenging economic environment in the 2011/12 year. Our businesses are in good shape to take advantage of all opportunities in the weaker environment. The Managing Director will expand on the outlook for the year ahead together with our strategic priorities in his Review of Operations.

Dividends and Capital Management

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

The Group's strong operating cash flow enabled the directors to declare a final fully franked ordinary dividend of 8.5 cents per share to be paid in October. Together with the interim dividend of 9.5 cents per share paid in April, this maintains the ordinary fully franked dividend for the year at 18.0 cents per share, representing a payout ratio of 86%. We expect that the same ordinary dividend will be maintained in the year ahead, absent unforseen circumstances. The Dividend Reinvestment Plan will not be offered to shareholders for the final dividend and remains suspended.

Net debt at the end of June 2011 was $198 million. Prudent management of our asset portfolio and working capital has meant that net debt has increased by only $22 million despite funding the $41 million Gliderol Garage Doors acquisition. Our debt is well covered by total bank facilities of $300 million and we appreciate the ongoing support of our banks including Commonwealth Bank, Australia and New Zealand Banking Group, National Australia Bank, Westpac Banking Corporation and HSBC Bank Australia. Their support has been reinforced during the year through the refinancing of our debt facilities from bi-lateral arrangements to a syndicated facility with an extended maturity profile.

Executive Remuneration

For the 2011/12 executive remuneration review, the Board engaged the services of an independent external remuneration adviser, Guerdon Associates, to assist with benchmarking executive remuneration levels. This independent advice, together with recent feedback from shareholders, has resulted in a decision to change the mix of our incentive structure including the strengthening of performance hurdles.

Our Remuneration Report has been expanded this year to explain the changes which will be effective for the 2011/12 year. The Board has endeavoured to balance the need to address market trends whilst positioning GWA to retain and attract a high quality management team led by our experienced Managing Director of the past 8 years, Peter Crowley. As part of the changes, Mr Crowley has agreed to a freeze on his fixed remuneration for 3 years.

Our executive and management incentive schemes cover approximately 16% of total staff employees with total short term incentive payments for the year representing less than 5% of trading profit. The Board believes this is a reasonable balance of reward for management and shareholders and is necessary to ensure we are market competitive to retain our high quality executive and management team.

Sustainability and Carbon Emissions

The Board is committed to reducing energy, carbon emissions, water and waste across the GWA Group operations. We do believe that industrial processes, which account for 6% of direct carbon emissions, have been unfairly targeted for the proposed carbon tax to fund the Government's direct action plans. Politically sensitive sectors with larger emission footprints have not been targeted in the same way. The carbon tax is another cost which negatively impacts Australian manufacturing, in addition to the strong Australian currency, and GWA will need to find further cost savings to ensure we remain a competitive supplier.

GWA reports its group carbon emissions annually under the Federal Government's National Greenhouse and Emissions Reporting (NGER) Scheme and the reports can be accessed on GWA's website. We are enhancing transparency this year through the preparation of a standalone Sustainability Report to demonstrate the continuous improvement we aim to achieve for a sustainable future. This report will be placed on GWA's website for access by shareholders and other interested parties.

Our flagship operations, the Caroma sanitaryware factory at Wetherill Park and the Dux water heater factory at Moss Vale reduced carbon emissions by 11% and 13% respectively during the year. Active improvement programs are continually being worked on to ensure our facilities are world class in their environmental footprint.

Product Innovation

Product innovation is a core focus for sustaining our competitive advantage and in 2010/11 GWA spent 1.3% of revenue on product innovation and development.

Our product development activities include product design, functionality and environmental attributes. We innovate both in the product itself and improved installation attributes to make our products more attractive to consumers, handymen and tradespeople.

GWA People

Our business is only as good as our people and we aim to provide a safe and rewarding environment in the workplace. We are very pleased with progress in safety performance resulting in a 14% reduction in the total injury frequency rate in 2010/11. This is the sixth consecutive year of improvement and represents a consolidation of the step change in safety performance achieved in 2009/10.

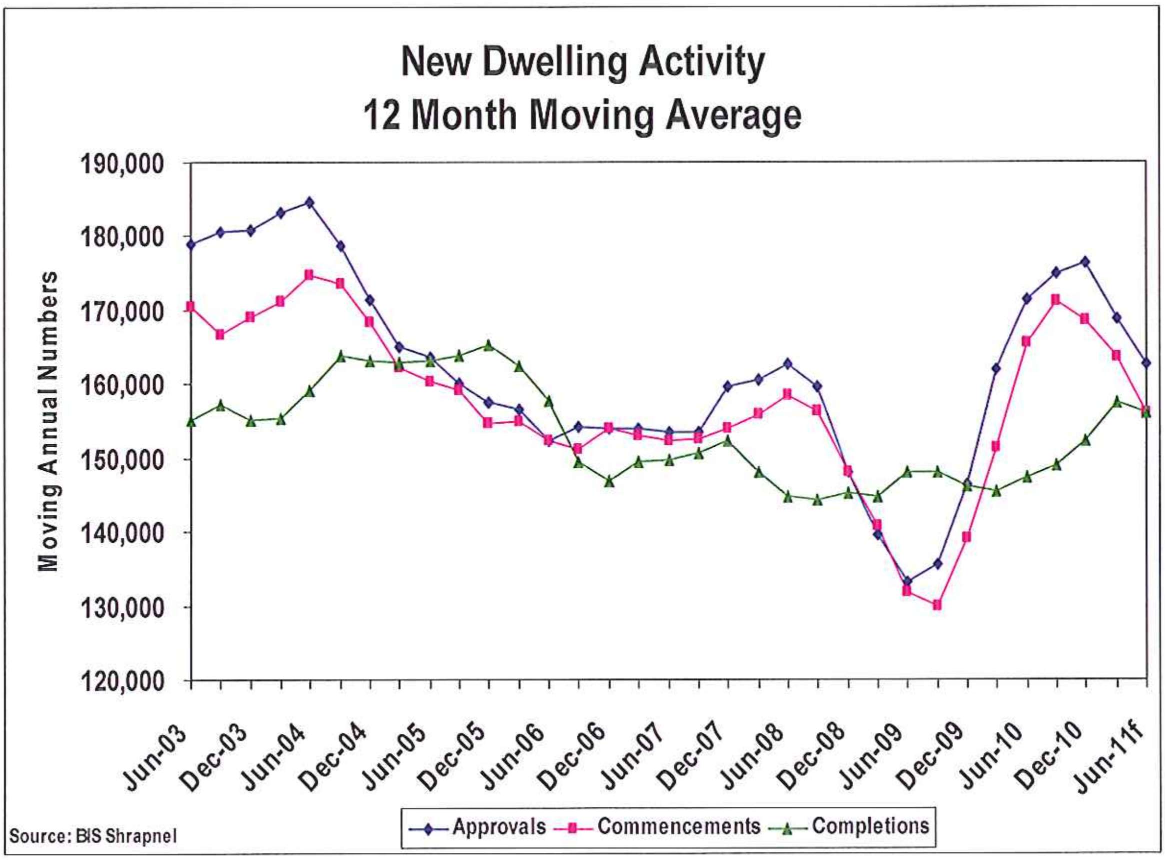
In closing, I would like to thank management and staff for their efforts in achieving the improved financial result in the 2010/11 year. The current year will be challenging but we have the right people and businesses to maximise our opportunities.

Managing Director's Review of Operations

The results for 2010/11 are presented in the Financial Statements for GWA's continuing operations and include a full year's contribution from Brivis Climate Systems, which was acquired in April last year and five months contribution from Gliderol Garage Doors, which was acquired in January 2011.

Revenue increased by 11% due to the contributions from the new acquisitions with like for like underlying sales being flat. Sales showed good growth in the first half of the year but the cessation of Government stimulus programs coincided with a decline in building activity in the second half of the year. The decline in activity was initially attributed to the adverse weather conditions across the east coast of Australia in the summer months but this broadened as low consumer confidence caused a general decline in discretionary spending and new dwelling approvals and renovation activity.

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



Given the above decline in activity we are pleased with the financial results for the 2010/11 year outlined below. This highlights the strong contributions from new acquisitions and the improvement in operating results with increased margins and strong operating cash flows.

$ Million	2010/11	2009/10	% Change
Sales Revenue	726.4	656.8	10.6%
Trading EBIT	107.2	94.5	13.3%
EBIT Margin	14.8%	14.4%	
Trading Profit after Tax from Continuing Operations	63.4	55.5	14.3%
Discontinued Operations	-	(6.9)	
Net Profit after Tax	63.4	48.5	30.6%
Cash generated from Operations	126.1	105.3	19.7%

The 11% increase in sales revenue reflects the contributions from the new acquisitions. Underlying Australian demand increased sales by 1% but this was offset by weaker North American sales and some product price repositioning. For Australian demand, the positive contribution from sales to Government stimulus programs was offset by lower Dux environmental water heater sales. This reflects the impact of reductions in Federal Government rebates in August 2009.

Sales and profit benefited from market development activities and our positioning to take maximum advantage of spending under the Federal Government's Building the Education Revolution (BER) program. This program has principally benefited our Commercial Furniture business but also impacted our Bathrooms & Kitchens business segment.

Continued strong operating cash flow reflects ongoing supply chain management improvements. Cash generated from operations of $126 million compared to $105 million in the prior year and assisted in maintaining our high dividend payout ratio whilst funding growth. Net debt increased by $22 million to $198 million despite funding the $41 million acquisition of Gliderol Garage Doors.

Strategy and Growth

Last year we confirmed that we have sufficient scope for growth in our core Australian building fixtures and fittings businesses through both organic and inorganic initiatives. This was further demonstrated during the year with the Gliderol Garage Door acquisition. We now have three core business segments of scale which are managed under separate management structures. These core business segments are reported separately in the Financial Statements as:

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

In addition to these core business segments, we will look to maximise value in operating the non-core Sebel commercial furniture business. We tested the market in the past 12 months to see if there were potential new owners who put more value on the business than GWA. We have not yet reached agreement with a potential owner but are continuing with negotiations to sell the business, with a decision expected by the end of August 2011.

As part of our strategy development, our core markets in Australia have been identified with an annual activity level of $4 to $5 billion. GWA has an overall 15% share of these markets which we will look to increase through organic or inorganic growth. Organic growth involves leveraging what we have by developing new market channels, extending existing relationships with builders and merchants, product innovation or new distributorships. Inorganic growth will be through product or market extensions which may involve the acquisition of businesses to facilitate the supply of new products that leverage our existing product offering or expanding our installation and service capabilities.

The Gliderol Garage Doors acquisition is a good example of how we can acquire a business and add value by integrating garage door and household electronic access systems to provide a new product offering to the market. We also have strong builder relationships in both Gliderol and Gainsborough which can be leveraged to grow the businesses if we maintain a competitive offer to the market.

The nature of GWA's products means that there is an extensive installation and service offering in most of our businesses. We see growth opportunities by extending these capabilities to enable a larger range of products to be offered with an installation and service option. We will continue to apply financial discipline as we look for growth opportunities with an emphasis on product and market extensions to our current core Australian building fixtures and fittings businesses.

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

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

Segment Performance

Segment performance reporting in the Financial Statements has been expanded to comprise the following:

Bathrooms & Kitchens - sale of vitreous china toilet suites, hand basins, plastic cisterns, tapware, baths, spas, kitchen sinks, laundry tubs and bathroom accessories.
Door & Access Systems - sale of garage doors, door handles and door access systems.
Heating & Cooling - sale of water heating and climate control systems.
Commercial Furniture - sale of education, hospitality and aged care furniture and stadia seating.

Segment results are summarised below:

Sales Revenue $ Million	Bathrooms & Kitchens	Door & Access Systems	Heating & Cooling	Commercial Furniture	Other	Total
2010/11	339.9	114.0	195.3	77.3	(0.1)	726.4
2009/10	337.4	82.9	161.5	74.8	0.2	656.8
% Change	0.8%	37.6%	20.9%	3.2%		10.6%
Trading EBIT $ Million	**Bathrooms & Kitchens**	**Door & Access Systems**	**Heating & Cooling**	**Commercial Furniture**	**Other**	**Total**
2010/11	77.6	17.2	17.2	8.9	-13.7	107.2
2009/10	74.2	14.6	14.6	5.7	-14.6	94.5
% Change	4.6%	17.3%	17.7%	56.2%		13.3%

A highlight of the 2010/11 results is that all business segments grew both revenue and trading EBIT which demonstrates the underlying improvement either through acquisitions or operating performance.

Sales from Bathrooms & Kitchens were negatively impacted by the decline in North America sales and the need for some product price repositioning to compete with imported products. Competitiveness of imported products has improved due to the strong Australian currency. Some growth was achieved in more profitable product lines resulting in improved margins. Results were also assisted by the improvement in Wetherill Park factory operations and ongoing efficiency gains in back office activities leveraging our ERP systems investment.

Door & Access Systems sales grew by 38% due to the inclusion of $29 million of sales from Gliderol Garage Doors, representing 5 months of trading following the acquisition in January. Underlying sales grew by 2.6% with some traction from the new Hillaldam distributorship late in the year. Trading conditions were particularly difficult in Queensland and the commercial sector was difficult nationally. A new residential electronic access system, integrating the garage door and front door, will be launched to the market in late 2011 to provide an up-sell option for builders.

Heating & Cooling sales include a full year's contribution from Brivis Climate Systems which was acquired in April last year. Sales of Dux environmental water heaters were down 8% due to reduced government rebates. The integration of Brivis and Dux to identify leverage opportunities has progressed well and we continue to work on growth options from product development and leveraging builder relationships. The Moss Vale factory upgrade is progressing to plan and we expect commissioning to be completed in the second quarter of 2011/12.

Commercial Furniture sales grew by 3% with the Federal Government's BER program winding down in the last quarter of 2010/11. Trading EBIT grew strongly as the investment in our supply chain allowed us to maximise the value from these sales.

Cash Flow

Cash generated from operations increased by 20% to $126 million as the strong trading result was matched with improved working capital management. Our investment in working capital reduced from 23.9% to 21.8% of sales which indicates improved capital efficiency and good progress towards our target of 20%.

Net capital expenditure on plant, equipment and systems of $25 million was up on last year due to the Moss Vale factory upgrade and the ongoing investment in rolling out our ERP systems upgrade across the group.

Net interest paid during the year increased to $16.6 million due to higher debt levels to fund the Gliderol Garage Door acquisition.

Financial Condition and Capital Management

Net debt at June 2011 increased by $22 million to $198 million despite funding the $41 million acquisition of Gliderol Garage Doors. The gearing ratio (net debt/net debt plus equity) of 31% is within our target range and the leverage ratio (Net debt/EBITDA) is a very acceptable 1.53 times. Interest cover (EBITDA/Net Interest) of 8.64 times further highlights the Company's strong financial metrics.

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

GWA continued to enjoy the support of our banks and the maturity dates for the core facilities have been extended during the year with a change in our debt structure from bi-lateral arrangements to a syndicated bank facility. All our lending banks participated in the syndicate. We have sufficient undrawn facilities and have in-principle support from our banks to increase facilities to assist with funding growth opportunities if required.

Bank $Million	Available Facilities	Drawn Facilities	Maturity Profile
CBA	100	78.2	
ANZ	50	39.1	
NAB	50	39.1	
Westpac	50	39.1	
HSBC	50	39.1	
Gross debt	300	234.6	July 2014 - $200 million July 2016 - $100 million
Cash and deposits		(36.5)	
Net debt		198.1	

Restructuring

With the sustained strength of the Australian currency and high cost of Australian manufacturing we have undertaken a review of the competitiveness of our businesses and concluded that further restructuring is required in 2011/12. We are committed to Australian manufacturing where it provides a source of competitive advantage but the strength of commodity prices and the ongoing weakness of the US economy is likely to sustain a high Australian currency for the foreseeable future and we must rebalance our sourcing strategies to remain competitive.

As a result of the strategic review we have concluded the following:

- The Caroma sanitaryware factory at Wetherill Park will remain a core manufacturing operation but will focus on market service to supplement lower cost offshore supply. Some further capital investment will also be made to better support our value proposition;
- The Dux water heater factory at Moss Vale is currently undergoing an $18 million upgrade to enhance competitiveness and this will be completed in the second quarter of 2011/12;
- The Gainsborough die-casting and plating operations at Blackburn will close. Keying and assembly operations at Blackburn are integral to our market offer and will be retained; and
- The recently acquired, Gliderol Garage Doors and Brivis Climate Systems operations, and the Adelaide plastic cisterns operation remain integral to our market offer and will be retained.

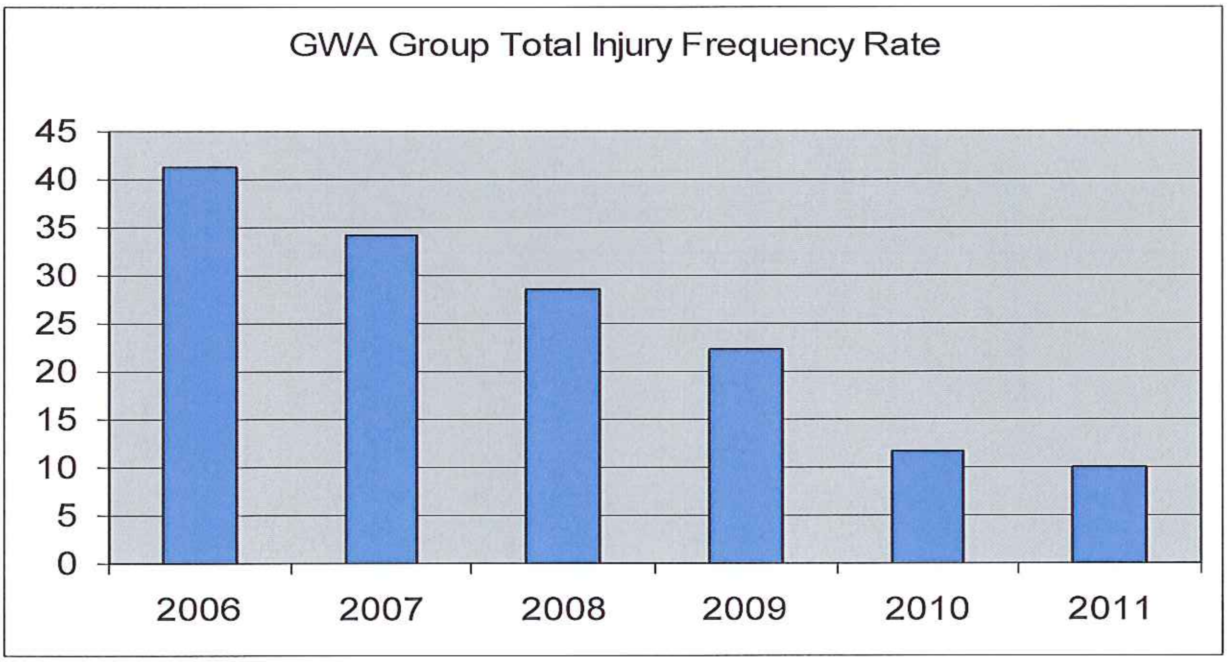
The restructuring will result in an 8% reduction in the total workforce with a total cost, including capital expenditure of approximately $20 million. We expect the profit and cash impact will be largely offset by property sales and working capital management improvements. Reduced operations will result in a 25% reduction in our Australian carbon footprint.

Health and Safety

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

The step change in safety performance achieved in 2009/10 has been consolidated with a further 14% decline in the total injury frequency rate in 2010/11. With our total injury frequency rate reducing to 10 we now have a consistent sense of purpose in creating a safe work environment for our people. Despite these impressive results, we still had 11 employees sustain a lost time injury during the year which we will strive to reduce. Good safety is good management which reflects both the efforts of management and the diligence of our workforce. We remain committed to continuous safety improvements with the objective of creating an injury free work environment.

The chart below highlights the continued improvement in the total injury frequency rate in the 2010/11 year.



Sustainability and Carbon Reduction

GWA has an active program to improve our impact on the environment through the reduction of energy, carbon emissions, water and waste. Our environmentally sustainable products are also a major source of competitive advantage for the Company.

GWA reports greenhouse gas emissions under the National Greenhouse and Energy Reporting Scheme (NGER). We are supplementing this with a standalone Sustainability Report which will be placed on the GWA website to allow for transparency in our improvement initiatives.

In 2010/11 GWA reported a total of 15,000 tonnes of direct carbon emissions and 33,000 tonnes of indirect carbon emissions through the purchase of energy.

People

GWA's long term success has been due to the efforts of a committed and talented workforce. We are continuing to examine ways to bring new thinking and skills into the business while also developing our people to provide succession opportunities. The Company recognises the benefits that can be achieved from a diverse workforce and has implemented policies aimed at improving workplace diversity.

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

During 2010/11 GWA joined with the Australian Institute of Management to develop an in-house Certificate of Management program. This constitutes 4 modules of advanced learning to better prepare our managers to be effective in their roles.

Outlook

The 2011/12 year will benefit from a full year of trading from Gliderol Garage Doors but we expect that underlying demand will reduce by 3% to 4% due to lower dwelling approvals, cessation of Government stimulus programs and reduced household discretionary spending impacting renovation activity.

A range of restructuring activities will be undertaken during the year to improve competitiveness which will require a transition in our supply chains to lower our cost base. As noted earlier, we expect this to involve an 8% reduction in the workforce with the cost in the year being largely offset by property sales and working capital efficiency improvements.

Given the current market uncertainty it is difficult to provide guidance for 2011/12 until we confirm the underlying demand and we will be in a better position to update the market at the Annual General Meeting in October following first quarter trading.

We expect the 2011/12 ordinary dividend payout will be maintained at current levels in accordance with the dividend policy, absent unforseen circumstances.

Directors' Report as at 30 June 2011

Your directors present their report on the consolidated entity of GWA Group Limited ("the Company") and the entities it controlled during the financial year ended 30 June 2011.

Directors

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

G J McGrath, Chairman and Non-Executive Director
D D McDonough, Deputy Chairman and Non-Executive Director
P C Crowley, Managing Director
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)

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

Details of the directorships of other listed companies held by each director in the three years prior to the end of the 2010/11 financial year, and the period for which each directorship has been held, are listed in the Annual Report.

Company Secretary

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

Directors' Interests

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

Director	Ordinary Shares
G J McGrath	150,000
D D McDonough	100,495
P C Crowley	750,000
R M Anderson	8,418,442
W J Bartlett	30,914
J F Mulcahy	25,000
P A Birtles	15,000
R J Thornton	111,194
Total	**9,601,045**

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

Note 33 to the Financial Statements sets out the number of shares held directly, indirectly or beneficially by directors or their related entities at balance date as prescribed in Accounting Standard AASB 124, this being 19,587,525 shares (last year 19,488,525 shares).

Corporate Structure

GWA Group Limited is a Company limited by shares that is incorporated and domiciled in Australia. GWA Group Limited has prepared a Consolidated Financial Report incorporating the entities that it controlled during the financial year ended 30 June 2011, which are outlined in Note 30 of the Financial Statements.

Principal Activities

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

In January 2011, the Company acquired Gliderol Garage Doors which is a leading Australian manufacturer and distributor of garage doors and openers for the residential and commercial markets. There have been no other significant changes in the nature of the activities of the consolidated entity during the year.

Employees

The consolidated entity employed 2,150 employees as at 30 June 2011 (last year 1,944 employees).

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

The consolidated entity has implemented employment policies aimed at encouraging diversity in the workforce to attract and retain the best people, including a stronger representation of women. All companies in the consolidated entity are active equal opportunity employers and the consolidated entity is compliant with the Equal Opportunity for Women in the Workplace Act 1999.

Segment Performance

The segment performance of the Company for the financial year ended 30 June 2011 is as follows:

Business Segment	**Segment Sales**		**Trading EBIT**	
	2010/11 $'000	**2009/10 $'000**	**2010/11 $'000**	**2009/10 $'000**
Bathrooms & Kitchens	339,915	337,377	77,631	74,208
Heating & Cooling	195,298	161,495	17,195	14,607
Door & Access Systems	114,026	82,881	17,158	14,622
Commercial Furniture	77,260	74,839	8,940	5,724
Unallocated	(132)	217	(13,768)	(14,613)
Total	**726,367**	**656,809**	**107,156**	**94,548**

Earnings Per Share

	2010/11 cents	2009/10 cents
Basic earnings per share	21.0	16.2
Basic earnings per share – continuing operations	21.0	18.5

Review of Operations

A review of the operations of the consolidated entity and the results of those operations for the financial year ended 30 June 2011 is provided in the Managing Director's Review of Operations.

State of Affairs

Changes in the state of affairs of the consolidated entity during the financial year resulted from the pursuit of acquisition opportunities to expand the core building fixtures and fittings business through market and product extensions. Details of the changes are as follows:

- On 31 January 2011, the consolidated entity purchased the shares of Gliderol International Pty Ltd for $40.7 million. Gliderol Garage Doors is a leading Australian manufacturer and distributor of garage doors and openers for the residential and commercial markets and has been integrated with the Gainsborough door hardware business to form GWA Door & Access Systems.

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

Dividends

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

Declared and paid during 2010/11 financial year

Dividends	Cents per share	Total Amount $'000	Franked	Date of Payment
Final 2009/10 Ordinary	8.5	25,594	Fully Franked	6 October 2010
Interim 2010/11 Ordinary	9.5	28,604	Fully Franked	5 April 2011

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

Declared after end of the 2010/11 financial year

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

Dividend	Cents per share	Total Amount $'000	Franked	Date of Payment
Final 2010/11 Ordinary	8.5	25,630	Fully Franked	6 October 2011

The financial effect of the dividend has not been brought to account in the Financial Statements for the year ended 30 June 2011 and will be recognised in subsequent Financial Reports.

The record date for the final dividend is 16 September 2011 and the dividend payment date is 6 October 2011. The Dividend Reinvestment Plan will not be offered to shareholders for the final dividend and remains suspended.

Significant Events after Balance Date

Subsequent to 30 June 2011, the consolidated entity has progressed negotiations with a third party in relation to the divestment of the Sebel business. The Sebel business represents the Commercial Furniture segment which includes the sale of education, hospitality and aged care furniture and stadia seating. At the date of this report, the consolidated entity has not yet reached agreement with the third party. Negotiations are continuing and a decision is expected by the end of August 2011.

On 16 August 2011, the directors declared a final ordinary dividend of 8.5 cents per share in respect of the financial year ended 30 June 2011. The dividend will be fully franked at the 30% corporate tax rate. The total amount of the dividend is $25.630 million (last year $25.594 million). In accordance with Accounting Standards, the dividend has not been provided for in the Financial Statements for the year ended 30 June 2011.

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

Likely Developments and Expected Results

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

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

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

Environmental Regulation and Performance

Environmental Licenses

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

The consolidated entity, in conjunction with external advisers, monitors storage and treatment of hazardous materials within particular operations. Prior to any discharge to sewers, effluent is treated and monitored to ensure strict observance with license conditions. The directors are not aware of any breaches of the consolidated entity's license conditions during the financial year ended 30 June 2011.

Environmental Remediation

In previous financial years, the consolidated entity investigated and reported two environmental contamination issues at factory sites at Revesby NSW and Eagle Farm Queensland. The Revesby site is leased and occupied by McIlwraith-Davey Pty Ltd. The Eagle Farm site was previously occupied by Corille Limited (formerly Rover Mowers Limited) and was sub-leased to MTD Products Australia Pty Ltd on 1 April 2010 following the sale of the Rover Mowers business. The Company no longer occupies the site and the sub-lease to MTD Products Australia Pty Ltd expired in November 2010.

During the year, the remediation activities at the Revesby site were conducted in accordance with the Voluntary Remediation Proposal approved by the Department of Environment, Climate Change and Water (NSW). It is expected that the remediation activities will be completed during the 2011/12 year. McIlwraith-Davey Pty Ltd will continue to occupy the site after the remediation activities are completed until lease expiry in April 2013.

Whilst there was no legal obligation to remediate the Eagle Farm site, the Board approved targeted remediation activities to mitigate potential future environmental liabilities. The remediation activities were substantially completed during the 2010/11 year. It is expected that a Site Audit Statement declaring the site is suitable for ongoing use and with no ongoing monitoring obligations will be obtained during the 2011/12 year. The consolidated entity no longer occupies the site.

Indemnification and Insurance of Directors and Executives

Indemnification

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

Insurance Premiums

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

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

Remuneration Report - Audited

The Remuneration Report provides information about the remuneration arrangements for key management personnel ('KMP'), which includes non-executive directors and the most senior group executives, for the year ended 30 June 2011. Reference to 'executives' in this report means KMP executives.

The report covers the following matters:

1. Board role in setting remuneration strategy and principles;
2. Relationship between remuneration policy and company performance;
3. Description of non-executive director remuneration;
4. Description of executive remuneration;
5. Details of director and executive remuneration;
6. Key terms of employment contracts; and
7. Legacy equity based remuneration plans.

1. Board role in setting remuneration strategy and principles

GWA's strategy is to provide remuneration that is fair and sufficient to attract and retain management and directors with the experience, knowledge, skills and judgment required for the consolidated entity's success.

The key principle is that remuneration varies between the median and third quartiles (or higher if warranted by superior performance) relative to companies of comparable size and scope to GWA.

The Board engages with shareholders, management and other stakeholders to continuously refine and improve executive and director remuneration polices and practices. The Nomination Committee is responsible for determining the remuneration arrangements for the non-executive directors, with the annual maximum aggregate amount approved by shareholders. The Remuneration Committee deals with remuneration matters for executives.

Both the Nomination Committee and the Remuneration Committee have the authority to engage external professional advisers without seeking approval of the Board or management.

During the reporting period, the Nomination Committee and the Remuneration Committee obtained advice from Guerdon Associates for 2011/12 remuneration. Guerdon Associates does not provide services to management and is considered to be independent. In response to feedback from shareholders and advice from Guerdon Associates a number of changes are proposed to the 2011/12 remuneration structure which are consistent with GWA's remuneration strategy. These changes are detailed in this report.

1.1 Executive remuneration strategy – 2011/12 changes

As a result of shareholder feedback on current practices, GWA's executive remuneration structure will be changed with effect from the start of the 2011/12 financial year.

The Remuneration Committee aims to ensure that the mix of fixed and variable remuneration for executives is appropriate for the cyclical, mature, competitive and lower growth industries in which GWA operates, having regard to:

- the need to protect the market leading positions of established products against large global competitors in order to maintain competitiveness; and
- the importance of developing growth opportunities whilst maintaining stability of earnings and a high operating cash flow to fund the fully franked dividend payments to shareholders.

The Committee acknowledges that this strategy has generally resulted in the approval of a higher proportion of fixed remuneration for executives compared to peer companies and a lower proportion of variable remuneration.

Key concerns raised by shareholders and proposed changes to GWA's remuneration structure to apply for the 2011/12 financial year are summarised in the table below. Where appropriate, the adjustments to the 2011/12 remuneration structure are detailed in the various sections of this report.

Shareholder Concern	GWA Board Response
Fixed remuneration for Managing Director and some executives is above third quartile measured against peer companies	Managing Director's fixed remuneration will be frozen for the next three years
Long term incentives are too high	Reduce long term incentives with more emphasis on short term incentives with part deferred subject to further testing
Long term incentives are subject to "cliff" vesting with low targets	Remove "cliff" reward vesting that may encourage excessive risk taking as a performance threshold is approached. The Long Term Incentive plan will have graduated vesting scales to more closely align reward with performance Performance targets will be increased for reasonably achievable levels and stretch targets applied for full vesting
Incentives could encourage excessive risk taking	Shift some of the incentive from longer term to shorter term requirements for growth with payment of deferred amounts subject to further testing A higher proportion of short term incentives will be set to stretch targets requiring sustainable performance

1.2 Managing Director's remuneration

The Managing Director's fixed remuneration has been established over the past 8 years of service to shareholders where he has consistently delivered value and positioned the consolidated entity for sustainable performance. This was demonstrated during the recent global financial crisis where GWA weathered the extreme volatility in the financial markets with only a moderate impact on profitability and no impact on the Company's high dividend pay-out. The strong financial position enabled the Company to refinance bank debt without any requirement for a dilutive equity raising.

During the 8 years of service, the Managing Director has received only modest incentive payments due to the low growth experienced in the building sector. The Board believes the above changes to the 2011/12 remuneration structure represent an appropriate balance between addressing the issues raised by shareholders and maintaining a competitive compensation package for key executives.

2. Relationship between remuneration policy and company performance

Remuneration is linked to performance by:

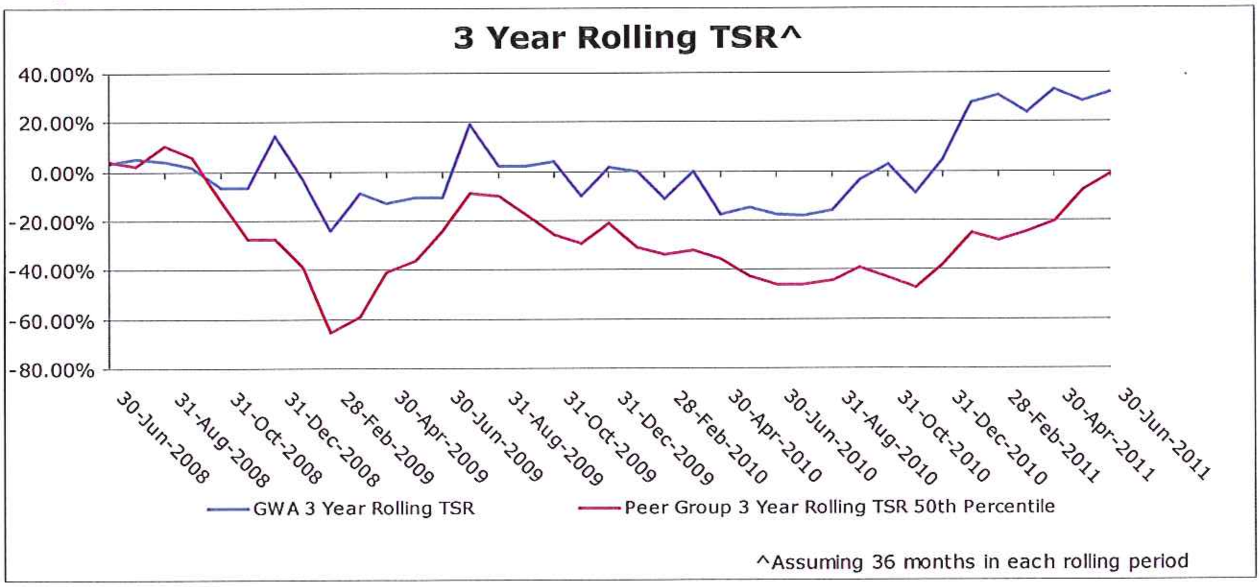
- Applying challenging financial and non-financial measures to assess performance; and
- Ensuring that these measures focus management on operational and strategic business objectives that create shareholder value.

GWA measures performance on the following key corporate measures:

- Earnings per share ('EPS') growth;
- Total shareholder return ('TSR') relative to companies with similar scope, operations, customers or products; and
- Economic Profit, defined as the pre tax profit after deducting the cost of capital for funds used.

Remuneration for all executives varies with performance on these key measures together with achievement of key personal goals which underpin delivery of these financial outcomes and are linked to the consolidated entity's performance review process.

The following graph shows the Company's performance over rolling 3 year periods for the 3 years to 30 June 2011 compared to the Long Term Incentive peer group companies for the 2009 to 2011 grants (i.e. GUD Holdings Limited, Hills Industries Limited, Bradken Limited, Spotless Group Limited, Alesco Corporation Limited, Dulux Group Limited, Pacific Brands Limited, Adelaide Brighton Limited, Ansell Limited and Paperlinx Limited). Dulux Group Limited replaced Crane Group Limited following its delisting from the ASX in May 2011.



Source: Guerdon Associates

The following is a summary of key shareholder wealth statistics for the Company over the last five years:

Financial Year	Trading EBIT ($m)	Trading EPS* (cents)	Total DPS (cents)	Share Price ($)
2006/07	98.8	22.0	22.0	4.42
2007/08	99.4	21.5	19.5	2.50
2008/09	86.4	17.9	18.0	2.30
2009/10	94.5	18.5	18.0	3.01
2010/11	107.2	21.0	18.0	2.75

* excludes restructuring expenses

The remuneration and incentive framework which has been put in place by the Board has ensured that executives are focused on both sustaining short term operating performance with moderate long term strategic growth. This has contributed to the Company generating the shareholder returns as set out in the above table and graph, including a total of 95.5 cents in fully franked dividends paid to shareholders in the last five financial years which includes 5.5 cents in special dividends.

A comparison of key performance goals and outcomes for 2010/11 is provided in the following table:

2010/11 Goals	Results
Achieve leading safety performance to work towards an injury free workplace	Safety performance as measured by Total Injury Frequency rate improved by 14%
Sustain profitability through effective management of brands and supply chain	EBIT margins, return on funds employed and key operating measures have improved
Continuously improve operating performance	Continued improvement in workforce productivity with 4% underlying reduction for similar sales levels on like for like basis
Pursue growth in core building fixtures and fittings market	Trading profit increased by 13% due to acquisitions and organic growth initiatives successfully executed during the year

3. Description of non-executive director remuneration

There has been no change to the basis of non-executive director fees since the prior reporting period.

Fees for non-executive directors are fixed and are not linked to the financial performance of the consolidated entity. The Board believes this is necessary for non-executive directors to maintain their independence.

At the 2004 Annual General Meeting, shareholders approved non-executive director fees up to an annual maximum aggregate amount of $1.09 million (including statutory superannuation). The actual fees paid to the non-executive directors are outlined in the Remuneration Tables (see section 5.1).

Non-executive director remuneration consists of base fees and statutory superannuation, plus an additional fee for each Board committee on which a director sits. The payment of committee fees recognises the additional time commitment required by directors who serve on one or more committees. Non-executive directors are not able to participate in the executive incentive schemes or the GWA Employee Share Plan.

The Nomination Committee obtains market benchmarking data from an external remuneration adviser to ensure that the level and allocation of non-executive director remuneration is market based and fairly represents the responsibilities and time spent by the directors on Company matters. The most recent benchmarking survey from Guerdon Associates sampled the same companies used for executive remuneration benchmarking (see section 4.2) and found the fees received by most non-executive directors were positioned at about the 60th percentile.

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

4. Description of executive remuneration

4.1 Executive remuneration structure

Executive remuneration has a fixed component and a component that varies with performance.

The variable component ensures that total pay varies with performance. The short term incentive ('STI') provides rewards for performance over a 1 year period. The long term incentive ('LTI') provides rewards for performance over a 3 year period.

The maximum total remuneration that can be provided to an executive is capped, with maximum incentive payments expressed as a percentage of total fixed remuneration. Total fixed remuneration for the purposes of the incentives includes superannuation and non-monetary benefits. The STI and LTI maximum percentages are less than most market peers given the emphasis on stability of earnings, cash flow and dividends and the relatively high fixed pay.

4.1.1 Managing Director remuneration structure

A comparison of the current and the proposed 2011/12 incentives structure for the Managing Director is provided in the table below:

Managing Director	Maximum short term incentive % of fixed remuneration	LTI % of fixed remuneration (grant date fair value)	Total performance pay as % of fixed remuneration
Current 2010/11	60	60	120
Proposed 2011/12	80	40	120

A comparison of the current and the proposed 2011/12 STI for the Managing Director is provided in the table below:

Managing Director	Personal Goals	Financial Targets	Total Reasonably Achievable	Maximum for achieving stretch goals
Current 2010/11	10	30	40	60
Proposed 2011/12	20	30	50	80

4.1.2 Other Executives remuneration structure

A comparison of the current and the proposed 2011/12 incentives structure for other executives is provided in the table below:

Other Executives	Maximum short term incentive % of fixed remuneration	LTI % of fixed remuneration (grant date fair value)	Total performance pay as % of fixed remuneration
Current 2010/11	40	40	80
Proposed 2011/12	50	30	80

A comparison of the current and proposed 2011/12 STI for the other executives is provided in the table below:

Other Executives	Personal Goals	Financial Targets	Total Reasonably Achievable	Maximum for achieving stretch goals
Current 2010/11	10	20	30	40
Proposed 2011/12	20	20	40	50

The proposed changes for all executives, including the Managing Director, result in a shift in incentives from longer term to shorter term requirements to sustain competitiveness, deliver value and growth, and maintain cash flows for dividends. This will be supported by a requirement that 50% of the financial targets component of the STI will be deferred and subject to further testing with payment at the discretion of the Board at the time of signing the following year's annual audited Financial Statements. The further testing involves the Board verifying the integrity of the achievement of the STI financial targets. Interest will be earned by the executives on the deferred component.

The payment of the STI at the reasonably achievable level has a greater likelihood of achievement than not, if management successfully implement improvement plans, and the maximum level has stretch targets with a one in three year likelihood of achievement.

4.2 Fixed remuneration

Fixed remuneration is the sum of salary and the direct cost of providing employee benefits, including superannuation, motor vehicles, car parking and fringe benefits tax.

The level of fixed remuneration is set:

- to retain proven performers with difficult to source experience in manufacturing and global supply chain management;
- to attract external recruits with depth and breadth of expertise usually acquired while working with larger companies; and
- in recognition that the primary focus in recent years has been on conserving market leadership, cash flow and dividends.

Based on an independent survey by Guerdon Associates, this has resulted in fixed remuneration for most executive positions at GWA being at or above the third quartile for companies of comparable market capitalisation or business units of comparable revenues. The 26 listed companies included in the survey provided reliable and robust statistical remuneration benchmarking and shared some common attributes with GWA, but few direct competitors and good position matches exist for precise remuneration positioning. Judgment was therefore exercised by the Remuneration Committee in determining appropriate remuneration levels, having regard to the background and experience of the individuals.

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

4.3 Short-term incentive ('STI')

4.3.1 STI overview

The STI plan provides for an annual payment that varies with performance measured over the Company's financial year to 30 June 2011. The STI is aligned to shareholder interests as executives will only become entitled to the majority of payments if profitability improves (allowing for the building cycle), with maximum incentive payments above the reasonably achievable level linked directly to shareholder wealth creation. Total incentive payments to executives and management represent less than 5% of trading profit.

As noted in section 4.1, the maximum STI that can be earned is capped to minimise excessive risk taking.

The STI payment is made in cash after finalisation of the annual audited Financial Statements. No part of the STI for the year to 30 June 2011 was deferred.

In 2011/12, 50% of the financial targets component of the STI will be deferred and subject to further testing following adjustments to the remuneration structure as outlined in the table in section 1.1 above.

4.3.2 STI performance requirements

4.3.2.1 Personal Goals

The personal goals set for each executive includes achievement of key milestones to improve or consolidate the Company's or business unit's strategic position. The goals vary with the individual's role, risks and opportunities.

The achievement of personal goals reinforces the Company's leadership model for improved performance management through achieving measurable personal goals established during the performance review process at the beginning of the financial year. The personal goals can be drawn from a number of areas specific to individual roles including financial measures such as working capital management, workplace health and safety performance, execution of Company strategy and key business improvement projects.

The inclusion of personal goals in the remuneration structure ensures that executives can be recognised for good business performance whether or not the Company or business unit achieves its STI financial performance targets. This ensures the executives remain focused on continuous performance improvement in their role.

4.3.2.2 Financial Targets

Financial performance targets are based on a combination of improving revenue, margin and/or improved Return on Funds Employed (ROFE). This will be calculated using the principle of Economic Profit which is the pre tax profit after deducting the cost of funds used in generating the profit.

The formula is:

Economic Profit = EBIT – (Funds Employed x pre tax cost of capital)
Pre tax cost of capital is 15% per annum

(NB: Where significant restructuring has been undertaken in a division, trading EBIT will be used for the calculation of Economic Profit)

Under the STI framework, a business unit head may receive an STI payment if business unit Economic Profit has grown, although the overall corporate Economic Profit may not have grown, and vice versa.

The Board retains the right to vary from policy in exceptional circumstances. However, any variation from policy and the reasons for it will be disclosed.

4.4 Long-term incentive ('LTI')

4.4.1 LTI overview

Executives participate in a LTI plan. This is an equity based plan that provides for a reward that varies with Company performance over three year periods. Three years is considered to be the maximum time period over which financial projections and detailed business plans can reasonably be made.

The LTI is provided as Performance Rights, with each right entitling the holder to an ordinary share in the Company (or in limited cases to a cash payment), subject to meeting financial performance hurdles and the holder remaining in employment with the Company until the nominated vesting date.

If the vesting conditions and performance hurdles are achieved, ordinary shares will be issued to the participants at no cost. Performance Rights are cancelled if the performance hurdles are not met.

The performance hurdles for the LTI are selected by the Remuneration Committee. Half of the Performance Rights are based on Total Shareholder Returns (TSR) for GWA compared to a peer group of companies (which is a relative performance requirement) and half of the Performance Rights are based on growth in Earnings Per Share (EPS) (which is an absolute performance requirement). The EPS performance condition is calculated as net profit after tax as set out in the Company's annual audited Financial Statements divided by the weighted average of ordinary shares on issue. The Board has discretion to make reasonable adjustments to base year EPS where it is unduly distorted by significant or abnormal events. Any such adjustments will be disclosed.

A participant may not dispose of the ordinary shares issued under the LTI until the seventh anniversary of the grant date and the shares are subject to a holding lock upon issue. There are limited circumstances where a participant may dispose of the shares before the end of the seven year period, including cessation of employment with the Company or where the Board grants approval. In considering an application from a participant to dispose of the shares, the Board will consider whether the sale is in the best interests of the Company, relevant policies and regulations and other factors.

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

The LTI rules do not allow for re-testing of the performance hurdles after the initial performance period.

For the 2011 LTI grant, the proportion of Performance Rights that can vest will be calculated and the shares will vest in August 2013 subject to achieving the performance hurdles.

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

4.4.2 LTI performance requirements

4.4.2.1 TSR Hurdle

Performance Rights in the tranche to which the relative TSR performance requirement applies, will vest if GWA's TSR exceeds the median of the peer group of companies. The peer group for measuring the relative TSR hurdle is outlined in the table below.

4.4.2.2 EPS Hurdle

EPS growth is measured over the three years from 1 July 2010 to 30 June 2013. The EPS hurdle is calculated as net profit after tax, as set out in the Company's annual audited Financial Statements, divided by the weighted average number of ordinary shares on issue. The base year EPS for the 2011 LTI grant was adjusted by the Board for the significant item included in the Company's annual audited Financial Statements for the year ended 30 June 2010. The effect of the adjustment was to increase base year EPS from 16.2 cents to 18.5 cents to ensure that the hurdle was not distorted by the significant item and was reflective of the underlying operating performance of the business.

Performance Rights in the tranche to which the EPS performance requirement applies will vest if EPS growth equals or exceeds 10% over the 3 year performance period.

4.4.3 Changes from 2012

For the 2012 LTI plan, the "cliff" vesting for the performance hurdles in the 2011 plan will be replaced by vesting scales graduated with performance and more demanding performance hurdles. The comparator group for the 2012 LTI plan will be expanded to include selected comparator group companies used by Guerdon Associates for benchmarking executive fixed remuneration levels for the 2011/12 remuneration review.

A comparison of the current and proposed 2012 changes to the LTI plan is as follows:

	2011	2012
Relative TSR hurdle	50% of rights vest if GWA's TSR exceeds the median	25% of performance rights vest if GWA's TSR equal or exceeds the median and 50% vest if it equal or exceeds the 75th percentile Performance in the range of 25% to 50% will be awarded on a pro rata basis
Comparator Group for TSR hurdle	GUD Holdings Limited, Hills Industries Limited, Bradken Limited, Spotless Group Limited, Alesco Corporation Limited, Dulux Group Limited, Pacific Brands Limited, Adelaide Brighton Limited, Ansell Limited, Paperlinx Limited	Reece Australia Limited, Adelaide Brighton Limited, Ansell Limited, Brickworks Limited, CSR Limited, Goodman Fielder Limited, Bradken Limited, Dulux Group Limited, Super Retail Group Limited, Premier Investments Limited, Pacific Brands Limited, GUD Holdings Limited, Spotless Group Limited, Breville Group Limited, Hills Holdings Limited
Absolute EPS growth hurdle	50% of rights vest if GWA's EPS grows by 10% or more over 3 year performance period	25% of performance rights vest if GWA's EPS grows by 3% or more per annum and 50% vest if it grows by 8% or more per annum over 3 year performance period Performance in the range of 25% to 50% will be awarded on a pro rata basis

5. Details of director and executive remuneration

5.1 Remuneration Tables

Details of the nature and amount of each element of remuneration of each director of the Company and other key management personnel for the year ended 30 June 2011 are outlined in the Remuneration Tables below:

		Short-term			Long-term			Post-employment					
		Salary & Fees $	STI Cash Bonus $(a)*	Non-Monetary $(b)	Employee Share Plan Interest $(c)	Value of Share-Based Awards $(d)	Retention Bonus $(e)	Super-annuation Benefits $	Termination Benefits $	Total $	Proportion of remuneration performance based %	STI Cash Bonus vested in year %	STI Cash Bonus forfeited in year %
Non-Executive Directors													
D Barry, Non-Executive Director	*2011*	34,100	-	14,019	-	-	-	3,069	-	51,188	-	-	-
(Retired 28 October 2010)	*2010*	102,300	-	-	-	-	-	9,207	-	111,507	-	-	-
R Anderson, Non-Executive Director	*2011*	57,126	-	-	-	-	-	49,940	-	107,066	-	-	-
	2010	56,301	-	-	-	-	-	48,666	-	104,967	-	-	-
				-								-	-
G McGrath, Chairman	*2011*	294,678	-	-	-	-	-	26,521	-	321,199	-	-	-
	2010	79,724	-	-	-	-	-	36,142	-	115,866	-	-	-
W Bartlett, Non-Executive Director	*2011*	131,376	-	-	-	-	-	11,824	-	143,200	-	-	-
	2010	122,300	-	-	-	-	-	11,007	-	133,307	-	-	-
D McDonough, Deputy Chairman	*2011*	61,082	-	-	-	-	-	46,917	-	107,999	-	-	-
	2010	82,999	-	-	-	-	-	25,003	-	108,002	-	-	-
P Birtles, Non-Executive Director	*2011*	61,252	-	-	-	-	-	5,513	-	66,765	-	-	-
(Appointed 24 November 2010)	*2010*	-	-	-	-	-	-	-	-	-	-	-	-
J Mulcahy, Non-Executive Director	*2011*	60,472	-	-	-	-	-	5,443	-	65,915	-	-	-
(Appointed 24 November 2010)	*2010*	-	-	-	-	-	-	-	-	-	-	-	-
Executive Directors													
P Crowley, Managing Director	*2011*	1,428,814	600,600	98,804	92,393	408,000	-	50,000	-	2,678,611	37.7	64	36
	2010	1,368,975	780,000	129,699	89,176	456,450	-	50,000	-	2,874,300	43.0	87	13
R Thornton, Executive Director	*2011*	282,469	73,636	9,589	16,941	40,542	-	32,583	-	455,760	25.1	75	25
	2010	232,157	83,620	30,511	15,956	44,942	-	24,873	-	432,059	29.8	93	7

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

		Short-term			Long-term			Post-employment					
		Salary & Fees $	STI Cash Bonus $(a)*	Non-Monetary $(b)	Employee Share Plan Interest $(c)	Value of Share-Based Awards $(d)	Retention Bonus $(e)	Super-annuation Benefits $	Termination Benefits $	Total $	Proportion of remuneration performance based %	STI Cash Bonus vested in year %	STI Cash Bonus forfeited in year %
Executives													
G Oliver, General Manager – Group Development	2011	377,236	119,407	31,229	-	68,708	-	49,091	-	645,671	29.1	82	18
	2010	400,019	133,680	39,867	-	73,075	-	52,238	-	698,879	29.6	100	-
W Saxelby, Chief Financial Officer	2011	603,343	202,650	13,716	50,098	(34,167)	-	48,000	-	883,641	19.1	75	25
	2010	603,477	229,400	12,444	47,230	54,833	-	48,000	-	995,384	28.6	93	7
G Welsh, General Manager – GWA Commercial Furniture	2011	322,086	113,818	8,928	-	16,375	-	37,129	-	498,335	26.1	100	0
	2010	289,799	92,500	8,099	-	51,975	-	31,818	-	474,191	30.5	93	7
L Patterson, Chief Executive – GWA Heating and Cooling	2011	380,150	110,361	7,651	42,257	68,708	400,000	38,145	-	1,047,273	55.3	76	24
	2010	334,384	25,920	42,758	48,658	73,075	-	45,309	-	570,104	17.4	20	80
N Evans, Chief Executive – GWA Bathrooms and Kitchens	2011	505,766	57,800	40,537	-	131,250	-	50,000	-	785,353	24.1	25	75
(Appointed 17 March 2010)	2010	169,500	-	-	-	64,375	-	3,800	-	237,675	27.1	-	-
P Crossley, General Manager - Gainsborough	2011	348,859	26,128	847	-	64,208	-	36,483	-	476,525	19.0	20	80
(Appointed 1 April 2010)	2010	180,856	70,500	11,973	-	38,087	-	15,866	-	317,282	34.2	100	-

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

Notes to the Remuneration Tables

(a) The Short Term Incentive (STI) cash bonus is for the performance during the financial year ended 30 June 2011 based on the achievement of personal goals and financial performance targets. The STI cash bonuses are paid annually following the end of the preceding financial year. The amounts have been determined following individual performance reviews and have been approved by the Remuneration Committee.

(b) The short term non-monetary benefits include the provision of motor vehicles, medical benefits membership, salary continuance and life insurance and any applicable fringe benefits tax thereon.

(c) The Employee Share Plan interest includes an amount representing commercial interest that would have been charged during the period on the executives outstanding employee loan balances owed to the Company had these loans not been interest free. The benefit is classified as a long term benefit in the Remuneration Tables which reflects the long term nature of the incentive.

(d) The Long Term Incentive (LTI) Plan was approved by shareholders at the 2008 Annual General Meeting. Performance rights were granted to executives in each of the years 30 June 2009, 2010 and 2011 and are subject to vesting conditions and the achievement of the EPS and TSR performance hurdles over the three year performance periods. No performance rights vested during the years 30 June 2009, 2010 and 2011. The fair value of the performance rights granted in each of the years were calculated using Binomial option pricing model (EPS hurdle) and Monte Carlo simulation (TSR hurdle) valuation methodologies and allocated to each financial year evenly over the three year performance period. If the EPS and TSR performance hurdles are not achieved, then no benefits will be received by the executives under the LTI.

(e) The Board approved a retention bonus for Mr L Patterson in 2008 due to the rapidly changing regulatory environment and the increased business complexity facing the Dux business. The retention bonus was subject to the achievement of performance hurdles linked to value creation including market share and EBIT performance.

5.2 Share based payments

5.2.1 Performance Rights

The table below shows details of the Performance Rights granted to key management personnel during the year ended 30 June 2011 and in prior years that affects compensation in this or future reporting periods. No Performance Rights vested during the year.

		Number of rights granted	*Grant date**	*% forfeited in year*	*Fair value of rights at grant date $**	*Issue price used to determine number of rights granted*
Executive Directors						
P Crowley, Managing Director	2011	300,000	21 February 2011	-	802,500	3.00
	2010	305,000	12 March 2010	-	785,375	2.84
	2009	355,000	27 February 2009	50	583,975	2.46
R Thornton, Executive Director	2011	30,000	21 February 2011	-	80,250	3.00
	2010	30,000	12 March 2010	-	77,250	2.84
	2009	35,000	27 February 2009	50	57,595	2.46
Executives						
G Oliver, General Manager – Group Development	2011	50,000	21 February 2011	-	133,750	3.00
	2010	50,000	12 March 2010	-	128,750	2.84
	2009	55,000	27 February 2009	50	90,475	2.46
W Saxelby, Chief Financial Officer	2011	-	-	-	-	-
	2010	-	-	-	-	-
	2009	100,000	27 February 2009	50	164,500	2.46
G Welsh, General Manager – GWA Commercial Furniture	2011	-	-	-	-	-
	2010	35,000	12 March 2010	-	90,125	2.84
	2009	40,000	27 February 2009	50	65,800	2.46
L Patterson, Chief Executive – GWA Heating and Cooling	2011	50,000	21 February 2011	-	133,750	3.00
	2010	50,000	12 March 2010	-	128,750	2.84
	2009	55,000	27 February 2009	50	90,475	2.46
N Evans, Chief Executive – GWA Bathrooms and Kitchens	2011	75,000	21 February 2011	-	200,625	3.00
(Appointed 17 March 2010)	2010	75,000	12 March 2010	-	193,125	2.84
	2009	-	-	-	-	-
P Crossley, General Manager – Gainsborough	2011	45,000	21 February 2011	-	120,375	3.00
(Appointed 1 April 2010)	2010	40,000	12 March 2010	-	103,000	2.84
	2009	-	-	-	-	-

* The issue price used to determine the number of rights offered to all participants during the year, including Mr Crowley and other key management personnel, was $3.00 being the volume weighted average price of the Company's shares calculated over the 20 trading days after the Company's Annual General Meeting on 28 October 2010. The grant dates and corresponding fair values per right in the above table have been determined in accordance with Australian Accounting Standards. Fair values have been calculated using Binomial option pricing model (EPS hurdle) and Monte Carlo simulation (TSR hurdle) valuation methodologies. The fair value of rights issued during the year under the EPS hurdle was $3.05 per right and the TSR hurdle was $2.30 per right.

All of the above rights carry an exercise price of nil. The rights granted on 27 February 2009, 12 March 2010 and 21 February 2011 will vest on the date of the release to the Australian Securities Exchange of the Company's annual audited Financial Statements for the years 30 June 2011, 2012 and 2013 respectively, subject to the achievement of the performance hurdles set out earlier in the Remuneration Report. The rights granted to Mr Crowley and Mr Thornton were approved by shareholders at the 2008, 2009 and 2010 Annual General Meetings in accordance with ASX Listing Rule 10.14.

No rights were vested or exercised during the year. Rights were forfeited where an employee ceased employment with the Company during the year in accordance with the rules of the Long Term Incentive Plan. For the rights granted to key management personnel on 27 February 2009, the Company has not achieved the EPS hurdle for the performance period of 1 July 2008 to 30 June 2011. This has resulted in the forfeiture of 470,000 rights with a value of $836,600. The number of rights outstanding at 30 June 2011 also represents the balance yet to vest.

6. Key terms of employment contracts

6.1 Notice and termination payments

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

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

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

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

Any loan to executives, management and senior staff under the GWA Employee Share Plan must be repaid in full upon the cessation of employment with the Company. Details of loans outstanding to key management personnel under this plan are detailed under Note 33 to the Financial Statements.

7. Legacy equity based remuneration plans

Legacy GWA equity based remuneration plans in which executives retained an interest during the reporting period are:

- the GWA Long Term Incentive Plan; and
- the GWA Employee Share Plan.

The GWA Employee Share Plan is a component of remuneration for new senior executives when they join the Company, and management and senior staff on an ongoing basis. For new senior executives, participation in the Employee Share Plan provides an opportunity to align them with shareholder interests through share ownership before they become entitled to Performance Rights under the Long Term Incentive Plan.

Details of legacy LTI plans are tabulated below:

Plan name	Type of award	Year/s of grant	Performance requirements	Service requirements
GWA long term incentive plan	Grant of performance rights delivered in two equal tranches	2009, 2010, 2011	Tranche 1: Relative TSR Shares for this tranche will vest if the relative TSR exceeds the median of the comparator group Tranche 2: EPS growth The earnings per share (EPS) growth performance condition is based on the Company's annual EPS growth over three year performance period Shares for this tranche will vest if EPS growth is 10% or more over this period	The service condition requires that the executive remains employed at all times for the performance period
GWA employee share plan	Under the plan, employees are provided with a non-interest bearing unsecured loan from the Company to acquire shares in the Company at market value. The loan is repaid through dividends, or in full upon an employee ceasing employment with the Company. The loan is full recourse, meaning the employee bears the risk of company share price movements below the issue price and must repay the Company in the event of a shortfall. To ensure the plan represents an effective long term incentive, the employee is subject to a two year restriction on the sale of the shares which commences from the time the shares are acquired	Annually from 1993 to 2011	The Board may invite employees to participate in the plan to encourage and reward sustained higher performance from management and senior staff who merit recognition of their performance and are integral to the future success of the Company	The service condition requires that the employee remains employed. On termination the loan must be repaid

Directors' Meetings

The number of meetings of directors (including meetings of Committees of directors) held during the financial year ended 30 June 2011 and the number of meetings attended by each director were as follows:

Director	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
G J McGrath	11	11	4	4	5	5	1	1
D D McDonough	11	11	3	3	1	1	1	1
P C Crowley[(1)]	11	11	-	-	-	-	-	-
R M Anderson	11	9	-	-	-	-	-	-
W J Bartlett	11	10	4	4	5	5	1	1
J F Mulcahy[(2)]	6	6	-	-	2	2	-	-
P A Birtles[(3)]	6	6	1	1	-	-	-	-
R J Thornton[(4)]	11	10	-	-	-	-	-	-
D R Barry[(5)]	4	4	-	-	2	2	-	-

Note:
A – Number of meetings held during the time the director held office during the year **B** – Number of meetings attended
(1) P C Crowley attends Committee meetings by invitation of the Board
(2) J F Mulcahy was appointed a member of the Remuneration Committee on 14 February 2011
(3) P A Birtles was appointed a member of the Audit Committee on 24 March 2011
(4) R J Thornton attends Committee meetings as Company Secretary
(5) D R Barry retired as a Non-Executive Director on 28 October 2010

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

The members of the Audit Committee are:

- Mr W Bartlett (Chairman)
- Mr P Birtles
- Mr G McGrath

The members of the Remuneration Committee are:

- Mr W Bartlett (Chairman)
- Mr J Mulcahy
- Mr G McGrath

The members of the Nomination Committee are:

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

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

Non-Audit Services

Details of the non-audit services provided by the External Auditor, KPMG, during the financial year ended 30 June 2011 are outlined in Note 7 of the Financial Statements. Based on advice from the Audit Committee, the directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out in the Annual Report and forms part of the Directors' Report for the financial year ended 30 June 2011.

Rounding

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

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

Signed in accordance with a resolution of the directors.

G McGrath
Chairman

P C Crowley
Managing Director

Brisbane, 16 August 2011

GWA Group Limited
and its controlled entities
ABN 15 055 964 380

Annual financial report
30 June 2011

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

For the year ended 30 June 2011

In thousands of AUD	*Note*	2011	2010
Continuing operations			
Sales revenue	2	726,367	656,809
Cost of sales		(467,155)	(424,096)
Gross profit		259,212	232,713
Other income	4	994	2,399
Selling expenses		(97,450)	(89,649)
Administrative expenses		(52,320)	(46,863)
Other expenses	5	(3,280)	(4,052)
Results from operating activities		107,156	94,548
Finance income		2,243	1,905
Finance expenses		(17,418)	(16,932)
Net financing costs	8	(15,175)	(15,027)
Profit before tax		91,981	79,521
Income tax expense	9	(28,622)	(24,068)
Profit from continuing operations		63,359	55,453
Discontinued operations			
Loss from discontinued operations, net of income tax	3	-	(6,926)
Profit for the period		63,359	48,527
Other comprehensive income			
Foreign currency translation differences for foreign operations, net of income tax		(776)	(1,115)
Effective portion of changes in fair value of cash flow hedges, net of income tax		(1,706)	1,620
Other comprehensive income for the period, net of income tax		(2,482)	505
Total comprehensive income for the period		60,877	49,032
Earnings per share			
Basic earnings per share (cents per share)	10	21.03	16.18
Diluted earnings per share (cents per share)	10	20.87	16.10
Continuing operations			
Basic earnings per share (cents per share)		21.03	18.48
Diluted earnings per share (cents per share)		20.87	18.39

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 7 to 51.

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

As at 30 June 2011

In thousands of AUD	*Note*	2011	2010
Current assets			
Cash and cash equivalents	11	36,573	54,914
Trade and other receivables	12	126,408	149,677
Inventories	13	104,160	104,435
Income tax receivable	15	493	420
Other		3,276	3,343
Total current assets		270,910	312,789
Non-current assets			
Receivables	12	4,659	5,102
Deferred tax assets	16	17,085	18,809
Property, plant and equipment	17	118,660	104,331
Intangible assets	18	398,278	369,033
Other		4,171	3,366
Total non-current assets		542,853	500,641
Total assets		813,763	813,430
Current liabilities			
Trade and other payables	19	76,422	95,306
Employee benefits	21	15,828	14,367
Income tax payable	15	10,632	4,543
Provisions	23	13,865	16,115
Total current liabilities		116,747	130,331
Non-current liabilities			
Interest-bearing loans and borrowings	20	234,656	230,866
Deferred tax liabilities	16	27	31
Employee benefits	21	14,146	12,251
Provisions	23	8,192	8,862
Total non-current liabilities		257,021	252,010
Total liabilities		373,768	382,341
Net assets		439,995	431,089
Equity			
Issued capital		397,844	396,539
Reserves		(3,276)	(1,716)
Retained earnings		45,427	36,266
Total equity		439,995	431,089

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 7 to 51.

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

For the year ended 30 June 2011

In thousands of AUD	*Note*	2011	2010
Cash flows from operating activities			
Cash receipts from customers		813,586	788,962
Cash paid to suppliers and employees		(687,507)	(683,651)
Cash generated from operations		126,079	105,311
Interest paid		(18,197)	(16,398)
Interest received		1,646	1,345
Income taxes paid		(20,970)	(23,073)
Net cash from operating activities	*32*	88,558	67,185
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		130	1,049
Acquisition of property, plant and equipment		(21,239)	(10,614)
Acquisition of intangibles		(3,488)	(4,484)
Acquisition of subsidiary, net of cash acquired	*14*	(36,756)	(48,579)
Disposal of subsidiaries, net of cash disposed	*3*	2,276	19,712
Net cash from investing activities		(59,077)	(42,916)
Cash flows from financing activities			
Repayment of employee share loans		1,882	1,955
Share listing fees paid		(5)	(20)
Repayment of loans by related parties		-	13
Drawdown of bank bills		5,000	30,866
Dividends paid, net of dividend reinvestment plan		(54,198)	(46,816)
Net cash from financing activities		(47,321)	(14,002)
Net increase/(decrease) in cash and cash equivalents		(17,840)	10,267
Cash and cash equivalents at 1 July		54,914	45,015
Effect of exchange rate fluctuations on cash held		(501)	(368)
Cash and cash equivalents at 30 June	*11*	36,573	54,914

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 7 to 51.

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

For the year ended 30 June 2011

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

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 7 to 51.

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

For the year ended 30 June 2011

In thousands of AUD	**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	-	-	-	-	63,359	63,359
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of income tax	-	(776)	-	-	-	(776)
Effective portion of changes in fair value of cash flow hedges, net of income tax	-	-	(1,706)	-	-	(1,706)
Total other comprehensive income	-	(776)	(1,706)	-	-	(2,482)
Total comprehensive income for the period	-	(776)	(1,706)	-	63,359	60,877
Transaction with owners, recorded directly in equity						
Share-based payments, net of income tax	-	-	-	922	-	922
Dividends to shareholders	-	-	-	-	(54,198)	(54,198)
Issue of ordinary shares	1,305	-	-	-	-	1,305
Total transactions with owners	1,305	-	-	922	(54,198)	(51,971)
Balance at 30 June 2011	397,844	(5,430)	(648)	2,802	45,427	439,995

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 7 to 51.

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

1. Significant accounting policies

GWA Group Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 16 August 2011.

(a) Statement of compliance

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

(b) Basis of preparation

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

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

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

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

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

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

- note 18 - measurement of the recoverable amounts of intangible assets
- note 22 - fair value of share-based payments
- note 23 and 28 - provisions and contingencies
- note 25 - valuation of financial instruments

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

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

1. **Significant accounting policies (continued)**

(c) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(iii) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the consolidated entity.

For every business combination, the consolidated entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the consolidated entity takes into consideration potential voting rights that currently are exercisable.

Measuring goodwill

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

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

Transaction costs

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

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(d) Foreign currency

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

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

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

(iii) Net investment in foreign operations

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

(e) Derivative financial instruments

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

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

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

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

1. **Significant accounting policies (continued)**

(f) Hedging

On entering into a hedging relationship, the consolidated entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly or fully effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

(i) Cash flow hedges

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

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

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

(ii) Hedge of monetary assets and liabilities

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

(iii) Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. The ineffective portion is recognised immediately in profit or loss.

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(g) Property, plant and equipment

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

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

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

(i) Subsequent costs

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

(ii) Depreciation

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

• buildings	40 years
• plant and equipment	3-15 years
• fixtures and fittings	5-10 years
• motor vehicles	4-8 years

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

(h) Intangible assets

(i) Research and development

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

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

(ii) Brand names

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

(iii) Goodwill

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

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

1. **Significant accounting policies (continued)**

(h) Intangible assets (continued)

(iv) Other intangible assets

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

(v) Subsequent expenditure

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

(vi) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

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

(i) Trade and other receivables

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

(j) Inventories

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

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

(k) Cash and cash equivalents

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

(l) Impairment

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

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

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

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

1. Significant accounting policies (continued)

(l) Impairment (continued)

(i) Calculation of recoverable amount

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its fair value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

The consolidated entity's corporate assets do not generate separate cash inflows and are utilised by more than one cash-generating unit. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash-generating unit to which the corporate assets is allocated.

(ii) Reversals of impairment

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

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

(m) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

(iii) Transaction costs

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

1. **Significant accounting policies (continued)**

(n) Interest-bearing borrowings

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

(o) Employee benefits

(i) Defined contribution superannuation funds

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

(ii) Other long-term employee benefits

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

(iii) Short-term benefits

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

(iv) Share-based payment transactions

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

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(p) Provisions

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

(i) Warranties

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

(ii) Restructuring

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

(iii) Site restoration

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

(q) Trade and other payables

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

(r) Revenue

Goods sold

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

(s) Expenses

(i) Cost of goods sold

Cost of good sold comprises the cost of manufacture and purchase of goods including supply chain costs such as freight and warehousing.

(ii) Operating lease payments

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

(iii) Net financing costs

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

1. Significant accounting policies (continued)

(t) Income tax

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

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

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

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

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

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

1. Significant accounting policies (continued)

(u) Goods and services tax

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

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

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

(v) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(w) Discontinued operations

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

(x) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report:

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

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

2. Operating segments

The consolidated entity has four 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:

Bathrooms and Kitchens – This segment includes the sale of vitreous china toilet suites, hand basins, plastic cisterns, tapware, baths, spas, kitchen sinks, laundry tubs and bathroom accessories.

Doors and Access Systems – This segment includes the sale of garage doors, door handles and door access systems.

Heating and Cooling - This segment includes the sale of water heating and climate control systems.

Commercial Furniture – This segment includes the sale of education, hospitality and aged care furniture and stadia seating.

Discontinued operations – This segment included the sale of lawn mowers and the sale of sanitaryware in the European market.

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

	Bathrooms and Kitchens		Door and Access Systems		Heating and Cooling		Commercial Furniture		Discontinued operations		Total	
In thousands of AUD	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
External sales revenue	339,759	337,150	114,026	82,881	195,129	161,495	77,257	74,823	-	44,029	726,171	700,378
Inter-segment revenue	156	227	-	-	169	-	3	16	-	-	328	243
Total sales revenue	339,915	337,377	114,026	82,881	195,298	161,495	77,260	74,839	-	44,029	726,499	700,621
Segment results before income tax	77,631	74,208	17,158	14,622	17,195	14,607	8,940	5,724	-	452	120,924	109,613
Depreciation	(6,750)	(7,882)	(1,930)	(1,573)	(2,927)	(2,135)	(1,038)	(1,056)	-	(626)	(12,645)	(13,272)
Amortisation	(4,250)	(3,748)	(452)	(300)	(740)	(437)	-	-	-	-	(5,442)	(4,485)
Capital expenditure	5,378	8,683	1,006	706	16,830	3,566	742	1,207	-	634	23,956	14,796
Reportable segment assets	461,121	473,000	109,578	51,871	126,197	122,870	30,560	44,659	-	-	727,456	692,400
Reportable segment liabilities	32,993	42,405	19,400	10,369	36,085	40,657	7,681	13,066	-	-	96,159	106,497

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

2. Operating segments (continued)

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

In thousands of AUD	2011	2010
Revenues		
Total revenue for reportable segments	726,499	700,621
Unallocated amounts: corporate revenue	196	460
Elimination of inter-segment revenue	(328)	(243)
Elimination of discontinued operations	-	(44,029)
Consolidated revenue from continuing operations	726,367	656,809
Profit		
Total profit for reportable segments	120,924	109,613
Elimination of discontinued operations	-	(452)
Unallocated amounts: corporate expenses	(13,768)	(14,613)
Profit from operating activities	107,156	94,548
Net financing costs	(15,175)	(15,027)
Consolidated profit before tax from continuing operations	91,981	79,521
Assets		
Total assets for reportable segments	727,456	692,400
Unallocated amounts: corporate assets*	86,307	121,030
Consolidated total assets	813,763	813,430
Liabilities		
Total liabilities for reportable segments	96,159	106,497
Unallocated amounts: corporate liabilities*	277,609	275,934
Consolidated total liabilities	373,768	382,431

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

Reconciliations of other material items

In thousands of AUD	2011	2010
Depreciation		
Total depreciation for reportable segments	12,645	13,272
Unallocated amounts: depreciation on corporate assets	193	391
Consolidated total depreciation	12,838	13,663
Amortisation		
Total amortisation for reportable segments	5,442	4,485
Unallocated amounts: amortisation on corporate assets	173	29
Consolidated total amortisation	5,615	4,514
Capital expenditure		
Total capital expenditure for reportable segments	23,956	14,796
Unallocated amounts: corporate capital expenditure	771	302
Consolidated total capital expenditure	24,727	15,098

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

2. Operating segments (continued)

Geographical segments

The business segments are managed on a worldwide basis, but operate mainly in one geographical area being Australia. Sales offices are operated in New Zealand, Asia, United States and the United Kingdom, however the sales revenue from these geographical areas comprise only 6% of the consolidated entity's total sales revenue for the current year (2010: 8%).

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

	Australia		Unallocated		Consolidated	
In thousands of AUD	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
External sales revenue	684,364	604,056	42,003	52,753	726,367	656,809
Segment assets	802,367	795,755	11,396	17,675	813,763	813,430
Capital expenditure	24,618	15,046	109	59	24,727	15,098

Major customers

The consolidated entity conducts business with 2 customers where the gross revenue generated from each customer exceeds 10% of the consolidated entity's total gross revenue. Gross revenue from the first customer represents approximately $111,000,000 (2010: $111,000,000) and gross revenue from the second customer represents approximately $97,000,000 (2010: $108,000,000) of the consolidated entity's total gross revenues for the current year of approximately $810,000,000 (2010: $742,000,000). The difference between gross revenue and reported sales revenue is due to industry rebates. The revenues from both customers are reported in the Bathrooms and Kitchens, Doors and Access Systems and the Heating and Cooling segments.

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

3. Discontinued operations

In the prior financial year, the lawn mower business, Rover, and the European sanitaryware business, Wisa, were sold. The balance of the consideration owing of $2,276,000 on the sale of Rover was received during the current financial year.

In thousands of AUD	2011	2010
Results of discontinued operations		
Revenue	-	44,029
Expenses	-	(43,577)
Results from operating activities	-	452
Income tax	-	28
Results from operating activities, net of income tax	-	480
Loss on sale of the discontinued operations	-	(7,672)
Income tax benefit on loss on sale of discontinued operations	-	266
Loss for the period	-	(6,926)
Basic profit/(loss) per share (cents per share)	-	(2.31)
Diluted profit/(loss) per share (cents per share)	-	(2.30)

In thousands of AUD	2011	2010
Cash flows from discontinued operations		
Net cash from/(used in) operating activities	-	(4,457)
Net cash used in investing activities	2,276	19,120
Net cash used in financing activities	-	-
Net cash from discontinued operations	2,276	14,663

4. Other income

In thousands of AUD	2011	2010
Foreign currency gains - realised	38	1,042
Foreign currency gains - unrealised	111	152
Other	845	1,205
	994	2,399

5. Other expenses

In thousands of AUD	2011	2010
Foreign currency losses - realised	1,359	1,902
Foreign currency losses - unrealised	370	456
Net loss on disposal of property, plant and equipment and intangible assets	184	170
Acquisition costs	900	1,524
Disposal costs	467	-
	3,280	4,052

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

6. Personnel expenses

In thousands of AUD	2011	2010
Wages and salaries – including superannuation contributions, annual leave, long service leave and on-costs	159,953	139,605
Equity-settled share-based payment transactions	922	1,230
	160,875	140,835

7. Auditors' remuneration

In AUD	2011	2010
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	472,000	480,000
Overseas KPMG Firms:		
Audit and review of financial reports	15,000	15,000
	487,000	495,000
Other services		
Auditors of the Company		
KPMG Australia		
Other assurance services	3,000	53,000
Taxation services	41,000	17,000
Overseas KPMG Firms:		
Other assurance services	28,000	38,000
Taxation services	62,000	109,000
	134,000	217,000

8. Net financing costs

In thousands of AUD	2011	2010
Finance income		
Interest income on call deposits	(1,569)	(1,237)
Unwinding of discount on loans and provisions	(596)	(560)
Other	(78)	(108)
	(2,243)	(1,905)
Finance expense		
Interest expense on financial liabilities	10,842	8,312
Interest expense on swaps	392	1,837
Facility fees on financial liabilities	5,423	5,845
Establishment fee amortisation	549	838
Other	212	100
	17,418	16,932
Net financing costs	15,175	15,027

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

9. Income tax expense

Recognised in the income statement

In thousands of AUD	2011	2010
Current tax expense		
Current year	27,500	21,889
Adjustments for prior years	(465)	65
	27,035	21,954
Deferred tax expense		
Origination and reversal of temporary differences	1,587	2,114
Income tax expense from continuing operations	28,622	24,068
Income tax benefit from discontinued operation (excluding loss on sale)	-	(28)
Income tax benefit on loss on sale of discontinued operation	-	(266)
Total income tax expense in income statement	28,622	23,774

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of AUD	2011	2010
Profit before tax	91,981	72,301
Income tax using the domestic tax rate of 30% (2010: 30%)	27,594	21,690
Increase in income tax expense due to:		
Non-deductible expenses	453	58
Non-deductible acquisition and disposal costs	396	535
Non-deductible share-based payments	277	369
Non-rebateable withholding tax on foreign dividends	-	580
Non-deductible capital losses	-	821
Tax losses not recognised	726	37
Decrease in income tax expense due to:		
Effect of tax rate in foreign jurisdictions	(85)	(51)
Rebateable investment allowance	(27)	(155)
Rebateable research and development	(247)	(174)
	29,087	23,709
(Over)/under provided in prior years	(465)	65
Income tax expense on pre-tax net profit	28,622	23,774

Deferred tax recognised directly in equity

In thousands of AUD	2011	2010
Derivatives	(729)	694

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10. Earnings per share

Basic earnings per share

Calculation of basic earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of $63,359,000 (2010: $48,527,000) and a weighted average number of ordinary shares of 301,221,000 (2010: 300,010,000) calculated as follows:

	2011	**2010**
Cents per share	21.03	16.18

Profit attributable to ordinary shareholders

In thousands of AUD	**2011**	**2010**
Continuing operations	63,359	55,453
Discontinued operations	-	(6,926)
Profit for the year	63,359	48,527

Weighted average number of ordinary shares

In thousands of shares	**2011**	**2010**
Issued ordinary shares at 1 July	301,103	298,019
Effect of shares issued	118	1,991
Weighted average number of ordinary shares at 30 June	301,221	300,010

Diluted earnings per share

Calculation of diluted earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of $63,359,000 (2010: $48,527,000) and a weighted average number of ordinary shares of 303,571,000 (2010: 301,469,000) calculated as follows:

	2011	**2010**
Cents per share	20.87	16.10

Profit attributable to ordinary shareholders (diluted)

In thousands of AUD	**2011**	**2010**
Continuing operations	63,359	55,453
Discontinued operations	-	(6,926)
Profit for the year	63,359	48,527

Weighted average number of ordinary shares (diluted)

In thousands of shares	**2011**	**2010**
Weighted average number of ordinary shares (basic)	301,221	300,010
Effect of performance rights on issue	2,350	1,459
Weighted average number of ordinary shares (diluted)	303,571	301,469

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11. Cash and cash equivalents

In thousands of AUD	2011	2010
Bank balances	14,216	22,913
Call deposits	22,357	32,001
Cash and cash equivalents in the statement of cash flows	36,573	54,914

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25.

12. Trade and other receivables

In thousands of AUD	2011	2010
Current		
Trade receivables	103,609	107,764
Provision for impairment	(2,200)	(4,751)
Derivatives used for hedging	20,373	37,434
Employee share loans	637	566
Other	3,989	8,664
	126,408	149,677
Non-current		
Employee share loans	4,659	5,102
	4,659	5,102

The consolidated entity's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 25.

13. Inventories

In thousands of AUD	2011	2010
Raw materials and consumables	20,524	21,757
Work in progress	5,676	6,170
Finished goods	77,960	76,508
	104,160	104,435

14. Acquisitions of subsidiaries

On 31 January 2011 the consolidated entity acquired 100% of the shares in Gliderol International Pty Ltd for $40,665,000.

In the five months to 30 June 2011 the business contributed profit before tax of $2,759,000. If the acquisition had occurred on 1 July 2010, management estimates that consolidated revenue from continuing operations for the period would have been $769,900,000 and consolidated profit before tax of continuing operations would have been $95,500,000. In determining those amounts, management has assumed that the fair values on the date of acquisition would have been the same if the acquisition occurred on 1 July 2010.

In the prior year, the consolidated entity acquired the assets and liabilities of the Brivis heating and cooling business. During the current year, there was a reduction to the acquisition price after resolution of the completion accounting. An amount of $3,909,000 (receivable of $2,801,000 was recognised in the prior year) was received from the vendor, resulting in the final consideration paid being $47,471,000. In addition, management has reassessed the estimate of product liability provision required on acquisition and adjusted the deferred tax liability calculations on underlying assets and liabilities. Accordingly an adjustment to the prior period acquisition accounting was made as follows: product liability provision increased by $1,000,000; deferred tax liabilities decreased by $23,000 and goodwill decreased by $131,000. Comparative information has been restated.

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

Amounts recognised on acquisition

In thousands of AUD	Gliderol International Pty Ltd 2011	Brivis 2010
Trade and other receivables	7,717	8,126
Inventories	6,806	6,588
Other current assets	580	69
Property, plant and equipment	6,343	14,075
Intangible assets	7,317	11,053
Trade and other payables	(8,348)	(4,975)
Employee benefits	(2,318)	(2,518)
Provisions	(889)	(4,600)
Income tax receivable	244	-
Deferred tax liabilities	(862)	(1,181)
Net identifiable assets and liabilities	16,590	26,637
Goodwill on acquisition	24,075	20,834
Consideration paid, satisfied in cash	40,665	47,471

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

The consolidated entity incurred acquisition related costs of $547,000 (2010: $474,000) related to external legal fees and due diligence costs.

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15. Current tax assets and liabilities

The current tax asset for the consolidated entity of $493,000 (2010: $420,000) represents the amount of income taxes recoverable in respect of current and prior periods. The current tax liability for the consolidated entity of $10,632,000 (2010: $4,543,000) represents the amount of income taxes payable in respect of the current period. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax asset / (liability) initially recognised by the members in the tax-consolidated group.

16. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Property, plant and equipment	823	806	(951)	(418)	(128)	388
Intangible assets	349	284	(5,826)	(3,710)	(5,477)	(3,426)
Inventories	2,545	2,311	-	-	2,545	2,311
Employee benefits	8,963	7,990	-	-	8,963	7,990
Provisions	9,738	11,229	-	-	9,738	11,229
Other items	1,787	883	(370)	(597)	1,417	286
Tax assets / (liabilities)	24,205	23,503	(7,147)	(4,725)	17,058	18,778
Set off of tax	(7,120)	(4,694)	7,120	4,694	-	-
Net tax assets / (liabilities)	17,085	18,809	(27)	(31)	17,058	18,778

Unrecognised deferred tax assets

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

In thousands of AUD	**2011**	**2010**
Tax losses	5,019	4,125

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

Movement in temporary differences during the year

In thousands of AUD	Balance 1 July 09	Recognised in income	Recognised in equity	Acquired in business combinations	Disposals	Balance 30 June 10
Property, plant and equipment	623	(235)	-	-	-	388
Intangible assets	(343)	233	-	(3,316)	-	(3,426)
Inventories	2,624	(313)	-	-	-	2,311
Employee benefits	7,297	110	-	755	(172)	7,990
Provisions	10,607	(758)	-	1,380	-	11,229
Other items	2,131	(1,151)	(694)	-	-	286
	22,939	(2,114)	(694)	(1,181)	(172)	18,778

In thousands of AUD	Balance 1 July 10	Recognised in income	Recognised in equity	Acquired in business combinations	Disposals	Balance 30 June 11
Property, plant and equipment	388	(516)	-	-	-	(128)
Intangible assets	(3,426)	112	-	(2,163)	-	(5,477)
Inventories	2,311	39	-	195	-	2,545
Employee benefits	7,990	278	-	695	-	8,963
Provisions	11,229	(1,902)	-	411	-	9,738
Other items	286	402	729	-	-	1,417
	18,778	(1,587)	729	(862)	-	17,058

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17. Property, plant and equipment

In thousands of AUD	Land and buildings	Plant and equipment	Motor vehicles	Work in progress	Total
Cost					
Balance at 1 July 2009	50,670	183,405	5,193	7,056	246,324
Acquisitions through business combinations	10,000	4,075	-	-	14,075
Additions	186	9,446	-	982	10,614
Disposals	(3,746)	(34,558)	(4,040)	-	(42,344)
Effect of movements in foreign exchange	(521)	(3,750)	(22)	(92)	(4,385)
Balance at 30 June 2010	56,589	158,618	1,131	7,946	224,284
Balance at 1 July 2010	56,589	158,618	1,131	7,946	224,284
Acquisitions through business combinations	-	5,366	971	6	6,343
Additions	1,090	10,360	-	9,789	21,239
Disposals	-	(5,459)	(387)	-	(5,846)
Effect of movements in foreign exchange	-	(215)	(33)	-	(248)
Balance at 30 June 2011	57,679	168,670	1,682	17,741	245,772
Depreciation and impairment losses					
Balance at 1 July 2009	(8,756)	(135,551)	(3,802)	-	(148,109)
Depreciation charge for the year	(935)	(12,383)	(345)	-	(13,663)
Disposals	2,985	31,783	3,287	-	38,055
Effect of movements in foreign exchange	403	3,359	2	-	3,764
Balance at 30 June 2010	(6,303)	(112,792)	(858)	-	(119,953)
Balance at 1 July 2010	(6,303)	(112,792)	(858)	-	(119,953)
Depreciation charge for the year	(1,003)	(11,630)	(205)	-	(12,838)
Disposals	-	5,203	329	-	5,532
Effect of movements in foreign exchange	-	131	16	-	147
Balance at 30 June 2011	(7,306)	(119,088)	(718)	-	(127,112)
Carrying amounts					
At 1 July 2009	41,914	47,854	1,391	7,056	98,215
At 30 June 2010	50,286	45,826	273	7,946	104,331
At 1 July 2010	50,286	45,826	273	7,946	104,331
At 30 June 2011	50,373	49,582	964	17,741	118,660

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18. Intangible assets

In thousands of AUD	Software	Brand names	Trade names, designs and patents	Goodwill	Total
Cost					
Balance at 1 July 2009	15,839	341,596	3,177	1,449	362,061
Acquisitions through business combinations	-	-	11,053	20,834	31,887
Additions	4,484	-	-	-	4,484
Disposals	(1,660)	(20,465)	-	-	(22,125)
Balance at 30 June 2010	18,663	321,131	14,230	22,283	376,307
Balance at 1 July 2010	18,663	321,131	14,230	22,283	376,307
Acquisitions through business combinations	-	-	7,317	24,075	31,392
Additions	3,488	-	-	-	3,488
Effect of movements in foreign exchange	-	(20)	-	-	(20)
Balance at 30 June 2011	22,151	321,111	21,547	46,358	411,167
Amortisation and impairment losses					
Balance at 1 July 2009	(2,700)	(9,419)	(150)	-	(12,269)
Amortisation for the year	(4,077)	-	(437)	-	(4,514)
Disposals	90	9,419	-	-	9,509
Balance at 30 June 2010	(6,687)	-	(587)	-	(7,274)
Balance at 1 July 2010	(6,687)	-	(587)	-	(7,274)
Amortisation for the year	(4,610)	-	(1,005)	-	(5,615)
Balance at 30 June 2011	(11,297)	-	(1,592)	-	(12,889)
Carrying amounts					
At 1 July 2009	13,139	332,177	3,027	1,449	349,792
At 30 June 2010	11,976	321,131	13,643	22,283	369,033
At 1 July 2010	11,976	321,131	13,643	22,283	369,033
At 30 June 2011	10,854	321,111	19,955	46,358	398,278

18. Intangible assets (continued)

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

In thousands of AUD	2011	2010
Bathrooms & Kitchens	284,111	284,131
Door & Access Systems	44,124	20,049
Heating and cooling	26,834	26,834
Commercial furniture	12,400	12,400
	367,469	343,414

Impairment testing for brand names and goodwill

The recoverable amounts of all brand names and goodwill were assessed at 30 June 2011 based on internal value in use calculations and no impairment was identified for any segments (2010: nil for all segments).

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

- Cash flows were projected based on actual operating results and business plans of the units approved by the Board, with projected cash flows to five years before a terminal value was calculated. Maintainable earnings were adjusted for an allocation of corporate overheads.
- Management used a constant growth rate of 2.5% in calculating terminal values of the units, which does not exceed the long-term average growth rate for the industry.
- A pre-tax discount rate of 10.54% was used in discounting the projected future cash flows.

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

The estimated recoverable amount of the Commercial Furniture segment exceeds its carrying amount by approximately $10,000,000 (2010: $8,000,000). Management has identified two key assumptions for which a reasonably possible change could cause the carrying amount to exceed the recoverable amount. A five percent decrease in future planned revenues, combined with a two percent decrease in the forecast earnings before income tax margin would result in an impairment of approximately $700,000 for the Commercial Furniture segment.

19. Trade and other payables

In thousands of AUD	2011	2010
Current		
Trade payables and accrued expenses	50,111	53,471
Derivatives used for hedging	21,296	35,923
Non-trade payables and accrued expenses	5,015	5,912
	76,422	95,306

The consolidated entity's exposure to currency risk and liquidity risk related to trade and other payables are disclosed in note 25.

GWA Group Limited and its controlled entities
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20. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 25.

Non-current liabilities

In thousands of AUD	2011	2010
Unsecured cash advance facilities	234,656	230,866

Terms and debt repayment schedule

			Consolidated			
In thousands of AUD	Currency	Year of maturity	2011 Face value	2011 Carrying amount	2010 Face value	2010 Carrying amount
Unsecured cash advance facilities	AUD	2014	200,000	200,000	225,000	225,000
Unsecured cash advance facilities	AUD	2016	30,000	30,000	-	-
Unsecured cash advance facilities	USD	2016	4,656	4,656	5,866	5,866
			234,656	234,656	230,866	230,866

The unsecured cash advance facilities mature over the next 3 to 5 financial years and have variable rates ranging from 2.37% - 7.18% at 30 June 2011 (2010: 4.38% - 7.73%).

Financing facilities

In thousands of AUD	2011	2010
Bank overdraft	1,000	1,000
Standby letters of credit	12,000	8,000
Bank guarantees	4,200	19,200
Unsecured cash advance facility	300,000	267,500
	317,200	276,500
Facilities utilised at reporting date		
Bank overdraft	-	-
Standby letters of credit	-	391
Bank guarantees	624	2,658
Unsecured cash advance facility	234,656	230,866
	235,280	231,257
Facilities not utilised at reporting date		
Bank overdraft	1,000	1,000
Standby letters of credit	12,000	7,609
Bank guarantees	3,576	16,542
Unsecured cash advance facility	65,344	36,634
	81,920	45,243

Financing arrangements

On 20 April 2011, GWA Group Limited, GWA Finance Pty Ltd, a wholly owned controlled entity of GWA Group Limited, entered into a Multi-currency Revolving Facility Agreement with Commonwealth Bank of Australia, Australia and New Zealand Banking Group, National Australia Bank, Westpac Banking Corporation and HSBC Bank Australia. The agreement replaced the previous Master Financing Agreement and outlines the unsecured bank facilities available to GWA Finance Pty Ltd and the common financial covenants and undertakings provided to the banks. Facility agreements have also been entered into with individual banks to provide treasury facilities such as letters of credit and bank guarantees to the GWA Group.

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20. Interest-bearing loans and borrowings (continued)

Bank overdraft

The bank overdraft facility available to the consolidated entity is unsecured. Interest on the bank overdraft facility is charged at prevailing market rates. No drawdowns against this facility had been made as at 30 June 2011.

Unsecured cash advance facility

Bank loans are provided to GWA Finance Pty Limited under the Multi-currency Revolving Facility Agreement. The bank loans are denominated in Australian and US dollars. The bank loans are unsecured with a negative pledge in favour of the banks, and are split between three year and five year terms.

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

Letter of credit

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

Bank guarantees

The bank guarantees are committed facilities available to be drawn down under the facility agreement. The limits are specified in the facility agreement.

21. Employee benefits

Current

In thousands of AUD	2011	2010
Liability for long-service leave	2,249	1,990
Liability for annual leave	10,441	9,501
Liability for on-costs	3,138	2,876
	15,828	14,367

Non-current

Liability for long-service leave	12,747	11,276
Liability for on-costs	1,399	975
	14,146	12,251

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. Contributions are charged against income as they are made based on various percentages of each employee's gross salaries. The amount recognised as expense was $11,031,000 for the financial year ended 30 June 2011 (2010: $9,924,000).

Employee share plan

The employee share plan ('the Plan') was established to assist in the retention and motivation of employees. All permanent employees of the Company, who are invited to participate, may participate in the plan. The maximum number of shares subject to the Plan at any time may not exceed 5% of the nominal amount of all Ordinary Shares on issue. The Plan does not provide for the issue of options and no options have been issued by the Company at balance date. The loans must be repaid in full by the employee.

Under the Plan, shares can either be issued to employees or purchased on market, and in both cases the employee will pay market price for the shares. During 2011, 422,500 ordinary shares were issued to employees at the market price of $3.10, being total market value of $1,310,000 with $5,000 expenditure incurred by the consolidated entity for listing fees. In the prior year, 435,000 ordinary shares were issued to employees at the market price of $3.40, being total market value of $1,479,000.

As at 30 June 2011, loans are issued for 3,813,750 (2010: 3,904,489) shares and the remaining balances of these loans is $8,914,000 (2010: $9,486,000) or $5,296,000 (2010: $5,668,000) at net present value. During 2011, dividends of $664,000 (2010: $680,000) were paid against the loans and a further $1,218,000 (2010: $1,275,000) was paid by employees against these loans.

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22. Share-based payments

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

The performance hurdles are subject to financial performance conditions which measure Total Shareholder Returns (TSR) compared to a peer group of companies, and growth in Earnings Per Share (EPS). The performance hurdles are challenging and achievable and focus senior executives on sustained long term growth consistent with shareholder wealth creation. The plan runs over a three year performance period and the rights will only vest if the performance hurdles are achieved based on a 50% allocation of each grant to the two performance hurdles. If the vesting conditions and performance hurdles are achieved, ordinary shares will be issued to the participants at no cost. If the performance hurdles are not met, then the rights are cancelled after three years.

The performance hurdles are as follows:

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

Tranche	Grant date	Expiry date	Balance at beginning of the year	Granted during the year	Cancelled during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	Number
2011							
(i)	27/02/2009	30/06/2011	1,010,000	-	70,000	470,000	470,000
(ii)	12/03/2010	30/06/2012	900,000	-	55,000	-	845,000
(iii)	21/02/2011	30/06/2013	-	745,000	25,000	-	720,000
			1,910,000	745,000	150,000	470,000	2,035,000
2010							
(i)	27/02/2009	30/06/2011	1,185,000	-	175,000	-	1,010,000
(ii)	12/03/2010	30/06/2012	-	900,000	-	-	900,000
			1,185,000	900,000	175,000	-	1,910,000

No performance rights were vested and exercisable at 30 June 2011.

Fair value

During the current financial year 745,000 performance rights were granted to employees (2010: 900,000) at a weighted average fair value of $2.68 (2010: $2.58). The fair value of the performance rights subject to the EPS hurdle for vesting (50%) was determined as $3.05 by using a Binomial option pricing model. The fair value of the performance rights granted subject to the TSR hurdle for vesting (50%) was determined as $2.30 by using a Monte Carlo simulation. When determining the fair values it was assumed the Company would have a dividend yield of 5.19%, the risk free rate was 5.20% and volatility ranged between 35-45% for the Company and its comparator companies listed for the TSR hurdle.

The fair value of the performance rights granted will be allocated to each financial year evenly over the specified three year service period. The amount recognised as personnel expenses in the current financial year was $922,000 (2010: $1,230,000). Refer to the Remuneration Report for further details.

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23. Provisions

In thousands of AUD	Warranties	Restructuring	Site restoration	Other	Total
Balance at 1 July 2010	15,685	1,476	3,755	4,061	24,977
Acquisitions through business combinations	889	-	-	-	889
Provisions made during the year	7,368	-	824	893	9,085
Provisions used during the year	(7,460)	(1,440)	(1,838)	(2,137)	(12,875)
Effect of movements in foreign exchange	(19)	-	-	-	(19)
Balance at 30 June 2011	16,463	36	2,741	2,817	22,057
Current	10,132	36	1,351	2,346	13,865
Non-current	6,331	-	1,390	471	8,192
	16,463	36	2,741	2,817	22,057

Warranties
The total provision for warranties at balance date of $16,463,000 relates to future warranty expense on products sold during the current and previous financial years. The major warranty expense relates to water heating products. The provision is based on estimates made from historical warranty data associated with similar products and services. The consolidated entity expects to expend $10,132,000 of the total provision in the financial year ending 30 June 2012, and the majority of the balance of the liability over the following four years.

Restructuring
The restructuring provision relates to the estimated costs of redundancies and related costs with respect to the closure of manufacturing operations and other business restructuring. During the financial year ended 30 June 2011, the restructuring was almost completed with $1,440,000 being spent. At balance date the balance of the restructuring provision was $36,000 which will be finalised in the next 2 months.

Site restoration
At balance date the balance of the site restoration provision was $2,741,000. Payments of $1,838,000 were made in the current financial year. This provision relates to the removal of plant installed in leased premises where there is a liability under the lease for the plant to be removed on expiry and the leased premises made good, and for site remediation required. Site remediation is currently being undertaken and further provision for costs of $824,000 was made during the year. The remediation is now expected to be completed by June 2012. The remaining balance classified as non-current will be utilised when leased sites are exited. The net present value of the provision has been calculated using a discount rate of 5.16 per cent.

24. Capital and reserves

Share capital

In thousands	Ordinary shares		AUD	
	2011	**2010**	**2011**	**2010**
On issue at 1 July – fully paid	301,103	298,019	396,539	387,981
Issue of shares under the dividend reinvestment plan	-	2,649	-	7,079
Issue of shares under the employee share plan	422	435	1,305	1,479
On issue at 30 June – fully paid	301,525	301,103	397,844	396,539

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

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

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24. Capital and reserves (continued)

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

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

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

Dividends
Dividends recognised in the current year are:

In thousands of AUD	Cents per share	Total amount	Franked	Date of payment
2011				
Interim 2011 ordinary	9.5	28,604	100%	5th April 2011
Final 2010 ordinary	8.5	25,594	100%	6th Oct 2010
Total amount	18.0	54,198		
2010				
Interim 2010 ordinary	9.5	28,563	100%	7th April 2010
Final 2009 ordinary	8.5	25,332	100%	7th Oct 2009
Total amount	18.0	53,895		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.
After the balance sheet date the following dividends were approved by the directors. The dividends have not been provided for. The declaration and subsequent payment of dividends has no income tax consequences.

In thousands of AUD	Cents per share	Total amount	Franked	Date of payment
Final ordinary	8.5	25,630	100%	6th Oct 2011

The financial effect of these dividends has not been brought to account in the financial statements for the financial year ended 30 June 2011 and will be recognised in subsequent financial reports.

Dividend franking account

In thousands of AUD	The Company 2011	2010
30 per cent franking credits available to shareholders of GWA Group Limited for subsequent financial years	27,513	17,848

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:
(a) franking credits/debits that will arise from the payment/settlement of the current tax liabilities/assets; and
(b) franking debits that will arise from the payment of dividends recognised as a liability at year-end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date, but not recognised as a liability, is to reduce it by $10,984,000 (2010: $10,969,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $27,513,000 (2010: $17,848,000) franking credits.

25. Financial instruments and financial risk management

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

Risk management policy

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

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

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

Capital management policy

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

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

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

Credit risk

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

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

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

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

The consolidated entity has two major customers which comprise 39% of the trade receivables carrying amount at 30 June 2011 (2010: 33%). At the balance sheet date there were no material uninsured concentrations of credit risk.

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

25. Financial instruments and financial risk management (continued)

Credit risk (continued)

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

In thousands of AUD	2011	2010
Cash and cash equivalents	36,573	54,914
Net trade receivables	103,609	107,764
Employee share loans	5,296	5,668
Commodity contracts used for hedging	788	7,848
Forward exchange contracts used for hedging	19,585	29,586
	165,851	205,780

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

In thousands of AUD	2011 Receivable	2011 Impairment	2010 Receivable	2010 Impairment
Not yet due	87,130	(238)	87,036	(784)
Past due 0-30 days	32,575	(104)	33,709	(80)
Past due 31-60 days	2,770	(64)	3,819	(204)
Past due 61-90 days	848	(142)	1,061	(180)
Past due 91-120 days	584	(64)	698	(138)
Past due 120+ days	3,703	(1,588)	4,624	(3,365)
Less accrued rebates and credit claims	(24,001)	-	(23,183)	-
	103,609	(2,200)	107,764	(4,751)

There were no trade receivables with re-negotiated terms.

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

In thousands of AUD	2011	2010
Balance at 1 July	(4,751)	(2,028)
Impairment loss (recognised)/reversal	177	(985)
Impairment losses applied	2,641	159
Acquired through business combinations	(277)	(2,068)
Disposals	-	145
Effect of movements in foreign exchange	10	26
Balance at 30 June	(2,200)	(4,751)

Liquidity risk

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

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

25. Financial instruments and financial risk management (continued)

Liquidity risk (continued)

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

Maturity analysis

In thousands of AUD	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	3–5 years	5+ years
2011							
Non-derivative financial liabilities							
Unsecured cash advance facilities	(234,656)	(297,532)	(8,307)	(8,307)	(16,615)	(229,647)	(34,656)
Trade and other payables	(50,111)	(50,111)	(49,771)	(311)	(29)	-	-
Derivative financial liabilities							
Interest rate swaps designated as hedges	(450)	(452)	(122)	(111)	(177)	(42)	-
Commodity contracts designated as hedges – outflow	(605)	(605)	(605)	-	-	-	-
Commodity contracts designated as hedges – inflow	788	788	788	-	-	-	-
Forward exchange contracts designated as hedges – outflow	(20,241)	(20,241)	(20,241)	-	-	-	-
Forward exchange contracts designated as hedges – inflow	19,585	19,585	19,585	-	-	-	-
Total at 30 June 2011	(285,690)	(348,568)	(58,673)	(8,729)	(16,821)	(229,689)	(34,656)
2010							
Non-derivative financial liabilities							
Unsecured cash advance facilities	(230,866)	(264,373)	(8,542)	(8,542)	(49,416)	(197,873)	-
Trade and other payables	(59,383)	(59,383)	(59,383)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps designated as hedges	(740)	(1,031)	(283)	(203)	(349)	(196)	-
Commodity contracts designated as hedges – outflow	(6,475)	(6,475)	(3,998)	(2,477)	-	-	-
Commodity contracts designated as hedges – inflow	7,848	7,848	4,689	3,159	-	-	-
Forward exchange contracts designated as hedges – outflow	(28,708)	(28,708)	(28,708)	-	-	-	-
Forward exchange contracts designated as hedges – inflow	29,586	29,586	29,586	-	-	-	-
Total at 30 June 2010	(288,738)	(322,536)	(66,639)	(8,063)	(49,765)	(198,069)	-

The unsecured cash advance facilities are split between three year and five year terms. The periods in which the cash flows associated with derivatives arise match the periods of profit and loss impact.

25. Financial instruments and financial risk management (continued)

Market risk

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

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

a) Interest rate risk

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

The consolidated entity adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is reduced. Interest rate swaps, denominated in Australian dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure. The swaps mature over the next 3 years and have fixed swap rates ranging from 5.05 % to 5.42 % (2010: 5.05% - 6.81%). At 30 June 2011, the consolidated entity had interest rate swaps with a notional contract amount of $125,000,000 (2010: $125,000,000).

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

The net fair value of swaps at 30 June 2011 was $450,000 recognised as a fair value derivative liability. (2010: $740,000 fair value derivative liability).

(i) Profile

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

In thousands of AUD	2011 Notional value	2011 Carrying amount	2010 Notional value	2010 Carrying amount
Variable rate financial instruments				
Unsecured cash advance facilities	(234,656)	(234,656)	(230,866)	(230,866)
Bank balances	14,216	14,216	22,913	22,913
Call deposits	22,357	22,357	32,001	32,001
	(198,083)	(198,083)	(175,952)	(175,952)
Fixed rate financial instruments				
Interest rate swap derivatives	125,000	(450)	125,000	(740)
Total	(73,083)	(198,533)	(50,952)	(176,692)

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

25. Financial instruments and financial risk management (continued)

Market risk (continued)

a) Interest rate risk (continued)

(ii) Fair value sensitivity analysis for fixed rate instruments

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

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

In thousands of AUD	2011	2010
Increase of 100 basis points		
Hedging reserve (increase)/decrease	(1,152)	(2,103)
Financial assets increase/(decrease)	702	1,363
Financial liabilities (increase)/decrease	450	740
	-	-
Decrease of 100 basis points		
Hedging reserve (increase)/decrease	1,170	2,149
Financial assets increase/(decrease)	-	-
Financial liabilities (increase)/decrease	(1,170)	(2,149)
	-	-

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

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

In thousands of AUD	2011	2010
Increase of 100 basis points		
Unsecured cash advance facilities (AUD)	(2,442)	(2,078)
Unsecured cash advance facilities (USD)	(57)	(36)
Bank balances	142	229
Interest rate swap derivatives	1,168	877
Call deposits variable rate	290	334
Call deposits fixed rate	46	15
	(853)	(659)
Decrease of 100 basis points		
Unsecured cash advance facilities (AUD)	2,442	2,078
Unsecured cash advance facilities (USD)	52	36
Bank balances	(142)	(229)
Interest rate swap derivatives	(1,168)	(877)
Call deposits variable rate	(290)	(334)
Call deposits fixed rate	(46)	(15)
	848	659

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

25. Financial instruments and financial risk management (continued)

Market risk (continued)

b) Foreign currency risk

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

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

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

(i) Exposure to currency risk

In thousands of AUD equivalent	USD	NZD	EUR	HKD	YEN
Currency transaction risk					
2011					
Trade receivables	485	-	101	-	-
Trade payables	(1,265)	(3)	(1,274)	-	(36)
Cash	458	323	517	-	-
Gross balance sheet exposure	(322)	320	(656)	-	(36)
Estimated forecast sales	4,829	9,551	142	-	-
Estimated forecast purchases	(39,288)	(5,489)	(8,139)	-	(3,040)
Gross exposure	(34,459)	4,062	(7,997)	-	(3,040)
Forward exchange contracts	14,946	(1,312)	3,241	-	-
Net exposure 30 June 2011	(19,835)	3,070	(5,412)	-	(3,076)
Foreign exchange rates at balance date	1.0739	1.2953	0.7405	8.3581	86.33
2010					
Trade receivables	1,739	-	775	672	-
Trade payables	(1,842)	(3)	(492)	-	-
Cash	422	65	14,390	-	-
Gross balance sheet exposure	319	62	14,673	672	-
Estimated forecast sales	7,958	12,372	1,313	-	-
Estimated forecast purchases	(55,063)	(3,950)	(3,200)	-	(2,934)
Gross exposure	(47,105)	8,422	(1,887)	-	(2,934)
Forward exchange contracts	17,717	-	(11,463)	-	-
Net exposure 30 June 2010	(29,069)	8,484	1,323	672	(2,934)
Foreign exchange rates at balance date	0.8523	1.2308	0.6979	6.6340	75.46
Currency translation risk					
2011					
Net assets	1,485	2,623	-	330	(1,313)
2010					
Net assets	351	1,748	-	427	(1,711)

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

25. Financial instruments and financial risk management (continued)

b) Foreign currency risk (continued)

(ii) Sensitivity analysis

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

Fair values

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

In thousands of AUD	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Cash and cash equivalents	36,573	36,573	54,914	54,914
Trade and other receivables	110,694	110,694	116,237	116,237
Interest rate swaps:				
Liabilities	(450)	(450)	(740)	(740)
Commodity contracts:				
Assets	788	788	7,848	7,848
Liabilities	(605)	(605)	(6,475)	(6,475)
Forward exchange contracts:				
Assets	19,585	19,585	29,586	29,586
Liabilities	(20,241)	(20,241)	(28,708)	(28,708)
Unsecured cash advance facilities	(234,656)	(234,656)	(230,866)	(230,866)
Trade payables and accrued expenses	(55,125)	(55,125)	(59,383)	(59,383)
	(143,437)	(143,437)	(117,587)	(117,587)

Estimation of fair values

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

(i) Derivatives

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

(ii) Interest-bearing loans and borrowings

The notional amount of the interest-bearing loans is deemed to reflect the fair value. The interest-bearing loans are split between three year and five year terms.

(iii) Trade and other receivables / payables

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

(iv) Employee share loans and other employee loans

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

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

25. Financial instruments and financial risk management (continued)

Estimation of fair values (continued)

(v) Interest rates used for determining fair value

The consolidated entity uses the government yield curve as of 30 June 2011 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2011	2010
Derivatives	4.88% - 5.07%	4.81% - 4.91%
Employee share loans and other loans	6.65% - 7.80%	5.85% - 6.65%
Interest bearing loans and borrowings	2.37% - 7.18%	4.38% - 7.73%

(vi) Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In thousands of AUD	Level 1	Level 2	Level 3	Total
30 June 2011				
Commodity contracts used for hedging	788	-	-	788
Forward exchange contracts used for hedging	-	19,585	-	19,585
Interest rate swaps used for hedging	-	-	-	-
	788	19,585	-	20,373
Commodity contracts used for hedging	(605)	-	-	(605)
Forward exchange contracts used for hedging	-	(20,241)	-	(20,241)
Interest rate swaps used for hedging	-	(450)	-	(450)
	(605)	(20,691)	-	(21,296)
30 June 2010				
Commodity contracts used for hedging	7,848	-	-	7,848
Forward exchange contracts used for hedging	-	29,586	-	29,586
Interest rate swaps used for hedging	-	-	-	-
	7,848	29,586	-	37,434
Commodity contracts used for hedging	(6,475)	-	-	(6,475)
Forward exchange contracts used for hedging	-	(28,708)	-	(28,708)
Interest rate swaps used for hedging	-	(740)	-	(740)
	(6,475)	(29,448)	-	(35,923)

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

26. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2011	2010
Less than one year	12,872	12,300
Between one and five years	20,013	20,824
More than five years	2,878	967
	35,763	34,091

The consolidated entity leases warehouse, factory and office facilities and motor vehicles under operating leases. The warehouse, factory and office facility leases typically run for a period of 3 to 8 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

During the financial year ended 30 June 2011, $13,308,000 (2010: $13,040,000) was recognised as an expense in profit or loss in respect of operating leases.

27. Capital commitments

In thousands of AUD	2011	2010
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for and payable:		
Within one year	13,514	2,890

28. Contingencies

In previous financial years, the Company investigated and reported two environmental contamination issues at factory sites at Eagle Farm, Queensland and Revesby, NSW. The Revesby site is leased and occupied by a wholly owned subsidiary of the ultimate parent entity, GWA Group Limited. The Eagle Farm site was previously occupied by Corille Limited (formerly Rover Mowers Limited) and has been exited with remediation substantially completed during the current financial year.

The remediation of the Revesby site is on-going and a further $824,000 has been provided in the current financial year based on best available estimates.

29. Deed of cross guarantee

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

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

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2011, is set out below.

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

29. Deed of cross guarantee (continued)

Summarised statement of comprehensive income and retained profits

In thousands of AUD	2011	2010
Profit before tax	93,081	93,330
Income tax expense	(27,435)	(22,249)
Profit after tax	65,646	71,081
Retained profits at beginning of year	30,743	13,557
Dividends recognised during the year	(54,198)	(53,895)
Retained profits at end of the year	42,191	30,743

Statement of financial position

In thousands of AUD	2011	2010
Assets		
Cash and cash equivalents	34,070	39,159
Trade and other receivables	121,359	143,377
Inventories	100,228	98,564
Other	2,974	3,015
Total current assets	258,631	284,115
Receivables	4,659	5,102
Intercompany receivables	31,430	22,205
Investments	11,948	37,219
Deferred tax assets	16,929	17,969
Property, plant and equipment	88,715	74,575
Intangible assets	394,290	365,155
Other	4,171	3,362
Total non-current assets	552,142	525,587
Total assets	810,773	809,702
Liabilities		
Trade and other payables	75,079	96,016
Income tax payable	10,281	4,348
Employee benefits	15,615	14,097
Provisions	13,782	15,021
Total current liabilities	114,757	129,482
Interest-bearing loans and borrowings	234,656	230,866
Employee benefits	14,131	12,197
Provisions	8,193	8,862
Total non-current liabilities	256,980	251,925
Total liabilities	371,737	381,407
Net assets	439,036	428,295
Equity		
Issued capital	397,844	396,539
Reserves	(999)	1,013
Retained earnings	42,191	30,743
Total equity	439,036	428,295

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

30. Consolidated entities

	Parties to cross guarantee	Country of incorporation	Ownership interest 2011	Ownership interest 2010
Parent entity				
GWA Group Limited	Y	Australia		
Subsidiaries				
Austral Lock Pty Ltd	Y	Australia	100%	100%
Bankstown Unit Trust *(wound-up)*	N	Australia	-	100%
Brivis Climate Systems Pty Ltd	Y	Australia	100%	100%
Canereb Pty Ltd	N	Australia	100%	100%
Caroma Holdings Limited	Y	Australia	100%	100%
Caroma Industries Europe BV *(deregistered)*	N	Netherlands	-	100%
Caroma Industries Limited	Y	Australia	100%	100%
Caroma Industries (NZ) Limited	N	New Zealand	100%	100%
Caroma International Pty Ltd	Y	Australia	100%	100%
Caroma USA Inc	N	USA	100%	100%
Corille Limited	Y	Australia	100%	100%
Dorf Clark Industries Ltd	Y	Australia	100%	100%
Dorf Industries (NZ) Ltd	N	New Zealand	100%	100%
Dux Manufacturing Limited	Y	Australia	100%	100%
Fowler Manufacturing Pty Ltd *(deregistered)*	N	Australia	-	100%
G Subs Pty Ltd	Y	Australia	100%	100%
Gainsborough Hardware Industries Limited	Y	Australia	100%	100%
Gliderol International Pty Limited	Y	Australia	100%	-
GWA Finance Pty Limited	Y	Australia	100%	100%
GWA Group Holdings Limited	Y	Australia	100%	100%
GWAIL (NZ) Ltd	N	New Zealand	100%	100%
GWA (North America) Pty Ltd *(deregistered)*	N	Australia	-	100%
GWA Taps Manufacturing Limited	Y	Australia	100%	100%
GWA Trading (Shanghai) Co Ltd	N	China	100%	100%
Hetset (No. 5) Pty Ltd *(deregistered)*	N	Australia	-	100%
Industrial Mowers (Australia) Limited	Y	Australia	100%	100%
Lake Nakara Pty Ltd *(deregistered)*	N	Australia	-	100%
Mainrule Limited	N	New Zealand	100%	100%
McIlwraith Davey Pty Ltd	Y	Australia	100%	100%
Olliveri Pty Ltd *(deregistered)*	N	Australia	-	100%
Sebel Furniture (Hong Kong) Ltd	N	Hong Kong	100%	100%
Sebel Furniture Limited	Y	Australia	100%	100%
Sebel Furniture Limited (NZ)	N	New Zealand	100%	100%
Sebel Furniture Holdings Pty Ltd (previously Sebel Properties Pty Ltd)	Y	Australia	100%	100%
Sebel Sales Pty Limited *(deregistered)*	N	Australia	-	100%
Sebel Service & Installations Pty Ltd *(deregistered)*	N	Australia	-	100%
Starion Tapware Pty Ltd	Y	Australia	100%	100%
Stylus Pty Ltd	Y	Australia	100%	100%
Warapave Pty Ltd	N	Australia	100%	100%

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

31. Parent entity disclosures

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

	Company	
In thousands of AUD	**2011**	**2010**
Results of the parent entity		
Profit for the period	29,002	43,770
Other comprehensive income	-	-
Total comprehensive income for the period	29,002	43,770
Financial position of the parent entity		
Current assets	1,138	1,106
Total assets	511,888	485,420
Current liabilities	8,970	4,228
Total liabilities	106,037	56,600
Shareholders equity of the parent entity		
Share capital	397,844	396,539
Equity compensation reserve	2,802	1,880
Retained earnings	5,205	30,401
Total shareholders equity	405,851	428,820

Parent entity contingencies

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

Contingent liabilities

The directors are not aware of any contingent liabilities of the parent entity as at reporting date (2010: nil).

Capital expenditure commitments

The parent entity has not entered into any contractual commitments for the acquisition of property, plant or equipment as at reporting date (2010: nil).

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the parent entity has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed is wound up. No deficiency in net assets exists in these companies at reporting date (2010: nil). Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 29.

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

32. Reconciliation of cash flows from operating activities

In thousands of AUD	2011	2010
Cash flows from operating activities		
Profit for the period	63,359	48,527
Adjustments for:		
Depreciation	12,838	13,663
Amortisation	5,615	4,514
Share-based payments	922	1,230
Foreign exchange (gains)/losses	1,580	1,164
Interest expense	15,175	15,027
Loss on disposal of discontinued operations, net of income tax	-	7,406
(Gain)/loss on sale of property, plant and equipment and intangible assets	184	170
Income tax expense	28,622	24,040
Operating profit before changes in working capital and provisions	128,295	115,741
(Increase)/decrease in trade and other receivables	13,764	2,346
(Increase)/decrease in inventories	7,679	292
Increase/(decrease) in trade and other payables	(21,888)	(4,490)
Increase/(decrease) in provisions and employee benefits	(1,771)	(8,578)
	126,079	105,311
Net interest paid	(16,551)	(15,053)
Income taxes paid	(20,970)	(23,073)
Net cash from operating activities	88,558	67,185

33. Related parties

Key management personnel compensation

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

In AUD	2011	2010
Short-term employee benefits	6,478,529	6,430,642
Post-employment benefits	490,658	473,240
Other long term benefits	601,689	201,020
Termination benefits	-	181,875
Share-based payments	763,624	780,046
	8,334,500	8,066,823

Individual directors and executives compensation disclosures

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

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

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

33. Related parties (continued)

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

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

In AUD	Balance 1 July 2010	Balance 30 June 2011	Interest not charged in the reporting period	Highest balance in period
Directors				
P Crowley	1,455,000	1,320,000	92,393	1,455,000
R Thornton	263,496	245,496	16,941	263,496
Executives				
L Patterson	655,536	616,073	42,257	655,536
W Saxelby	779,600	725,600	50,098	779,600

No loans were made to key management personnel or their related parties during the year (2010: nil).

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

In AUD	Opening balance	Closing balance	Interest not charged in the reporting period	Number in group at 30 June
Total for key management personnel 2011	3,153,632	2,907,170	201,689	4
Total for key management personnel 2010	3,612,587	3,153,632	201,020	4

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

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

The consolidated entity purchased components and tooling of $122,118 (2010: $222,795) from Great Western Corporation Pty Ltd, a company of which Mr R Thornton is a director. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms. The consolidated entity incurred legal fees of $193,554 (2010: $689,693) from Clayton Utz Lawyers, a legal firm of which Mr D McDonough is an equity partner. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms. Amounts receivable from and payable to key management personnel or to their related parties at reporting date arising from these transactions were as follows:

In AUD	**2011**	**2010**
Trade creditors	26,723	13,951

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

GWA Group Limited and its controlled entities
Notes to the consolidated financial statements

33. Related parties (continued)

Movements in shares

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

	Held at 1 July 2010	Purchases	Sales	Held at 30 June 2011
Directors: non-executive				
D Barry *(Retired 28 October 2010)*	12,877,399	-	-	n/a
R Anderson	18,399,803	-	-	18,399,803
G McGrath	150,000	-	-	150,000
W Bartlett	15,914	15,000	-	30,914
D McDonough	60,495	40,000	-	100,495
P Birtles *(Appointed 24 November 2010)*	n/a	-	-	15,000
J Mulcahy *(Appointed 24 November 2010)*	n/a	-	-	25,000
Executive directors				
P Crowley	750,000	-	-	750,000
R Thornton	112,313	4,000	-	116,313
Executives				
G Oliver	174,907	-	-	174,907
W Saxelby	300,000	20,000	-	320,000
L Patterson	240,739	-	(40,739)	200,000
N Evans	14,338	-	(14,338)	-

The relevant interest of each director in the share capital of the Company as notified by the directors' to the Australian Securities Exchange in accordance with Section 205G(1) of the *Corporations Act 2001* as at 30 June 2010 is listed in the Directors' Report. The related party shareholdings of Robert Anderson and Darryl McDonough have been adjusted to exclude shareholder entities included in prior year disclosures that do not meet the definition of related party for the purposes of AASB 124. The excluded shareholder entities are not 'controlled' or 'significantly influenced' by Messrs Anderson and McDonough or any 'close members of the family' of Messrs Anderson and McDonough as the terms are defined in AASB 124.

	Held at 1 July 2009	Purchases	Sales	Held at 30 June 2010
Directors: non-executive				
B Thornton *(Retired 30 June 2010)*	17,449,950	555,244	-	18,005,194
J Kennedy *(Retired 29 October 2009)*	101,000	-	-	n/a
D Barry	12,903,534	-	(26,135)	12,877,399
R Anderson	18,399,803	-	-	18,399,803
G McGrath	150,000	-	-	150,000
W Bartlett	15,425	489	-	15,914
D McDonough	23,635	36,860	-	60,495
Executive directors				
P Crowley	750,000	-	-	750,000
R Thornton	111,935	378	-	112,313
Executives				
G Oliver	169,530	5,377	-	174,907
W Saxelby	300,000	-	-	300,000
L Patterson	300,000	-	(59,261)	240,739
N Evans *(Commenced employment 17 March 2010)*	n/a	-	-	14,338

No shares were granted to key management personnel during the reporting period as compensation. The aggregate number of shares held by key management personnel or their related parties at 30 June 2011 was 20,282,432 (2010: 51,101,102).

34. Subsequent events

Subsequent to 30 June 2011, the consolidated entity has progressed negotiations with a third party in relation to the divestment of the Sebel business. The Sebel business represents the Commercial Furniture segment which includes the sale of education, hospitality and aged care furniture and stadia seating. At the date of this report, the consolidated entity has not yet reached agreement with the third party. Negotiations are continuing and a decision is expected by the end of August 2011.

Other than the matter noted above, to the Director’s best knowledge, there are no events that have arisen subsequent to 30 June 2011 that will, or may, significantly affect the operation or results of the consolidated entity.

Directors' declaration

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

(a) the consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the group entities identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2011.

4 The directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Brisbane on 16 August 2011.

Signed in accordance with a resolution of the directors:

Geoff McGrath
Director

Peter Crowley
Director

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

Report on the financial report

We have audited the accompanying financial report of GWA Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included on pages 6 to 20 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of GWA Group Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G Boydell

Greg Boydell
Partner

16 August 2011

KPMG

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

To: the directors of GWA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Greg Boydell
Partner

16 August 2011