GWA
Group Limited

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GPO Box 1411
Brisbane QLD 4001

20 February 2013

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sirs

Financial Results for the Half Year Ended 31 December 2012

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

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

Yours faithfully

R J Thornton
Executive Director

Appendix 4D
Half Year Report
Period Ended 31 December 2012

GWA GROUP LIMITED

ABN	Half Yearly	Preliminary Final	Year ended ('current period')
15 055 964 380	✔		31 December 2012

Results for announcement to the market *$A'000*

Continuing Operations				
Revenues from ordinary activities	Down	8.0%	to	289,873
Trading earnings before interest and tax	Down	23.0%	to	34,579
Trading profit after tax	Down	23.7%	to	20,899
Significant Items				
Restructuring expenses after tax				(5,168)
Reported Profit After Significant Items				
Net profit for the period attributable to members	**Up**	**18.7%**	**to**	**15,731**

Interim Dividend	**Amount Per Security**	**Franked Amount Per Security**
Ordinary dividend	6.0¢	6.0¢
Previous corresponding period:-		
Ordinary dividend	9.5¢	9.5¢

Record date for determining dividend entitlements	15 March 2013
Last date for receipt of election notices to participate in the Dividend Reinvestment Plan	15 March 2013
Date dividend payable	4 April 2013

	Current Period	**Previous Corresponding Period**
Net tangible asset backing per ordinary security	0.10	0.14

Brief explanation of the figures reported above:-

Refer to the attached Media Release and Directors' Report. The attached Interim Financial Report has been reviewed by GWA's independent statutory auditors.

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

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20 February 2013

Media Release

GWA Restructure Progressing to Plan

- **Revenue of $290 million is 8% below the same period last year with like for like revenue down 10%, excluding API**
- **Trading earnings before interest and tax (EBIT) of $34.6 million**
- **Profit impacted by weak building and renovation markets, while same period last year included non-recurring revenues driven by government stimulus**
- **A major restructuring of businesses announced in December 2012 is progressing to plan**
- **Net profit after tax of $15.7 million includes $5.2 million in after tax restructuring costs**
- **Fully franked interim dividend of 6.0 cents per share, compared with 9.5 cents per share last year**

GWA Group Ltd, Australia's leading supplier of fixtures and fittings to households and commercial premises, today announced a 23% decline in trading earnings before interest and tax (EBIT) for operations, from $44.9 million to $34.6 million for the half year to 31 December 2012.

The half year result included $6 million of revenue following the API acquisition in October 2012 and included the full employee related costs associated with the restructure announced in December 2012.

Net profit after tax from continuing operations for the half year of $15.7 million decreased by 21%, due to the impact of the lower trading performance and offset by lower tax expense and restructuring costs.

The directors have approved a fully franked interim dividend of 6.0 cents per share to be paid in April 2013, representing an 87% payout ratio on trading profit after tax. The Dividend Reinvestment Plan will be offered to shareholders for the interim dividend at a discount of 2.5%.

Managing Director Peter Crowley said, "The half year has been successful in terms of integrating API and commencing the significant restructuring of the GWA Group. The latter will ensure GWA is well positioned in the future to provide better service to the market, deliver cost savings and improve efficiencies across the Group. The benefits of this restructuring are expected to improve EBIT this year by $4 million, with further improvement in the next financial year.

Sales by the Bathrooms & Kitchens segment decreased by 5%, with EBIT before restructuring costs down 15% to $30.7 million. Sales were adversely impacted by the cessation of government stimulus spending and the general reduction in building and renovation activity.

Sales by the Door & Access Systems segment decreased by 5%, with EBIT before restructuring costs down by 23% to $6.5 million. The segment includes three months contribution from API, which performed in line with expectations. Gliderol has underperformed whilst Gainsborough's sales and trading EBIT were down 9% and 7% respectively in the difficult trading conditions. A new management team is now in place at Gliderol with clear targets to improve the business.

Sales by the Heating & Cooling segment fell 16%, due to lower demand for environmental water heating products and a slow summer season for evaporative coolers. EBIT decreased 36% to $4.6 million. Brivis sales were down slightly with EBIT improving due to efficiency and productivity improvements.

Restructuring in the half year has resulted in a 12.5% reduction in the group's workforce on a like for like comparison, excluding API. A further 2.5% reduction is expected in the second half of the year, all of which has been fully provided for in the company's accounts.

Commenting on the Company's future priorities, Mr Crowley said "Our focus remains on our core building fixtures and fittings businesses, as we reposition them for growth and improved business efficiency. We continue to look at acquisition opportunities, but our focus is clearly on ensuring we deliver the short and long term benefits of our major business restructure.

"The outlook for 2012/13 is difficult to assess, however our businesses will be in good shape post the restructuring and we can focus on growth and efficiency. We are starting to see some recovery in new dwelling approvals which is an important lead indicator of demand for our products.

"GWA products are typically sold as dwellings near completion. Because of the lag between dwelling approvals, commencements and completions, I do not expect any sustained recovery in sales activity until the last quarter and I expect sales for the second half year to be flat on the first half year. Trading EBIT is expected to improve, given the impact of API and improvements through the restructuring. We expect trading EBIT in the second half will be 1% to 3% better than the first half, and if recent trends continue we are expecting a Trading EBIT of $68-$69 million, concluded Mr Crowley".

For further information call:

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GWA Group Limited
(07) 3109 6000

Tim Allerton
City PR
(02) 9267 4511

GWA Group Limited
ABN 15 055 964 380

Directors' Report for the Half Year Ended 31 December 2012

Your directors submit their report on the consolidated entity of GWA Group Limited and the entities it controlled for the half year ended 31 December 2012.

Directors

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

G J McGrath, Chairman and Non-Executive Director
D D McDonough, Deputy Chairman and Non-Executive Director
P C Crowley, Managing Director
R M Anderson, Non-Executive Director
W J Bartlett, Non-Executive Director
J F Mulcahy, Non-Executive Director
P A Birtles, Non-Executive Director
R J Thornton, Executive Director

Review of Operations

Net profit after tax from continuing operations for the December 2012 half year of $15.7 million is 21% lower than the same period last year due to the impact of the difficult trading conditions, offset by lower tax and restructuring expenses. Restructuring costs associated with the strategic business repositioning totaled $5.2 million after tax. Sales revenue of $290 million, reduced by 8% from the same period last year. Underlying sales were 10% below the previous period with sales from the API acquisition offsetting the underlying decline.

Trading earnings before interest and tax (EBIT) of $34.6 million was 23% lower than the same period last year. Results were adversely impacted by lower building and renovation activity, the absence of government stimulus spending in public housing and the cessation of the Building the Education Revolution (BER) program. The impact of lower demand was partially offset by cost reductions and the contribution from API.

Trading profit after tax of $20.9 million was 24% lower than the same period last year. The after tax result is in line with the EBIT decline.

Cash generated from operations for the half year of $32.3 million represented a decrease of $18.1 million from last year due to lower trading cash flow of $16.6 million and increased restructuring expenditures of $1.5 million.

Net borrowings at 31 December 2012 of $192.7 million have increased $18.2 million from June 2012 due to the acquisition of API and the impact of the business restructure. The Company has a strong balance sheet and adequate financing facilities to fund growth and operating activities.

The Bathrooms and Kitchens segment comprising sanitaryware, tapware, baths and kitchen and laundry products recorded sales of $147 million for the half year, a decline of 5% on the same period last year. The segment was adversely impacted by lower building and renovation activity as well as the absence of government stimulus spending. Trading EBIT reduced by 15% to $30.7 million as a result of the lower sales activity.

The Door and Access Systems segment, comprising Gainsborough door hardware and Gliderol garage doors, recorded sales of $70 million for the half year representing a decrease of 5% on the same period last year. The segment includes three months contribution from the API acquisition which performed in line with expectations. Trading EBIT reduced by 23% to $6.5 million due to difficult trading conditions and a poor performance from the Gliderol business.

The Heating and Cooling segment, comprising Dux Hot Water and Brivis Climate Systems, recorded sales of $72.2 million for the half year representing a decline of 16% on the same period last year. Sales were adversely impacted by significantly lower environmental water heating demand and the general market decline. EBIT was lower, finishing down 36% on the same period last year, however Brivis improved slightly due to efficiency and productivity improvements.

As previously announced the company is undertaking restructuring activities in the 2012/13 year to strategically reposition the business for growth and to improve competitiveness. This involves combining Dux Hot Water with the GWA Bathrooms & Kitchens business and combining Gliderol with the Gainsborough business. Restructuring costs after tax totaled $5.2 million for the period comprised principally of redundancies and an offsetting gain on property sale.

Outlook

There are some signs that new dwelling approvals are starting to recover off a low base. GWA's products are typically sold and installed as dwellings approach completion. For this reason we do not expect any recovery in sales until the last quarter. As a consequence sales are expected to remain flat compared to the first half. Trading EBIT in the second half is expected to improve by approximately 1 - 3% on the first half driven by the impact of the API acquisition and the business restructuring.

Interim Dividend

The directors have declared a fully franked interim dividend of 6.0 cents per share. The record date for the interim dividend is 15 March 2013, and is payable on 4 April 2013. The Dividend Reinvestment Plan (DRP) will be offered to shareholders for the interim dividend at a discount of 2.5%. The last date for the receipt of election notices to participate in the DRP is 15 March 2013.

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

The Lead Auditor's Independence Declaration forms part of the Directors' Report for the half year ended 31 December 2012.

Rounding

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

Signed in accordance with a resolution of the directors.

G J McGrath
Chairman

P C Crowley
Managing Director

Brisbane, 20 February 2013

GWA Group Limited and its controlled entities

31 December 2012 interim financial report

ABN 15 055 964 380

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

For the period ended 31 December 2012

In thousands of AUD	*Note*	31 Dec 2012	31 Dec 2011
Continuing operations			
Sales revenue	5	289,873	314,995
Cost of sales		(185,810)	(198,907)
Gross profit		104,063	116,088
Other income	7	3,154	1,483
Selling expenses		(46,470)	(46,613)
Administrative expenses		(24,782)	(25,872)
Other expenses	8	(8,977)	(10,853)
Results from operating activities		26,988	34,233
Finance income		845	1,068
Finance expenses		(7,464)	(8,360)
Net financing costs		(6,619)	(7,292)
Profit before tax		20,369	26,941
Income tax expense	10	(4,638)	(7,005)
Profit from continuing operations		15,731	19,936
Discontinued operation			
(Loss)/profit from discontinued operations, net of income tax	6	-	(6,679)
Profit for the period		15,731	13,257
Other comprehensive income			
Foreign currency translation differences for foreign operations, net of income tax		121	2,583
Effective portion of changes in fair value of cash flow hedges, net of tax		136	(1,320)
Other comprehensive income for the period, net of income tax		257	1,263
Total comprehensive income for the period		15,988	14,520
Earnings per share			
Basic earnings per share (cents per share)		5.17	4.40
Diluted earnings per share (cents per share)		5.16	4.38
Continuing operations			
Basic earnings per share (cents per share)		5.17	6.61
Diluted earnings per share (cents per share)		5.16	6.59

The statement of comprehensive income is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 7 to 14.

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

As at 31 December 2012

In thousands of AUD	*Note*	31 Dec 2012	30 Jun 2012
Current assets			
Cash and cash equivalents		32,292	30,528
Trade and other receivables		96,093	99,187
Inventories		92,682	91,766
Income tax receivable		2,907	1,564
Other		4,246	2,691
Total current assets		228,220	225,736
Non-current assets			
Receivables		4,155	4,747
Deferred tax assets		13,570	17,488
Property, plant and equipment		116,165	113,292
Intangible assets		389,931	383,537
Other		3,097	3,521
Total non-current assets		526,918	522,585
Total assets		755,138	748,321
Current liabilities			
Trade and other payables		63,896	68,099
Employee benefits		12,198	13,536
Income tax payable		11	169
Provisions		11,933	13,857
Total current liabilities		88,038	95,661
Non-current liabilities			
Loans and borrowings	*13*	225,000	205,000
Employee benefits		12,160	12,346
Provisions		8,819	8,330
Total non-current liabilities		245,979	225,676
Total liabilities		334,017	321,337
Net assets		421,121	426,984
Equity			
Issued capital		403,781	398,930
Reserves		(3,334)	(2,489)
Retained earnings		20,674	30,543
Total equity		421,121	426,984

The statement of financial position is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 7 to 14.

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

For the period ended 31 December 2012

In thousands of AUD	*Note*	31 Dec 2012	31 Dec 2011
Cash flows from operating activities			
Cash receipts from customers		330,721	380,678
Cash paid to suppliers and employees		(298,426)	(330,283)
Cash generated from operations		32,295	50,395
Interest paid and facility fees		(7,083)	(8,310)
Interest received		525	726
Income taxes paid		(2,389)	(16,715)
Net cash from operating activities		23,348	26,096
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,449	229
Acquisition of property, plant and equipment		(8,759)	(11,213)
Acquisition of intangibles		(2,847)	(1,668)
Acquisition of subsidiary, net of cash acquired	*11*	(12,745)	-
Disposal of subsidiaries, net of cash disposed		-	23,112
Net cash from investing activities		(21,902)	10,460
Cash flows from financing activities			
Repayment of employee share loans		1,114	493
Share listing fees paid		(11)	-
Drawdown/(repayment) of bank bills		20,000	(15,000)
Dividends paid, net of dividend reinvestment plan		(20,808)	(25,630)
Net cash from financing activities		295	(40,137)
Net increase/(decrease) in cash and cash equivalents		1,741	(3,581)
Cash and cash equivalents at 1 July		30,528	36,573
Effect of exchange rate fluctuations on cash held		23	19
Cash and cash equivalents at 31 December		32,292	33,011

The statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 7 to 14.

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

For period ended 31 December 2012

In thousands of AUD	**Share capital**	**Translation reserve**	**Hedging reserve**	**Equity compensation reserve**	**Retained earnings**	**Total**
Balance at 1 July 2011	397,844	(5,430)	(648)	2,802	45,427	439,995
Total comprehensive income for the period						
Profit for the period	-	-	-	-	13,257	13,257
Other comprehensive income						
Foreign currency translation differences for foreign operations	-	(261)	-	-	-	(261)
Translation differences for disposed businesses transferred to profit or loss, net of tax	-	2,844	-	-	-	2,844
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(1,320)	-	-	(1,320)
Total other comprehensive income	-	2,583	(1,320)	-	-	1,263
Total comprehensive income for the period	-	2,583	(1,320)	-	13,257	14,520
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	-	-	-	(762)	(264)	(1,026)
Dividends to shareholders	-	-	-	-	(25,630)	(25,630)
Total transactions with owners	-	-	-	(762)	(25,894)	(26,656)
Balance at 31 December 2011	397,844	(2,847)	(1,968)	2,040	32,790	427,859

The statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 7 to 14.

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

For period ended 31 December 2012

In thousands of AUD	**Share capital**	**Translation reserve**	**Hedging reserve**	**Equity compensation reserve**	**Retained earnings**	**Total**
Balance at 1 July 2012	398,930	(2,654)	(2,248)	2,413	30,543	426,984
Total comprehensive income for the period						
Profit for the period	-	-	-	-	15,731	15,731
Other comprehensive income						
Foreign currency translation differences for foreign operations	-	121	-	-	-	121
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	136	-	-	136
Total other comprehensive income	-	121	136	-	-	257
Total comprehensive income for the period	-	121	136	-	15,731	15,988
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	-	-	-	(1,102)	70	(1,032)
Dividends to shareholders	-	-	-	-	(25,670)	(25,670)
Issue of ordinary shares	4,851	-	-	-	-	4,851
Total transactions with owners	4,851	-	-	(1,102)	(25,600)	(21,851)
Balance at 31 December 2012	403,781	(2,533)	(2,112)	1,311	20,674	421,121

The statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 7 to 14.

Condensed notes to the consolidated interim financial statements

1. Reporting entity

GWA Group Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2012 is available from the Company's website www.gwagroup.com.au.

2. Statement of compliance

The consolidated interim financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting,* IAS 34 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2012.

This consolidated interim financial report was approved by the Board of Directors on 20 February 2013.

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

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2012.

4. Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2012.

Condensed notes to the consolidated interim financial statements (continued)

5. Operating segments

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

- Bathrooms & 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.
- Door & Access Systems – This segment includes the sale of garage doors, door handles, door access systems and locksmith services.
- Heating & Cooling – This segment includes the sale of water heating and climate control systems.
- Discontinued operations – This segment includes the sale of education, hospitality and aged care furniture and stadia seating. It also includes the sale of sanitaryware in the North American 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 & Kitchens		Heating & Cooling		Door & Access Systems		Discontinued operations		Total	
In thousands of AUD	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External sales revenue	147,233	154,512	72,247	86,386	70,389	74,029	-	12,438	289,869	327,365
Inter-segment revenue	6	21	97	167	-	-	-	3	103	191
Total sales revenue	147,239	154,533	72,344	86,553	70,389	74,029	-	12,441	289,972	327,556
Segment result before restructuring	30,707	35,940	4,588	7,192	6,481	8,403	-	(7,862)	41,776	43,673
Restructuring expenses	(4,067)	(4,446)	(1,537)	-	(1,162)	(6,104)	-	-	(6,766)	(10,550)
Reportable segment profit/(loss) before income tax	26,640	31,494	3,051	7,192	5,319	2,299	-	(7,862)	35,010	33,123
Depreciation	3,502	3,312	1,707	1,521	1,244	1,320	-	267	6,453	6,420
Amortisation	2,187	2,196	642	532	396	333	-	-	3,225	3,061
Capital expenditure	4,320	2,933	2,476	8,189	3,366	1,140	-	195	10,162	12,457

Condensed notes to the consolidated interim financial statements (continued)

5. Operating segments (continued)

Reconciliations of reportable segment revenues and profit

In thousands of AUD	2012	2011
Revenues		
Total revenue for reportable segments	289,972	327,556
Unallocated amounts: corporate revenue	4	71
Elimination of inter-segment revenue	(103)	(191)
Elimination of discontinued operations	-	(12,441)
Consolidated revenue – continuing operations	289,873	314,995
Profit		
Total profit for reportable segments	35,010	33,123
Elimination of discontinued operations	-	7,862
Unallocated amounts: corporate expenses	(8,022)	(6,752)
Profit from operating activities	26,988	34,233
Net financing costs	(6,619)	(7,292)
Consolidated profit before tax – continuing operations	20,369	26,941

6. Discontinued operations

In the prior period ended 31 December 2011, the commercial furniture business, Sebel, was sold with an effective date of 30 September 2011 and the North American sanitaryware business was sold, with an effective date of 31 December 2011.

In thousands of AUD	2012	2011
Results of discontinued operations		
Revenue	-	12,441
Expenses	-	(15,003)
Results from operating activities	-	(2,562)
Income tax	-	227
Results from operating activities, net of income tax	-	(2,335)
Loss on sale of the discontinued operations	-	(5,300)
Income tax benefit on loss on sale of discontinued operations	-	956
Loss for the period	-	(6,679)
Basic loss per share (cents per share)	-	(2.21)
Diluted loss per share (cents per share)	-	(2.21)

In thousands of AUD	2012	2011
Cash flows from/(used in) discontinued operations		
Net cash used in operating activities	-	(1,202)
Net cash from investing activities	-	22,928
Net cash from discontinued operations	-	21,726

Condensed notes to the consolidated interim financial statements (continued)

7. Other income

For the six months ended 31 December 2012
In thousands of AUD

	2012	2011
Foreign currency gains - realised	-	85
Foreign currency gains - unrealised	166	95
Net gain on disposal of property, plant and equipment	469	-
Other	2,519	1,303
	3,154	1,483

8. Other expenses

For the six months ended 31 December 2012
In thousands of AUD

	2012	2011
Foreign currency losses - realised	21	64
Foreign currency losses - unrealised	71	34
Acquisition and disposal costs	810	75
Net loss on disposal of property, plant and equipment and intangible assets	-	27
Restructuring expenses	8,075	10,653
	8,977	10,853

9. Net restructuring expenses

For the six months ended 31 December 2012
In thousands of AUD

	2012	2011
Restructuring income – gain on sale of property	484	-
Restructuring expenses	(8,075)	(10,653)
Tax benefit	2,423	3,196
Net restructuring expense after tax	(5,168)	(7,457)

Condensed notes to the consolidated interim financial statements (continued)

10. Income tax expense

Recognised in the income statement

In thousands of AUD	2012	2011
Current tax expense		
Current year	1,500	9,288
Adjustments for prior years	(642)	(648)
	858	8,640
Deferred tax expense		
Origination and reversal of temporary differences	3,780	(1,635)
Income tax expense from continuing operations	4,638	7,005
Income tax (benefit)/expense from discontinued operations (excluding loss on sale)	-	(227)
Income tax benefit on loss on sale of discontinued operations	-	(956)
Total income tax expense in income statement	4,638	5,822

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of AUD	2012	2011
Profit before tax	20,369	19,079
Income tax using the domestic tax rate of 30% (2011: 30%)	6,111	5,724
Increase in income tax expense due to:		
Non-deductible expenses	58	64
Non-deductible acquisition and disposal costs	1	23
Non-deductible capital losses	-	672
Tax losses not recognised	19	614
Decrease in income tax expense due to:		
Effect of tax rate in foreign jurisdictions	(41)	(188)
Deductible share-based payments	(330)	(228)
Capital gains offset with prior capital losses	(153)	-
Rebateable research and development	(385)	(211)
	5,280	6,470
Over provided in prior years due to:		
Rebateable research and development	(1,210)	(470)
Non-deductible capital losses	709	-
Other	(141)	(178)
	(642)	(648)
Income tax expense on pre-tax net profit	4,638	5,822

Condensed notes to the consolidated interim financial statements (continued)

11. Acquisitions of subsidiaries

On 2 October 2012 the consolidated entity acquired 100% of the shares in API Services and Solutions Pty Limited for $12,745,000.

In the three months to 31 December 2012 the business contributed profit before tax of $300,000. If the acquisition had occurred on 1 July 2012, management estimates that consolidated revenue from continuing operations for the period would have been $295,860,000 and consolidated profit before tax of continuing operations would have been $20,669,000. 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 2012.

The acquisition 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*	**API Services and Solutions Pty Limited 2012**
Trade and other receivables	3,450
Inventories	3,198
Other current assets	286
Property, plant and equipment	2,762
Intangible assets	2,400
Trade and other payables	(2,326)
Employee benefits	(1,470)
Deferred tax liabilities	(80)
Net identifiable assets and liabilities	8,220
Goodwill on acquisition	4,525
Consideration paid, satisfied in cash	12,745

The goodwill recognised on the acquisition 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 $462,000 (2011: $75,000) related to external legal fees and due diligence costs.

Condensed notes to the consolidated interim financial statements (continued)

12. Capital and reserves

Share capital

In thousands of shares	Ordinary shares
On issue at 1 July 2011	301,525
Issue of shares	-
Balance at 31 December 2011	301,525
Balance at 1 July 2012	302,006
Issue of shares	2,701
Balance at 31 December 2012	304,707

Dividends

The following dividends were paid by the consolidated entity.

For the six months ended 31 December 2012

In thousands of AUD	2012	2011
Franked dividends paid		
- Final dividend 4 October 2012 (8.5c per share, 2011 8.5c)	25,670	25,630
Total dividends paid	25,670	25,630

On 20 February 2013, the Board declared an interim ordinary dividend of 6.0 cents per share. The dividend is fully franked. The aggregate dividend payable on 4 April 2013 will be $18,282,000.

13. Loans and borrowings

The consolidated entity has unsecured bank loans of $225,000,000 as at 31 December 2012 (30 June 2012: $205,000,000). The movement is due to a drawdown of borrowings of $20,000,000. 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. 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.

Condensed notes to the consolidated interim financial statements (continued)

14. Contingencies

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, a wholly owned subsidiary of the ultimate parent, GWA Group Limited. The Revesby site will be exited by McIlwraith-Davey Pty Ltd on the lease expiry date of 30 April 2013. The Eagle Farm site was previously occupied by Corille Limited (formerly Rover Mowers Limited) and was exited in a prior financial year following the sale of the Rover Mowers business.

The remediation activities at the Revesby site were substantially completed at 31 December 2012. The final environmental auditor's report has been submitted to the NSW Office of Environment and Heritage. It is expected that the final round of post remediation testing will occur in June 2013. The remediation activities at the Eagle Farm site were completed during the 2012 financial year. The final environmental auditor's report has been submitted to the Queensland Department of Environment and Heritage Protection.

The remediation provision at 31 December 2012 is $834,000 which the directors consider adequate.

Brivis evaporative recall

Since the acquisition of Brivis in April 2010, the consolidated entity has continued product recalls commenced by the former owner, Carrier, for Brivis evaporative coolers manufactured between August 2000 and November 2003 due to defective components. The total cost of the product recalls cannot be reliably estimated at this stage. The Brivis purchase agreement provides that Carrier is responsible for product liability and recall costs above a specified threshold with an overall cap on Carrier's liability.

The directors believe the provision at 31 December 2012 of $360,000 in respect of potential product liability and product recall costs is adequate.

15. Subsequent events

To the Director's best knowledge, there are on events that have arisen subsequent to 31 December 2012 that will, or may, significantly affect the operation or results of the consolidated entity.

Directors' Declaration

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

1. The financial statements and notes are in accordance with the Corporations Act 2001 including:

    (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2012 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and

    (b) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

Dated at Brisbane this 20 day of February 2013.

Signed in accordance with a resolution of the directors:

G J McGrath
Director

P C Crowley
Director

KPMG

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

Report on the financial report

We have reviewed the accompanying interim financial report of GWA Group Limited which comprises the consolidated statement of financial position as at 31 December 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 15 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of GWA Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of GWA Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Greg Boydell
Partner

Sydney

20 February 2013

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

To: the directors of GWA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

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

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

KPMG

KPMG

G Boydell

Greg Boydell
Partner

Sydney

20 February 2013