GWA
Group Limited
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21 August 2013

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results for the Year Ended 30 June 2013

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 2013

GWA GROUP LIMITED			
ABN	Half Yearly	Preliminary Final	Year ended ('current period')
15 055 964 380		✔	30 June 2013

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

Continuing Operations				
Revenues from ordinary activities	Down	6.1%	to	565,365
Trading earnings before interest and tax*	Down	12.7%	to	65,770
Trading profit after tax*	Down	15.2%	to	38,631
* excludes net restructuring expenses				
Significant Items				
Net restructuring costs after tax				(6,241)
Reported Profit After Significant Items				
Net profit for the period attributable to members	**Down**	**18.3%**	**to**	**32,390**

Final Dividend	**Amount Per Security**	**Franked Amount Per Security**
Ordinary dividend	6.0¢	6.0¢
Previous corresponding period:		
Ordinary dividend	8.5¢	8.5¢
Record date for determining dividend entitlements	9 September 2013	
Date dividend payable	4 October 2013	

	Current Period	**Previous Corresponding Period**
Net tangible asset backing per ordinary security	0.13	0.14

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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21 August 2013

Media Release

GWA Benefiting from Restructure

- **Revenue down 6% with underlying revenue down 9% excluding API**
- **Trading Earnings before Interest and Tax (EBIT) from continuing operations $66 million, down 13% on the prior period**
- **Restructure delivered an $8 million contribution to trading EBIT and operating cash flow in the second half**
- **Strong cash generated from trading operations reduced net debt to $162 million**
- **Fully franked final dividend of 6 cents per share with total fully franked dividend of 12 cents for the year**

GWA Group Limited, Australia's leading supplier of fixtures and fittings to households and commercial premises, today announced Trading Earnings before Interest and Tax (EBIT) for continuing operations of $65.8 million for the year to 30 June 2013, a decline of 13% on the prior period.

Net profit after tax from continuing operations of $32.4 million is down 18% on the prior period and includes restructuring costs after tax of $6.2 million. Trading earnings per share reduced to 13 cents.

The Directors have approved a final fully franked dividend of 6 cents per share to be paid in October 2013, with the total fully franked dividend for the year of 12 cents per share. This represents a 95% payout ratio of trading profit after tax. The Dividend Reinvestment Plan will not be offered for the final dividend and has been suspended.

Managing Director Peter Crowley said, "A highlight for the year was the strong cash generated from trading operations which covered the costs of the restructure, the acquisition of API Locksmiths and the reduction of net debt to $162 million. The major restructuring announced in December 2012 was successfully completed and integral to improving business performance over the second half. It should be noted that at December 2012, Trading EBIT was 23% down on the prior year however for the second half Trading EBIT was 2% above the corresponding period in 2012."

Bathrooms & Kitchens division sales were 9% lower than the prior period, with EBIT down 5% from $67.8 million to $64.5 million. Sales in the Hot Water category were down 24%, reflecting the cessation of the environmental rebates which impacted the business in the first quarter and market share loss in core electric and gas storage heating.

Heating & Cooling division sales were down 6%, with EBIT declining by 19% to $5.2 million. Sales were impacted by the subdued activity in the Victorian market however the last quarter saw strong recovery of momentum and higher sales compared with last year.

Door & Access Systems division sales increased 2%, due to the inclusion of API Locksmiths, which was acquired in October 2012. Underlying sales were down by 11%, with EBIT reducing by 23% from $14.1 million to $10.9 million. The division is highly leveraged to new housing completions, which declined by 4% during the year. Sales in the Garage Door category were down 14% compared to last year.

Commenting on the Company's future priorities, Mr Crowley said "During the year we have successfully completed the restructuring of the business, sold non-core assets and focussed on improving working capital. Our priorities are in the core building fixtures and fittings segment, focussing on those target market segments where we have sustainable competitive advantage while continuing to reach the key decision makers and leveraging the Group to ensure we are as efficient as possible. Significant work has been undertaken to fix underperforming business units and the business is in a strong position to take advantage of any future market upturn and acquisition opportunities.

"The outlook for 2013/14 is difficult to assess but gradually improving building approvals should flow through to higher sales in the second half of the financial year. We continue to improve and optimise the business whilst awaiting the recovery in market demand for our products," concluded Mr Crowley.

For further information call:

Peter Crowley
GWA Group Limited
07 3109 6000

Tim Allerton
City PR
02 9267 4511
0412 715 707

Chairman's Review

2012/13 was a challenging year for the group given weak building and renovation activity, intense import competition resulting from the high Australian dollar and low consumer confidence levels. We commenced the year poorly with trading earnings before interest and tax (EBIT) down 41% in the September 2012 quarter versus the same period last year. It is commendable that we were able to finish the year with EBIT down only 13% on the prior year, and highlights the resilience of the business in the tough market conditions and the successful implementation of the strategic plans announced in December 2012.

Building activity levels reached cyclical lows at the beginning of 2012/13 and the sector has been recovering at a modest pace supported by low interest rates and gradually rising house prices. At June 2013, the moving annual total for dwelling approvals increased to 157,544 representing a 5% increase on the prior year. Following significant restructuring activities to improve competitiveness and acquisitions of complementary businesses to expand our product and service offerings, we are well positioned to take advantage of the expected higher market activity levels. The Managing Director will provide further comments on market activity in his Review of Operations.

With growth in the resources sector set to decline over the next few years it is imperative that other sectors of the Australian economy grow strongly if the country is to avoid a sustained period of weak growth. Whilst a modest recovery has commenced in the building sector, the current level of activity does not appear sufficient to make up for the shortfall in national economic growth. We welcome various Federal and State Government initiatives to support dwelling construction activity.

Strategy

Our strategy continues to focus on the Australian and New Zealand building fixtures and fittings sector with three core business segments of scale, comprising Bathrooms & Kitchens, Heating & Cooling and Door & Access Systems. We are committed to providing compelling customer value propositions in the sector through product innovation, efficient manufacturing and supply chains, strong brand management, and installation and service capabilities.

The strategic initiatives announced by the Board in December 2012 resulted in changes to the divisional structures to improve efficiency, deliver cost savings and provide a stronger platform for growth. As part of these changes, Dux Hot Water was combined with the Bathrooms & Kitchens division and Gliderol Garage Doors was combined with the Gainsborough business. These changes were implemented in 2012/13 and enabled the group to deliver improved profitability and cash flow.

Overview of Results

The Group achieved a net profit after tax from continuing businesses of $32.4 million in 2012/13 on sales revenue of $565.4 million. This represents a decline of 18% and 6% respectively on the prior year reflecting the difficult trading conditions. Net profit was impacted by the considerable restructuring activities completed during the year following the strategic initiatives announced by the Board in December 2012. The restructuring activities delivered a positive contribution to trading EBIT and operating cash flow of $8 million during the second half of the financial year.

A highlight for the year was the strong cash generated from trading operations of $97.2 million, representing 113% of EBITDA, due to management's focus on reducing working capital. The cash flow performance provided funding for the restructuring activities and the acquisition of API Locksmiths in October 2012.

Dividends and Capital Management

The Group's strong cash generated from trading operations in 2012/13 enabled the Directors to declare a final fully franked dividend of 6 cents per share to be paid in October 2013 which brings the total fully franked dividend for the year to 12 cents per share. GWA has maintained a high dividend payout at 95% of trading profit after tax in 2012/13 whilst funding the API Locksmiths acquisition, restructuring activities and reducing debt levels. The Dividend Reinvestment Plan has been suspended as the Company has access to sufficient funding to meet its needs.

Net debt at the end of June 2013 was $162 million, down by $12 million from June 2012 due to improved working capital management. Debt is well covered by total bank facilities of $275 million and we appreciate the ongoing support of our banks including Commonwealth Bank of Australia, Australia and New Zealand Banking Group, HSBC Bank Australia and Westpac Banking Corporation.

Diversity

The Board understands the significant benefits that can arise from a diverse workforce and strengthened its focus on diversity in 2012 through the approval of a specific Diversity Policy which is available on the Company's website. A number of measurable objectives have been approved by the Board to promote and encourage diversity, particularly the improvement of female representation within the workforce. Whilst some of the diversity initiatives were delayed during the year due to the considerable restructuring activities, the Board is committed to the achievement of the measurable objectives.

The Board supports the recommendations of the ASX Corporate Governance Council on diversity and has provided the required diversity disclosures in its Corporate Governance Statement. The Company lodged its Workplace Gender Equality Report with the Workplace Gender Equality Agency in May 2013 and the report is available on the Company's website.

Executive Remuneration

GWA's remuneration policies continue to be assessed with the independent advice of Guerdon Associates who were engaged by the Board for the 2013/14 executive remuneration review. We aim to provide remuneration to executives that is fair and sufficient to attract and retain a high quality management team with the experience, knowledge, skills and judgment required for the business. In order to achieve this objective, the key principle is that remuneration varies between the median and third quartiles relative to companies of comparable size and scope.

The only change in the remuneration policy in 2012/13 was the cessation of the legacy GWA Employee Share Plan. Changing employee attitudes to share ownership has led to lower participation levels in recent years and it was no longer effective as a long term incentive (LTI). Following the wind down of the Plan, total loan repayments of $8.3 million were received by the Company from employees during 2012/13. The Plan has been discontinued and there will be no further share issues to employees under the Plan. GWA executives will continue to participate in the LTI (Performance Rights) Plan approved by shareholders in 2008.

The Board attempts to balance the need to address market trends whilst positioning GWA to retain and attract a high quality executive team led by our experienced Managing Director of the past 10 years, Mr Peter Crowley. In 2011, Mr Crowley agreed to a freeze on his fixed remuneration for 3 years from 2011 to 2014 and will not receive any increase in fixed remuneration in 2013/14. For other GWA executives, the review by Guerdon Associates during the year concluded that fixed remuneration is in line with market levels. In addition, short term incentive payments to executives in 2012/13 subject to the achievement of financial targets have declined in line with the lower trading result.

Carbon Emissions

The Board is committed to reducing energy, carbon emissions, water and waste across the GWA Group operations. 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. During 2012/13, GWA's carbon emissions have declined by an estimated 20% due to a combination of factors including site rationalisations, site closures, reduced demand and energy efficiency measures.

Safety

Our business is only as good as our people and we aim to provide a safe and rewarding environment in the workplace. We are pleased with continuing progress in safety performance resulting in an 11% reduction in the total injury frequency rate (TIFR) in 2012/13. This represents the eighth consecutive year of improvement and reflects the ongoing commitment to creating an injury free work environment.

In closing, I would like to thank management and staff for their efforts in 2012/13 and their ongoing commitment to GWA. We have the people, businesses and strategies to take advantage of the expected improvement in trading conditions in 2013/14 and to build a stronger business for the future.

Managing Director's Review of Operations

Difficult trading conditions and competitive pressures led to a 6% decline in revenue for 2012/13. On a like for like basis sales were down by 9% offset by the contribution from API Locksmiths which was acquired in October 2012.

Chart 1 below shows that the overall dwelling commencements for the year increased by approximately 7% compared to 2011/12. This growth was driven by medium and high density units which grew 13%, whereas detached housing increased by 3%. The key growth states were New South Wales and Western Australia and this positive momentum should continue through the 2013/14 year. It is clear that over time the mix has changed between residential and multi-units and we expect this trend to continue and increase gradually over the medium to long term. Although this is a positive indicator in the 2012/13 period the impact for GWA Group is lagged as the majority of our sales occur at completion which can be some 6 to 9 months later, and generally longer for multi-unit developments.

One of the key issues through the 2012/13 year was housing affordability driven by Government charges and regulatory costs. Virtually all the State Governments have allocated some provisioning for building activity initiatives however these are limited given their budget constraints. New South Wales looks to have more options available and these were highlighted through its Building the State initiative.

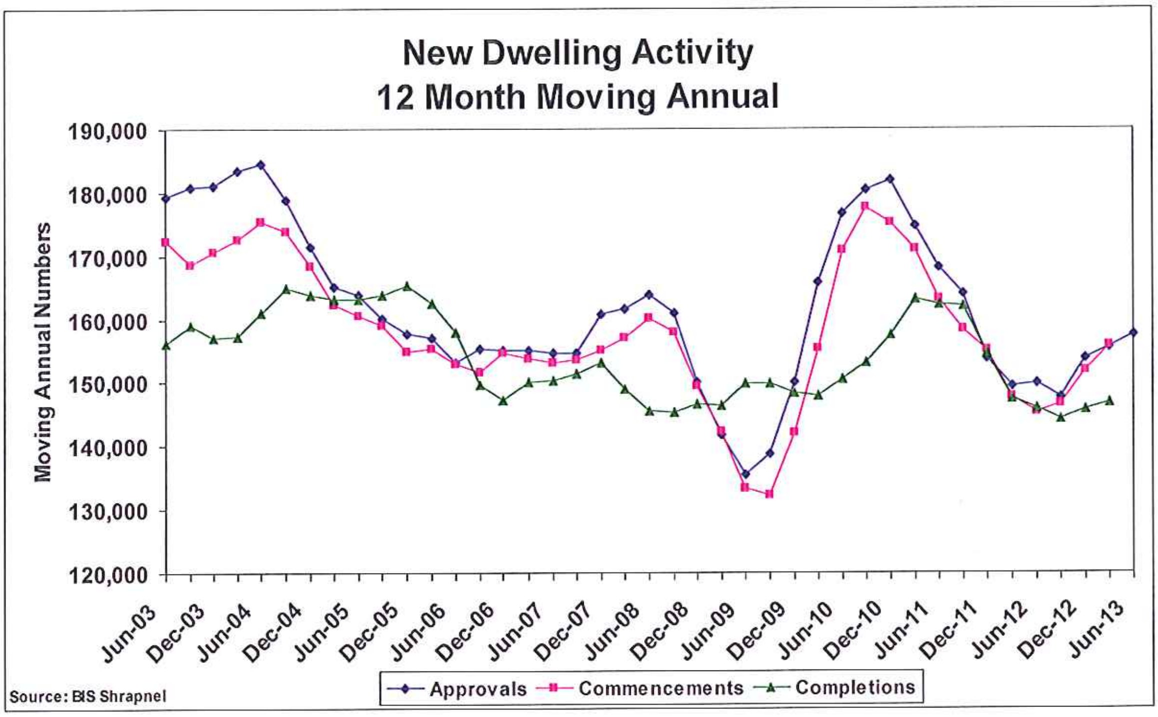
Chart 1 - Dwelling Commencements (2003 - 2013)

Starts - Thousands	Houses	Multi-Units	Total	% Houses	% Multi-Unit:	% Chg Houses	% Chg Multi-Unit:	% Chg Total
2003/4	118.6	56.5	175.1	68%	32%			
2004/5	106.2	54.2	160.3	66%	34%	-10%	-4%	-8%
2005/6	104.0	48.4	152.4	68%	32%	-2%	-11%	-5%
2006/7	106.3	45.7	152.0	70%	30%	2%	-6%	0%
2007/8	107.0	51.6	158.6	67%	33%	1%	13%	4%
2008/9	91.5	39.9	131.4	70%	30%	-14%	-23%	-17%
2009/10	111.7	55.4	167.1	67%	33%	22%	39%	27%
2010/11	96.8	60.7	157.5	61%	39%	-13%	10%	-6%
2011/12	88.1	54.0	142.1	62%	38%	-9%	-11%	-10%
2012/13 Forecast	90.6	61.1	151.7	60%	40%	3%	13%	7%

Source - HIA Economics Group May 2013

The trading conditions during 2012/13 were tough and chart 2 demonstrates the trend in dwelling construction by showing the twelve month moving annual numbers for dwelling activity since 2003. The chart highlights that dwelling completions were very low, in line with activity levels experienced during the Global Financial Crisis in 2008/09.

Chart 2 - New Dwelling Activity (2003 - 2013)



Financial Results for 2012/13

$ Million	2012/13	2011/12	% Change
Sales Revenue	565.4	602.1	-6%
Trading EBIT *	65.8	75.4	-13%
EBIT Margin	11.6%	12.5%	
Trading Profit after Tax from Continuing Operations *	38.6	45.6	-15%
Net Profit after Tax	**32.4**	**39.7**	**-18%**
Trading Earnings per Share - Continuing Operations	12.7	15.1	-16%

* excludes net restructuring expenses

The nine month sales contribution from API Locksmiths, which was acquired in October 2012, added 3% to overall revenue in 2012/13, partially offsetting the decline in underlying demand for our products. This decline has been driven by three key factors:

- Decline in new dwelling and renovation activity;
- Cessation of Federal Government stimulus spending and environmental heater rebates which impacted the first quarter of 2012/13; and
- Loss of market share in the Garage Door and Hot Water categories.

It was pleasing to see that in the last quarter of 2012/13 sales improved slightly in our core target market segments and in some key categories we are regaining market share.

The decline in trading profit in 2012/13 is a reflection of the loss of sales however this was offset by cost savings arising from the restructuring that was implemented in December 2012. Approximately 2% of the 6% revenue decline for the year arose from market share loss in the Garage Door and Hot Water categories. The loss of market share in the Garage Door category is a result of poor management and business practices. Significant work has been undertaken since December 2012 to fix these issues and we expect to see an improvement in performance through 2013/14. In the Hot Water category we have seen aggressive pricing in the market and as a result we have experienced share loss in the core electric and gas storage heaters. A thorough review of our Hot Water offer and pricing was completed in the last quarter of 2012/13 and a new strategy targeting our key market segments has been implemented.

The impact of restructuring delivered a positive contribution to trading EBIT of $8 million during the year. As a result the workforce reduced by 256 employees (14%), almost all of which were salaried staff. Corporate costs were slightly ahead of the prior period driven by external consulting and acquisition costs.

Cash generated from trading operations of $97 million represents 113% of EBITDA. We are pleased with the strong operating cash flow reflecting the benefits of management focus on working capital improvement. This strong cash flow allowed the business to acquire API Locksmiths, implement the major restructuring and reduce net debt levels by $12 million to $162 million. The cash flow performance also enabled the Board to pay a fully franked dividend for the year of 12 cents per share, representing a 95% payout ratio of trading profit after tax.

Strategy and Growth

We estimate that the Australian building fixtures and fittings sector generates sales of approximately $5 billion per annum. GWA has approximately 13% market share in the sector. The Australian building fixtures and fittings sector is highly competitive however we believe there are significant opportunities to increase our market share through organic and inorganic growth initiatives.

GWA completed a major strategic review in late 2012 with the assistance of LEK Consulting. This led to the restructuring of the key business units to better service the market, deliver cost savings and improve efficiency. As part of the restructuring, the Dux Hot Water business was consolidated into the Bathrooms & Kitchens division and the Gliderol Garage Door business was consolidated into the Gainsborough business. The core business segments are:-

Bathrooms & Kitchens - vitreous china toilet suites, basins, plastic cisterns, tapware, baths, kitchen sinks, laundry tubs, bathroom accessories and water heaters.

Door & Access Systems - garage doors, door locks and levers and supply and maintenance of commercial door systems.

Heating & Cooling - sale of ducted heating and climate control systems.

GWA's overarching strategy is entirely consistent for the Group and across each Division. This strategy is built around FOCUS, REACH and LEVERAGE.

Our FOCUS is to grow in our core Australian building fixtures and fittings markets. In particular we will FOCUS on growth in targeted market segments where GWA can sustain long term competitive advantage. Growth can be organic in which case our FOCUS is on better servicing our existing markets and improving our overall business efficiencies. GWA will also pursue inorganic growth opportunities in which case our FOCUS is on acquiring businesses or distribution rights for products and services which complement GWA's existing offer to our target market segments.

GWA will REACH the key decision makers across our target market segments. In doing so we will seek to influence their purchasing decisions:

- Through a clear understanding of their needs
- Through a value proposition which meets the needs of each target market segment
- And through the appropriate value proposition to those aligned channel partners servicing each target market segment

GWA will maximize competitive advantage through LEVERAGE to ensure the Group operates the most efficient structures to support our target market segments and aligned channel partners. GWA will LEVERAGE the Group wide investment in:

- Brands, innovation, systems & processes, supply chain, transport & logistics, business relationships, market knowledge and sales & marketing.

GWA's overarching strategy of FOCUS, REACH and LEVERAGE will drive competitive advantage and deliver growth.

The nature of GWA's products means that there is an important installation and service offering in a number of our businesses. We see potential growth opportunities by extending these capabilities to enable a larger range of products to be offered with an installation and service option. An example of this is the recent acquisition of API Locksmiths which is primarily a commercial locksmithing business. It provides GWA with options for installed offers for both mechanical and electronic access systems and provides access to the commercial sector where we are looking to increase sales.

Our key strategies for success in our core target market segments include:

- Reaching and engaging key decision makers in our target market segments through direct engagement and via digital strategies;
- Investment in innovative and sustainable products;
- Efficient and low cost supply chain management to ensure a cost competitive supply position;
- Delivering superior customer service levels; and
- Improving our installation and service capabilities.

Segment Performance

Segment results are summarised below:

Sales Revenue $Million	Bathrooms & Kitchens	Heating & Cooling	Door & Access Systems	Other	Total
2012/13	367.5	58.8	140.9	(1.8)	565.4
2011/12	404.7	62.5	138.6	(3.7)	602.1
% Change	-9%	-6%	2%		
Trading EBIT $Million	**Bathrooms & Kitchens**	**Heating & Cooling**	**Door & Access Systems**	**Other**	**Total**
2012/13	64.5	5.2	10.9	(14.8)	65.8
2011/12	67.8	6.5	14.1	(13.0)	75.4
% Change	-5%	-19%	-23%		

Sales from Bathrooms & Kitchens were adversely impacted by the Hot Water category with revenue from our traditional Bathrooms & Kitchens ranges (excluding the Hot Water category) down only 5% compared to last year. Sales in the Hot Water category were down 24% reflecting the cessation of the environmental rebates which impacted the business in the first quarter and market share loss in core electric and gas storage heating. Bathrooms & Kitchens made important progress during the second half of the year rationalising the product range and reviewing our customer service offering.

Heating & Cooling sales were impacted by a weak Victorian housing market however the business performed well in the circumstances. The last quarter saw strong recovery of momentum and higher sales compared to last year.

Sales by the Door & Access Systems segment increased due to the inclusion of API Locksmiths. The residential door furniture business, which is highly leveraged to new housing completions, found conditions difficult. In addition issues relating to poor management and business practices were identified in the Garage Door business which led to the loss of market share. Sales in the Garage Door category were down 14% compared to last year.

Financial Condition and Capital Management

Net debt at June 2013 reduced by $12 million from $174 million to $162 million as a result of improved working capital management, the sale of non-core assets and lower capital expenditure. The gearing ratio (net debt/net debt plus equity) of 28% is within our target range and the leverage ratio (net debt/EBITDA) is an acceptable 1.92 times. Interest cover (EBITDA/net interest) of 6.9 times further highlights GWA's strong financial metrics.

While we continue to review growth options, we also remain very focussed on maintaining GWA's investment grade metrics. The business has a strong balance sheet. This ensures GWA is well positioned to respond to acquisition opportunities as they arise. In May 2013, the Group completed refinancing of the syndicated banking facility and put in place a new $275 million facility. This facility comprises a three year tranche of $200 million which expires in July 2016 and a five year tranche of$75 million which expires in July 2018.

GWA has sufficient undrawn debt facilities and in-principle support from our banks to increase facilities to fund growth opportunities if required. As a consequence of this, the Dividend Reinvestment Plan which was reopened last year has been suspended by the Board until further notice.

A summary of our debt position and existing facilities is provided below:

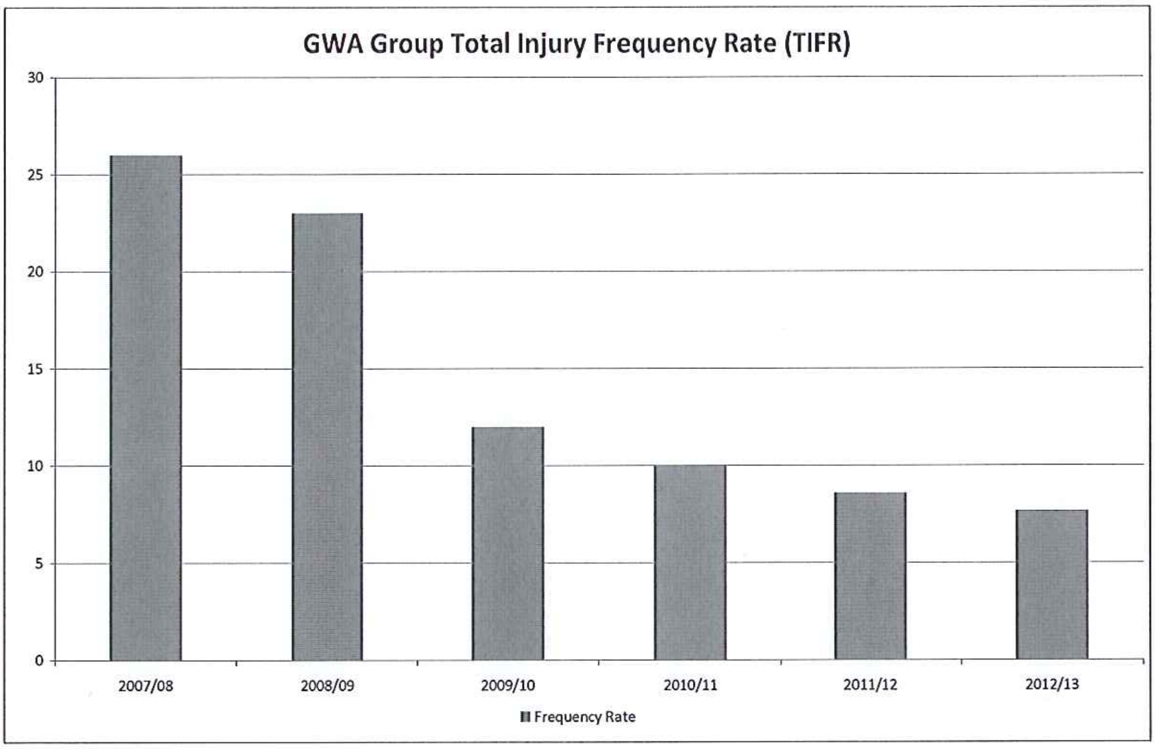
Bank $Million	**Available Facilities**	**Drawn Facilities**	**Maturity Profile**
CBA	85		
ANZ	80		
Westpac	55		
HSBC	55		
Gross debt	**275**	195.0 0.0	**July 2016 - $200 million** **July 2018 - $75 million**
Cash and deposits		(32.8)	
Net debt		**162.2**	

Health and Safety

Management is committed to continuous improvement in GWA'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.

Continuous improvement in safety performance over the past 8 years has been consolidated with a further 11% decline in the total injury frequency rate in 2012/13. With our total injury frequency rate reducing to 7.7, we have a consistent sense of purpose in creating a safe work environment for our people. Despite these impressive results, we still had 14 employees sustain lost time injuries during the year which we will strive to reduce. Good safety is good management and 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.

Chart 3 below highlights the continued improvement in the total injury frequency rate in the 2012/13 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 and the reports are available on the Company's website. In 2012/13 GWA's estimated direct carbon emissions totalled 9,700 tonnes plus 20,300 tonnes of indirect carbon emissions through the purchase of energy. This compares with 37,000 tonnes of total reported emissions in 2011/12. The estimated 20% reduction reflects the impact of plant rationalisations and energy efficiency initiatives.

People

GWA's long term success has been due to the efforts of a committed and talented workforce. We continue to bring new thinking and skills into the business and are committed to 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 core capabilities for our personnel supported by rigorous goal setting and performance management procedures.

GWA continues to work with the Australian Institute of Management to provide an in-house Certificate of Management program constituting 4 modules of advanced learning to better prepare our managers to be effective in their roles. 42 managers and senior staff attended the programme during 2012/13.

Future Prospects and Risks

The outlook for 2013/14 is difficult to assess but improving house prices and gradually rising dwelling approvals should result in higher sales in the second half of the financial year. The business is well positioned to take advantage of opportunities with clear initiatives aimed at our target market segments supported by lower cost structures and improving Group leverage. Our focus is on improving and optimising the business whilst awaiting the recovery in market demand for our products. Benefits from the major restructure activity undertaken in December 2012 will continue to flow into the 2013/14 year and this will provide a lower cost base from which to leverage the business as trading conditions improve.

There are a number of key business risks that may impact on the achievement of the outlook for 2013/14 and future periods including:

- The expected recovery in building and renovation activity does not eventuate or is delayed and leads to continuing weak demand for GWA's products;
- The actions implemented in 2012/13 to address the loss of market share in the Dux and Gliderol businesses does not lead to improved business performance and profitability; and
- Unforseen disruptions impacting product supply from material offshore suppliers leading to lower sales and loss of market share.

We will be in a better position to update the market on 2013/14 trading performance at the Annual General Meeting in October 2013 following first quarter trading and updated data on dwelling activity.

Directors' Report as at 30 June 2013

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 2013.

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
P A Birtles, Non-Executive Director
R J Thornton, Executive Director

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 2012/13 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	107,905
P C Crowley*	330,000
R M Anderson	8,418,442
W J Bartlett	33,194
J F Mulcahy	45,000
P A Birtles	15,000
R J Thornton*	43,694
Total**	**9,143,235**

* 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 34 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 19,129,596 shares (last year 19,624,906 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 2013, which are outlined in Note 31 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, New Zealand and selected international markets.

The Company acquired API Services and Solutions Pty Ltd (API Locksmiths) on 2 October 2012. API Locksmiths is an Australian supplier of safes, locks, alarms and locksmithing services to major commercial enterprises. 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 1,680 employees as at 30 June 2013 (last year 1,788 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. The Company's latest Workplace Gender Equality Report lodged with the Workplace Gender Equality Agency is available on the Company's website.

Operating and Financial Review

The Operating and Financial Review for the consolidated entity during the financial year ended 30 June 2013 is provided in the Managing Director's Review of Operations, and forms part of this Directors' Report.

Segment Performance

The segment performance of the Company for the financial year ended 30 June 2013 is as follows:

Sales Revenue $Million	Bathrooms & Kitchens	Heating & Cooling	Door & Access Systems	Other	Total
2012/13	367.5	58.8	140.9	(1.8)	565.4
2011/12	404.7	62.5	138.6	(3.7)	602.1
% Change	-9%	-6%	2%		
Trading EBIT $Million	**Bathrooms & Kitchens**	**Heating & Cooling**	**Door & Access Systems**	**Other**	**Total**
2012/13	64.5	5.2	10.9	(14.8)	65.8
2011/12	67.8	6.5	14.1	(13.0)	75.4
% Change	-5%	-19%	-23%		

Earnings Per Share

	2012/13 cents	2011/12 cents
Basic earnings per share	10.6	13.2
Basic earnings per share – continuing operations	10.6	15.3

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 to provide access to new markets and product extensions. Details of the changes are as follows:

- On 2 October 2012, the consolidated entity purchased the shares of API Locksmiths for $12.4 million. API Locksmiths is an Australian supplier of safes, locks, alarms and locksmithing services to major commercial enterprises. API Locksmiths has been included in the GWA Door & Access Systems division to further strengthen the consolidated entity's market offer in residential and commercial access systems and provide a service capability to complement its product offerings.

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 2012/13 financial year

Dividends	Cents per share	Total Amount $'000	Franked	Date of Payment
Final 2011/12 Ordinary	8.5	25,670	Fully Franked	4 October 2012
Interim 2012/13 Ordinary	6.0	18,283	Fully Franked	4 April 2013

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

Declared after end of the 2012/13 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 2012/13 Ordinary	6.0	18,392	Fully Franked	4 October 2013

The financial effect of the dividend has not been brought to account in the Financial Statements for the year ended 30 June 2013 and will be recognised in subsequent Financial Reports.

The record date for the final dividend is 9 September 2013 and the dividend payment date is 4 October 2013. The Dividend Reinvestment Plan was suspended by the Board in August 2013 and will not be offered to shareholders for the final dividend.

Significant Events after Balance Date

On 21 August 2013, the directors declared a final ordinary dividend of 6.0 cents per share in respect of the financial year ended 30 June 2013. The dividend will be fully franked at the 30% corporate tax rate. The total amount of the dividend is $18.392 million (last year $25.670 million). In accordance with Accounting Standards, the dividend has not been provided for in the Financial Statements for the year ended 30 June 2013.

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.

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 2013.

Environmental Remediation

In previous financial years, the consolidated entity investigated and reported two environmental contamination issues at factory sites at Revesby New South Wales and Eagle Farm Queensland. The Revesby site was previously leased and occupied by McIlwraith-Davey Pty Ltd, a wholly owned subsidiary of the ultimate parent, GWA Group Limited. The site was exited 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 30 June 2013. The final environmental auditor's report was submitted to the New South Wales Office of Environment and Heritage (OEH) in July 2012. In August 2012, OEH advised the Company that the site no longer needed to be regulated under the New South Wales Contaminated Land Management Act. Post remediation groundwater testing has continued during the 2012/13 financial year. The Company expects to finalise all OEH remediation requirements at the Revesby site after the final post remediation groundwater testing report is validated which should occur during the 2013/14 financial year.

The remediation activities at the Eagle Farm site were completed during the 2011/12 financial year. The final environmental auditor's report has been submitted to the Queensland Department of Environment and Heritage Protection (DEHP). The Company received notification from the DEHP in April 2013 that the Site Management Plan has been approved.

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 2013. 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 plan.

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 Remuneration Committee obtained advice from Guerdon Associates for the 2013/14 executive remuneration review. Guerdon Associates does not provide other services to management and is considered to be independent. Consulting fees of $42,993 were paid to Guerdon Associates for their services during 2012/13. In response to feedback from shareholders and advice from Guerdon Associates a number of important changes were implemented to the remuneration structure in 2011/12 which are consistent with GWA's remuneration strategy. These changes are outlined in section 1.1.

1.1 Executive remuneration strategy – 2011/12 changes

As a result of shareholder feedback on its remuneration practices, GWA's executive remuneration structure was 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 Remuneration Committee acknowledges that this strategy has generally resulted in the approval of a higher proportion of fixed remuneration and a lower proportion of variable remuneration for some executives compared to peer companies.

Key concerns raised by shareholders and the changes implemented to GWA's remuneration structure in the 2011/12 financial year are summarised in the table below.

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 three years from 1 July 2011 to 30 June 2014
Long term incentives are too high	Reduce long term incentives with more emphasis on short term incentives with part deferred subject to further testing and potential clawback
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 has graduated vesting scales to more closely align reward with performance Performance targets have been 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 and potential clawback if performance is unsustainable

1.2 Managing Director's remuneration

The Managing Director's fixed remuneration has been established over the past 10 years of service to shareholders where he has consistently delivered value and positioned the consolidated entity for sustainable performance. The Managing Director has been instrumental in the restructuring of the GWA businesses over recent years to compete in the cyclical Australian building industry with the high Australian dollar increasing import competition in its primary markets.

During that time, the Company has successfully executed its growth strategies through the divestment of its non-core businesses and surplus properties, and through strategic acquisitions to provide options for growth and expand its core Australian building fixtures and fittings business. The strong financial position has enabled the Company to maintain a high dividend pay-out ratio and fund growth opportunities as they arise.

During the 10 years of service, the Managing Director has received only modest incentive payments due to the low activity levels in the building sector during that period.

The Board believes the above changes to the 2011/12 remuneration structure represented 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:

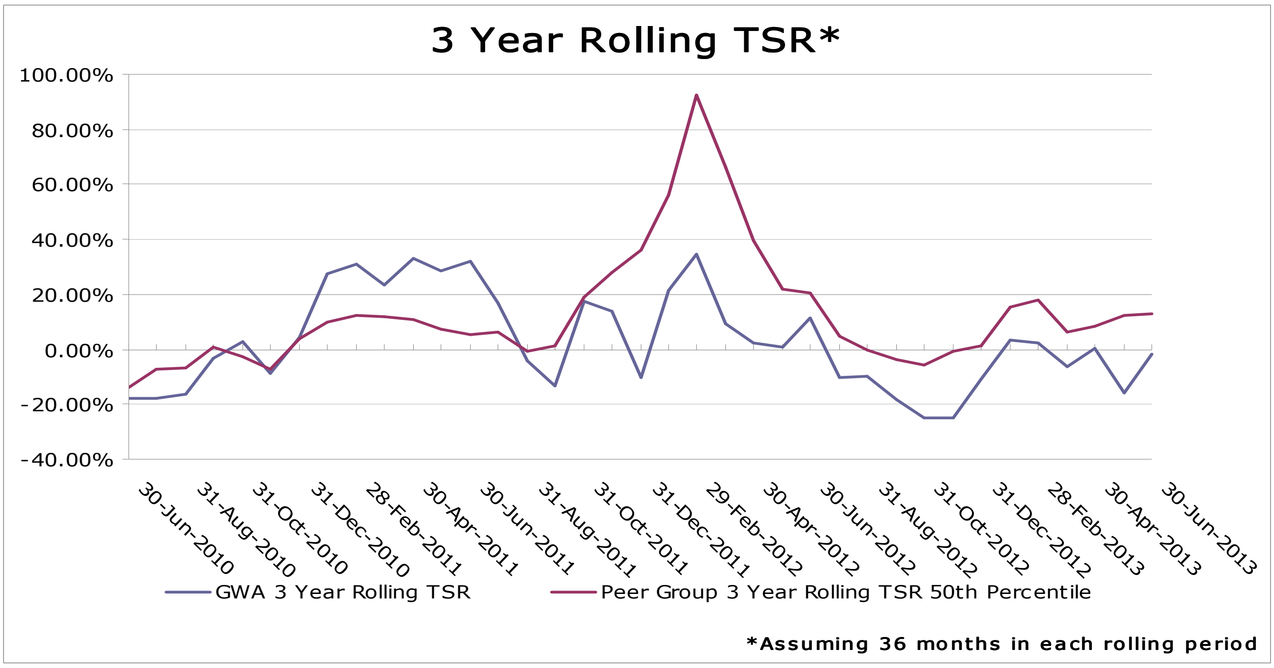
- Applying challenging financial and non-financial measures to assess performance; and
- Ensuring that these measures focus management on operational and strategic business objectives that create shareholder value.

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 relative performance over a rolling 3 year period to 30 June 2013 compared to the peer group companies used for the 2013 grant of Performance Rights. The companies comprise Reece Australia Limited, Brickworks Limited, CSR Limited, Goodman Fielder Limited, Super Retail Group Limited, Premier Investments Limited, Breville Group Limited, GUD Holdings Limited, Hills Industries Limited, Bradken Limited, Dulux Group Limited, Pacific Brands Limited, Adelaide Brighton Limited and Ansell Limited.



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* ($m)	Trading EPS* (cents)	Total DPS (cents)	Share Price ($)
2008/09	86.4	17.9	18.0	2.30
2009/10**	94.5	18.5	18.0	3.01
2010/11**	99.9	19.6	18.0	2.75
2011/12**	75.4	15.1	18.0	2.10
2012/13	65.8	12.7	12.0	2.40

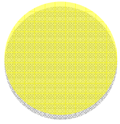
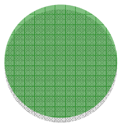
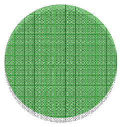
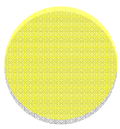
*excludes restructuring expenses
**excludes discontinued operations

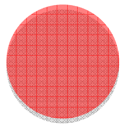
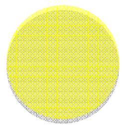
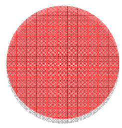
The remuneration and incentive framework which has been put in place by the Board has ensured that executives are focused on both sustaining short term operating performance with moderate long term strategic growth. This has contributed to the Company maintaining the shareholder returns outlined in the table above despite the low levels of building activity in recent years. This includes a total of 84 cents in fully franked dividends paid to shareholders in the last five financial years.

The decline in the Company's profitability performance in 2012/13 has been primarily driven by the continuation of the cyclical decline in domestic dwelling construction and weak consumer confidence impacting renovation activity. Import competition has increased with the high Australian dollar which has led to further restructuring in the past year.

The remuneration and incentive framework has allowed the Company to respond to the downturn. STI payments to executives related to Economic Profit targets are lower in 2012/13. LTI rewards to executives related to earnings per share growth have failed to meet targets to date. However, STI payments related to performance improvement and restructuring in the downturn have encouraged management to respond quickly and make long term decisions to maintain competitiveness and profitability.

An assessment of the Managing Director's key performance goals and financial targets subject to STI incentive payments for 2012/13 is provided in the following table:

2012/13 Goals	Results	Assessment
Achieve leading safety performance to work towards an injury free workplace	An 11% improvement in the total injury frequency rate (TIFR) in 2012/13 has continued the group's strong safety performance over the past 8 years. Whilst the TIFR target of 7.5 for 2012/13 was not achieved, the actual result of 7.7 still represents a significantly improved outcome and demonstrates the commitment to an injury free workplace.	
Improved working capital management by lowering inventory levels	Group inventory levels have reduced by 12% in 2012/13, delivering strong operating cash flow. The improved outcome has been driven by management focus, stock ordering discipline and range rationalisation initiatives to simplify the business.	
Deliver the strategic repositioning of the group and lead the restructuring	The strategic plans for the Bathrooms & Kitchens and Door & Access Systems divisions were approved by the Board in December 2012 as part of the strategic re-positioning of the business to better service the market, deliver cost savings and improve efficiency. The plans have been successfully implemented during 2012/13 resulting in changed divisional structures (ie, Dux combined with Bathrooms & Kitchens and Gliderol combined with Gainsborough) delivering a positive contribution to EBIT and operating cash flow of $8M in 2012/13 with full year cost savings expected in 2013/14.	
Execute an acquisition to grow the core building fixtures and fittings business	Whilst the group was focused on implementing the strategic plans approved by the Board in December 2012, API Locksmiths was acquired in October 2012 which further strengthened the Company's market offer in residential and commercial access systems and provides a service capability to complement its product offerings. This followed the termination of the Scheme Implementation Agreement with Q Technology Group Ltd, the owner of API Locksmiths, in July 2012.	

Develop succession plans for key Company and divisional executive roles	The significant restructuring occurring during 2012/13 and consequential changes to divisional structures and executive roles meant that this objective was not progressed. This task will be prioritised in 2013/14 to ensure succession plans are in place for the key executive roles under the changed divisional structures including recruitment for vacant management positions and the development of talent within the business.	
Demonstrate progress with achieving synergies with the new acquisitions	The achievement of synergies has been slower than expected and focus is continuing on leveraging the group's capabilities to derive synergies from the acquisitions. Gliderol was consolidated with Gainsborough during 2012/13 which should provide more scope for synergies as a combined business. Brivis now operates as a standalone business unit following the consolidation of Dux with Bathrooms & Kitchens during 2012/13. Synergy opportunities exist for group shared services and group marketing opportunities with home builders.	
Financial targets	For the 2012/13 year the Company's lower profitability performance has meant the STI financial targets at both the divisional and corporate level have not been achieved, except for the Brivis business unit.	

Green = Fully achieved
Yellow = Partially achieved
Red = Not achieved

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.

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 benchmarking survey from Guerdon Associates in 2011 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 for some executives.

The 2011/12 changes to the remuneration structure implemented for all executives, including the Managing Director, resulted in a shift in incentives from longer term to shorter term requirements to focus on responding to the short term challenges posed by cyclical factors, sustain competitiveness, deliver value and growth, and maintain cash flows for dividends. However, to ensure sustainability or performance over time, there is a requirement that 50% of the financial component of the STI be deferred and subject to further testing and potential clawback 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 at market rates will be earned by the executives on the deferred component.

4.1.1 Managing Director remuneration structure

The 2012/13 incentives structure for the Managing Director is provided in the table below:

Managing Director	Maximum STI as % of fixed remuneration	LTI % of fixed remuneration (grant date fair value)	Total performance pay as % of fixed remuneration
2012/13	80	40	**120**

The 2012/13 STI for the Managing Director is provided in the table below:

Managing Director	Reasonably Achievable - Personal Goals as % of fixed remuneration	Reasonably Achievable - Financial Targets as % of fixed remuneration	Total Reasonably Achievable as % of fixed remuneration	Stretch – Financial Targets as % of fixed remuneration	Maximum STI as % of fixed remuneration
2012/13	20	30	**50**	30	**80**

The 2012/13 total performance pay outcomes for the Managing Director as reflected in the Remuneration Tables is provided in the table below.

Managing Director	Achievement of STI and LTI as % of fixed remuneration	Forfeiture of STI and LTI as % of fixed remuneration	Total performance pay as % of fixed remuneration
STI	11	69	80
LTI*	30	30	60
Total	**41**	**99**	**140**

* This relates to the LTI plan prior to the changes implemented to the remuneration structure in 2011/12 as outlined in section 1.1 above. Previously, the Managing Director was eligible to receive Performance Rights under the LTI plan to the value of 60% of his fixed remuneration. This was reduced to 40% of his fixed remuneration as part of the 2011/12 changes, together with graduated vesting scales and higher performance hurdles.

4.1.2 Other Executives remuneration structure

The 2012/13 incentives structure for other executives is provided in the table below:

Other Executives	Maximum STI % of fixed remuneration	LTI % of fixed remuneration (grant date fair value)	Total performance pay as % of fixed remuneration
2012/13	50	30	**80**

The 2012/13 STI for the other executives is provided in the table below:

Other Executives	Reasonably Achievable - Personal Goals as % of fixed remuneration	Reasonably Achievable - Financial Targets as % of fixed remuneration	Total Reasonably Achievable as % of fixed remuneration	Stretch – Financial Targets as % of fixed remuneration	Maximum STI as % of fixed remuneration
2012/13	20	20	**40**	10	**50**

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 during the downturn in the building cycle where the opportunities for outperformance and subsequent incentive payments are more limited.

The Board targets the setting of fixed remuneration for executives between the median and third quartiles (or higher if warranted by superior performance) relative to companies of comparable size and scope to GWA.

Based on an independent survey by Guerdon Associates for the 2013/14 executive remuneration review, the fixed remuneration for most executive positions at GWA is at or above the 50^{th} percentile for companies of comparable revenues. However, the Guerdon Associates survey concluded that compared to the prior year, fixed remuneration for most GWA executives is relatively lower in positioning against comparator companies.

The 23 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. Consistent with this approach, the Managing Director agreed in 2011 to a freeze on his fixed remuneration for 3 years to 30 June 2014.

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 2013. 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. 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. As outlined in the Remuneration Tables, 50% of the financial target component of the STI has been deferred for the executives that achieved their STI financial targets for 2012/13. The deferred component will be subject to further testing to confirm the integrity of the achievement of the STI financial targets following finalisation of the 2013/14 audited Financial Statements. If the Board is satisfied then the deferred component will be paid to the executives together with interest at market rates. However, if the Board is not satisfied then the STI payment will be subject to clawback.

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. Strict criteria have been established by the Remuneration Committee for the setting of personal goals in order for them to be approved. The goals can be drawn from a number of areas specific to individual roles but must be specific, measurable, aligned, realistic and time based. Weightings are allocated to the personal goals based on their importance to the individual's role and the Company.

Personal goals include both measurable financial goals and measurable business improvement goals. The measurable financial goals to improve Economic Profit are financial outcomes which the individual aims to achieve through their effort and their team. Examples may include achieving working capital reductions, sales/margin targets or cost reduction targets. The measurable business improvement goals are outcomes which drive business improvement and which may or may not have an immediate financial outcome but will improve the business in the short to medium term. Examples may include improved safety and environmental performance, delivering a major project on time and budget, market share and productivity improvements or implementing a change or strategic initiative.

Assessment of the personal goals STI component for 2012/13 has been determined following a formal performance review process conducted for the executives. The performance reviews for the executives are conducted semi-annually by the Managing Director with the outcomes approved by the Remuneration Committee. The Managing Director's performance review is conducted semi-annually by the Chairman with the outcomes approved by the Remuneration Committee. The personal goals of the executives for 2013/14 were established at the performance reviews. 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. The Company operates in the cyclical building industry so fluctuations in profitability can occur through the cycle which is out of the control of the executives. The reward for achievement of personal goals provides specific focus on responding to changes in the economic cycle, as well as on continuous performance improvement. Hence the personal goals are a key part of the Company's performance management process.

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 'reasonably achievable' and 'stretch' STI financial targets are determined by the Remuneration Committee at the beginning of the financial year following approval of the divisional and corporate budgets by the Board.

The budget performance levels are taken into consideration in setting the financial targets but different targets may be set (either higher or lower than budget) to motivate management and reflect the degree of difficulty in achieving the budget. Performance between the 'reasonably achievable' and 'stretch' levels is rewarded on a pro rata basis.

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. There were no variations from policy during the period.

For the 2012/13 year the Company's lower profitability performance has meant the STI financial targets at both the divisional and corporate level have not been achieved, except for the Brivis business unit which achieved their financial targets at the 'stretch' level. 50% of the incentive payment has been deferred for Brivis executives and will be subject to further testing and potential clawback under the STI plan rules. This is reflected in the STI cash bonus amounts in the Remuneration Tables.

The deferred component of the STI incentive payment for 2011/12 for Brivis executives was tested by the Board in August 2013 to confirm the integrity of the achievement of the STI financial targets in 2011/12. Following their satisfaction with the testing, the Board approved the payment of the deferred component to Brivis executives together with interest at market rates.

4.3.2.3 Financial Targets – 2013/14 changes

For the 2013/14 year, the Board proposes to change the basis for determining the STI financial performance targets for executives. The STI targets will be based on specified trading EBIT and operating cash flow targets as determined by the Remuneration Committee at the beginning of the financial year following approval of the divisional and corporate budgets. The Board is of the view that a combination of trading EBIT and operating cash flow targets is a more effective basis for STI targets as they are currently key metrics used in the business and are better understood than Economic Profit. It is proposed that the two metrics will be weighted equally and assessed separately and on an aggregated basis for divisional and corporate executives. Further details of the changes will be reported in next year's Remuneration Report.

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. Until that time, the participants have no right to dividends or voting rights on unvested Performance Rights. If the performance hurdles are not met then the Performance Rights are cancelled. The LTI rules do not allow for re-testing of the performance hurdles after the initial performance period.

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.

In the event of a change of control, all outstanding Performance Rights granted to executives will vest and be exercised into ordinary shares, except to the extent the Board determines in its discretion that the vesting conditions are unlikely to be satisfied. If the Board makes the decision that not all Performance Rights will vest on a change of control, then all remaining Performance Rights will lapse.

For the 2013 LTI grant, the proportion of Performance Rights that can vest will be calculated and the shares will vest in August 2015 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.

The maximum number of outstanding Performance Rights granted to executives must not exceed 5% of the total number of shares on issue by the Company. The total number of outstanding Performance Rights granted to executives at 30 June 2013 was 2,137,000 which represents 0.7% of the Company's total issued shares.

4.4.2 LTI performance requirements

For the 2013 LTI grant, the performance hurdles continue to provide for vesting scales graduated with performance and demanding performance hurdles. The comparator group for the 2013 LTI plan includes selected comparator group companies used by Guerdon Associates for benchmarking executive fixed remuneration levels for the 2012/13 remuneration review.

4.4.2.1 TSR Hurdle

The performance hurdles and vesting proportions for the TSR performance measure that applied to the 2013 LTI grant is outlined in the table below.

TSR of GWA Group Limited relative to TSRs of Comparator Companies	**Proportion of Performance Rights to Vest if TSR hurdle is met**
Less than the 50^{th} percentile	0%
50^{th} percentile	25%
Between the 50^{th} percentile and 75^{th} percentile	Straight line vesting between 25% and 50%
75^{th} percentile or higher	50% (i.e. 50% of total grant)

The group of comparator companies for the TSR hurdle includes 14 domestic ASX listed companies with comparable market capitalisation or revenues, including:

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, Breville Group Limited and Hills Holdings Limited.

The Board has discretion to adjust the comparator group to take into account events including, but not limited to, takeovers, mergers, de-mergers and similar transactions that might occur over the performance period.

4.4.2.2 EPS Hurdle

For the 2013 LTI grant, EPS growth is measured over the three years from 1 July 2012 to 30 June 2015. 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 2013 LTI grant was 15.1 cents.

The Board exercised its discretion to adjust the base year EPS by excluding the significant items in the 2011/12 year comprising net restructuring income and the loss from discontinued operations. This adjustment made the performance hurdle more demanding as it increased the base year EPS from 13.2 cents to 15.1 cents to ensure the hurdle was reflective of underlying business performance.

The performance hurdles and vesting proportions for the EPS performance measure that applied to the 2013 LTI grant is outlined in the table below.

Compound annual EPS Growth	**Proportion of Performance Rights to Vest if EPS growth hurdle is met**
Less than 3% per annum	0%
3% per annum	25%
Between 3% and 8% per annum	Straight line vesting between 25% and 50%
8% or higher per annum	50% (i.e. 50% of total grant)

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 2013 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)*	*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												
G McGrath, Chairman	*2013*	318,723	-	-	-	-	28,685	-	347,408	-	-	-
	2012	306,465	-	-	-	-	27,581	-	334,046	-	-	-
D McDonough, Deputy Chairman	*2013*	130,353	-	-	-	-	24,999	-	155,352	-	-	-
	2012	69,078	-	-	-	-	49,998	-	119,076	-	-	-
				-								
R Anderson, Non-Executive Director	*2013*	75,415	-	-	-	-	40,387	-	115,802	-	-	-
	2012	61,054	-	-	-	-	50,293	-	111,347	-	-	-
W Bartlett, Non-Executive Director	*2013*	142,096	-	-	-	-	12,789	-	154,885	-	-	-
	2012	136,631	-	-	-	-	12,296	-	148,927	-	-	-
P Birtles, Non-Executive Director	*2013*	122,789	-	-	-	-	11,051	-	133,840	-	-	-
	2012	118,066	-	-	-	-	10,626	-	128,692	-	-	-
J Mulcahy, Non-Executive Director	*2013*	112,861	-	-	-	-	10,157	-	123,018	-	-	-
	2012	108,520	-	2,606	-	-	9,766	-	120,892	-	-	-
Total - Non-Executive Directors	**2013**	**902,237**	**-**	**-**	**-**	**-**	**128,068**	**-**	**1,030,305**	-	-	-
	2012	**799,814**	**-**	**2,606**	**-**	**-**	**160,560**	**-**	**962,980**	-	-	-
Executive Directors												
P Crowley, Managing Director	*2013*	1,438,646	171,600	88,648	38,080	160,633	50,000	-	1,947,607	17.1	14	86
	2012	1,413,522	280,800	103,055	82,420	204,650	50,000	-	2,134,447	22.7	23	78
R Thornton, Executive Director	*2013*	367,295	75,600	9,562	10,998	45,142	16,470	-	525,067	23.0	40	60
	2012	365,207	72,000	8,921	18,466	29,925	24,639	-	519,158	19.6	40	60
Total – Directors Remuneration	**2013**	**2,708,178**	**247,200**	**98,210**	**49,078**	**205,775**	**194,538**	**-**	**3,502,979**			
	2012	**2,578,543**	**352,800**	**114,582**	**100,886**	**234,575**	**235,199**	**-**	**3,616,585**			

		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)	Super-annuation Benefits $	Termination Benefits $	Total $	Proportion of remuneration performance based %	STI Cash Bonus vested in year %	STI Cash Bonus forfeited in year %
Executives												
I Brannan, Chief Financial Officer	*2013*	645,063	275,000	8,864	-	62,720	22,550	-	1,014,197	33.3	100	-
(Appointed 30 July 2012) (e)	*2012*	-	-	-	-	-	-	-	-	-	-	-
L Patterson, Chief Executive - GWA Bathrooms & Kitchens	*2013*	491,459	104,000	122,103	28,537	53,625	24,999	-	824,723	19.1	40	60
(Appointed 17 October 2012) (f)	*2012*	449,529	57,850	9,162	46,689	40,242	57,066	-	660,538	14.9	26	74
C Camillo, General Manager - Brivis	*2013*	204,658	145,500	-	1,875	33,973	9,913	-	395,919	45.3	97	3
(Appointed 1 December 2012) (g)	*2012*	-	-	-	-	-	-	-	-	-	-	-
G Oliver, Chief Executive - GWA Door & Access Systems	*2013*	430,655	54,960	7,000	-	47,092	25,000	-	564,707	18.1	24	76
(Appointed 1 May 2012)	*2012*	444,203	173,550	29,330	-	40,242	49,999	-	737,324	29.0	78	22
W Saxelby, Chief Financial Officer	*2013*	241,227	-	17,883	16,409	-	24,000	-	299,519	-	-	-
(Ceased employment 31 October 2012)	*2012*	613,113	135,100	16,548	54,549	-	48,000	-	867,310	15.6	40	60
N Evans, Chief Executive - GWA Bathrooms & Kitchens	*2013*	200,895	-	15,699	-	(169,875)	14,583	450,750	512,052	-	-	-
(Ceased employment 17 October 2012)	*2012*	521,156	108,180	13,047	-	56,750	50,000	-	749,133	22.0	36	64
Total - Executives Remuneration	**2013**	**2,213,957**	**579,460**	**171,549**	**46,821**	**27,535**	**121,045**	**450,750**	**3,611,117**			
	2012	**2,028,001**	**474,680**	**68,087**	**101,238**	**137,234**	**205,065**	**-**	**3,014,305**			

Total - Directors and Executives	**2013**	**4,922,135**	**826,660**	**269,759**	**95,899**	**233,310**	**315,583**	**450,750**	**7,114,096**
Remuneration	**2012**	**4,606,544**	**827,480**	**182,669**	**202,124**	**371,809**	**440,264**	**-**	**6,630,890**

Notes to the Remuneration Tables

(a) The Short Term Incentive (STI) cash bonus is for the performance during the financial year ended 30 June 2013 based on the achievement of personal goals and financial performance targets. Brivis achieved their STI financial performance targets during the year and in accordance with the STI plan rules, 50% of the amount has been deferred and will be subject to further testing as outlined in the Remuneration Report. 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. An amount of $60,019 has been included as a short term non-monetary benefit for Mr Les Patterson during 2012/13 representing the waiver of an outstanding loan from the Company under the legacy GWA Employee Share Plan. The Board agreed to the waiver of the loan as part of the arrangements for the wind down of the plan in March 2013.
(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. As outlined in section 7, the Employee Share Plan has been discontinued and there will be no further share issues to employees under the plan.
(d) The Long Term Incentive (LTI) Plan was approved by shareholders at the 2008 Annual General Meeting. The outstanding Performance Rights at 30 June 2013 were granted to executives in each of the years 30 June 2011, 2012 and 2013 and are subject to vesting conditions and the achievement of the EPS and TSR performance hurdles over the three year performance periods. During the year, 50% of the Performance Rights in respect of the 2010 LTI grant vested following the achievement of the TSR hurdle and 50% of the Performance Rights lapsed as the EPS hurdle was not achieved. 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 plan.
(e) Mr Ian Brannan was appointed Chief Financial Officer on 30 July 2012. The employment contract for Mr Brannan provided for the payment of a guaranteed short term cash bonus for the year ended 30 June 2013 equal to 40% of his fixed remuneration. Mr Brannan will participate in the STI plan in future periods which rewards performance based on the achievement of personal goals and financial performance targets. Mr Brannan will also participate in the LTI plan in future periods.
(f) Mr Les Patterson was appointed Chief Executive – GWA Bathrooms & Kitchens on 17 October 2012. He was formerly Chief Executive – GWA Heating & Cooling until that date. Mr Patterson is considered Key Management Personnel under both his former and current role.
(g) Mr Celeste Camillo was appointed General Manager – Brivis on 1 December 2012 and is considered Key Management Personnel from that date.

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 2013 and in prior years that affects compensation in this or future reporting periods.

The testing of Performance Rights granted on 12 March 2010 in respect of the three year performance period of 1 July 2009 to 30 June 2012 occurred on 14 August 2012. The EPS hurdle was not achieved and 50% of the Performance Rights lapsed (in the prior period). The TSR hurdle was achieved and 50% of the Performance Rights vested and were automatically exercised into ordinary shares at no cost to the executives. A total of 375,000 shares were purchased on-market for the executives at an average price of $1.94 following the achievement of the TSR hurdle in respect of the 2010 LTI grant.

		Number of rights granted	*Grant date**	*% vested in year*	*% forfeit in year*	*Fair value of rights at grant date $**	*Issue price used to determine number of rights granted*
Executive Directors							
P Crowley, Managing Director	2013	345,000	25 February 2013	-	-	676,200	1.70
	2012	260,000	17 February 2012	-	-	375,700	2.35
	2011	300,000	21 February 2011	-	50	802,500	3.00
	2010	305,000	12 March 2010	50	-	785,375	2.84
R Thornton, Executive Director	2013	65,000	25 February 2013	-	-	127,400	1.70
	2012	45,000	17 February 2012	-	-	65,025	2.35
	2011	30,000	21 February 2011	-	50	80,250	3.00
	2010	30,000	12 March 2010	50	-	77,250	2.84
Executives							
I Brannan, Chief Financial Officer	2013	96,000	25 February 2013	-	-	188,160	1.70
(Appointed 30 July 2012)	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
	2010	-	-	-	-	-	-
L Patterson, Chief Executive – GWA Bathrooms & Kitchens	2013	90,000	25 February 2013	-	-	176,400	1.70
(Appointed 17 October 2012)	2012	55,000	17 February 2012	-	-	79,475	2.35
	2011	50,000	21 February 2011	-	50	133,750	3.00
	2010	50,000	12 March 2010	50	-	128,750	2.84
C Camillo, General Manager - Brivis	2013	52,000	25 February 2013	-	-	101,920	1.70
(Appointed 1 December 2012)	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
	2010	-	-	-	-	-	-

		Number of rights granted	Grant date*	% vested in year	% forfeit in year	Fair value of rights at grant date $*	Issue price used to determine number of rights granted
Executives cont…							
G Oliver, Chief Executive GWA Door & Access Systems (Appointed 1 May 2012)	2013	80,000	25 February 2013	-	-	156,800	1.70
	2012	55,000	17 February 2012	-	-	79,475	2.35
	2011	50,000	21 February 2011	-	50	133,750	3.00
	2010	50,000	12 March 2010	50	-	128,750	2.84
N Evans, Chief Executive – GWA Bathrooms & Kitchens (Ceased employment 17 October 2012)	2013	-	-	-	-	-	-
	2012	75,000	17 February 2012	-	100	108,375	2.35
	2011	75,000	21 February 2011	-	100	200,625	3.00
	2010	75,000	12 March 2010	50	-	193,125	2.84

* 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 $1.70 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 25 October 2012. 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 $2.18 per right and the TSR hurdle was $1.74 per right.

All of the above rights carry an exercise price of nil. The rights granted on 21 February 2011, 17 February 2012 and 25 February 2013 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 2013, 2014 and 2015 respectively, subject to the achievement of the performance hurdles. The rights granted to Mr Crowley and Mr Thornton were approved by shareholders at the 2010, 2011 and 2012 Annual General Meetings in accordance with ASX Listing Rule 10.14.

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 21 February 2011, the Company has not achieved the EPS hurdle for the performance period of 1 July 2010 to 30 June 2013. This has resulted in the forfeiture of 290,000 rights with a value of $884,500. The number of rights outstanding at 30 June 2013 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. The Company retains the right to terminate the employment contract of Mr Crowley immediately, by making payment equal to three months salary in lieu of providing notice. 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 required to give reasonable notice of termination of up to six months. The Company retains the right to terminate the employment contracts of the executives immediately, by making payment equal to the relevant notice period (of up to six months) in lieu of providing notice.

The executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The termination arrangements for the executives are specified in their employment contracts and any other termination payments require approval of the Remuneration Committee. Shareholder approval is required for termination payments in excess of twelve months salary.

Performance Rights held by executives under the LTI plan will lapse upon the cessation of employment with the Company.

7. Legacy equity based remuneration plan

As outlined in the 2012 Remuneration Report, the Board decided to discontinue the use of the legacy GWA Employee Share Plan as it had failed to achieve its objectives as a long term incentive for employees. In March 2013 the Board approved the wind down of the plan with employees being given the option to sell their shares on-market and re-pay the loans provided by the Company. If an employee decided not to sell their shares, then they would remain subject to the plan rules. As a result of the wind down process of the plan, total loan repayments of $8.3 million (inclusive of dividends) were received by the Company from employees during the year ended 30 June 2013.

At 30 June 2013, there were 162,500 shares held by employees under the plan with outstanding loans from the Company of $263,111. The plan has been discontinued and there will be no further share issues to employees under the plan.

Directors' Meetings

The number of meetings of directors (including meetings of Committees of directors) held during the financial year ended 30 June 2013 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	9	9	4	4	2	2	1	1
D D McDonough	9	9	-	-	-	-	1	1
P C Crowley(1)	9	9	-	-	-	-	-	-
R M Anderson	9	9	-	-	-	-	-	-
W J Bartlett	9	9	4	4	2	2	1	1
J F Mulcahy	9	9	-	-	2	2	-	-
P A Birtles	9	9	4	3	-	-	-	-
R J Thornton(2)	9	9	-	-	-	-	-	-

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)] R J Thornton attends Committee meetings as Company Secretary

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 2013 are outlined in Note 8 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 2013.

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, 21 August 2013

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

Annual financial report
30 June 2013

GWA Group Limited and its controlled entities
Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2013

In thousands of AUD	*Note*	**2013**	**2012**
Continuing operations			
Sales revenue	*2*	565,365	602,128
Cost of sales		(367,956)	(384,978)
Gross profit		197,409	217,150
Other income	*4*	6,518	12,847
Selling expenses		(84,062)	(93,788)
Administrative expenses		(49,682)	(50,719)
Other expenses	*5*	(14,844)	(13,452)
Results from operating activities		55,339	72,038
Finance income		1,479	1,979
Finance expenses		(14,803)	(16,226)
Net financing costs	*9*	(13,324)	(14,247)
Profit before tax		42,015	57,791
Income tax expense	*10*	(9,625)	(11,618)
Profit from continuing operations		32,390	46,173
Discontinued operations			
(Loss) from discontinued operations, net of income tax	*3*	-	(6,518)
Profit for the period		32,390	39,655
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations, net of income tax		669	(199)
Translation differences for disposed business transferred to profit or loss, net of income tax		-	2,975
Effective portion of changes in fair value of cash flow hedges, net of income tax		1,959	(1,600)
Other comprehensive income for the period, net of income tax		2,628	1,176
Total comprehensive income for the period		35,018	40,831
Earnings per share			
Basic earnings per share (cents per share)	*11*	10.64	13.15
Diluted earnings per share (cents per share)	*11*	10.59	13.08
Continuing operations			
Basic earnings per share (cents per share)		10.64	15.31
Diluted earnings per share (cents per share)		10.59	15.23

The statement of profit or loss and other 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 2013

In thousands of AUD	*Note*	2013	2012
Current assets			
Cash and cash equivalents	*12*	32,757	30,528
Trade and other receivables	*13*	111,461	99,187
Inventories	*14*	80,336	91,766
Income tax receivable	*16*	-	1,564
Other		2,223	2,691
Total current assets		226,777	225,736
Non-current assets			
Receivables	*13*	-	4,747
Deferred tax assets	*17*	15,064	17,488
Property, plant and equipment	*18*	109,470	113,292
Intangible assets	*19*	387,248	383,537
Other		1,118	3,521
Total non-current assets		512,900	522,585
Total assets		739,677	748,321
Current liabilities			
Trade and other payables	*20*	75,371	68,099
Employee benefits	*22*	11,812	13,536
Income tax payable	*16*	919	169
Provisions	*24*	10,760	13,857
Total current liabilities		98,862	95,661
Non-current liabilities			
Loans and borrowings	*21*	195,000	205,000
Employee benefits	*22*	12,693	12,346
Provisions	*24*	6,380	8,330
Total non-current liabilities		214,073	225,676
Total liabilities		312,935	321,337
Net assets		426,742	426,984
Equity			
Issued capital		408,100	398,930
Reserves		(408)	(2,489)
Retained earnings		19,050	30,543
Total equity		426,742	426,984

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 2013

In thousands of AUD	*Note*	2013	2012
Cash flows from operating activities			
Cash receipts from customers		628,637	703,744
Cash paid to suppliers and employees		(544,999)	(604,859)
Cash generated from operations		83,638	98,885
Interest paid and facility fees		(15,478)	(17,284)
Interest received		1,024	1,305
Income taxes paid		(5,835)	(22,407)
Net cash from operating activities	*33*	63,349	60,499
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,278	18,361
Acquisition of property, plant and equipment		(11,374)	(21,339)
Acquisition of intangibles		(3,329)	(4,459)
Acquisition of subsidiary, net of cash acquired		(12,443)	-
Disposal of subsidiaries, net of cash disposed		-	23,743
Net cash from investing activities		(24,868)	16,306
Cash flows from financing activities			
Repayment of employee share loans		8,284	1,235
Share listing fees paid		(22)	(5)
Repayment of bank bills		(10,000)	(29,874)
Dividends paid, net of dividend reinvestment plan		(34,761)	(54,275)
Net cash from financing activities		(36,499)	(82,919)
Net increase/(decrease) in cash and cash equivalents		1,982	(6,114)
Cash and cash equivalents at 1 July		30,528	36,573
Effect of exchange rate fluctuations on cash held		247	69
Cash and cash equivalents at 30 June	*12*	32,757	30,528

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 2013

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	-	-	-	-	39,655	39,655
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of income tax	-	(199)	-	-	-	(199)
Translation differences for disposed business transferred to profit or loss, net of income tax	-	2,975	-	-	-	2,975
Effective portion of changes in fair value of cash flow hedges, net of income tax	-	-	(1,600)	-	-	(1,600)
Total other comprehensive income	-	2,776	(1,600)	-	-	1,176
Total comprehensive income for the period	-	2,776	(1,600)	-	39,655	40,831
Transactions with owners, recorded directly in equity						
Share-based payments, net of income tax	-	-	-	(389)	(264)	(653)
Dividends to shareholders	-	-	-	-	(54,275)	(54,275)
Issue of ordinary shares	1,086	-	-	-	-	1,086
Total transactions with owners	1,086	-	-	(389)	(54,539)	(53,842)
Balance at 30 June 2012	398,930	(2,654)	(2,248)	2,413	30,543	426,984

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 2013

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	-	-	-	-	32,390	32,390
Other comprehensive income						
Foreign currency translation differences for foreign operations, net of income tax	-	669	-	-	-	669
Effective portion of changes in fair value of cash flow hedges, net of income tax	-	-	1,959	-	-	1,959
Total other comprehensive income	-	669	1,959	-	-	2,628
Total comprehensive income for the period	-	669	1,959	-	32,390	35,018
Transactions with owners, recorded directly in equity						
Share-based payments, net of income tax	-	-	-	(547)	70	(477)
Dividends to shareholders	-	-	-	-	(43,953)	(43,953)
Issue of ordinary shares	9,170	-	-	-	-	9,170
Total transactions with owners	9,170	-	-	(547)	(43,883)	(35,260)
Balance at 30 June 2013	408,100	(1,985)	(289)	1,866	19,050	426,742

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 for-profit company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2013 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). The principal activities of the consolidated entity during the year 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, New Zealand and selected international markets.

The financial report was authorised for issue by the directors on 21 August 2013.

(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') 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 19 - measurement of the recoverable amounts of intangible assets
- note 23 - fair value of share-based payments
- note 24 and 29 - provisions and contingencies
- note 26 - 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.

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.

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

(f) Hedging

The consolidated entity holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the consolidated entity formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The consolidated entity makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probably to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

(i) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair vair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are 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 recognised in profit or loss 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)
• customer relationships	8 years
• 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

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

1. Significant accounting policies (continued)

(l) Impairment (continued)

(i) Non-derivative financial assets (continued)

Financial assets measured at amortised cost

The consolidated entity considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the consolidated entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU unit is the greater of its 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. 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 CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

(l) Impairment (continued)

(ii) Non-financial assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

(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.

(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.

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

(o) Employee benefits (continued)

(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.

(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 owned and 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.

1. Significant accounting policies (continued)

(s) **Expenses (continued)**

(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.

(t) Income tax

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the consolidated entity takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The consolidated entity believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the consolidated entity to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

1. Significant accounting policies (continued)

(t) Income tax (continued)

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The consolidated entity does not distribute non-cash assets as dividends to its shareholders.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is GWA Group Limited.

(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 profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the period.

(x) Segment reporting

Segment results that are reported to the CEO include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, loans and borrowings, treasury financial instruments and income tax assets and liabilities.

(y) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the consolidated entity, except for AASB 9 *Financial Instruments*, which becomes mandatory for the consolidated entity's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The consolidated entity does not plan to adopt this standard early and the extent of the impact has not been determined.

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

2. 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, basins, plastic cisterns, tapware, baths, spas, kitchen sinks, laundry tubs, bathroom accessories and water heaters.
- Door & Access Systems –This segment includes the sale of garage doors, door locks and levers and supply and maintenance of commercial door systems.
- Heating & Cooling – This segment includes the sale of ducted 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		Door & Access Systems		Heating & Cooling		Discontinued operations		Total	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
External sales revenue	367,547	404,702	140,878	138,568	56,935	58,784	-	12,438	565,360	614,492
Inter-segment revenue	-	5	-	-	1,815	3,682	-	3	1,815	3,690
Total sales revenue	367,547	404,707	140,878	138,568	58,750	62,466	-	12,441	567,175	618,182
Segment result before restructuring	64,519	67,754	10,859	14,057	5,237	6,470	-	(7,792)	80,615	80,489
Restructuring income/(expense)	(9,569)	3,477	1,749	(6,104)	(625)	-	-	-	(8,445)	(2,627)
Segment profit/(loss) before income tax	54,950	71,231	12,608	7,953	4,612	6,470	-	(7,792)	72,170	77,862
Depreciation	9,643	8,975	2,745	2,455	926	912	-	267	13,314	12,609
Amortisation	3,683	4,354	1,134	681	1,280	1,220	-	-	6,097	6,255
Capital expenditure	6,799	17,363	5,158	3,893	662	1,811	-	195	12,619	23,262
Reportable segment assets	478,726	499,022	121,499	106,100	61,516	61,722	-	-	661,741	666,844
Reportable segment liabilities	48,496	51,511	19,466	18,935	15,096	14,520	-	-	83,058	84,966

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	2013	2012
Revenues		
Total revenue for reportable segments	567,175	618,182
Unallocated amounts: corporate revenue	5	74
Elimination of inter-segment revenue	(1,815)	(3,690)
Elimination of discontinued operations	-	(12,438)
Consolidated revenue from continuing operations	565,365	602,128
Profit		
Total profit for reportable segments	72,170	77,862
Elimination of discontinued operations	-	7,792
Restructuring expenses: corporate	(1,986)	(699)
Unallocated amounts: corporate expenses	(14,845)	(12,917)
Profit from operating activities	55,339	72,038
Net financing costs	(13,324)	(14,247)
Consolidated profit before tax from continuing operations	42,015	57,791
Assets		
Total assets for reportable segments	661,741	666,844
Unallocated amounts: corporate assets*	77,936	81,477
Consolidated total assets	739,677	748,321
Liabilities		
Total liabilities for reportable segments	83,058	84,966
Unallocated amounts: corporate liabilities*	229,877	236,371
Consolidated total liabilities	312,935	321,337

* 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	2013	2012
Depreciation		
Total depreciation for reportable segments	13,314	12,609
Unallocated amounts: depreciation on corporate assets	429	242
Consolidated total depreciation	13,743	12,851
Amortisation		
Total amortisation for reportable segments	6,097	6,255
Unallocated amounts: amortisation on corporate assets	558	114
Consolidated total amortisation	6,655	6,369
Capital expenditure		
Total capital expenditure for reportable segments	12,619	23,262
Unallocated amounts: corporate capital expenditure	2,084	2,536
Consolidated total capital expenditure	14,703	25,798

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 and Asia. Sales revenue from geographical areas outside Australia comprised only 4% of the consolidated entity's total sales revenue for the current year (2012: 5%).

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	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
External sales revenue	541,675	584,531	23,690	30,035	565,365	614,566
Segment assets	733,498	743,303	6,179	5,018	739,677	748,321
Capital expenditure	14,597	25,693	106	105	14,703	25,798

Major customers

The consolidated entity conducts business with 3 customers where the gross revenue generated from each customer exceeds 10% of the consolidated entity's total gross revenue. Gross revenue from these customers represent approximately $92,000,000 (2012: $97,000,000), $76,000,000 (2012: $84,000,000) and approximately $71,000,000 (2012: $71,000,000) respectively of the consolidated entity's total gross revenues for the current year of approximately $633,000,000 (2012: $674,000,000). The difference between gross revenue and reported sales revenue is due to industry rebates. The revenues from these customers are reported in the Bathrooms & Kitchens, Door & Access Systems and the Heating & Cooling segments.

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

3. Discontinued operations

In the prior financial year, the commercial furniture and the North American sanitaryware businesses were sold. The results of these businesses are reported as discontinued operations in the prior period.

In thousands of AUD	2013	2012
Results of discontinued operations		
Revenue	-	12,441
Expenses	-	(15,002)
Results from operating activities	-	(2,561)
Income tax	-	362
Results from operating activities, net of income tax	-	(2,199)
Loss on sale of the discontinued operations	-	(5,231)
Income tax benefit on loss on sale of discontinued operations	-	912
(Loss) for the period	-	(6,518)
Basic earnings per share (cents per share)	-	(2.16)
Diluted earnings per share (cents per share)	-	(2.15)

In thousands of AUD	2013	2012
Cash flows from discontinued operations		
Net cash (used in) operating activities	-	(1,975)
Net cash from investing activities	-	23,559
Net cash from discontinued operations	-	21,584

4. Other income

In thousands of AUD	2013	2012
Foreign currency gains - realised	11	233
Foreign currency gains - unrealised	29	1,204
Net gain on disposal of property, plant and equipment and intangible assets	3,335	9,632
Compensation income	1,993	742
Other	1,150	1,036
	6,518	12,847

5. Other expenses

In thousands of AUD	2013	2012
Foreign currency losses - realised	37	86
Foreign currency losses - unrealised	-	53
Restructuring expenses	13,968	13,180
Acquisition costs	839	133
	14,844	13,452

6. Restructuring expenses

In thousands of AUD	2013	2012
Restructuring income – gains on disposal of property	(3,537)	(9,854)
Restructuring expenses	13,968	13,180
Tax benefit	(4,190)	(3,947)
Net restructuring expense/(income) after tax	6,241	(621)

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

7. Personnel expenses

In thousands of AUD	2013	2012
Wages and salaries – including superannuation contributions, annual leave, long service leave and on-costs	139,461	148,211
Equity-settled share-based payment transactions	277	321
	139,738	148,532

8. Auditors' remuneration

In AUD	2013	2012
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	466,000	455,000
Other regulatory services	3,500	3,500
Overseas KPMG Firms:		
Audit and review of financial reports	12,000	12,000
	481,500	470,500
Other services		
Auditors of the Company		
KPMG Australia		
Taxation services	10,860	28,682
Other services	-	45,660
Overseas KPMG Firms:		
Taxation services	17,121	31,132
	27,981	105,474

9. Net financing costs

In thousands of AUD	2013	2012
Finance income		
Interest income on call deposits	880	1,226
Unwinding of discount on loans and provisions	455	674
Other	144	79
	1,479	1,979
Finance expense		
Interest expense on financial liabilities	7,119	10,061
Interest expense on swaps	1,892	674
Facility fees on financial liabilities	4,891	4,897
Establishment fee amortisation	854	521
Other	47	73
	14,803	16,226
Net financing costs	13,324	14,247

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

10. Income tax expense

Recognised in the income statement

In thousands of AUD	2013	2012
Current tax expense		
Current year	8,569	14,818
Adjustments for prior years	(560)	(2,374)
	8,009	12,444
Deferred tax expense		
Origination and reversal of temporary differences	1,616	(826)
Income tax expense from continuing operations	9,625	11,618
Income tax (benefit)/expense from discontinued operations (excluding loss on sale)	-	(362)
Income tax benefit on loss on sale of discontinued operations	-	(912)
Total income tax expense in income statement	9,625	10,344

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of AUD	2013	2012
Profit before tax	42,015	49,999
Income tax using the domestic tax rate of 30% (2012: 30%)	12,605	15,000
Increase in income tax expense due to:		
Non-deductible expenses	170	274
Non-deductible acquisition and disposal costs	55	-
Tax losses not recognised	25	437
Decrease in income tax expense due to:		
Effect of tax rate in foreign jurisdictions	-	(10)
Capital gains offset with prior capital losses	(1,771)	(2,477)
Deductible share-based payments	(164)	(116)
Building depreciation allowance	(23)	(33)
Rebateable research and development	(712)	(357)
	10,185	12,718
Over provided in prior years	(560)	(2,374)
Income tax expense on pre-tax net profit	9,625	10,344

Deferred tax recognised directly in equity

In thousands of AUD	2013	2012
Derivatives	840	(631)

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

11. Earnings per share

Basic earnings per share

Calculation of basic earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of $32,390,000 (2012: $39,655,000) and a weighted average number of ordinary shares of 304,439,000 (2012: 301,662,000) calculated as follows:

	2013	2012
Cents per share	10.64	13.15

Profit attributable to ordinary shareholders

In thousands of AUD	2013	2012
Continuing operations	32,390	46,173
Discontinued operations	-	(6,518)
Profit for the year	32,390	39,655

Weighted average number of ordinary shares

In thousands of shares	2013	2012
Issued ordinary shares at 1 July	302,006	301,525
Effect of shares issued	2,433	137
Weighted average number of ordinary shares at 30 June	304,439	301,662

Diluted earnings per share

Calculation of diluted earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of $32,390,000 (2012: $39,655,000) and a weighted average number of ordinary shares of 305,872,000 (2012: 303,232,000) calculated as follows:

	2013	2012
Cents per share	10.59	13.08

Profit attributable to ordinary shareholders (diluted)

In thousands of AUD	2013	2012
Continuing operations	32,390	46,173
Discontinued operations	-	(6,518)
Profit for the year	32,390	39,655

Weighted average number of ordinary shares (diluted)

In thousands of shares	2013	2012
Weighted average number of ordinary shares (basic)	304,439	301,662
Effect of performance rights on issue	1,438	1,570
Weighted average number of ordinary shares (diluted)	305,877	303,232

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

12. Cash and cash equivalents

In thousands of AUD	2013	2012
Bank balances	15,711	12,998
Call deposits	17,046	17,530
Cash and cash equivalents in the statement of cash flows	32,757	30,528

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

13. Trade and other receivables

In thousands of AUD	2013	2012
Current		
Trade receivables	82,242	80,549
Provision for impairment	(1,489)	(1,666)
Derivatives used for hedging	23,988	18,495
Employee share loans	263	660
Other	6,457	1,149
	111,461	99,187
Non-current		
Employee share loans	-	4,747

The consolidated entity's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 26.

14. Inventories

In thousands of AUD	2013	2012
Raw materials and consumables	20,126	21,310
Work in progress	2,062	2,571
Finished goods	58,148	67,885
	80,336	91,766

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

15. Acquisitions of subsidiaries

On 2 October 2012 the consolidated entity acquired 100% of the shares in API Services and Solutions Pty Limited for $12,442,000.

In the nine months to 30 June 2013 the business contributed revenue of $16,994,000 and a loss before tax of $218,000. If the acquisition had occurred on 1 July 2012, management estimates that consolidated revenue from continuing operations for the period would have been $571,740,000 and consolidated profit before tax of continuing operations would have been $42,168,000. 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 acquisition date:

Amounts recognised on acquisition	**API Services and Solutions Pty Limited**
In thousands of AUD	**2013**
Trade and other receivables	3,348
Inventories	2,905
Other current assets	286
Property, plant and equipment	2,709
Intangible assets	2,453
Deferred tax assets	32
Trade and other payables	(2,329)
Employee benefits	(1,517)
Net identifiable assets and liabilities	7,887
Goodwill on acquisition	4,556
Consideration paid, satisfied in cash	12,443

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 $839,000 (2012: $133,000) related to external legal fees and due diligence costs.

GWA Group Limited and its controlled entities
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16. Current tax assets and liabilities

The current tax liability for the consolidated entity of $919,000 (2012: $169,000) represents the amount of income taxes payable in respect of the current period. There is no current tax asset for the consolidated entity in the current year (2012: $1,564,000). In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the members in the tax-consolidated group.

17. 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	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Property, plant and equipment	685	562	(1,349)	(1,144)	(664)	(582)
Intangible assets	1,063	509	(5,458)	(5,240)	(4,395)	(4,731)
Inventories	3,093	2,578	-	-	3,093	2,578
Employee benefits	7,349	7,762	-	-	7,349	7,762
Provisions	6,348	8,082	-	-	6,348	8,082
Other items	3,600	4,462	(267)	(83)	3,333	4,379
Tax assets / (liabilities)	22,138	23,955	(7,074)	(6,467)	15,064	17,488
Set off of tax	(7,074)	(6,467)	7,074	6,467	-	-
Net tax assets / (liabilities)	15,064	17,488	-	-	15,064	17,488

Unrecognised deferred tax assets

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

In thousands of AUD	**2013**	**2012**
Capital losses	6,199	7,779
Revenue losses	74	1,463

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 11	Recognised in income	Recognised in equity	Acquired in business combinations	Disposals	Balance 30 June 12
Property, plant and equipment	(128)	(691)	-	-	237	(582)
Intangible assets	(5,477)	823	-	-	(77)	(4,731)
Inventories	2,545	33	-	-	-	2,578
Employee benefits	8,963	(399)	-	-	(802)	7,762
Provisions	9,738	(1,336)	-	-	(320)	8,082
Other items	1,417	2,396	631	-	(65)	4,379
	17,058	826	631	-	(1,027)	17,488

In thousands of AUD	Balance 1 July 12	Recognised in income	Recognised in equity	Acquired in business combinations	Disposals	Balance 30 June 13
Property, plant and equipment	(582)	(82)	-	-	-	(664)
Intangible assets	(4,731)	1,056	-	(720)	-	(4,395)
Inventories	2,578	251	-	264	-	3,093
Employee benefits	7,762	(868)	-	455	-	7,349
Provisions	8,082	(1,734)	-	-	-	6,348
Other items	4,379	(239)	(840)	33	-	3,333
	17,488	(1,616)	(840)	32	-	15,064

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

18. 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 2011	59,622	186,624	1,682	17,741	265,669
Additions	364	16,076	30	4,869	21,339
Disposals	(11,294)	(34,333)	(400)	(342)	(46,369)
Transfers	9,534	4,021	-	(13,555)	-
Effect of movements in foreign exchange	-	70	4	-	74
Balance at 30 June 2012	58,226	172,458	1,316	8,713	240,713
Balance at 1 July 2012	58,226	172,458	1,316	8,713	240,713
Acquisitions through business combinations	-	1,303	1,406	-	2,709
Additions	2,285	9,089	-	-	11,374
Disposals	(3,013)	(10,031)	(1,676)	-	(14,720)
Transfers	-	6,950	-	(6,950)	-
Effect of movements in foreign exchange	-	105	5	-	110
Balance at 30 June 2013	57,498	179,874	1,051	1,763	240,186
Depreciation and impairment losses					
Balance at 1 July 2011	(9,249)	(137,042)	(718)	-	(147,009)
Depreciation charge for the year	(1,061)	(11,548)	(242)	-	(12,851)
Disposals	2,794	29,514	179	-	32,487
Effect of movements in foreign exchange	-	(46)	(2)	-	(48)
Balance at 30 June 2012	(7,516)	(119,122)	(783)	-	(127,421)
Balance at 1 July 2012	(7,516)	(119,122)	(783)	-	(127,421)
Depreciation charge for the year	(1,084)	(12,348)	(311)	-	(13,743)
Disposals	626	9,421	495	-	10,542
Effect of movements in foreign exchange	-	(89)	(5)	-	(94)
Balance at 30 June 2013	(7,974)	(122,138)	(604)	-	(130,716)
Carrying amounts					
At 1 July 2011	50,373	49,582	964	17,741	118,660
At 30 June 2012	50,710	53,336	533	8,713	113,292
At 1 July 2012	50,710	53,336	533	8,713	113,292
At 30 June 2013	49,524	57,736	447	1,763	109,470

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

19. Intangible assets

In thousands of AUD	Software	Brand names	Trade names, designs, patents and customer relationships	Goodwill	Total
Cost					
Balance at 1 July 2011	22,151	321,111	21,547	46,358	411,167
Acquisitions through business combinations	4,459	-	-	-	4,459
Additions	(486)	(12,400)	-	-	(12,886)
Effect of movements in foreign exchange	-	6	-	-	6
Balance at 30 June 2012	26,124	308,717	21,547	46,358	402,746
Balance at 1 July 2012	26,124	308,717	21,547	46,358	402,746
Acquisitions through business combinations	53	-	2,400	4,556	7,009
Additions	3,329	-	-	-	3,329
Disposals	(78)	-	-	-	(78)
Effect of movements in foreign exchange	-	29	-	-	29
Balance at 30 June 2013	29,428	308,746	23,947	50,914	413,035
Amortisation					
Balance at 1 July 2011	(11,297)	-	(1,592)	-	(12,889)
Amortisation for the year	(5,149)	-	(1,220)	-	(6,369)
Disposals	49	-	-	-	49
Balance at 30 June 2012	(16,397)	-	(2,812)	-	(19,209)
Balance at 1 July 2012	(16,397)	-	(2,812)	-	(19,209)
Amortisation for the year	(5,301)	-	(1,354)	-	(6,655)
Disposals	77	-	-	-	77
Balance at 30 June 2013	(21,621)	-	(4,166)	-	(25,787)
Carrying amounts					
At 1 July 2011	10,854	321,111	19,955	46,358	398,278
At 30 June 2012	9,727	308,717	18,735	46,358	383,537
At 1 July 2012	9,727	308,717	18,735	46,358	383,537
At 30 June 2013	7,807	308,746	19,781	50,914	387,248

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19. Intangible assets (continued)

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

In thousands of AUD	2013	2012
CaromaDorf	284,146	284,117
Dux	6,000	6,000
Bathrooms & Kitchens	290,146	290,117
API Locksmiths	4,556	-
Gainsborough	20,049	20,049
Gliderol	24,075	24,075
Door & Access Systems	48,680	44,124
Heating & Cooling	20,834	20,834
	359,660	355,075

Impairment testing for brand names and goodwill

The recoverable amounts of all brand names and goodwill were assessed at 30 June 2013 based on internal value in use calculations and no impairment was identified for any cash generating units (2012: nil for all cash generating units).

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% (2012: 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 12.30% was used (2012: 12.26%).

The key assumptions relate to dwelling completions, economic activity and market share. The values assigned to the key assumptions represent management's assessment of future trends in the Bathrooms & Kitchens, Door & Access Systems and Heating & Cooling industries and are based on both external sources and internal sources (historical data). The recoverable amount of the cash generating units exceeds their carrying values at 30 June 2013. The recoverable amount of the Gliderol business exceeds it carrying value by $8,200,000. An increase in the discount rate of 1.5% or a reduction in long term forecast dwelling completions that reduce the cash flow forecast by 15% would reduce the recoverable amount of the Gliderol business to its carrying value. Management believe no other reasonably probable changes to the key assumptions used in the calculations would cause the carrying amount to exceed the recoverable amount of the cash generating units.

20. Trade and other payables

In thousands of AUD	2013	2012
Current		
Trade payables and accrued expenses	50,176	45,069
Derivatives used for hedging	24,400	21,706
Non-trade payables and accrued expenses	795	1,324
	75,371	68,099

The consolidated entity's exposure to currency risk and liquidity risk related to trade and other payables are disclosed in note 26.

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21. Loans and borrowings

This note provides information about the contractual terms of the consolidated entity's 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 26.

Non-current liabilities

In thousands of AUD	2013	2012
Unsecured cash advance facilities	195,000	205,000

Terms and debt repayment schedule

In thousands of AUD	Currency	Year of maturity	2013 Face value	2013 Carrying amount	2012 Face value	2012 Carrying amount
Unsecured cash advance facilities	AUD	2016	195,000	195,000	200,000	200,000
Unsecured cash advance facilities	AUD	2018	-	-	5,000	5,000
			195,000	195,000	205,000	205,000

The unsecured cash advance facilities mature over the next 3 to 5 financial years and have variable rates ranging from 4.68% - 5.03% at 30 June 2013 (2012: 5.36% - 5.66%).

Financing facilities

In thousands of AUD	2013	2012
Bank overdraft	1,000	1,000
Standby letters of credit	12,000	12,000
Bank guarantees	9,200	4,200
Unsecured cash advance facility	275,000	300,000
	297,200	317,200
Facilities utilised at reporting date		
Bank overdraft	-	-
Standby letters of credit	-	135
Bank guarantees	2,965	1,445
Unsecured cash advance facility	195,000	205,000
	197,965	206,580
Facilities not utilised at reporting date		
Bank overdraft	1,000	1,000
Standby letters of credit	12,000	11,865
Bank guarantees	6,235	2,755
Unsecured cash advance facility	80,000	95,000
	99,235	110,620

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21. 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 2013.

Unsecured cash advance facility

Bank loans are provided to GWA Finance Pty Limited under the Multi-currency Revolving Facility Agreement. The bank loans at reporting date are denominated in Australian 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.

22. Employee benefits

Current

In thousands of AUD	2013	2012
Liability for annual leave	9,588	11,195
Liability for long-service leave	2,224	2,341
	11,812	13,536
Non-current		
Liability for long-service leave	12,693	12,346

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 $9,723,000 for the financial year ended 30 June 2013 (2012: $10,440,000).

Employee share plan

During the financial year, the consolidated entity discontinued the employee share plan ('the Plan') as it failed to achieve its objectives as a long term incentive for employees. In March 2013, employees were given the option of selling their shares on-market with any loan deficiency being waived by the consolidated entity. If an employee did not choose this option, the employee would remain subject to the Plan rules which require loans to be repaid in full by the employee.

Due to the cessation of the Plan no shares were issued to employees in 2013. In the prior year, 480,500 ordinary shares were issued to employees at the market price of $2.27, being total market value of $1,090,000 with listing fees of $5,000.

As at 30 June 2013, loans are issued for 162,500 shares (2012: 4,051,750) and the remaining balances of these loans is $263,000 (2012: $8,769,000). During 2013, dividends of $503,000 (2012: $660,000) were paid against the loans, a further $7,781,000 (2012: $575,000) was paid by employees against these loans and $222,000 was written-off.

23. 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 but 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.

For performance rights granted to executives in the 2012/13 year, the performance hurdles and vesting proportions for the EPS performance measure is outlined in the table below. The base year EPS for the 2013 Long Term Incentive (Equity) Plan grant was 15.1 cents.

Compound annual EPS Growth	**Proportion of Performance Rights to Vest if EPS growth hurdle is met**
Less than 3% per annum	0%
3% per annum	25%
Between 3% and 8% per annum	Straight line vesting between 25% and 50%
8% or higher per annum	50% (i.e. 50% of total grant)

For performance rights granted to executives in the 2012/13 year, the performance hurdles and vesting proportions for the TSR performance measure is outlined in the table below.

TSR of GWA Group Limited relative to TSRs of Comparator Companies	**Proportion of Performance Rights to Vest if TSR hurdle is met**
Less than the 50^{th} percentile	0%
50^{th} percentile	25%
Between the 50^{th} percentile and 75^{th} percentile	Straight line vesting between 25% and 50%
75^{th} percentile or higher	50% (i.e. 50% of total grant)

For further details of the Long Term Incentive (Equity) Plan, please refer to the Remuneration Report.

GWA Group Limited and its controlled entities
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23. Share-based payments (continued)

Tranche	Grant date	Expiry date	Balance at beginning of the year	Granted during the year	Cancelled during the year	Vested during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	Number	Number
2013								
(i)	12/03/2010	30/06/2012	375,000	-	-	(375,000)	-	-
(ii)	21/02/2011	30/06/2013	680,000	-	(100,000)	-	(290,000)	290,000
(iii)	17/02/2012	30/06/2014	780,000	-	(195,000)	-	-	585,000
(iv)	25/02/2013	30/06/2015	-	972,000	-	-	-	972,000
			1,835,000	972,000	(295,000)	(375,000)	(290,000)	1,847,000
2012								
(i)	27/02/2009	30/06/2011	470,000	-	-	(470,000)	-	-
(ii)	12/03/2010	30/06/2012	845,000	-	(95,000)	-	(375,000)	375,000
(iii)	21/02/2011	30/06/2013	720,000	-	(40,000)	-	-	680,000
(iv)	17/02/2012	30/06/2014	-	780,000	-	-	-	780,000
			2,035,000	780,000	(135,000)	(470,000)	(375,000)	1,835,000

No performance rights were vested and exercisable at 30 June 2013.

Fair value

During the current financial year 972,000 performance rights were granted to employees (2012: 780,000) at a weighted average fair value of $1.96 (2012: $1.44). The fair value of the performance rights subject to the EPS hurdle for vesting (50%) was determined as $2.18 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 $1.74 by using a Monte Carlo simulation. When determining the fair values it was assumed the Company would have a dividend yield of 5.5%, the risk free rate was 2.85% and volatility ranged between 30-35% 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 $277,000 (2012: $321,000). Refer to the Remuneration Report for further details.

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24. Provisions

In thousands of AUD	Warranties	Restructuring	Site restoration	Other	Total
Balance at 1 July 2012	13,698	2,483	3,513	2,493	22,187
Provisions made during the year	4,129	13,960	8	48	18,145
Provisions used during the year	(6,044)	(14,581)	(1,527)	(1,057	(23,209)
Effect of movements in foreign exchange	-	17	-	-	17
Balance at 30 June 2013	11,783	1,879	1,994	1,484	17,140
Current	6,989	1,783	604	1,384	10,760
Non-current	4,794	96	1,390	100	6,380
	11,783	1,879	1,994	1,484	17,140

Warranties

The total provision for warranties at balance date of $11,783,000 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 $6,989,000 of the total provision in the financial year ending 30 June 2014, and the majority of the balance of the liability over the following four years. The net present value of the provision has been calculated using a discount rate of 3.54%.

Restructuring

The restructuring provision relates to the estimated costs of redundancies, site closures and product rationalisation related to the business restructuring announced in December 2012. During the financial year ended 30 June 2013, restructuring was undertaken across all operating segments with $13,960,000 being provided and $14,581,000 being utilised. At balance date the balance of the restructuring provision was $1,879,000 with the majority to be utilised in the next financial year.

Site restoration

The provision for site restoration at balance date of $1,994,000 relates to site remediation and 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. Payments of $1,527,000 were made in the current financial year. The balance remaining will be utilised when leased sites are exited.

25. Capital and reserves

Share capital

In thousands	Ordinary shares		AUD	
	2013	2012	2013	2012
On issue at 1 July – fully paid	302,006	301,525	398,930	397,844
Issue of shares under the dividend reinvestment plan	4,528	-	9,170	-
Issue of shares under the employee share plan	-	481	-	1,086
On issue at 30 June – fully paid	306,534	302,006	408,100	398,930

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.

GWA Group Limited and its controlled entities
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25. 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
2013				
Interim 2013 ordinary	6.0	18,283	100%	4th April 2013
Final 2012 ordinary	8.5	25,670	100%	4th Oct 2012
Total amount	14.5	43,953		
2012				
Interim 2012 ordinary	9.5	28,645	100%	4th April 2012
Final 2011 ordinary	8.5	25,630	100%	6th Oct 2011
Total amount	18.0	54,275		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.
After balance 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	6.0	18,392	100%	4th Oct 2013

The financial effect of these dividends has not been brought to account in the financial statements for the financial year ended 30 June 2013 and will be recognised in subsequent financial reports.

Dividend franking account

In thousands of AUD	The Company 2013	The Company 2012
30 per cent franking credits available to shareholders of GWA Group Limited for subsequent financial years	4,513	14,722

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 balance date, but not recognised as a liability, is to reduce it by $7,882,000 (2012: $11,001,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $4,513,000 (2012: $14,722,000) franking credits.

GWA Group Limited and its controlled entities
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26. 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 three major customers which comprise 40% of the trade receivables carrying amount at 30 June 2013 (2012: 41%). At balance date there were no material uninsured concentrations of credit risk.

26. 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	2013	2012
Cash and cash equivalents	32,757	30,528
Trade receivables	82,242	80,549
Employee share loans	263	5,407
Forward exchange contracts used for hedging	23,988	18,495
	139,250	134,979

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

In thousands of AUD	2013 Receivable	2013 Impairment	2012 Receivable	2012 Impairment
Not yet due	61,663	(70)	68,186	(70)
Past due 0-30 days	33,913	(40)	30,161	(61)
Past due 31-60 days	2,904	(4)	1,797	(35)
Past due 61-120 days	755	(80)	1,264	(312)
Past due 120+ days	2,458	(1,295)	2,984	(1,188)
Less accrued rebates and credit claims	(19,451)	-	(23,843)	-
	82,242	(1,489)	80,549	(1,666)

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	2013	2012
Balance at 1 July	(1,666)	(2,200)
Impairment loss (recognised)/reversed	(610)	(231)
Impairment losses applied	949	646
Acquired through business combinations	(162)	-
Disposals	-	122
Effect of movements in foreign exchange	-	(3)
Balance at 30 June	(1,489)	(1,666)

GWA Group Limited and its controlled entities
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26. Financial instruments and financial risk management (continued)

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.

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**
2013							
Non-derivative financial liabilities							
Unsecured cash advance facilities	(195,000)	(252,702)	(9,329)	(9,329)	(18,659)	(215,385)	-
Trade and other payables	(50,176)	(50,176)	(50,176)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps designated as hedges	(1,939)	(2,045)	(784)	(629)	(452)	(180)	-
Forward exchange contracts designated as hedges – outflow	(22,461)	(22,461)	(22,461)	-	-	-	-
Forward exchange contracts designated as hedges – inflow	23,988	23,988	23,988		-	-	-
Total at 30 June 2013	(245,588)	(303,396)	(58,762)	(9,958)	(19,111)	(215,565)	-
2012							
Non-derivative financial liabilities							
Unsecured cash advance facilities	(205,000)	(279,454)	(12,515)	(12,515)	(25,030)	(224,394)	(5,000)
Trade and other payables	(45,069)	(45,069)	(45,021)	(48)	-	-	-
Derivative financial liabilities							
Interest rate swaps designated as hedges	(3,096)	(2,026)	(806)	(599)	(559)	(62)	-
Forward exchange contracts designated as hedges – outflow	(18,610)	(18,610)	(18,610)	-	-	-	-
Forward exchange contracts designated as hedges – inflow	18,495	18,495	18,495	-	-	-	-
Total at 30 June 2012	(253,280)	(326,664)	(58,457)	(13,162)	(25,589)	(224,456)	(5,000)

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.

GWA Group Limited and its controlled entities
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26. 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 3.37% to 5.20% (2012: 3.86% to 5.42%). At 30 June 2013, the consolidated entity had interest rate swaps in operation with a notional contract amount of $125,000,000 (2012: $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 2013 was $1,939,000 recognised as a fair value derivative liability. (2012: $3,096,000 fair value derivative liability).

(i) Profile

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

In thousands of AUD	**2013 Notional value**	**2013 Carrying amount**	**2012 Notional value**	**2012 Carrying amount**
Variable rate financial instruments				
Unsecured cash advance facilities	(195,000)	(195,000)	(205,000)	(205,000)
Bank balances	15,711	15,711	12,998	12,998
Call deposits	17,046	17,046	17,530	17,530
	(162,243)	(162,243)	(174,472)	(174,472)
Fixed rate financial instruments				
Interest rate swap derivatives	125,000	(1,939)	125,000	(3,096)
Total	(37,243)	(164,182)	(49,472)	(177,568)

GWA Group Limited and its controlled entities
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26. 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	2013	2012
Increase of 100 basis points		
Hedging reserve (increase)/decrease	(2,135)	(2,622)
Financial assets increase/(decrease)	196	-
Financial liabilities (increase)/decrease	1,939	2,622
	-	-
Decrease of 100 basis points		
Hedging reserve (increase)/decrease	2,181	2,690
Financial assets increase/(decrease)	-	-
Financial liabilities (increase)/decrease	(2,181)	(2,690)
	-	-

(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	2013	2012
Increase of 100 basis points		
Unsecured cash advance facilities (AUD)	(2,259)	(2,519)
Unsecured cash advance facilities (USD)	-	(25)
Bank balances	157	130
Interest rate swap derivatives	1,388	1,141
Call deposits variable rate	266	269
Call deposits fixed rate	39	8
	(409)	(996)
Decrease of 100 basis points		
Unsecured cash advance facilities (AUD)	2,259	2,519
Unsecured cash advance facilities (USD)	-	9
Bank balances	(157)	(130)
Interest rate swap derivatives	(1,388)	(1,141)
Call deposits variable rate	(266)	(267)
Call deposits fixed rate	(39)	(8)
	409	982

GWA Group Limited and its controlled entities
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26. 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. The consolidated entity is also exposed to foreign currency risk on retranslation of the financial statements of foreign subsidiaries. The currencies giving rise to this risk are primarily USD, NZD, EUR and RMB.

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 estimated forecast sales and purchases in the tables below are for the six month period after the respective balance dates.

(i) Exposure to currency risk

In thousands of AUD equivalent	USD	NZD	EUR	RMB
Currency transaction risk				
2013				
Trade receivables	-	-	-	-
Trade payables	(2,816)	(5)	(331)	(372)
Cash	1,546	51	78	377
Net balance sheet exposure	(1,270)	46	(253)	5
Estimated forecast sales	-	9,351	-	-
Estimated forecast purchases	(39,172)	(5,397)	(3,452)	(4,299)
Net forecast transaction exposure	(39,172)	3,953	(3,452)	(4,294)
Forward exchange contracts	19,623	(3,791)	493	-
Net exposure 30 June 2013	(20,819)	209	(3,211)	(4,294)
Foreign exchange rates at balance date	0.9275	1.1871	0.7095	5.6991
2012				
Trade receivables	285	-	-	-
Trade payables	(1,120)	(49)	(839)	(299)
Cash	2,030	1,669	553	6
Net balance sheet exposure	1,195	1,620	(286)	(293)
Estimated forecast sales	-	8,983	-	-
Estimated forecast purchases	(32,795)	(4,422)	(5,943)	(4,817)
Net forecast transaction exposure	(32,795)	4,561	(5,943)	(4,817)
Forward exchange contracts	15,602	(1,762)	1,050	-
Net exposure 30 June 2012	(15,998)	4,419	(5,179)	(5,110)
Foreign exchange rates at balance date	1.0191	1.2771	0.8092	6.4776
Currency translation risk				
2013				
Net assets	-	2,441	-	45
2012				
Net assets	-	1,708	-	134

(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.

26. Financial instruments and financial risk management (continued)

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 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Cash and cash equivalents	32,757	32,757	30,528	30,528
Trade and other receivables	87,473	87,473	85,439	85,439
Interest rate swaps:				
Liabilities	(1,939)	(1,939)	(3,096)	(3,096)
Forward exchange contracts:				
Assets	23,988	23,988	18,495	18,495
Liabilities	(22,461)	(22,461)	(18,610)	(18,610)
Unsecured cash advance facilities	(195,000)	(195,000)	(205,000)	(205,000)
Trade payables and accrued expenses	(50,971)	(50,971)	(46,393)	(46,393)
	(126,153)	(126,153)	(138,637)	(138,637)

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) 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.

(v) Interest rates used for determining fair value

The consolidated entity uses the government yield curve as of 30 June 2013 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2013	2012
Derivatives	2.66% - 3.65%	3.14% - 3.58%
Employee share loans and other loans	n/a	7.40% - 7.80%
Loans and borrowings	4.68% - 5.03%	5.36% - 5.66%

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

26. Financial instruments and financial risk management (continued)

Estimation of fair values (continued)

(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 Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In thousands of AUD	Level 1	Level 2	Level 3	Total
30 June 2013				
Forward exchange contracts used for hedging	-	23,988	-	23,988
Interest rate swaps used for hedging	-	-	-	-
	-	23,988	-	23,988
Forward exchange contracts used for hedging	-	(22,461)	-	(22,461)
Interest rate swaps used for hedging	-	(1,939)	-	(1,939)
	-	(24,400)	-	(24,400)
30 June 2012				
Forward exchange contracts used for hedging	-	18,495	-	18,495
Interest rate swaps used for hedging	-	-	-	-
	-	18,495	-	18,495
Forward exchange contracts used for hedging	-	(18,610)	-	(18,610)
Interest rate swaps used for hedging	-	(3,096)	-	(3,096)
	-	(21,706)	-	(21,706)

27. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2013	2012
Less than one year	13,017	12,401
Between one and five years	28,678	28,411
More than five years	3,132	5,431
	44,827	46,243

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 2013, $16,576,000 (2012: $14,111,000) was recognised as an expense in profit or loss in respect of operating leases.

28. Capital commitments

In thousands of AUD	2013	2012
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for and payable:		
Within one year	2,981	4,111

29. Contingencies

Environmental remediation

In previous financial years, the consolidated entity investigated and reported two environmental contamination issues at factory sites at Revesby, New South Wales and Eagle Farm, Queensland. The Revesby site was previously leased and occupied by McIlwraith-Davey Pty Ltd, a wholly owned subsidiary of GWA Group Limited. The site was exited 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 30 June 2013. Post remediation groundwater testing has continued during the current financial year and the consolidated entity expects to finalise all remediation requirements at the Revesby site during the 2014 financial year. The remediation activities at the Eagle Farm site were completed during the prior financial year.

The remediation provision at 30 June 2013 is $87,000 which the directors consider adequate.

Brivis evaporative cooler recalls

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 and associated product liability claims cannot be reliably estimated at this stage. The Brivis purchase agreement provides that Carrier is responsible for product recall and product liability costs above specified thresholds with an overall cap on Carrier's liability. A progress claim in the amount of $953,000 was submitted to Carrier in May 2013 under the Brivis purchase agreement.

The directors believe the provision at 30 June 2013 of $970,000 in respect of potential product liability and product recall costs is adequate.

Supplier dispute

The consolidated entity received a demand letter in June 2013 from lawyers representing a former China sanitaryware supplier, Carlyle Sanitaryware Co Ltd, in relation to the termination of its business relationship with Caroma Industries Limited, a wholly owned subsidiary of GWA Group Limited. The letter demanded the immediate payment to Carlyle of specified amounts covering Carlyle's stock holdings, compensation for lost sales revenue, interest and legal costs. Carlyle has threatened legal action if the payments are not made.

The consolidated entity has rejected the demands expressed in the demand letter and denied any liability to Carlyle following the termination of its business relationship with Caroma Industries Limited. The consolidated entity has outlined its own claims against Carlyle for breach of contract and infringement of Caroma Industries Limited's intellectual property rights. On that basis, no amount has been provided at 30 June 2013 in respect of this matter.

30. 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 profit or loss and other 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 2013, is set out in the table on the following page.

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

30. Deed of cross guarantee (continued)

Summarised statement of profit or loss and other comprehensive income and retained profits

In thousands of AUD	2013	2012
Sales revenue	547,663	592,989
Cost of sales	(336,801)	(362,493)
Gross profit	210,862	230,496
Operating expenses	(156,671)	(168,038)
Finance income	1,476	1,979
Finance expenses	(14,803)	(16,226)
Profit before tax	40,864	48,211
Income tax expense	(8,955)	(9,597)
Profit after tax	31,909	38,614
Total comprehensive income for the period, net of tax	31,909	38,614
Retained earnings at beginning of year	26,266	42,191
Dividends recognised during the year	(43,953)	(54,275)
Share-based payments, net of income tax	70	(264)
Retained earnings at end of the year	14,292	26,266

Statement of financial position

In thousands of AUD	2013	2012
Assets		
Cash and cash equivalents	30,766	29,085
Trade and other receivables	108,620	96,936
Inventories	77,421	89,428
Income tax receivable	-	1,537
Other	2,042	2,496
Total current assets	218,849	219,482
Receivables	-	4,747
Intercompany receivables	36,996	35,213
Investments	11,113	11,435
Deferred tax assets	15,003	17,418
Property, plant and equipment	69,479	74,579
Intangible assets	383,226	379,543
Other	1,118	3,521
Total non-current assets	516,935	526,456
Total assets	735,784	745,938
Liabilities		
Trade and other payables	74,584	67,486
Income tax payable	657	-
Employee benefits	11,728	13,433
Provisions	10,860	13,857
Total current liabilities	97,829	94,776
Loans and borrowings	195,000	205,000
Employee benefits	12,669	12,337
Provisions	6,379	8,330
Total non-current liabilities	214,048	225,667
Total liabilities	311,877	320,443
Net assets	423,907	425,495
Equity		
Issued capital	408,100	398,930
Reserves	1,515	299
Retained earnings	14,292	26,266
Total equity	423,907	425,495

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

31. Consolidated entities

	Parties to cross guarantee	Country of incorporation	Ownership interest	
			2013	2012
Parent entity				
GWA Group Limited	Y	Australia		
Subsidiaries				
API Services and Solutions Pty Limited	Y	Australia	100%	-
Austral Lock Pty Ltd	Y	Australia	100%	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 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%
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%
G Subs Pty Ltd	Y	Australia	100%	100%
Gainsborough Hardware Industries Limited	Y	Australia	100%	100%
Gliderol International Pty Limited	Y	Australia	100%	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 Taps Manufacturing Limited	Y	Australia	100%	100%
GWA Trading (Shanghai) Co Ltd	N	China	100%	100%
Industrial Mowers (Australia) Limited	Y	Australia	100%	100%
Mainrule Limited	N	New Zealand	-	100%
McIlwraith Davey Pty Ltd	Y	Australia	100%	100%
Sebel Furniture Holdings Pty Ltd	Y	Australia	100%	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

32. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2013 the parent company of the consolidated entity was GWA Group Limited.

	Company	
In thousands of AUD	**2013**	**2012**
Results of the parent entity		
Profit for the period	30,363	81,889
Other comprehensive income	-	-
Total comprehensive income for the period	30,363	81,889
Financial position of the parent entity		
Current assets	216	2,775
Total assets	607,001	585,340
Current liabilities	551	-
Total liabilities	178,000	151,442
Shareholders equity of the parent entity		
Share capital	408,100	398,930
Equity compensation reserve	1,866	2,413
Retained earnings	19,035	32,555
Total shareholders equity	429,001	433,898

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 (2012: nil).

Capital expenditure commitments

The parent entity has entered into contractual commitments amounting to $455,000 on behalf of wholly-owned subsidiaries for the acquisition of property, plant or equipment as at reporting date (2012: 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 (2012: nil). Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 30 and 31.

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

33. Reconciliation of cash flows from operating activities

In thousands of AUD	2013	2012
Cash flows from operating activities		
Profit for the period	32,390	39,655
Adjustments for:		
Depreciation	13,743	12,851
Amortisation	6,655	6,369
Share-based payments	(451)	(771)
Employee share loan waivers	222	-
Foreign exchange gains	(3)	(1,298)
Net financing costs	13,324	14,247
Loss on disposal of discontinued operations, net of income tax	-	4,319
Gain on sale of property, plant and equipment and intangible assets	(3,335)	(9,632)
Income tax expense	9,625	11,256
Operating profit before changes in working capital and provisions	72,170	76,996
Decrease in trade and other receivables	1,403	21,941
Decrease in inventories	14,620	3,835
Decrease in trade and other payables	3,386	(2,967)
Decrease in provisions and employee benefits	(7,941)	(920)
	83,638	98,885
Net interest paid	(14,454)	(15,979)
Income taxes paid	(5,835)	(22,407)
Net cash from operating activities	63,349	60,499

34. Related parties

Key management personnel compensation

The key management personnel compensation included in ‘personnel expenses’ (see note 7) are as follows:

In AUD	2013	2012
Short-term employee benefits	6,018,555	5,980,847
Post-employment benefits	315,583	463,822
Other long term benefits	95,899	202,124
Termination benefits	450,750	50,000
Share-based payments	233,310	344,678
	7,114,097	7,041,471

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

34. 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 2012	Balance 30 June 2013	Interest not charged in the reporting period	Highest balance in period
Directors				
P Crowley	798,008	-	38,080	798,008
R Thornton	227,496	-	10,998	227,496
Executives				
L Patterson	580,073	-	28,537	580,073
W Saxelby	671,600	-	16,409	671,600

No loans were made to key management personnel or their related parties during the year (2012: 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 2013	2,277,177	-	95,899	-
Total for key management personnel 2012	2,907,169	2,277,177	202,124	4

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

The consolidated entity purchased components and tooling of $199,156 (2012: $78,769) 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 $332,195 (2012: $296,413) 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	2013	2012
Trade creditors	29,801	38,060

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.

34. 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 (KMP), including their related parties, is as follows:

	Held at 1 July 2012	Granted as compensation	Purchases	Sales	Held at 30 June 2013
Directors: non-executive					
R Anderson	18,404,803	-	-	-	18,404,803
G McGrath	150,000	-	-	-	150,000
W Bartlett	30,914	-	2,280	-	33,194
D McDonough	100,495	-	7,410	-	107,905
P Birtles	15,000	-	-	-	15,000
J Mulcahy	45,000	-	-	-	45,000
Executive directors					
P Crowley	750,000	152,500	-	(572,500)	330,000
R Thornton	128,694	15,000	-	(100,000)	43,694
Executives					
G Oliver	202,407	25,000	16,768	-	244,175
L Patterson	227,500	25,000	-	(200,000)	52,500
W Saxelby (ceased employment 31/10/2012)	350,000	-	-	-	n/a
N Evans (ceased employment 17/10/2012)	-	37,500	-	-	n/a

	Held at 1 July 2011	Granted as compensation	Purchases	Sales	Held at 30 June 2012
Directors: non-executive					
R Anderson	18,399,803	-	5,000	-	18,404,803
G McGrath	150,000	-	-	-	150,000
W Bartlett	30,914	-	-	-	30,914
D McDonough	100,495	-	-	-	100,495
P Birtles	15,000	-	-	-	15,000
J Mulcahy	25,000	-	20,000	-	45,000
Executive directors					
P Crowley	750,000	177,500	-	(177,500)	750,000
R Thornton	116,313	17,500	-	(5,119)	128,694
Executives					
G Oliver	174,907	27,500	-	-	202,407
L Patterson	200,000	27,500	-	-	227,500
W Saxelby	320,000	50,000	-	(20,000)	350,000
P Crossley (ceased KMP status 1/05/2012)	-	15,000	-	-	n/a
G Welsh (ceased employment 30/09/2011)	-	20,000	-	-	n/a

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 2013 is listed in the Directors' Report.

During the reporting period, 255,000 shares were granted to key management personnel compensation (2012: 335,000). The aggregate number of shares held by key management personnel or their related parties at 30 June 2013 was 19,426,271 (2012: 20,404,813).

35. Subsequent events

To the Director's best knowledge, there are no events that have arisen subsequent to 30 June 2013 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 2013 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 30 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 2013.

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 21 August 2013.

Signed in accordance with a resolution of the directors:

Geoff McGrath
Director

Peter Crowley
Director

KPMG

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 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 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 2013 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 26 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G Boydell

Greg Boydell
Partner

Sydney

21 August 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 audit for the financial year ended 30 June 2013 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

Boydell

Greg Boydell
Partner

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