



**GWA**  
Group Limited

ABN 15 055 964 380  
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Level 2, HQ (South Tower)  
520 Wickham Street  
Fortitude Valley  
QLD 4006

GPO Box 1411  
Brisbane QLD 4001

18 February 2014

**ASX On-Line**  
Manager Company Announcements  
Australian Securities Exchange

Dear Sir

**Financial Results for the Half Year Ended 31 December 2013**

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

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

Yours faithfully

**R J Thornton**  
Executive Director



**Appendix 4D  
Half Year Report  
Period Ended 31 December 2013**

**GWA GROUP LIMITED**

ABN	Half Yearly	Preliminary Final	Year ended ('current period')
<b>15 055 964 380</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>31 December 2013</b>

**Results for announcement to the market**

*SA'000*

<b><u>Continuing Operations</u></b>		
Revenues from ordinary activities	Down 0.6% to	288,084
Trading earnings before interest and tax	Down 1.2% to	34,147
Trading profit after tax	Down 2.7% to	20,333
<b><u>Significant Items</u></b>		
Impairment loss after tax – Gliderol goodwill		(17,000)
Restructuring expenses after tax		(1,596)
<b><u>Reported Profit After Significant Items</u></b>		
Net profit for the period attributable to members	Down 89.0% to	1,737
<b>Interim Dividend</b>	<b>Amount Per Security</b>	<b>Franked Amount Per Security</b>
Ordinary dividend	-	-
<b>Previous corresponding period:-</b>		
Ordinary dividend	6.0¢	6.0¢
	<b>Current Period</b>	<b>Previous Corresponding Period</b>
Net tangible asset backing per ordinary security	0.13	0.10
<b>Brief explanation of the figures reported above:-</b>		
Refer to the attached Media Release and Directors' Report. The attached Interim Financial Report has been reviewed by GWA's independent statutory auditors.		

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



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## Media Release

### GWA EXPECTS TO BENEFIT FROM IMPROVING DWELLING ACTIVITY

- Weak demand conditions experienced in the first half however lead indicators show a strong lift in demand for the second half
- Revenue of \$288 million is 1% below the same period last year with like for like revenue down 3% excluding API Locksmiths
- Trading earnings before interest and tax (EBIT) of \$34.1 million, a decline of 1% on last year after the impact of one off issues
- Bathrooms & Kitchens (excluding Hot Water) grew volumes by 4% and revenue by 7% in a flat market
- Cost savings from restructure are slightly above expectations
- Net profit after tax of \$1.7 million includes a \$17 million impairment charge against the carrying value of Gliderol goodwill as announced in December 2013, and restructuring costs after tax of \$1.6 million
- No interim dividend due to insufficient retained earnings

GWA Group Ltd, Australia's leading supplier of fixtures and fittings to households and commercial premises, today announced a 1% decline in trading earnings before interest and tax (EBIT) to \$34.1 million for the half year to 31 December 2013.

Managing Director Peter Crowley commented that "The first half should have been significantly better than the final outcome however a number of one off issues impacted trading EBIT in the half. These issues have largely been resolved. In light of this and as the recovery in dwelling commencement activity seen in the first half rolls into completions - which is typically where GWA products are sold - we expect a strong second half performance".

Net profit after tax of \$1.7 million for the half year decreased by 89% on the prior period. This was predominantly due to the impairment charge against the carrying value of Gliderol goodwill of \$17 million, as announced in December 2013 - partly offset by \$3.6 million in lower restructuring expenses after tax than the prior year.

As a consequence of the impairment to Gliderol goodwill recognised in the half year accounts, GWA does not have sufficient retained earnings from which to pay an interim dividend to shareholders in April 2014. The Directors believe it is unwise to distribute dividends other than from profits. GWA expects to resume paying dividends out of profits from the final dividend for the 2013/14 year, in accordance with its normal dividend policy.

Mr Crowley said, "The half year has been a mixed performance for the group. On the positive side Bathrooms & Kitchens (excluding Hot Water) has performed strongly with market share gains as dwelling completions have been relatively flat during the period.

"Additionally, cost savings across the Group which were predominantly driven by the December 2012 restructuring have been slightly above our expectations. Countering these positives, the remainder of the businesses have been challenged by both internal and external issues, which affected our overall performance", he added.

Sales by the Bathrooms & Kitchens segment (including Hot Water) decreased by 1%, with trading EBIT up 13% to \$37.5 million. Sales were adversely impacted by the Hot Water category, where prices were reduced to gain market share in a very competitive product category.

Sales by the Door & Access Systems segment were flat, however after adjusting for API Locksmiths, like for like sales decreased by 8%, with trading EBIT down by 70% to \$2 million. The significant driver of the shortfall was in the Gainsborough business where a sourcing transition in China disrupted supply. Gainsborough stocks are back to normal levels and the focus is now on ensuring all our customers needs are now being met. We have established a turnaround plan for Gliderol and we are executing against this plan.

Sales by the Heating & Cooling segment fell 3%, due to lower demand. Brivis is predominantly a supplier to the Victorian detached housing market and this market is down approximately 8%. Trading EBIT was down 43%, reflecting the lower demand and the increased investment in new products.

Commenting on the Company's future priorities, Mr Crowley said "Our focus is on making sure our current businesses perform at an optimum level to take advantage of the recovery in the building sector. We will continue to execute our plans and ensure that our core Bathrooms & Kitchens business continues its positive growth momentum. We will ensure the Gainsborough business delivers on customer service now that stock levels have returned to normal, as well as executing the Gliderol turnaround plans. We continue to look at acquisition opportunities, but our focus is clearly on ensuring we maximise our performance in a recovering market.

"The 2013/14 full year trading EBIT (before restructuring and impairment expenses) is expected to be in the range of \$75 to \$78 million", concluded Mr Crowley.

For further information call:

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GWA Group Limited  
(07) 3109 6000

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City PR  
(02) 9267 4511  
0412 715 707

**GWA Group Limited**  
**ABN 15 055 964 380**

## **Directors' Report for the Half Year Ended 31 December 2013**

Your directors submit their report on the consolidated entity of *GWA Group Limited* and the entities it controlled for the half year ended 31 December 2013.

### **Directors**

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

D D McDonough, Chairman and Non-Executive Director  
J F Mulcahy, Deputy Chairman and Non-Executive Director  
P C Crowley, Managing Director  
R M Anderson, Non-Executive Director  
W J Bartlett, Non-Executive Director  
P A Birtles, Non-Executive Director  
R J Thornton, Executive Director  
G J McGrath, Non-Executive Director (Retired 30 October 2013)

### **Review of Operations**

Net profit after tax for the December 2013 half year of \$1.7 million is 89% lower than the same period last year. The significant driver of the lower profit performance was a \$17 million impairment to the carrying value of Gliderol goodwill, partly offset by \$3.6 million in lower restructuring expenses after tax than the prior year.

Trading earnings before interest and tax (EBIT) of \$34.1 million was 1% lower than the same period last year. Strong sales and profit growth in the Bathrooms & Kitchens business (excluding Hot Water) was offset by lower than expected performance in the other business units.

Trading profit after tax of \$20.3 million was 3% lower than the same period last year. The after tax result is in line with the EBIT decline.

Cash generated from trading operations for the half year of \$25.7 million represented a decrease of \$15.7 million from last year due to an increase in inventories. The Door & Access Systems business increased inventory following a supplier transition in China and the Bathrooms & Kitchens business has been building inventories in anticipation of increased demand commencing through the 2014 calendar year.

Net borrowings at 31 December 2013 of \$162.5 million are flat compared to the June 2013 year end position. The Company has a strong balance sheet and adequate financing facilities to fund growth and operating activities.

The Bathrooms and Kitchens segment comprising sanitaryware, hot water, tapware, baths, and kitchen and laundry products recorded sales of \$191 million for the half year, a decline of 1% on the same period last year. Revenue was adversely impacted by the Hot Water category where prices were reduced to compete and gain market share. Trading EBIT increased by 13% to \$37.5 million with EBIT from the Hot Water category declining. The Bathrooms & Kitchens business (excluding Hot Water) grew volumes by 4% and revenue by 7% in a market where new dwelling completions were relatively flat during the period.

The Door and Access Systems segment, comprising Gainsborough door hardware, Gliderol garage doors and API Locksmiths, recorded sales of \$70 million for the half year which was flat to last year. API Locksmiths was purchased in October 2012 and after adjusting for this acquisition, like for like sales decreased by 8% on the same period last year. Trading EBIT reduced by 70% to \$2 million driven predominantly by a sourcing transition in the Gainsborough business which disrupted supply. The Gliderol business continued to underperform during the first half and contributed to the overall decrease in Door and Access Systems performance.

The Heating and Cooling segment, comprising Brivis Climate Systems, recorded sales of \$27.5 million for the half year representing a decline of 3% on the same period last year. Brivis Climate Systems is predominantly a supplier to the Victorian detached housing market which is down approximately 8% on the prior year. Trading EBIT was lower, finishing down 43% on the same period last year, and this reflected the market decline and costs associated with investment in new products.

## Outlook

After remaining at a low level through the first half the lead indicators suggest that new dwelling completions will strengthen through the 2014 calendar year. GWA's products are typically sold and installed as dwellings approach completion so we expect a strong second half performance. Following the decline in the Australian dollar last year, price increases were taken through the first half which will be evident in the second half performance.

The Bathrooms & Kitchens business (excluding Hot Water) is expected to continue its strong performance having gained market share during the first half. The Gainsborough business has resolved its supply issues and the Gliderol business continues to improve which should enable the Door & Access Systems division to deliver a better second half performance.

In light of these factors we expect the 2013/14 full year trading EBIT (before restructuring and impairment expenses) to be in the range of \$75 to \$78 million.

## Interim Dividend

The Directors have not declared an interim dividend to shareholders as the Company has insufficient retained earnings at 31 December 2013 from which to pay an interim dividend. The Company expects to resume paying dividends out of profits from the final dividend for the 2013/14 year, in accordance with its normal dividend policy.

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

The Lead Auditor's Independence Declaration forms part of the Directors' Report for the half year ended 31 December 2013.

## Rounding

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

Signed in accordance with a resolution of the directors.



D D McDonough  
Chairman



P C Crowley  
Managing Director

Brisbane, 18 February 2014



GWA Group Limited and its controlled  
entities

31 December 2013 interim financial  
report

ABN 15 055 964 380

## GWA Group Limited and its controlled entities

### Consolidated statement of profit or loss and other comprehensive income

For the period ended 31 December 2013

<i>In thousands of AUD</i>	Note	31 Dec 2013	31 Dec 2012
Sales revenue	5	288,084	289,873
Cost of sales		(191,922)	(185,810)
<b>Gross profit</b>		96,162	104,063
Other income	6	704	3,154
Selling expenses		(38,051)	(46,470)
Administrative expenses		(22,862)	(24,782)
Other expenses	7	(21,086)	(8,977)
<b>Results from operating activities</b>		14,867	26,988
Finance income		354	845
Finance expenses		(6,130)	(7,464)
<b>Net financing costs</b>		(5,776)	(6,619)
<b>Profit before tax</b>		9,091	20,369
Income tax expense	9	(7,354)	(4,638)
<b>Profit for the period</b>		1,737	15,731
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences for foreign operations, net of income tax		681	121
Effective portion of changes in fair value of cash flow hedges, net of tax		(302)	136
<b>Other comprehensive income for the period, net of income tax</b>		379	257
<b>Total comprehensive income for the period</b>		2,116	15,988
<b>Earnings per share</b>			
Basic earnings per share (cents per share)		0.57	5.17
Diluted earnings per share (cents per share)		0.56	5.16

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

## GWA Group Limited and its controlled entities

### Consolidated statement of financial position

As at 31 December 2013

*In thousands of AUD*

	Note	31 Dec 2013	30 Jun 2013
<b>Current assets</b>			
Cash and cash equivalents		37,496	32,757
Trade and other receivables		104,326	111,461
Inventories		104,795	80,336
Other		3,541	2,223
<b>Total current assets</b>		<b>250,158</b>	<b>226,777</b>
<b>Non-current assets</b>			
Deferred tax assets		15,596	15,064
Property, plant and equipment		102,206	109,470
Intangible assets		369,743	387,248
Other		893	1,118
<b>Total non-current assets</b>		<b>488,438</b>	<b>512,900</b>
<b>Total assets</b>		<b>738,596</b>	<b>739,677</b>
<b>Current liabilities</b>			
Trade and other payables		82,397	75,371
Employee benefits		10,959	11,812
Income tax payable		4,145	919
Provisions		10,099	10,760
<b>Total current liabilities</b>		<b>107,600</b>	<b>98,862</b>
<b>Non-current liabilities</b>			
Loans and borrowings	11	200,000	195,000
Employee benefits		13,114	12,693
Provisions		7,846	6,380
<b>Total non-current liabilities</b>		<b>220,960</b>	<b>214,073</b>
<b>Total liabilities</b>		<b>328,560</b>	<b>312,935</b>
<b>Net assets</b>		<b>410,036</b>	<b>426,742</b>
<b>Equity</b>			
Issued capital		408,100	408,100
Reserves		(335)	(408)
Retained earnings		2,271	19,050
<b>Total equity</b>		<b>410,036</b>	<b>426,742</b>

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

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

For the period ended 31 December 2013

*In thousands of AUD*

	31 Dec 2013	31 Dec 2012
<b>Cash flows from operating activities</b>		
Cash receipts from customers	331,381	330,721
Cash paid to suppliers and employees	(307,711)	(298,426)
Cash generated from operations	23,670	32,295
Interest paid and facility fees	(5,769)	(7,083)
Interest received	354	525
Income taxes paid	(4,505)	(2,389)
<b>Net cash from operating activities</b>	<b>13,750</b>	<b>23,348</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	6,651	2,449
Acquisition of property, plant and equipment	(2,166)	(8,759)
Acquisition of intangibles	(639)	(2,847)
Acquisition of subsidiary, net of cash acquired	-	(12,745)
<b>Net cash from investing activities</b>	<b>3,846</b>	<b>(21,902)</b>
<b>Cash flows from financing activities</b>		
Repayment of employee share loans	263	1,114
Share listing fees paid	-	(11)
Drawdown of bank bills	5,000	20,000
Dividends paid, net of dividend reinvestment plan	(18,392)	(20,808)
<b>Net cash from financing activities</b>	<b>(13,129)</b>	<b>295</b>
Net increase/(decrease) in cash and cash equivalents	4,467	1,741
Cash and cash equivalents at 1 July	32,757	30,528
Effect of exchange rate fluctuations on cash held	272	23
<b>Cash and cash equivalents at 31 December</b>	<b>37,496</b>	<b>32,292</b>

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

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

For period ended 31 December 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
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	15,731	15,731
<i>Other comprehensive income</i>						
Foreign currency translation differences for foreign operations	-	121	-	-	-	121
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	136	-	-	136
Total other comprehensive income	-	121	136	-	-	257
Total comprehensive income for the period	-	121	136	-	15,731	15,988
<b>Transaction with owners, recorded directly in equity</b>						
Share-based payments, net of tax	-	-	-	(1,102)	70	(1,032)
Dividends to shareholders	-	-	-	-	(25,670)	(25,670)
Issue of shares	4,851	-	-	-	-	4,851
Total transactions with owners	4,851	-	-	(1,102)	(25,600)	(21,851)
Balance at 31 December 2012	403,781	(2,533)	(2,112)	1,311	20,674	421,121

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

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

For period ended 31 December 2013

<i>In thousands of AUD</i>	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total
Balance at 1 July 2013	408,100	(1,985)	(289)	1,866	19,050	426,742
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	1,737	1,737
<i>Other comprehensive income</i>						
Foreign currency translation differences for foreign operations	-	681	-	-	-	681
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(302)	-	-	(302)
Total other comprehensive income	-	681	(302)	-	-	379
Total comprehensive income for the period	-	681	(302)	-	1,737	2,116
<b>Transaction with owners, recorded directly in equity</b>						
Share-based payments, net of tax	-	-	-	(306)	(124)	(430)
Dividends to shareholders	-	-	-	-	(18,392)	(18,392)
Total transactions with owners	-	-	-	(306)	(18,516)	(18,822)
Balance at 31 December 2013	408,100	(1,304)	(591)	1,560	2,271	410,036

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

## Condensed notes to the consolidated interim financial statements

### 1. Reporting entity

GWA Group Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2013 is available from the Company's website [www.gwagroup.com.au](http://www.gwagroup.com.au).

### 2. Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2013.

This consolidated interim financial report was approved by the Board of Directors on 18 February 2014.

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

### 3. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2013, except as noted below.

#### Changes in accounting policy: new accounting standards

##### Fair value measurement

As of 1 July 2013, the consolidated entity includes a measure for credit risk in the calculations of assets and liabilities recorded at fair value. This change in accounting policy is due to the adoption of AASB 13 *Fair Value Measurement*. The change in accounting policy is applied prospectively and had no material impact on the fair value of the consolidated entity's assets and liabilities for the financial half year ended 31 December 2013.

##### Control and joint arrangements

The following standards have been adopted by the consolidated entity for the first time for the financial half year ended 31 December 2013:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*

As all entities within the consolidated entity are 100% owned subsidiaries, there has been no change in the accounting for the financial half year ended 31 December 2013 as a result of applying these standards.

### 4. Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2013.

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 note 10 - measurement of the recoverable amounts of intangible assets.

## Condensed notes to the consolidated interim financial statements (continued)

### 5. Operating segments

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

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

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.

<i>In thousands of AUD</i>	Bathrooms & Kitchens		Door & Access Systems		Heating & Cooling			Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2012
External sales revenue	190,775	192,604	70,172	70,389	27,137	26,876	288,084	289,869	
Inter-segment revenue	-	-	-	-	348	1,501	348	1,501	
Total sales revenue	190,775	192,604	70,172	70,389	27,485	28,377	288,432	291,370	
Segment result before restructuring & impairment	37,484	33,061	1,957	6,481	1,272	2,234	40,713	41,776	
Restructuring expenses	-	(5,009)	(1,717)	(1,162)	(145)	(595)	(1,862)	(6,766)	
Impairment	-	-	(17,000)	-	-	-	(17,000)	-	
Reportable segment profit/(loss) before income tax	37,484	28,052	(16,760)	5,319	1,127	1,639	21,851	35,010	
Depreciation	4,815	4,754	979	1,244	411	455	6,205	6,453	
Amortisation	-	2,187	423	396	276	642	699	3,225	
Capital expenditure	950	6,444	966	3,366	109	352	2,025	10,162	
<i>In thousands of AUD</i>	31 Dec 2013	30 Jun 2013	31 Dec 2013	30 Jun 2013	31 Dec 2013	30 Jun 2013	31 Dec 2013	30 Jun 2013	30 Jun 2013
Reportable segment assets	483,867	478,726	98,022	121,499	57,033	61,516	638,922	661,741	
Reportable segment liabilities	51,021	48,496	18,100	19,466	11,761	15,096	80,882	83,058	



## Condensed notes to the consolidated interim financial statements (continued)

### 5. Operating segments (continued)

#### Reconciliations of reportable segment revenues and profit

*In thousands of AUD*

	2013	2012
<b>Revenues</b>		
Total revenue for reportable segments	288,432	291,370
Unallocated amounts: corporate revenue	-	4
Elimination of inter-segment revenue	(348)	(1,501)
Consolidated revenue	288,084	289,873
<b>Profit</b>		
Total profit for reportable segments	21,851	35,010
Restructuring expenses: corporate	(418)	(825)
Unallocated amounts: corporate expenses	(6,566)	(7,197)
Profit from operating activities	14,867	26,988
Net financing costs	(5,776)	(6,619)
Consolidated profit before tax	9,091	20,369

### 6. Other income

**For the six months ended 31 December 2013**

*In thousands of AUD*

	2013	2012
Foreign currency gains - realised	7	-
Foreign currency gains - unrealised	245	166
Net gain on disposal of property, plant and equipment	-	469
Other	452	2,519
	704	3,154

### 7. Other expenses

**For the six months ended 31 December 2013**

*In thousands of AUD*

	2013	2012
Foreign currency losses - realised	1,632	21
Foreign currency losses - unrealised	-	71
Acquisition and disposal costs	-	810
Net loss on disposal of property, plant and equipment	174	-
Impairment loss	17,000	-
Restructuring expenses	2,280	8,075
	21,086	8,977

### 8. Net restructuring expenses

**For the six months ended 31 December 2013**

*In thousands of AUD*

	2013	2012
Restructuring income – gain on sale of property	-	484
Restructuring expenses	(2,280)	(8,075)
Tax benefit	684	2,423
Net restructuring expense after tax	(1,596)	(5,168)

## Condensed notes to the consolidated interim financial statements (continued)

### 9. Income tax expense

#### Recognised in the consolidated statement of profit or loss and other comprehensive income

<i>In thousands of AUD</i>	2013	2012
<b>Current tax expense</b>		
Current year	7,894	1,500
Adjustments for prior years	(139)	(642)
	7,755	858
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(401)	3,780
<b>Income tax expense</b>	7,354	4,638

#### Numerical reconciliation between tax expense and pre-tax net profit

<i>In thousands of AUD</i>	2013	2012
Profit before tax	9,091	20,369
Income tax using the domestic tax rate of 30% (2012: 30%)	2,727	6,111
Increase in income tax expense due to:		
Non-deductible expenses	14	59
Non-deductible impairment loss	5,100	-
Tax losses not recognised	-	19
Decrease in income tax expense due to:		
Effect of tax rate in foreign jurisdictions	(21)	(41)
Deductible share-based payments	(92)	(330)
Capital gains offset with prior capital losses	-	(153)
Rebateable research and development	(235)	(385)
	7,493	5,280
Over provided in prior years due to:		
Rebateable research and development	(444)	(1,210)
Non-deductible capital losses	217	709
Other	88	(141)
	(139)	(642)
<b>Income tax expense on pre-tax net profit</b>	7,354	4,638

## Condensed notes to the consolidated interim financial statements (continued)

### 10. Intangible assets

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

<i>In thousands of AUD</i>	2013	2012
CaromaDorf	284,183	284,122
Dux	6,000	6,000
Bathrooms & Kitchens	290,183	290,122
API Locksmiths	4,556	4,556
Gainsborough	20,049	20,049
Gliderol	7,075	24,075
Door & Access Systems	31,680	48,680
Heating & Cooling	20,834	20,834
	<u>342,697</u>	<u>359,636</u>

#### Impairment testing for brand names and goodwill

The recoverable amounts of all brand names and goodwill were assessed at 31 December 2013 based on internal value in use calculations. 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 2.50% in calculating terminal values of the units, which does not exceed the long-term average growth rate for the industry.
- A post-tax discount rate of 10.70% was used.

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 all cash generating units, except for Gliderol, exceeds their carrying values at 31 December 2013. The Gliderol business has underperformed in the six months to 31 December 2013 recording poor trading results. As a consequence, the carrying value of the Gliderol business exceeds its recoverable amount by \$17,000,000 and an impairment loss has been recognised in 'other expenses'.

## Condensed notes to the consolidated interim financial statements (continued)

### 11. Loans and borrowings

The consolidated entity has unsecured bank loans of \$200,000,000 as at 31 December 2013 (30 June 2013: \$195,000,000). The movement is due to a drawdown of borrowings of \$5,000,000. The notional amount of the interest-bearing loans is deemed to reflect the fair value. The interest-bearing loans are split between three year and five year terms. The loans bear interest at market rates and interest is typically payable every 30 to 90 days. The consolidated entity hedges its exposure to variable interest rates through interest rate swap transactions.

### 12. Capital and reserves

#### Share capital

*In thousands of shares*

	Ordinary shares
On issue at 1 July 2012	302,006
Issue of shares	2,701
Balance at 31 December 2012	<u>304,707</u>
Balance at 1 July 2013	306,534
Issue of shares	-
Balance at 31 December 2013	<u>306,534</u>

#### Dividends

The following dividends were paid by the consolidated entity.

#### For the six months ended 31 December 2013

*In thousands of AUD*

	2013	2012
Franked dividends paid		
- Final dividend 4 October 2013 (6.0c per share, 2012 8.5c)	18,392	25,670
Total dividends paid	<u>18,392</u>	<u>25,670</u>

## Condensed notes to the consolidated interim financial statements (continued)

### 13. Financial instruments

#### Estimation of fair values

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

#### 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*

#### 31 December 2013

Forward exchange contracts used for hedging

Interest rate swaps used for hedging

	Level 1	Level 2	Level 3	Total
	-	34,629	-	34,629
	-	-	-	-
	-	34,629	-	34,629
	-	(33,868)	-	(33,868)
	-	(1,606)	-	(1,606)
	-	(35,474)	-	(35,474)

#### 30 June 2013

Forward exchange contracts used for hedging

Interest rate swaps used for hedging

	-	23,988	-	23,988
	-	-	-	-
	-	23,988	-	23,988
	-	(22,461)	-	(22,461)
	-	(1,939)	-	(1,939)
	-	(24,400)	-	(24,400)

Forward exchange contracts used for hedging

Interest rate swaps used for hedging

## Condensed notes to the consolidated interim financial statements (continued)

### 14. Contingencies

#### Environmental remediation

In previous financial years, the consolidated entity investigated and reported environmental contamination issues at a factory site at Revesby New South Wales. The 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 remediation requirements at the Revesby site were completed during the half year ended 31 December 2013.

#### Brivis evaporative recall

Since the acquisition of Brivis in April 2010, the consolidated entity has continued product recalls commenced by the former owner, Carrier, for Brivis evaporative coolers manufactured between August 2000 and November 2003 due to defective components. The total cost of the product recalls 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 \$1,069,000 was submitted to Carrier in December 2013 under the Brivis purchase agreement. No amount has been received from Carrier to date.

The directors believe the provision at 31 December 2013 of \$756,000 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 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. The consolidated entity has outlined its own claims against Carlyle for breach of contract and infringement of Caroma's intellectual property rights. In November 2013, the consolidated entity and Carlyle commenced settlement discussions in an attempt to resolve the matter however no agreement has been reached to date.

An amount of \$380,000 has been provided at 31 December 2013 in respect of this matter which the directors believe is adequate.

### 15. Subsequent events

To the Director's best knowledge, there are no events that have arisen subsequent to 31 December 2013 that will, or may, significantly affect the operation or results of the consolidated entity.

## Directors' Declaration

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

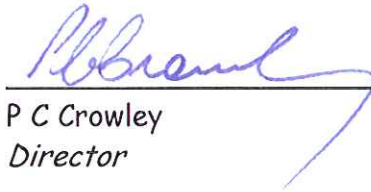
1. The financial statements and notes are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2013 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 18 day of February 2014.

Signed in accordance with a resolution of the directors:



\_\_\_\_\_  
D'D McDonough  
*Director*



\_\_\_\_\_  
P C Crowley  
*Director*



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

### **Report on the financial report**

We have reviewed the accompanying interim financial report of GWA Group Limited, which comprises the consolidated statement of financial position as at 31 December 2013, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *Directors' responsibility for the interim financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of GWA Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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





*Conclusion*

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

WFG

KPMG

A handwritten signature in blue ink, appearing to read 'Greg Boydell'.

Greg Boydell  
*Partner*

Sydney

18 February 2014



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

To: the directors of GWA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

*KPG*

KPMG

Greg Boydell

*Partner*

Sydney

18 February 2014