



GWA
Group Limited

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

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

GPO Box 1411
Brisbane QLD 4001

16 February 2016

ASX On-Line

Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results for the Half Year Ended 31 December 2015

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

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

On 16 February 2016 at 10:00 am (AEDT), GWA will be hosting a webcast of its FY16 half year results briefing. The webcast is accessible via the GWA website at www.gwagroup.com.au.

Yours faithfully

R J Thornton
Executive Director



**Appendix 4D
Half year Report
Period Ended 31 December 2015**

GWA GROUP LIMITED			
ABN	Half Yearly	Preliminary Final	Half year ended ('current period')
15 055 964 380	✓		31 December 2015

Results for announcement to the market

				\$A'000	
				31 Dec 2015	31 Dec 2014 ¹
<u>Statutory Reported Revenue</u>					
Total Revenues from ordinary activities	Down	27%	to	224,961	306,856
<u>Statutory Reported Profit After Significant Items</u>					
Net profit / (loss) for the period from continuing operations attributable to members	Up	>100%	to	24,183	(10,612)
Net loss for the period from discontinued operations attributable to members	Down	80%	to	(424)	(2,156)
Total net profit / (loss) for the period attributable to members	Up	>100%	To	23,759	(12,768)
¹ Prior period includes the results of the Dux Hot Water, Brivis Heating & Cooling and Gliderol Garage Doors businesses which were divested in December 2014, February 2015 and July 2015 respectively.					

				\$A'000	
				31 Dec 2015	31 Dec 2014
<u>Continuing Operations</u>					
Revenues from ordinary activities	Up	4%	To	220,163	211,956
Normalised earnings before interest and tax ²	Up	6%	to	36,817	34,882
Normalised profit after tax ²	Up	19%	to	24,183	20,363
Net significant items from continuing operations after tax				-	(30,976)
<u>Discontinued Operations</u>					
Revenues from ordinary activities	Down	95%	to	4,798	94,900
Normalised (loss) / earnings before interest and tax ²	Up	>100%	to	(606)	5,003
Normalised (loss) / profit after tax ²	Up	>100%	to	(424)	3,686
² excludes significant items					

Normalised profit before significant items is a non-IFRS measure reported to provide a greater understanding of the underlying business performance of the Group. The disclosures are extracted or derived from the financial report for the half year ended 31 December 2015 but have not been subject to review or audit.

<u>Dividends</u>	Amount Per Security	Franked Amount Per Security	
Current period:- Ordinary dividend ³	7.0 cents	7.0 cents	
Previous corresponding period:- Ordinary dividend	-	-	
³ The record date for determining entitlements to the dividend is 18 March 2016 and the dividend is payable on 5 April 2016.			
<u>Net tangible assets</u>	Current Period	Previous Corresponding Period	
Net tangible asset backing per ordinary security	\$0.02	\$0.22	
Net asset backing per ordinary security	\$1.17	\$1.30	
<u>Entities disposed of during the year</u>	Date of loss of control	Contribution to statutory reported profit/(loss) before tax for the period \$A'000	
		31 Dec 2015	31 Dec 2014
Gliderol International Pty Limited	31 July 2015	(606)	(1,878)
Brief explanation of the figures reported above:			
Refer to the attached Media Release for the review of operations.			
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.



GWA
Group Limited

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

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

GPO Box 1411
Brisbane QLD 4001

16 February 2016

MEDIA RELEASE

GWA increases net profit by 19% and declares fully-franked interim dividend of 7.0 cents per share¹

- NPAT up 19% to \$24.2 million
- EBIT up 6% to \$36.8 million
 - Bathrooms & Kitchens EBIT up 2%
 - Door & Access Systems EBIT up 12%
 - Corporate costs down 9% as cost savings from restructuring start to flow through
- Earnings per share up 19%
- Net debt 12% lower than prior corresponding period; credit metrics continue in line with investment grade
- Dividend policy to pay out 65-85% of NPAT
- Resumption of ordinary dividends with interim fully-franked dividend of 7.0 cents per share
- Refocused strategy to capitalise on core brands and assets in Bathrooms & Kitchens and Door & Access Systems
- Market share strengthened in 2nd quarter from new product launches and growth initiatives
- Strong platform expected to lead to improved second half performance with 2HFY16 EBIT expected to be higher than 1HFY16

Group Results

A\$ million	1HFY15	1HFY16	% change
Sales Revenue	212.0	220.2	3.9
EBITDA	40.7	39.8	(2.2)
EBIT	34.9	36.8	5.5
NPAT (pre Sig. Items)	20.4	24.2	18.6
NPAT(after Sig. Items)	(10.6)	24.2	n/m

Bathrooms & Kitchens

A\$ million	1HFY15	1HFY16	% change
Sales Revenue	163.0	169.8	4.2
EBIT	40.3	41.0	1.7
EBIT Margin	24.7%	24.2%	(0.5)pp

Door & Access Systems

A\$ million	1HFY15	1HFY16	% change
Sales Revenue	49.0	50.4	2.9
EBIT	3.4	3.8	11.8
EBIT Margin	7.0%	7.6%	0.6pp

¹ Unless specified, all amounts and comparisons in this release are based on normalised results (before significant items) in respect of Continuing Operations which exclude the Brivis Climate Systems and Dux Hot Water businesses which were divested in FY15 and the Gliderol Garage Doors business which was divested on 31 July 2015.

Results

GWA Group Limited, a leading supplier of fixtures and fittings to households and commercial premises, today announced a 19 per cent increase in net profit after tax to \$24.2 million for the half-year ended 31 December 2015.

Revenue increased by 4 per cent, broadly in line with the market growth of the key end markets for GWA products which increased by approximately 5 per cent. GWA market share improved in the second quarter following the launch of new products and other customer-focused initiatives.

EBIT increased by 6 per cent to \$36.8 million, driven by improved earnings in the Bathrooms & Kitchens' and Door & Access Systems' divisions, together with a reduction in corporate costs of 9 per cent as savings from the restructuring announced in June 2015 started to flow through.

On a reported basis which includes discontinued operations after Significant Items, GWA reports NPAT of \$23.8 million compared to a net loss of \$(12.8) million for the prior corresponding period.

A detailed breakdown for each operating division together with a market overview is set out in the attachment to this release.

Financial Position and Capital Management

GWA remains in a strong financial position with net debt of \$90.8 million at 31 December 2015 down 12 per cent compared to the prior corresponding period.

Credit metrics continue to remain consistent with investment grade with the company's gearing ratio of 22 per cent compared to 21 per cent at 31 December 2014 and leverage ratio of 1.2 times steady on the prior corresponding period.

Interest cover ratio was 14.8 times at 31 December 2015 compared to 10.0 times for the prior comparable period.

GWA's syndicated banking facility was extended in October 2015 to a three-year revolving \$225 million facility which matures in October 2018.

Cashflow from operations was \$32.5 million compared to \$43.1 million for the prior corresponding period. The reduction was largely due to the \$8.9 million increase in working capital from the impact of the lower Australian dollar and an increase in stock build in the first half to support new product launches. GWA expects inventory to be restored to lower levels in the second half as these products are released to the market which will assist in improved operating cashflow in the second half.

Dividend Policy and Interim Dividend

Given the significant progress in strengthening the Group's financial position, the Board has adopted a policy to pay 65-85 per cent of NPAT as ordinary dividends. In determining the dividend policy, the Board's primary consideration is to ensure that GWA's ongoing financial strength and flexibility is balanced with maximising returns to shareholders. The Board will continue to monitor this policy and may make adjustments to reflect market conditions and the company's financial position.

In line with the policy, the Board resolved to pay an interim dividend of 7.0 cents per share fully-franked which is at the higher end of the policy range. The record date for entitlement to receive the interim dividend will be 18 March 2016 with the dividend being paid on 5 April 2016. The Dividend Reinvestment Plan will not be offered to shareholders for the interim dividend.

As at Friday 12 February 2016, the company has bought back 11.2 million shares (approximately 4 per cent of shares on issue) under the on-market share buyback program implemented on 1 December 2015. The company had 267,708,156 shares on issue as at 12 February 2016.

Outlook

GWA Chief Executive Officer, Tim Salt said the business improved its performance in the second quarter which provides a strong platform for the second half of the year.

"We are working to improve market share across our core product categories, through the launch of new products and working closely with our key customers.

"In the meantime, we are seeing the benefits of the restructuring we announced in June 2015 flow through in terms of lower costs. We remain focused on addressing the company's cost base and expect to see lower costs in the second half.

"We monitor the exchange rates closely and adopt appropriate mitigation strategies. Approximately 75 per cent of our foreign exchange exposure is hedged for the remainder of this financial year. Price increases will take effect from March 2016 to reflect the proportion of our unhedged exposure and we will assess any potential impact on volume from pricing.

"We expect the market to grow in the second half albeit more slowly, off a high base, than in first half FY16.

"Based on current market conditions, we expect second half EBIT will be higher than 1HFY16 while operating cash flow will benefit from a reduction in working capital."

For further information call:

Martin Cole
Capital Market Communications
0403 332 977

Patrick Gibson
GWA Group Limited
02 9814 7377

ATTACHMENT

Bathrooms & Kitchens

A\$ million	1HFY15	1HFY16	% change
Sales Revenue	163.0	169.8	4.2
EBIT	40.3	41.0	1.7
EBIT Margin	24.7%	24.2%	(0.5)pp

Revenue in Bathrooms & Kitchens division increased by 4 per cent to \$170 million reflecting improved pricing to mitigate the impact of the lower Australian dollar and slightly higher volume. Revenue growth was broadly in line with end market growth of approximately 5 per cent.

Market share improved in the second quarter, particularly in tapware and sanitaryware, following several initiatives to build share in these categories. These include the launch of a new range of tapware where market response has been encouraging.

Product mix also improved in the second quarter resulting in earnings improvement.

EBIT of \$41.0 million increased by 2 per cent on the prior corresponding period.

In response to the lower Australian dollar, effective price increases of approximately 5 per cent were implemented in September with further planned price increases of an average 4 per cent in March 2016.

Door & Access Systems

A\$ million	1HFY15	1HFY16	% change
Sales Revenue	49.0	50.4	2.9
EBIT	3.4	3.8	11.8
EBIT Margin	7.0%	7.6%	0.6pp

Revenue in Door and Access Systems increased by 3 per cent to \$50 million on the prior corresponding period.

Earnings increased on the prior corresponding period from the reorganised sales team's focus on its core business, improved pricing to mitigate the decline in the Australian dollar and continued strong focus on cost containment.

EBIT increased by 12 per cent to \$3.8 million compared to \$3.4 million in the prior corresponding period, with an improvement in EBIT margin to 7.6 per cent from 7.0 per cent previously.

Market conditions²

In total, GWA estimates that the increase in market activity weighted across its key end markets was approximately 5 per cent for the period.

- Total new dwelling completions to the end of December 2015 are forecast to have increased by 9 per cent on a moving annual total (MAT) basis.
- Detached houses completions (representing approximately 23 per cent of GWA revenue) increased by 11 per cent while medium and high-density dwelling completions (approximately 10% of GWA revenue) increased by 6 per cent.
- On a value of work done basis, non-residential building activity (approximately 15% of GWA revenue) is forecast to have remained flat (MAT).
- Market activity for home renovations and replacements, (approximately 52% of GWA revenue) is forecast to have increased by 2 per cent (MAT).

² Source for Dwelling Commencements, Completions, Renovations and Replacements and Non-residential Building Activity is BIS Shrapnel

Directors' Report for the Half Year Ended 31 December 2015

Your directors submit their report on the consolidated entity of GWA Group Limited (the Group) and the entities it controlled for the half year ended 31 December 2015.

Directors and Chief Executive Officer

The names of the directors and Chief Executive Officer of the Group during the half year and up to the date of this report are listed 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
T R Salt, Chief Executive Officer (appointed 1 January 2016)
R M Anderson, Non-Executive Director
W J Bartlett, Non-Executive Director
P A Birtles, Non-Executive Director
R J Thornton, Executive Director
P C Crowley, Managing Director (retired 31 December 2015)

Review of Operations

A review of operations for the Group for the half year ended 31 December 2015 and the results of those operations are set out in the attached media release.

Interim Dividend

The directors have declared a fully franked interim dividend to shareholders of 7.0 cents per share. The record date for the interim dividend is 18 March 2016 and is payable on 5 April 2016. The Dividend Reinvestment Plan will not be offered to shareholders for the interim dividend and remains suspended.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration forms part of the Directors' Report for the half year ended 31 December 2015.

Rounding

The Group 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.

This Directors' Report is made out in accordance with a resolution of the directors.



Darryl D McDonough
Chairman



John F Mulcahy
Deputy Chairman

Sydney, 16 February 2016

GWA Group Limited and its controlled entities

**31 December 2015
Interim Financial Report**

ABN 15 055 964 380

Consolidated statement of profit or loss and other comprehensive income

GWA Group Limited and its controlled entities

For the half year period ended

In thousands of AUD

	Note	31 Dec 2015	Restated* 31 Dec 2014
Continuing operations			
Sales revenue	5	220,163	211,956
Cost of sales		(130,584)	(125,041)
Gross profit		89,579	86,915
Other income	7	608	248
Selling expenses		(31,079)	(30,213)
Administrative expenses		(22,275)	(21,726)
Other expenses	8	(16)	(44,593)
Operating profit / (loss)		36,817	(9,369)
Finance income		262	359
Finance expenses		(3,553)	(5,088)
Net finance costs		(3,291)	(4,729)
Profit / (loss) before tax	5	33,526	(14,098)
Tax (expense) / benefit	10	(9,343)	3,486
Profit / (loss) from continuing operations		24,183	(10,612)
Discontinued operations			
Loss from discontinued operations, net of tax	6A	(424)	(2,156)
Profit / (loss) for the period		23,759	(12,768)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		26	305
Cash flow hedges, net of tax		(899)	1,151
Other comprehensive income for the period, net of tax		(873)	1,456
Total comprehensive income / (loss) for the period		22,886	(11,312)
Earnings / (loss) per share (cents)			
Total			
Basic		8.52	(4.58)
Diluted		8.48	(4.58)
Continuing operations			
Basic		8.67	(3.80)
Diluted		8.63	(3.80)

*Refer to Note 6 Discontinued operations and Note 12 Capital and reserves.

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

GWA Group Limited and its controlled entities

As at

In thousands of AUD

	Note	31 Dec 2015	30 June 2015
Current assets			
Cash and cash equivalents		38,340	33,043
Trade and other receivables		53,961	63,885
Inventories		91,138	83,498
Other		4,353	2,502
Assets classified as held for sale		-	15,339
Total current assets		187,792	198,267
Non-current assets			
Deferred tax assets		21,416	22,103
Property, plant and equipment		10,840	13,937
Intangible assets		315,505	316,549
Other		357	322
Total non-current assets		348,118	352,911
Total assets		535,910	551,178
Current liabilities			
Trade and other payables		40,539	47,599
Employee benefits		6,815	7,559
Income tax payable		2,943	8,857
Provisions		23,598	31,771
Liabilities associated with assets classified as held for sale		-	6,023
Total current liabilities		73,895	101,809
Non-current liabilities			
Loans and borrowings	11	125,000	125,000
Employee benefits		8,830	9,337
Provisions		7,909	9,138
Total non-current liabilities		141,739	143,475
Total liabilities		215,634	245,284
Net assets		320,276	305,894
Equity			
Issued capital	12	330,253	337,942
Reserves		(1,950)	(51)
Accumulated losses		(8,027)	(31,997)
Total equity		320,276	305,894

The statement of financial position is to be read in conjunction with the accompanying notes.

The Gliderol business was sold in July 2015 and classified as a discontinued operation (refer to Note 6 Discontinued operations). The 30 June 2015 statement of financial position includes the assets and liabilities associated with the Gliderol business within assets and liabilities classified as held for sale.

Consolidated statement of cash flows

GWA Group Limited and its controlled entities

For the half year period ended

In thousands of AUD

	31 Dec 2015	31 Dec 2014
Cash flows from operating activities		
Receipts from customers	259,030	352,867
Payments to suppliers and employees	(235,925)	(316,872)
Cash generated from operations	23,105	35,995
Interest and facility fees paid	(3,394)	(4,944)
Interest received	262	359
Income taxes paid	(11,415)	(8,606)
Net cash from operating activities	8,558	22,804
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	30	33
Acquisition of property, plant and equipment	(722)	(1,914)
Acquisition of intangible assets	(244)	(1,342)
Proceeds from business disposals, net of transaction costs	3,833	42,980
Net cash from investing activities	2,897	39,757
Cash flows from financing activities		
Proceeds from borrowings	-	15,000
Repayment of borrowings	-	(20,000)
Dividends paid	-	(16,859)
Share based payments	(44)	-
Payment for on-market share buy-back	(7,647)	-
Net cash from / (used in) financing activities	(7,691)	(21,859)
Net (decrease) / increase in cash and cash equivalents	3,764	40,702
Cash and cash equivalents at 1 July	33,043	29,873
Cash within assets held for sale at 1 July / (in the prior period)	1,327	(2,193)
Effect of exchange rate fluctuations on cash held	206	61
Cash and cash equivalents at 31 December	38,340	68,443

The statement of cash flows is to be read in conjunction with the accompanying notes.

The cash flows of Gliderol are included in the consolidated statement of cash flows for the period ended 31 December 2015 only for the part of the period that they were owned by GWA Group Limited and its controlled entities. The 31 December 2014 consolidated statement of cash flows included Gliderol for the entire half year period and has not been re-stated. Accordingly, the consolidated statements of cash flows for the periods ended 31 December 2015 and 31 December 2014 are not comparable.

Consolidated statement of changes in equity

GWA Group Limited and its controlled entities

For the half year period ended 31 December 2015

In thousands of AUD

	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings / (Accumulated losses)	Total
Balance at 1 July 2015	337,942	(1,150)	(1,081)	2,180	(31,997)	305,894
Total comprehensive income for the period						
Profit for the period	-	-	-	-	23,759	23,759
<i>Other comprehensive income</i>						
Exchange differences on translation of foreign subsidiaries, net of tax	-	26	-	-	-	26
Cash flow hedges, net of tax	-	-	(899)	-	-	(899)
Other comprehensive income	-	26	(899)	-	-	(873)
Total comprehensive income	-	26	(899)	-	23,759	22,886
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	(44)	-	-	(1,026)	211	(859)
On-market share buy-back, net of tax	(7,645)	-	-	-	-	(7,645)
Total transactions with owners	(7,689)	-	-	(1,026)	211	(8,504)
Balance at 31 December 2015	330,253	(1,124)	(1,980)	1,154	(8,027)	320,276

The statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity (continued)

GWA Group Limited and its controlled entities

For the half year period ended 31 December 2014

In thousands of AUD

	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings / (Accumulated losses)	Total
Balance at 1 July 2014	408,100	(1,141)	(1,908)	1,808	19,130	425,989
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(12,768)	(12,768)
<i>Other comprehensive income</i>						
Exchange differences on translation of foreign subsidiaries, net of tax	-	305	-	-	-	305
Cash flow hedges, net of tax	-	-	1,151	-	-	1,151
Other comprehensive income	-	305	1,151	-	-	1,456
Total comprehensive income / (loss)	-	305	1,151	-	(12,768)	(11,312)
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	-	-	-	351	307	658
Dividends declared	-	-	-	-	(16,859)	(16,859)
Total transactions with owners	-	-	-	351	(16,552)	(16,201)
Balance at 31 December 2014	408,100	(836)	(757)	2,159	(10,190)	398,476

The statement of changes in equity is to be read in conjunction with the accompanying notes.

Condensed notes to the consolidated interim financial statements

GWA Group Limited and its controlled entities

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 half year period ended 31 December 2015 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 2015 is available from the Company's website www.gwagroup.com.au.

2. Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2015.

This consolidated interim financial report was approved for issue by the Board of Directors on 16 February 2016.

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 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 2015, except as noted below.

Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted by the consolidated entity for the first time in the half year period ended 31 December 2015:

- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

The initial adoption of the above revision has not had a material impact on the amounts reported in the consolidated interim financial report.

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 2015.

Condensed notes to the consolidated interim financial statements (continued)

GWA Group Limited and its controlled entities

5. Operating segments

The consolidated entity has two continuing 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, kitchen sinks, laundry tubs, and bathroom accessories.
- Door & Access Systems – This segment includes the sale of door locks and levers and supply and maintenance of commercial door systems.

Discontinued operations in the current reporting period include the sale of garage doors and openers (Gliderol Garage Doors). The sale of garage doors and openers was previously reported within the Door & Access Systems segment. Following the sale of the Gliderol business on 31 July 2015 (refer note 6), the prior period comparatives have been re-stated to show the sale of garage doors and openers within discontinued operations. As a result, the prior period comparative discontinued operations include the water heaters (Dux Hot Water), ducted heating and climate control systems (Brivis Heating & Cooling) and Gliderol Garage Doors businesses.

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.

Condensed notes to the consolidated interim financial statements (continued)

GWA Group Limited and its controlled entities

5. Operating segments (continued)

For the half year period ended 31 December

In thousands AUD

	Bathrooms & Kitchens			Door & Access Systems			Discontinued Operations			Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
Sales revenue	169,753	162,990	50,410	48,966	4,798	94,900	224,961	306,856			
Segment result before significant items and tax	41,000	40,254	3,829	3,431	(606)	5,003	44,223	48,688			
Restructuring costs	-	(40,816)	-	-	-	-	-	(40,816)			
Impairment on re-measurement to fair value	-	-	-	-	-	(1,546)	-	(1,546)			
Supplier compensation payment	-	(995)	-	-	-	-	-	(995)			
Loss on disposal of discontinued operations	-	-	-	-	-	(1,288)	-	(1,288)			
Brivis disposal costs	-	-	-	-	-	(3,820)	-	(3,820)			
Other significant items	-	-	-	-	-	(476)	-	(476)			
Reportable segment profit / (loss) before tax	41,000	(1,557)	3,829	3,431	(606)	(2,127)	44,223	(253)			
Depreciation	1,001	3,153	464	493	103	2,092	1,568	5,738			
Amortisation	-	-	203	203	41	525	244	728			
Capital expenditure	317	317	348	219	44	1,365	709	1,901			
As at	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015	
Reportable segment assets	403,255	408,294	65,445	63,555	-	10,490	468,700	482,339			
Reportable segment liabilities	53,480	66,609	11,917	12,433	-	6,023	65,397	85,065			

Condensed notes to the consolidated interim financial statements (continued)

GWA Group Limited and its controlled entities

5. Operating segments (continued)

Reconciliations of reportable segment revenues and profit or loss

For the half year period ended 31 December

In thousands AUD

Revenues

	2015	2014
Sales revenue for reportable segments	224,961	306,856
Elimination of discontinued operations	(4,798)	(94,900)
Consolidated revenue – continuing operations	220,163	211,956

Profit

Total profit for reportable segments	44,223	(253)
Elimination of discontinued operations	606	2,127
Other significant items	-	(1,432)
Restructuring costs: corporate	-	(1,008)
Unallocated amounts: corporate expenses	(8,012)	(8,803)
Profit from operating activities	36,817	(9,369)
Net financing costs	(3,291)	(4,729)
Consolidated profit / (loss) before tax – continuing operations	33,526	(14,098)

6. Discontinued operations

During the period ended 31 December 2015, the Gliderol business was sold with an effective date of 31 July 2015. The operating activities of Gliderol were classified as a discontinued operation and the associated assets and liabilities classified as held for sale at 30 June 2015 but not at 31 December 2014. The comparative statement of comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

A. Results of discontinued operations

For the half year period ended 31 December

In thousands AUD

	2015	2014
Revenue	4,798	94,900
Expenses	(5,404)	(95,739)
Loss from operating activities	(606)	(839)
Tax benefit / (expense) on operating activities	182	(29)
Loss from operating activities, net of tax	(424)	(868)
Loss on sale of the discontinued operations	-	(1,288)
Loss for the period	(424)	(2,156)
Basic loss per share (cents per share)*	(0.15)	(0.78)
Diluted loss per share (cents per share)*	(0.15)	(0.78)

*On 9 June 2015, a share consolidation was completed through the conversion of each fully paid share in GWA to 0.9100 fully paid ordinary shares. The weighted average number of ordinary shares at 31 December 2014 has been re-calculated as if the share consolidation had occurred on the same date in the prior year in order to present earnings per share on a consistent basis period-on-period. Refer to Note 12 for further details.

Condensed notes to the consolidated interim financial statements (continued)

GWA Group Limited and its controlled entities

6. Discontinued operations (continued)

B. Cash flows from discontinued operations

For the half year period ended 31 December
In thousands AUD

	2015	2014
Net cash from operating activities	1,745	4,398
Net cash from investing activities	3,790	40,936
Net cash from discontinued operations	5,535	45,334

C. Effect of disposal of Gliderol on the financial position of the consolidated entity

As at

In thousands AUD

	31 Dec 2015
Total assets	(11,862)
Total liabilities	6,352
Net assets and liabilities disposed of	(5,510)
Consideration proceeds	7,000
Cash and cash equivalents disposed of	(130)
Net cash inflow	6,870

Working capital adjustments related to the Gliderol divestment are subject to change and will be finalised by 30 June 2016.

7. Other income

For the half year period ended 31 December
In thousands AUD

	2015	2014
Foreign currency gains – realised	7	-
Foreign currency gains – unrealised	328	-
Other – royalties, scrap income	273	248
	608	248

8. Other expenses

For the half year period ended 31 December
In thousands AUD

	2015	2014
Foreign currency losses – realised	7	65
Foreign currency losses – unrealised	-	72
Restructuring costs	-	41,824
Other	9	2,632
	16	44,593

Condensed notes to the consolidated interim financial statements (continued)

GWA Group Limited and its controlled entities

9. Net restructuring costs

For the half year period ended 31 December

In thousands AUD

	2015	2014
Restructuring costs	-	41,824
Tax benefit	-	(12,547)
Net restructuring costs after tax	-	29,277

10. Income tax expense

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

For the half year period ended 31 December

In thousands AUD

	2015	2014
Tax expense / (benefit) from continuing operations	9,343	(3,486)
Tax (benefit) / expense from discontinued operations	(182)	29
Total tax expense / (benefit)	9,161	(3,457)

Numerical reconciliation between tax expense and pre-tax net profit

For the half year period ended 31 December

In thousands AUD

	2015	2014
Profit / (loss) from continuing operations before tax	33,526	(14,098)
Profit / (loss) from discontinued operations before tax	(606)	(2,127)
Profit / (loss) before tax	32,920	(16,225)
Tax expense / (benefit) using the domestic tax rate of 30% (2014: 30%)	9,876	(4,868)
Tax expense / (benefit) due to:		
Capital loss on disposal of discontinued operations	-	386
Non-deductible impairment loss	-	506
Non-assessable accounting gain on disposal of capital gains tax assets	(419)	-
Other items	(296)	(268)
	(715)	624
Under provided in prior years	-	787
Tax expense / (benefit) on pre-tax net profit	9,161	(3,457)

11. Loans and borrowings

On 23 October 2015, GWA successfully completed the extension of its syndicated banking facility. The facility now comprises a single three year revolving facility of \$225 million which matures in October 2018. Prior to 23 October 2015 and for the year ended 30 June 2015, the facility matured in October 2017.

The consolidated entity has unsecured bank loans of \$125,000,000 as at 31 December 2015 (30 June 2015: \$125,000,000). The notional amount of the interest-bearing loans is deemed to reflect the fair value.

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

Condensed notes to the consolidated interim financial statements (continued)

GWA Group Limited and its controlled entities

12. Capital and reserves

Share capital

For the half year period ended 31 December

In thousands AUD

	Ordinary shares		AUD	
	2015	2014	2015	2014
Balance at 1 July	278,948	306,534	337,942	408,100
Capital return to holders of FY13 LTI grant	-	-	(44)	-
On-market buy-back shares acquired and cancelled	(4,095)	-	(7,645)	-
Balance at 31 December	274,853	306,534	330,253	408,100

Share buy-back

On 16 November 2015, GWA announced its intention to commence an on-market share buy-back program as part of its ongoing capital management initiatives. The consolidated entity intends to buy-back up to \$30 million of its ordinary shares over the next 12 months starting on 1 December 2015. At 31 December 2015, 4,094,849 shares, representing 1.5% of GWA's issued share capital, were purchased on-market and subsequently cancelled. The ordinary shares were bought back at an average price of \$1.87 per share for a total cost of \$7,644,654 (including \$5,348 of associated transaction costs, net of income tax).

Share consolidation

On 29 May 2015, GWA shareholders approved a consolidation of the Company's share capital through the conversion of each fully paid ordinary share in GWA into 0.9100 fully paid ordinary shares. Upon the completion of the share consolidation on 9 June 2015, the number of the Company's shares on issue reduced from 306,533,770 to 278,947,986 at 30 June 2015. The weighted average number of ordinary shares used to calculate earnings per share at 31 December 2014 has been re-calculated as if the share consolidation had occurred on the same date in the prior year in order to present earnings per share on a consistent basis period-on-period.

Dividends

The following dividends were paid by the consolidated entity:

For the half year period ended 31 December

In thousands AUD

	2015	2014
Franked dividends paid:		
Final 2014 ordinary (paid 8 October 2014, 5.5c per share)	-	16,859
Total dividends paid	-	16,859

On 16 February 2016, the Board declared an interim ordinary dividend of 7.0 cents per share. The dividend is fully franked. Based on 274,853,137 shares outstanding at 31 December 2015, the aggregate dividend payable would be \$19,239,720, however this amount will be reduced by the ongoing share buy-back program through to the record date for entitlement to dividends on 18 March 2016.

13. Financial instruments

Estimation of fair values

Financial assets and liabilities that are not measured at cost or amortised cost in the half year financial report comprise forward foreign exchange contracts and interest rate swaps. Forward exchange contracts are marked to market by discounting the contractual forward price and deducting the current spot rate. 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.

Condensed notes to the consolidated interim financial statements (continued)

GWA Group Limited and its controlled entities

13. Financial instruments (continued)

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

As at 31 December 2015

Forward exchange contracts used for hedging
Interest rate swaps used for hedging

	Level 1	Level 2	Level 3	Total
Forward exchange contracts used for hedging	-	(1,487)	-	(1,487)
Interest rate swaps used for hedging	-	(1,342)	-	(1,342)
	-	(2,829)	-	(2,829)

As at 30 June 2015

Forward exchange contracts used for hedging
Interest rate swaps used for hedging

Forward exchange contracts used for hedging	-	328	-	328
Interest rate swaps used for hedging	-	(1,872)	-	(1,872)
	-	(1,544)	-	(1,544)

14. Contingencies

Brivis Product Defect Issues

Following the sale of Brivis to Rinnai on 2 February 2015, GWA Group Limited (GWA) continues to remain responsible for the liability and management of the known Brivis product defect issues. These products were subject to recalls commenced by the former owner, Carrier, for Brivis evaporative coolers manufactured between August 2000 and November 2003 due to defective components. GWA has provided an indemnity to Rinnai in the sale agreement for these issues.

A dispute exists between GWA and Carrier for the recovery of costs and breach of warranty associated with the Brivis product defect issues under the Brivis purchase agreement dated March 2010. A progress claim in the amount of \$3,386,000 (excluding GST) was submitted to Carrier in November 2015 under the Brivis purchase agreement. No payment has been received from Carrier to date and the matter remains under dispute. The mediation process, under the Brivis purchase agreement, occurred during November 2015 and failed to resolve the dispute. Subsequently the parties have continued negotiations. GWA has not recognised the progress claim against Carrier.

Provision has been recorded in respect of GWA's obligations that are known to exist and can be reliably measured at 31 December 2015. The provision is the current best estimate of the costs arising from open product liability claims. There are, however, a number of aspects relating to this matter which have not been finalised including the potential for future product liability claims and the resolution of the dispute with Carrier. At the date of this report, it is not possible to determine when all of these aspects will be finalised and potential outcomes.

15. Subsequent events

To the Director's best knowledge, there are no events that have arisen subsequent to 31 December 2015 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 2015 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 Sydney this 16 day of February 2016

Signed in accordance with a resolution of the directors:



Darryl D McDonough
Director



John F Mulcahy
Director



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

We have reviewed the accompanying interim financial report of GWA Group Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2015, consolidated income statement and 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 half-year 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 2015 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 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Julie Cleary

Partner

Sydney

16 February 2016



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 2015 there have been:

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

KPMG

KPMG

A handwritten signature in cursive script, appearing to read 'Julie Cleary'.

Julie Cleary
Partner

Sydney

16 February 2016