



GWA
Group Limited

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

7 Eagleview Place
Eagle Farm QLD 4009

GPO Box 1411
Brisbane QLD 4001

19 February 2018

ASX On-Line

Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results for the Half Year Ended 31 December 2017

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

- Appendix 4D Half Year Report
- Appendix 4D Commentary
- Interim Financial Report

On 19 February 2018 at 10:00 am (AEDT), GWA will be hosting a webcast of its FY18 half year results briefing. The webcast is accessible via the GWA website at www.gwagroup.com.au.

Yours faithfully

A handwritten signature in black ink, appearing to read 'R J Thornton'.

R J Thornton
Executive Director

GWA GROUP LIMITED

ABN: 15 055 964 380

Appendix 4D Half Year Report - 31 December 2017 Results for announcement to the market

For the half year period ended 31 December				2017	2016
Revenues from ordinary activities (\$'000s)	Up	2%	to	227,095	223,432
Earnings before interest and tax (\$'000s)	Up	6%	to	41,765	39,246
Net profit from ordinary activities attributable to members (\$'000s)	Up	7%	to	27,732	26,002
Net profit attributable to members (\$'000s)	Up	7%	to	27,732	26,002
Interim ordinary dividend ¹ - 100% franked (cents per share)				8.5	7.5
Net tangible asset backing (cents per share)				-	-
Net asset backing (cents per share)				123.0	118.8

¹ The record date for determining entitlements to the dividend is 23 February 2018 and the dividend is payable on 6 March 2018.

Brief explanation of the figures reported above:

Refer to the Media Release and Appendix 4D commentary 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.

19 February 2018

GWA increases net profit by 7% and declares fully-franked interim dividend of 8.5 cents per share, up +13%

- Net Profit After Tax up 7% to \$27.7 million
- Fully-franked interim dividend of 8.5 cents per share payable on 6 March 2018; compared to 7.5 cents in prior period
- Revenue up 2% compared to weighted average end market growth of 0.7%¹
- Continuing to drive revenue growth ahead of market from share gains in core segments and improved product mix in higher value categories
- Earnings Before Interest and Tax (EBIT) up 6% to \$41.8 million
 - Bathrooms & Kitchens EBIT up 3% - continued momentum in driving profitable share growth
 - Door & Access Systems EBIT up 68% - significant progress made in turnaround strategy
- Group EBIT margin up 0.8 ppts to 18.4%
- Group Return on Funds Employed up 1.4 ppts to 20.9%
- Strong financial position maintained – improvement in all credit metrics
- FY18 Outlook – expect 2nd half EBIT to be similar to first half FY18, based on current market conditions

Strategic Review

- Decision made to focus on the Bathrooms & Kitchens business where GWA has strong market positions, market-leading brands and significant growth opportunities
- Review has determined Door & Access Systems business to be non-core and is proposed to be divested
- Subject to a successful sale of the Door & Access Systems business, Board will review options regarding use of net proceeds, including investment in Bathrooms & Kitchens growth strategy
- GWA will provide further details of growth strategy at Investor Market Briefing in April 2018.

Group Results

A\$ million (unless specified)	1HFY17	1HFY18	% change
Sales Revenue	223.4	227.1	+2%
EBITDA	42.2	44.2	+5%
EBIT	39.2	41.8	+6%
<i>EBIT Margin</i>	17.6%	18.4%	+0.8ppts
NPAT	26.0	27.7	+7%
<i>Return on Funds Employed</i>	19.5%	20.9%	+1.4ppts

¹ Based on GWA estimates for Australia market B&K only (Moving Annual Total (MAT) data). Source for data is BIS Shrapnel.

GWA Group Limited, a leading supplier of fixtures and fittings to Australian and New Zealand households and commercial premises, today announced a 7 per cent increase in net profit after tax to \$27.7 million for the half-year ended 31 December 2017.

GWA continues to deliver revenue growth ahead of the market with net sales up 2 per cent.

This was the fourth consecutive period of market share growth for GWA since 2015. In Bathrooms & Kitchens, revenue for the period was significantly ahead of market growth with net sales up 3 per cent.

Group EBITDA increased by 5 per cent to \$44.2 million while Group EBIT increased by 6 per cent to \$41.8 million, driven by improved earnings in Bathrooms & Kitchens and a significant turnaround in the performance of the Door & Access Systems division.

GWA's continued focus on higher value product categories and cost management resulted in Group EBIT margin increasing by 0.8 percentage points to 18.4 per cent.

Meanwhile, an ongoing focus on generating strong return on funds employed in the business resulted in Return on Funds Employed (ROFE) increasing by 1.4 percentage points on the prior corresponding period to 20.9 per cent.

GWA's earnings per share of 10.5 cents improved by 7 per cent on the prior corresponding period.

Dividend

The Board resolved to pay an interim dividend of 8.5 cents per share, fully franked, compared to 7.5 cents per share for the prior corresponding period.

The record date for entitlement to receive the interim dividend will be 23 February 2018 with the dividend being paid on 6 March 2018. The Dividend Reinvestment Plan will not be offered to shareholders for the interim dividend.

Financial Position and Capital Management

GWA is in a solid financial position with all credit metrics improving on the prior corresponding period.

Net debt of \$81.2 million at 31 December 2017 was 12 per cent lower than the previous corresponding period (\$92 million).

The company's gearing ratio was 20 per cent at 31 December 2017 compared to 23 per cent previously with a leverage ratio of 0.9 times compared to 1.1 times for the prior corresponding period.

Interest cover ratio was 18.8 times at 31 December 2017 compared to 15.8 times for the prior comparable period.

GWA's syndicated banking facility was extended in October 2017 to a single, three-year revolving \$225 million facility which matures in October 2020.

GWA maintains substantial headroom within its banking facilities which provides significant financial flexibility to support strategic growth initiatives through the market cycle.

Working capital continues to be managed effectively which assisted in driving a 14 per cent increase in cashflow from operations to \$45.0 million.

As indicated at the full-year result in August 2017, capital expenditure is expected to increase in FY18 due to investments in new product development and flagship stores in Adelaide (opened October 2017) and Sydney (opening April 2018).

Capital expenditure was \$3.8 million for the first half FY18 compared to \$2.7 million for the prior corresponding period. For the full year (FY18) GWA expects capital expenditure in the range of \$10-12 million.

Market conditions

In total, GWA estimates that the increase in market activity weighted across its key end markets² was approximately 0.7 per cent for the period. While GWA's largest segment, Renovation and Replacement remains relatively steady, residential construction activity has reduced but continues to remain at high levels with a significant pipeline of work yet to be completed.

- Market activity for home **Renovations and Replacements**, (approximately 53% of GWA revenue) decreased by 0.7 per cent.
- **Detached house** completions (representing approximately 21 per cent of GWA revenue) declined by 2 per cent.
- **Medium and high-density** dwelling completions (approximately 11% of GWA revenue) increased by 3.7 per cent.
- On a value of work done basis, **Commercial** building activity (approximately 15% of GWA revenue) increased by 7.8 per cent.

Segment Results

Bathrooms & Kitchens

The Bathrooms & Kitchens division continues to deliver solid revenue growth ahead of the market due to market share gains in core categories and new product development. The ongoing focus on profitable product mix and cost discipline continues to drive earnings growth and margin resilience.

A\$ million	1HFY17	1HFY18	% change
Sales Revenue	174.3	178.9	+3%
EBIT	43.4	44.4	+3%
<i>EBIT Margin</i>	<i>24.9%</i>	<i>24.8%</i>	<i>(0.1ppts)</i>
Return on Funds Employed	25.0%	25.3%	+0.3ppts

Revenue in the Bathrooms & Kitchens division increased by 3 per cent to \$178.9 million, reflecting improved volume and mix and the launch of new sanitaryware, tapware and sinks under the Caroma brand and tapware under the Dorf brand.

GWA increased net sales with most major merchants as a result of increased product availability and improved customer engagement driving greater presence in showrooms and trade counters.

The Caroma brand continues to resonate positively in the market with Caroma net sales increasing by 7 per cent on the prior corresponding period.

Sales of Caroma Cleanflush continue to increase with net sales up 100% per cent compared to the prior period.

² Based on GWA estimates for Australia market B&K only (Moving Annual Total (MAT) data). Source for data is BIS Shrapnel.

Sales growth was strong in NSW (up 9 per cent), Victoria (up 3 per cent), and QLD (up 2 per cent), partially offset by a decline in WA sales of 8 per cent.

EBIT increased by 3 per cent to \$44.4 million from improved volume and mix, particularly in sanitaryware and tapware.

During the period, GWA increased its investment in marketing, new product development and new flagship stores to support its strategy to deliver sustainable earnings growth through the cycle.

Notwithstanding this increased investment, the continued focus on higher margin product categories and ongoing cost discipline resulted in EBIT margin of 24.8 per cent remaining broadly steady with the prior corresponding period.

Return on Funds Employed increased 0.3 percentage points to 25.3 per cent from 25 per cent previously.

Door & Access Systems

Earnings in Door & Access Systems improved significantly from initiatives to refocus the Gainsborough business on core segments and generate further efficiencies across the business to strengthen for the medium term.

A\$ million	1HFY17	1HFY18	% change
Sales Revenue	49.1	48.2	(2%)
EBIT	2.5	4.1	+68%
<i>EBIT Margin</i>	5.0%	8.6%	+3.6ppts
Return on Funds Employed	9.4%	16.5%	+7.1ppts

Revenue in Door and Access Systems declined by 2 per cent on the prior corresponding period to \$48.2 million.

Improved sales in NSW (+8%) were offset, predominantly by QLD (-7%) & WA (-9%).

EBIT increased by 68 per cent to \$4.1 million compared to \$2.5 million in the prior corresponding period, following the implementation of initiatives to address short-term performance and strengthen and refocus the business for the medium term.

These initiatives to refocus the Gainsborough sales team on the core builder segment, simplify customer service and rationalise the API branch network in Victoria have assisted in an improvement in EBIT margin to 8.6 per cent and an increase in Return on Funds Employed to 16.5 per cent.

Progress on Group Strategy

Managing Director, Tim Salt, said “GWA continues to deliver consistent progress against each of its strategic priorities.

“Our focus remains on growing profitable share in our core segments of Renovation and Replacement, Commercial and Detached Housing.

“That focus has resulted in the increase in net sales ahead of the market and also in an expansion of margin and return on funds employed within the business.

“We continue to make solid progress with our customer and consumer initiatives.

“We are working more collaboratively with our major customers which has resulted in additional ranging of our products and enhanced presence in showrooms and trade counters

during the period. We are also continuing joint business planning initiatives with major merchants to deliver mutually agreed targets.

“Our strategy to engage more effectively with consumers continues to progress. We opened our new flagship store in Adelaide in October 2017 and remain on schedule to launch the Sydney store in April 2018 at Alexandria.

We have increased investment in the Caroma brand to resonate more strongly with the market, particularly in the core Renovation and Replacement segment. Our NPD specifically targets key consumer segments and is supported by improved consumer digital experiences.

“We will continue to deliver on our ‘back to basics’ strategy to simplify the business, address the cost base and improve our supply chain.

“We are continuing to track ahead of our target to achieve \$13-15 million in cost savings progressively by FY19 through a combination of SG&A and supply chain efficiencies. These savings are being used to reinvest in growth initiatives as well as providing margin resilience and to offset cost inflation through the market cycle.

“The new national distribution centre for Bathrooms & Kitchens at Prestons, NSW will be operational later this year. This will be a purpose-built facility with state-of-the-art warehousing supported by a new warehouse management system. The Prestons’ facility will also house our expanded research and development facilities on-site.

“GWA has delivered a strong interim result and we continue to build a robust platform to deliver our strategic priorities to improve returns to shareholders over the medium term,” he said.

Strategic Review – proposed divestment of Door & Access Systems business

GWA recently completed a strategic review of the Group’s operations to target growth opportunities and maximise shareholder returns.

As part of this review, the decision has been made to focus on GWA’s Bathrooms & Kitchens business, where the company has strong market positions, market-leading brands and significant growth opportunities.

As part of this strategy, management will continue to assess a broad range of organic and inorganic growth opportunities to further improve shareholder returns.

Accordingly, the Door & Access Systems business has been determined to be non-core and will be divested.

The sale process is expected to take approximately six months with Greenstone Partners appointed as adviser.

Subject to a successful sale of the Door & Access Systems business, the Board will review options regarding use of net proceeds, including investment in Bathrooms & Kitchens growth strategy.

GWA will provide further details of its growth strategy at the Investor Market Briefing to be held in April 2018.

FY18 Outlook

The Renovation and Replacement segment, the largest segment accounting for just over half of GWA’s revenue, is expected to remain relatively stable for FY18.

GWA expects residential construction to remain broadly steady with continued momentum in NSW and Victoria, which may be partially offset by weaker conditions in QLD and WA.

GWA's forward order book remains solid with several major Commercial projects secured, primarily across the eastern states.

GWA monitors foreign exchange rates closely and adopts appropriate mitigation strategies. As at 16 February 2018, approximately 84% per cent of foreign exchange exposure is hedged to 30 June 2018 at US\$0.75 cents.

Based on current market conditions, EBIT in the second half for FY18 is expected to be similar to the first half of FY18.

**GWA Group Limited
and its controlled entities**

ABN 15 055 964 380

**31 December 2017
Interim Financial Report**

Table of Contents

Directors' Report.....	3
Consolidated statement of profit or loss and other comprehensive income.....	4
Consolidated statement of financial position	5
Consolidated statement of cash flows	6
Consolidated statement of changes in equity	7
Notes to the interim financial statements	8
Directors' Declaration	12

Directors' Report

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 2017.

Directors

The names of the directors 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, Managing Director
P A Birtles, Non-Executive Director
S T Goddard, Non-Executive Director
J M McKellar, Non-Executive Director
R J Thornton, Executive Director
W J Bartlett, Non-Executive Director (retired 27 October 2017)

Review of Operations

A review of operations for the Group for the half year ended 31 December 2017 and the results of those operations are set out in the Media Release and Appendix 4D commentary.

Interim Dividend

The directors have declared a fully franked interim dividend to shareholders of 8.5 cents per share. The record date for the interim dividend is 23 February 2018 and is payable on 6 March 2018. The Dividend Reinvestment Plan will not be offered to shareholders for the interim dividend.

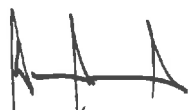
Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration forms part of the Directors' Report for the half year ended 31 December 2017.

Rounding

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191 dated 24 March 2016. Amounts in the Directors' Report have been rounded off in accordance with that Instrument 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



Tim R Salt
Managing Director

Sydney, 19 February 2018

Consolidated statement of profit or loss and other comprehensive income

For the half year period ended 31 December	Note	2017	2016
<i>In thousands of AUD</i>			
Profit or loss			
Sales revenue		227,095	223,432
Cost of sales		(133,792)	(134,436)
Gross profit		93,303	88,996
Other income		228	216
Selling expenses		(29,937)	(28,854)
Administrative expenses		(21,591)	(20,762)
Other expenses		(238)	(350)
Operating profit		41,765	39,246
Finance income		221	249
Finance expenses		(2,606)	(3,008)
Net financing costs		(2,385)	(2,759)
Profit before tax		39,380	36,487
Income tax expense	6	(11,648)	(10,485)
Profit from continuing operations		27,732	26,002
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		(211)	(39)
Cashflow hedges, net of tax		872	3,481
Other comprehensive income, net of tax		661	3,442
Total comprehensive income for the period		28,393	29,444
Earnings per share (cents)			
- Basic		10.51	9.85
- Diluted		10.45	9.80

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

Consolidated statement of financial position

As at	Note	31 Dec 2017	30 June 2017
<i>In thousands of AUD</i>			
Current assets			
Cash and cash equivalents		38,159	36,360
Trade and other receivables		54,059	65,862
Inventories		85,004	72,319
Other		4,452	2,679
Total current assets		181,674	177,220
Non-current assets			
Deferred tax assets		16,220	16,023
Property, plant and equipment		11,537	10,493
Intangible assets		314,400	314,242
Other		403	286
Total non-current assets		342,560	341,044
Total assets		524,234	518,264
Current liabilities			
Trade and other payables		52,783	50,783
Employee benefits		6,718	6,528
Income tax payable		5,458	7,346
Provisions		9,111	10,594
Total current liabilities		74,070	75,251
Non-current liabilities			
Trade and other payables		804	827
Loans and borrowings	7	115,000	112,000
Employee benefits		7,067	7,316
Provisions		2,605	2,267
Total non-current liabilities		125,476	122,410
Total liabilities		199,546	197,661
Net assets		324,688	320,603
Equity			
Issued capital		307,790	307,838
Reserves		(178)	(334)
Retained earnings		17,076	13,099
Total equity		324,688	320,603

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

Consolidated statement of cash flows

For the half year period ended 31 December

In thousands of AUD

	2017	2016
Cash flows from operating activities		
Receipts from customers	263,419	246,353
Payments to suppliers and employees	(220,270)	(213,183)
Cash generated from operations	43,149	33,170
Interest and facility fees paid	(2,818)	(3,058)
Interest received	221	249
Income taxes paid	(14,057)	(7,474)
Net cash from operating activities	26,495	22,887
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	7	3
Acquisition of property, plant and equipment	(2,773)	(1,495)
Acquisition of intangible assets	(998)	(1,171)
Net cash used investing activities	(3,764)	(2,663)
Cash flows from financing activities		
Proceeds from borrowings	6,000	15,000
Repayment of borrowings	(3,000)	(20,000)
Dividends paid	(23,755)	(23,755)
Capital return to holders of LTI grants	(48)	(39)
Net cash used in financing activities	(20,803)	(28,794)
Net increase in cash and cash equivalents	1,928	(8,570)
Cash and cash equivalents at the beginning of the year	36,360	35,696
Effect of exchange rate changes	(129)	20
Cash and cash equivalents at 31 December	38,159	27,146

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

Consolidated statement of changes in equity

For the half year period ended 31 December 2017

In thousands of AUD

	Share Capital	Translation Reserve	Hedging Reserve	Equity Compensation Reserve	Retained Earnings	Total
Balance as at 1 July 2017	307,838	(993)	(1,785)	2,444	13,099	320,603
Total comprehensive income for the period						
Profit for the period	-	-	-	-	27,732	27,732
<i>Other comprehensive income</i>						
Exchange differences on translation of foreign subsidiaries, net of tax	-	(211)	-	-	-	(211)
Cash flow hedges, net of tax	-	-	872	-	-	872
Total other comprehensive income	-	(211)	872	-	-	661
Total comprehensive income	-	(211)	872	-	27,732	28,393
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	(48)	-	-	(505)	-	(553)
Dividends paid	-	-	-	-	(23,755)	(23,755)
Total transactions with owners	(48)	-	-	(505)	(23,755)	(24,308)
Balance at 31 December 2017	307,790	(1,204)	(913)	1,939	17,076	324,688

For the half year period ended 31 December 2016

In thousands of AUD

	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total
Balance as at 1 July 2016	307,877	(1,072)	(3,931)	1,647	3,177	307,698
Total comprehensive income for the period						
Profit for the period	-	-	-	-	26,002	26,002
<i>Other comprehensive income</i>						
Exchange differences on translation of foreign subsidiaries, net of tax	-	(39)	-	-	-	(39)
Cash flow hedges, net of tax	-	-	3,481	-	-	3,481
Total other comprehensive income	-	(39)	3,481	-	-	3,442
Total comprehensive income	-	(39)	3,481	-	26,002	29,444
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	(39)	-	-	(41)	204	124
Dividends paid	-	-	-	-	(23,755)	(23,755)
Total transactions with owners	(39)	-	-	(41)	(23,551)	(23,631)
Balance at 31 December 2016	307,838	(1,111)	(450)	1,606	5,628	313,511

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

Notes to the interim financial statements

1. Reporting entity

GWA Group Limited (the 'Company') is a for-profit company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half year period ended 31 December 2017 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 2017 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* 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 2017.

This consolidated interim financial report was approved for issue by the Board of Directors on 19 February 2018.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Certain comparative information has been amended in this interim financial report to conform to the current year presentation.

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 2017, 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 2017:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows*

The initial adoption of the above revisions has not had a material impact on the amounts reported or disclosures made 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 2017.

Notes to the interim financial statements (continued)

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.

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		Total	
	2017	2016	2017	2016	2017	2016
For the half year period ended 31 December						
Sales revenue	178,858	174,305	48,237	49,127	227,095	223,432
Segment profit before income tax	44,426	43,359	4,138	2,457	48,564	45,816
Depreciation	963	986	591	516	1,554	1,502
Amortisation	-	-	203	203	203	203
Capital expenditure	2,248	1,239	473	256	2,721	1,495
As at	31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017
Reportable segment assets	405,752	400,532	57,840	60,153	463,592	460,685
Reportable segment liabilities	50,493	49,214	10,741	9,711	61,234	58,925

Reconciliations of reportable segment revenues and profit or loss

<i>In thousands of AUD</i>	2017	2016
Revenues		
Total revenue for reportable segments	227,095	223,432
Consolidated revenue	227,095	223,432
Profit		
Total profit for reportable segments	48,564	45,816
Unallocated amounts: corporate expenses	(6,799)	(6,570)
Profit from operating activities	41,765	39,246
Net financing costs	(2,385)	(2,759)
Consolidated profit before tax	39,380	36,487

Notes to the interim financial statements (continued)

6. Income tax expense

Recognised in profit or loss

For the half year period ended 31 December	2017	2016
<i>In thousands of AUD</i>		
Current tax expense		
Current year	12,232	12,573
Adjustments for prior years	-	(460)
	<u>12,232</u>	<u>12,113</u>
Deferred tax expense / (benefit)		
Origination and reversal of temporary differences	(584)	(1,628)
Total tax expense	<u>11,648</u>	<u>10,485</u>

Numerical reconciliation between tax expense and pre-tax profit

For the half year period ended 31 December	2017	2016
<i>In thousands of AUD</i>		
Profit before tax	39,380	36,487
Tax expense using the domestic rate of 30% (2016: 30%)	11,814	10,946
Tax expense / (benefit) due to:		
Non-deductible expenses	60	94
Other items	(226)	(95)
	<u>11,648</u>	<u>10,945</u>
(Over) / under provided in prior years	-	(460)
Income tax expense on pre-tax profit	<u>11,648</u>	<u>10,485</u>

7. Loans and borrowings

The consolidated entity has unsecured bank loans of \$115,000,000 as at 31 December 2017 (30 June 2017: \$112,000,000). The notional amount of the interest-bearing loans is deemed to reflect the fair value.

On 23 October 2017, GWA successfully completed the extension of its syndicated banking facility. The facility comprises a single revolving facility of \$225,000,000 which matures in October 2020. Prior to 23 October 2017 and for the year ended 30 June 2017, the facility matured in October 2019.

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

Notes to the interim financial statements (continued)

8. Dividends

Dividends recognised and paid:

	Per share <i>In cents</i>	Amount <i>In thousands of AUD</i>
For the half year period ended 31 December 2017		
Final 2017 ordinary dividend paid 5 September 2017	9.0	23,755
For the half year period ended 31 December 2016		
Final 2016 ordinary dividend paid 16 September 2016	8.0	21,116
Special 2016 dividend paid 16 September 2016	1.0	2,639
	<u>9.0</u>	<u>23,755</u>

Dividends declared after the balance date:

On 19 February 2018, the Board declared a fully franked interim ordinary dividend of 8.5 cents per share with the record date for entitlement to dividends being 23 February 2018 and is payable on 6 March 2018.

Based on 263,947,630 shares outstanding at 31 December 2017, the aggregate dividend payable would be \$22,435,549.

9. 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.

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 2017

	Level 1	Level 2	Level 3	Total
Forward exchange contracts used for hedging	-	(1,080)	-	(1,080)
Interest rate swaps used for hedging	-	(225)	-	(225)
	<u>-</u>	<u>(1,305)</u>	<u>-</u>	<u>(1,305)</u>

As at 30 June 2017

Forward exchange contracts used for hedging	-	(2,188)	-	(2,188)
Interest rate swaps used for hedging	-	(363)	-	(363)
	<u>-</u>	<u>(2,551)</u>	<u>-</u>	<u>(2,551)</u>

10. Subsequent events

Following a strategic review, completed in February 2018, the Board has announced the proposed divestment of the Door & Access Systems segment. To the Directors' best knowledge, there are no other events that have arisen subsequent to 31 December 2017 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 2017 and of its performance 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 on 19 February 2018.

Signed in accordance with a resolution of the directors:



Darryl D McDonough
Director



Tim R Salt
Director



Independent Auditor's Review Report

To the members of GWA Group Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of GWA Group Limited.

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:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration

The **Group** comprises of GWA Group Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2017.

Responsibilities of the Directors 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*
- 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 for the review of the Interim Financial Report

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 2017 and its performance for the interim period 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 Period 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.

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

The logo for KPMG, consisting of the letters 'KPMG' in a stylized, blue, sans-serif font.

KPMG

A handwritten signature in blue ink, appearing to read 'Julie Cleary'.

Julie Cleary

Partner

Sydney

19 February 2018



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 of GWA Group Limited for the half-year ended 31 December 2017 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 blue ink, appearing to read 'Julie Cleary'.

Julie Cleary

Partner

Sydney

19 February 2018