GWA
Group Limited

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17 February 2020

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results for the Half Year Ended 31 December 2019

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

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

On 17 February 2020 at 10:00am (AEDT), GWA will be hosting a webcast of its FY20 half year results briefing. The webcast is accessible via the GWA website at www.gwagroup.com.au.

These documents were authorised for release by the GWA Board.

Yours faithfully

R J Thornton
Executive Director

GWA GROUP LIMITED

ABN: 15 055 964 380

Appendix 4D
Preliminary final report - 31 December 2019

Results for announcement to the market

For the half year ended 31 December				2019	2018 Restated[1]

[1] The results for the half year ended 31 December 2018 and balances as at 30 June 2019 have been restated for the impact of the adoption of AASB 16 Leases. The results for the half year ended 31 December 2018 do not include results from Methven Limited which was acquired on 10 April 2019.

Reported Results ($'000)					
Total Revenue from ordinary activities	Up	13%	to	206,272	182,647
Total EBIT from ordinary activities	Down	-57%	to	37,477	87,672
Total NPAT from ordinary activities	Down	-69%	to	23,591	75,537
Continuing Operations (Normalised[2]) ($'000)					
Revenue from continuing operations	Up	13%	to	206,272	182,647
EBIT from continuing operations excluding transaction & integration costs	Down	-3%	to	38,099	39,107
NPAT from continuing operations excluding transaction & integration costs	Down	-8%	to	24,038	26,185

[2] Normalised results exclude $0.6m of transaction and integration costs ($0.4m post tax) incurred during the period (2018: $1.5m pre and post tax) in relation to the acquisition of Methven Limited. Gain of control occurred on 10 April 2019.

Continuing Operations ($'000)					
Revenue from continuing operations	Up	13%	to	206,272	182,647
EBIT from continuing operations	Flat	0%	to	37,477	37,612
NPAT from continuing operations	Down	-5%	to	23,591	24,735
Discontinued Operations[3] ($'000)					
Revenue from discontinued operations				-	-
EBIT from discontinued operations				-	50,060
NPAT from discontinued operations				-	50,802

[3] Discontinued operations include the Door & Access Systems' business (comprising of Gainsborough Hardware Industries Limited and API Services and Solutions Pty Ltd) that was sold with an effective date of 3 July 2018 (date of loss of control).

Dividends (cents per share)

Interim ordinary dividend - 100% franked	8.0	9.0

The record date for determining entitlements to the dividend is 21 February 2020 and the dividend is payable on 4 March 2020.

Net tangible asset and net asset backing (cents per share)	**As at 31 Dec 2019**	**As at 30 June 2019 Restated[1]**
Net tangible asset backing	(13.6)	(11.6)
Net asset backing	139.2	140.9

Brief explanation of the figures reported above

Refer to the attached 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.

Appendix 4D Commentary

17 February 2020

Accelerated cost savings and synergies enable GWA to deliver on its guidance despite weaker market

Reported net profit of $23.6 million[1]; fully-franked interim dividend of 8 cents per share

- Normalised[2] Earnings Before Interest and Tax (EBIT) of $38.1 million, within $37-41 million guidance range
- EBIT[3] down 2.6% vs market decline of 6% due to lower revenue in weaker Australian residential segment partially offset by accelerated cost savings and higher Methven synergies
- Continued investment in growth initiatives in anticipation of near-term market improvement
- Market share maintained in Australia (excluding Methven) with EBIT margin held broadly within target range. Including Methven, market share increased
- Methven integration progressing well – New Zealand performance improving; growth in International and synergies ahead of target
- GWA's Commercial forward order book continues to be strong and is growing
- Normalised Net Profit After Tax of $24.0 million
- Ongoing robust financial position enables fully-franked interim dividend of 8 cents per share versus 9 cents in 1H FY19, payable on 4 March 2020
- Ongoing strong operating cashflow of $42.2m
- FY20 guidance maintained - FY20 Normalised Group EBIT expected to be $80-85 million

Commentary on result

GWA performed solidly in 1H FY20 given the weaker Australian residential housing conditions, said Managing Director, Tim Salt.

"There was further weakness in the residential segment in Australia in the second quarter; however, despite that we achieved a result in line with the 1H FY20 EBIT guidance provided at the AGM in 2019.

"GWA estimates that the market declined approximately 6 per cent for 1H FY20 vs 1H FY19. In addition, the significant trade de-stocking[4] experienced in Q1 FY20 was not reversed in Q2 FY20, reflecting tougher market conditions.

"The business continues to demonstrate its resilience in the face of challenging market conditions.

[1] Financials in this document have been adjusted for the impact of IFRS16 Leases unless otherwise stated
[2] Normalised from Continuing Operations is before $(0.6) million in significant items (pre-tax) or $(0.4) million (post tax) relating to transaction and integration costs associated with the acquisition of Methven
[3] Normalised EBIT from Continuing Operations before significant items per Note 2
[4] 1H FY20 destocking revenue impact estimated to be ~$(14) million

"We continue to invest in key initiatives to capitalise on the expected upturn in Australian market conditions in early FY21."

Mr Salt said GWA's strategy remains on track with significant progress achieved in the first half:

- Market share[5] has been maintained during the period in the Australian business (excluding Methven) while overall market share has increased as a result of the Methven acquisition

- Relationships with trade partners continue to improve through joint business planning and core range extensions

- We continue to drive growth in Commercial segments through increased collaboration with secondary customers to capture segment opportunities including Aged Care and Commercial Renovation and Replacement

- Our Commercial order bank remains strong and is growing

- We have accelerated our cost-out and efficiency improvements as part of the $9-12 million cost out programme by FY21 delivering $3 million savings in 1H FY20; ahead of the $2 million target

"The successful implementation of these cost management and integration initiatives has helped to offset a significant amount of the decline in revenue from weaker market conditions and retailer de-stocking. This has resulted in earnings within the guidance range and also enabled GWA to maintain EBIT margins broadly within our target range for the Australian business (excluding Methven).

"We continue to invest in revenue-enhancing initiatives coupled with continued implementation of cost efficiencies to ensure growth in the future as the market improves. These include:

- Continued investment in our core brand portfolio that enhances our engagement with consumers, particularly in the key Renovation and Replacement segment

- Roll-out and extension of Caroma Smart Command® which is now installed in 36 sites with a significant bank of additional projects in the pipeline. We are now developing further international expansion options for Caroma Smart Command® through GWA-generated leads and leveraging Methven's footprint across South East Asia and China

- New Distribution Centres in Vic, Qld and WA complement the investment previously made in NSW and enable integration of the Methven portfolio. The centres enhance customer service and provide a base for the improvement in operating efficiencies in FY21 and beyond

[5] GWA Australia (ex Methven) revenue on a 'sales out' basis (i.e. adjusted for customer destocking)

The integration of Methven is progressing well:

- Methven earnings have improved 50 per cent from the second half of last year with a solid performance in New Zealand and improved market share in the United Kingdom, in a relatively flat market, and continued growth in the Asian business

- Methven Australia also experienced challenging market conditions as well as lapping a significant new product development pipeline fill in one major customer in the prior corresponding period

- The ranging of Methven products in Australia is being leveraged through GWA's customer relationships and national presence

- Methven synergies are exceeding targets, with $1 million captured in the first half. GWA expects to deliver $3 million in synergy savings for the full year. Given the traction to date, we now expect to exceed the overall target of at least NZ$6 million by 2021

"While first half conditions have proved challenging, the ongoing focus on operational discipline has made our business more efficient and resilient and enabled the delivery of a solid result. In addition, the implementation of our superior water solutions strategy and ongoing investment in revenue initiatives means GWA has a very solid foundation and increased leverage to improve revenue and earnings momentum as the market improves," Mr Salt said.

Continuing Operations normalised results (excludes significant items)

Continuing Operations normalised result for 1H FY20 includes the contribution of the Methven business which was acquired on 10 April 2019. Methven results are not included in the prior corresponding period.

A$ million (unless specified)	1H FY19 Excludes Methven	1H FY20 Includes Methven	% change
Sales Revenue	182.6	206.3	12.9%
EBITDA	46.1	48.1	4.3%
EBIT	**39.1**	**38.1**	(2.6)%
EBIT Margin	*21.4%*	*18.5%*	*(2.9) ppts*
NPAT	**26.2**	**24.0**	(8.2)%

Normalised Continuing Operations EBIT (excluding significant items) was $38.1 million compared to $39.1 million for the prior corresponding period.

Continuing Operations normalised EBIT margin was 18.5 per cent compared to 21.4 per cent for the prior year, reflecting the inclusion of Methven lower margin earnings in 1H FY20 which dilute the overall group EBIT margin.

Strong financial metrics enable GWA to pay 8 cent dividend

The Board resolved to pay an interim dividend of 8 cents per share, fully franked, representing a dividend payout ratio of 88 per cent of normalised net profit after tax.

The record date for entitlement to receive the interim dividend will be 21 February 2020 with the dividend being paid on 4 March 2020. The Dividend Reinvestment Plan will not be offered to shareholders for the interim dividend.

GWA's strong financial position

Net debt as at 31 December 2019 was $156.6 million compared to $141.9 million as at 30 June 2019, which included the acquisition of Methven in April 2019.

In October 2019, GWA successfully completed the refinance of its syndicated banking facility. The facility comprises a single three-year multicurrency revolving facility of $210 million which matures in October 2022. GWA has also put in place a $40 million one-year multi-currency revolving bilateral facility which matures in October 2020.

GWA's credit metrics remain consistent with investment grade with the company's gearing ratio (net debt / net debt plus equity) of 29.9 per cent compared to 27.5 per cent at 30 June 2019 and leverage ratio (net debt / EBITDA) of 1.9 times compared to 1.6 times at 30 June 2019. GWA's interest cover ratio (EBITDA / net interest) was 15.4 times at 31 December 2019 compared to 23.5 times at 30 June 2019.

Continued strong operating cashflow generation

GWA continues to generate strong operating cashflow.

Pro forma cashflow from operations was $42.2 million for 1H FY20 compared to $56.6 million for the prior corresponding period.

Cash conversion remains strong with a cash conversion ratio of 88 per cent for the half.

The cashflow position reflects higher inventory relating to stock builds associated with the timing of Chinese New Year and the lead up to warehouse consolidations in Australia, and reduced debtors and payables.

Capital expenditure for the half was $8.2 million compared to $3.9 million for the prior corresponding period and in line with previous guidance for an overall increase in capital expenditure to $12-14 million for FY20.

FY20 Outlook - Guidance maintained

Trading conditions are expected to remain challenging in the short term, however forward indicators including population growth, low interest rates, easier access to credit, and housing supply and demand moving back into balance are expected to provide a solid platform for growth.

More specifically recent capital city house price increases, improving existing dwelling housing turnover and early signs of improving residential housing construction activity support an anticipated improvement in market conditions in early FY21.

In the Commercial segment, GWA's forward order bank remains strong and higher than the prior corresponding period, particularly in the eastern states.

GWA expects to see continued growth in its international operations (Asia and the United Kingdom) in the second half and continues to progress the development and roll out of Caroma Smart Command®.

GWA will continue to monitor developments in relation to the Coronavirus outbreak. GWA does not currently expect it to have any material impact on operations in FY20.

As announced at the 2019 AGM, GWA expects earnings in the second half will be higher than the first half primarily due to the timing of a price increase of ~2.5 per cent from 1 November 2019, continued delivery and acceleration of the Methven cost synergies, and further acceleration of supply chain and SG&A cost savings as part of the company's $9-12 million cost savings target by FY21.

For the year ending 30 June 2020 GWA maintains its previous earnings guidance for Normalised EBIT (excluding significant items) to be in the range of $80m-$85m.

GWA continues to generate strong cashflows and the Board's dividend policy remains to pay dividends of at least 65-85% of net profit after tax.

APPENDIX – GROUP RESULTS FOR 1H FY19

Group Reported results (includes significant items)

The Group reported result for 1H FY20 includes the contribution of the Methven business which was acquired on 10 April 2019. Methven results are not included in the prior corresponding period. 1H FY19 includes the profit on sale from the Door & Access Systems' divestment[6].

A$ million (unless specified)	1H FY19 Excludes Methven	1H FY20 Includes Methven	% change
Sales Revenue	182.6	206.3	12.9%
EBITDA	94.6	47.4	(49.9)%
EBIT	**87.7**	**37.5**	(57.2)%
NPAT	**75.5**	**23.6**	(68.7)%

Group reported results include significant items. In 1H FY20 these included net costs associated with the acquisition and integration of Methven. Significant items in 1H FY19 included the after-tax profit on sale of the Door & Access Systems' business of $50.8 million and $1.5 million transaction costs incurred for the acquisition of Methven.

The adoption of IFRS16 has resulted in an adjustment to 1H FY20 NPAT down $0.4 million and EBIT up $0.6 million; and a restatement to 1H FY19 NPAT down $0.4 million and EBIT up $0.6 million.

Group reported net profit after tax was $23.6 million for the half-year ended 31 December 2019.

Continuing Operations (Pro Forma) normalised results (excludes significant items)

Continuing Operations pro forma normalised results (excludes significant items) include a comparison for the prior corresponding period, including GWA results and the management accounts for Methven for the period when it was not under GWA's ownership.

A$ million (unless specified)	1H FY19 Includes Methven	1H FY20 Includes Methven	% change
Sales Revenue	233.1	206.3	(11.5)%
EBITDA	52.6	48.1	(8.6)%
EBIT	**43.3**	**38.1**	(12.1)%
EBIT Margin	*18.6%*	*18.5%*	*(0.1) ppts*
NPAT	**28.4**	**24.0**	(15.2)%
Earnings Per Share (cents)	*10.7*	*9.1*	*(15.2)%*
Return on Funds Employed	*19.6%*	*15.6%*	*(4.0) ppts*

[6] The Door & Access Systems' business was sold on 3 July 2018

Net sales fell by 11.5 per cent to $206.3 million reflecting the continued decline in residential new build and renovation construction activity in Australia, only partially offset by the ongoing strength in commercial activity.

Pro forma EBIT decreased by 12.1 per cent to $38.1 million. However, EBIT margin was similar to the prior period reflecting the Company's focus on cost efficiency in a challenging market.

The slowdown in residential construction, coupled with trade de-stocking in 1H FY20, impacted the top line by $26.8 million and EBIT by ~$13 million.

GWA has been able to offset ~$8 million of this earnings impact through ongoing cost discipline from SG&A efficiencies and higher than originally targeted savings from optimisation of the Group's supply chain as part of the $9-12 million cost saving target by FY21.

Pro forma ROFE was 4.0 percentage points lower on the prior corresponding period at 15.6 per cent. This reflects lower sales, lower EBIT margins in Methven and the increase in funds employed due to goodwill on the acquisition of Methven.

GWA Group Limited
and its controlled entities

ABN 15 055 964 380

31 December 2019
Interim Financial Report

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GWA Group Limited and its controlled entities
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 2019.

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 the entire period.

D D McDonough, Chairman and Non-Executive Director
J F Mulcahy, Deputy Chairman and Non-Executive Director
T R Salt, Managing Director
A J Barrass, Non-Executive Director
P A Birtles, Non-Executive Director
S T Goddard, Non-Executive Director
J M McKellar, Non-Executive Director
R J Thornton, Executive Director

Review of Operations

A review of operations for the Group for the half year ended 31 December 2019 and the results of those operations are set out in the Appendix 4D commentary.

Interim Dividend

The directors have declared a fully franked interim dividend to shareholders of 8.0 cents per share. The record date for the interim dividend is 21 February 2020 and is payable on 4 March 2020. 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 2019.

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 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

17 February 2020

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

For the half year period ended 31 December *In thousands of AUD*	Note	2019	2018* Restated**
Profit or loss			
Continuing operations			
Sales revenue		206,272	182,647
Cost of sales		(120,022)	(104,316)
Gross profit		86,250	78,331
Other income		1,268	1,458
Selling expenses		(30,891)	(23,770)
Administrative expenses		(18,260)	(16,898)
Other expenses		(268)	(14)
Operating profit (excluding transaction & integration costs)		38,099	39,107
Transaction & integration costs on business combination***	6	(622)	(1,495)
Operating profit		37,477	37,612
Finance income		110	211
Finance expenses		(4,260)	(2,363)
Net financing costs		(4,150)	(2,152)
Profit before tax		33,327	35,460
Income tax expense	8	(9,736)	(10,725)
Profit from continuing operations		23,591	24,735
Discontinued operations******			
Profit from discontinued operations, net of income tax	7	-	50,802
Profit for the period		23,591	75,537
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		(1,098)	288
Cashflow hedges, net of tax		(1,536)	(358)
Other comprehensive income, net of tax		(2,634)	(70)
Total comprehensive income for the period		20,957	75,467
Earnings per share (cents)			
Total			
- Basic		8.9	28.6
- Diluted		8.9	28.5
Continuing operations (excluding transaction & integration costs)			
- Basic		9.1	9.9
- Diluted		9.1	9.9
Continuing operations			
- Basic		8.9	9.4
- Diluted		8.9	9.3

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

* The results for the half year period ended 31 December 2018 do not include results from Methven Limited which was acquired on 10 April 2019. Refer to Note 6 for further information.

** Refer to Note 12 for information on the impact of the adoption of AASB 16 *Leases*, including restatement of comparatives.

*** Transaction and integration costs are a form of 'other expenses' however disclosed separately due to their significance.

**** The Door & Access Systems' business was sold with an effective date of 3 July 2018 and is classified as a discontinued operation in the above statement. Refer to Note 7 for further information.

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

As at *In thousands of AUD*	Note	31 Dec 2019	30 June 2019* Restated**
Current assets			
Cash and cash equivalents		33,759	39,637
Trade and other receivables		57,131	71,057
Inventories		89,338	76,846
Derivative financial instruments	11	-	1,656
Income tax receivable		672	-
Other		5,758	4,178
Total current assets		186,658	193,374
Non-current assets			
Deferred tax assets		14,542	15,075
Property, plant and equipment		24,478	21,099
Intangible assets		403,329	402,578
Right of use assets	12	61,242	48,288
Other		-	71
Total non-current assets		503,591	487,111
Total assets		690,249	680,485
Current liabilities			
Trade and other payables		49,624	55,331
Loans and borrowings	10	25,000	-
Employee benefits		5,363	5,786
Income tax payable		-	947
Lease liabilities	12	9,363	8,325
Provisions		7,027	8,831
Derivative financial instruments	11	2,252	1,448
Total current liabilities		98,629	80,668
Non-current liabilities			
Trade and other payables		979	657
Loans and borrowings	10	160,495	177,759
Lease liabilities	12	55,968	44,343
Employee benefits		4,223	3,884
Provisions		2,595	1,171
Total non-current liabilities		224,260	227,814
Total liabilities		322,889	308,482
Net assets		367,360	372,003
Equity			
Issued capital		307,790	307,790
Reserves		(4,197)	(1,038)
Retained earnings		63,767	65,251
Total equity		367,360	372,003

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

* The statement of financial position as at 30 June 2019 include Methven Limited which was acquired on 10 April 2019. Refer to Note 6 for further information.

** Refer to Note 12 for information on the impact of the adoption of AASB 16 *Leases*, including restatement of comparatives.

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

For the year half year period ended 31 December *In thousands of AUD*	2019	2018* Restated**
Cash flows from operating activities		
Receipts from customers	244,188	215,792
Payments to suppliers and employees	(202,766)	(164,067)
Cash generated from operations	41,422	51,725
Interest and facility fees paid	(3,263)	(1,568)
Lease interest paid	(1,204)	(1,011)
Interest received	113	211
Income taxes paid	(10,416)	(13,340)
Net cash from operating activities	26,652	36,017
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	3	-
Acquisition of property, plant and equipment	(6,819)	(768)
Acquisition of intangible assets	(1,423)	(240)
Proceeds from business disposal, net of transaction costs	-	99,282
Net cash from / (used in) investing activities	(8,239)	98,274
Cash flows from financing activities		
Proceeds from borrowings	264,147	20,000
Repayment of borrowings	(255,827)	(120,000)
Dividends paid	(25,075)	(25,075)
Repayment of Lease liability	(6,076)	(5,710)
Net cash from / (used in) financing activities	(22,831)	(130,785)
Net (decrease) / increase in cash and cash equivalents	(4,418)	3,506
Cash and cash equivalents at the beginning of the year	39,637	29,070
Effect of exchange rate changes	(1,460)	299
Cash and cash equivalents at 31 December	33,759	32,875

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

* The cash flows for the half year period ended 31 December 2018 do not include cash flows from Methven Limited which was acquired on 10 April 2019. Refer to Note 6 for further information.

** Refer to Note 12 for information on the impact of the adoption of AASB 16 *Leases*, including restatement of comparatives.

The Door & Access Systems' business was sold with an effective date of 3 July 2018 and is classified as a discontinued operation. The above cash flows are inclusive of discontinued operations. Refer to Note 7 for further information regarding discontinued operations including summarised cash flow information.

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

For the half year period ended 31 December 2019

In thousands of AUD

	Share Capital	Translation Reserve	Hedging Reserve	Equity Compensation Reserve	Retained Earnings	Total
Balance as at 1 July 2019 - Restated*	307,790	(2,189)	(61)	1,212	65,251	372,003
Total comprehensive income for the period						
Profit for the period	-	-	-	-	23,591	23,591
Other comprehensive income						
Exchange differences on translation of foreign subsidiaries, net of tax	-	(1,098)	-	-	-	(1,098)
Cash flow hedges, net of tax	-	-	(1,536)	-	-	(1,536)
Total other comprehensive income	-	(1,098)	(1,536)	-	-	(2,634)
Total comprehensive income	-	(1,098)	(1,536)	-	23,591	20,957
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	-	-	-	(525)	-	(525)
Dividends paid	-	-	-	-	(25,075)	(25,075)
Total transactions with owners	-	-	-	(525)	(25,075)	(25,600)
Balance at 31 December 2019	307,790	(3,287)	(1,597)	687	63,767	367,360

For the half year period ended 31 December 2018 - Restated*

In thousands of AUD

	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total
Balance as at 1 July 2018	307,790	(1,161)	3,235	2,377	21,160	333,401
Adjustment on initial application of AASB 16 *Leases* *	-	-	-	-	(1,123)	(1,123)
Total comprehensive income for the period						
Profit for the period	-	-	-	-	75,537	75,537
Other comprehensive income						
Exchange differences on translation of foreign subsidiaries, net of tax	-	288	-	-	-	288
Cash flow hedges, net of tax	-	-	(358)	-	-	(358)
Total other comprehensive income	-	288	(358)	-	-	(70)
Total comprehensive income	-	288	(358)	-	75,537	75,467
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	-	-	-	(1,777)	-	(1,777)
Dividends paid	-	-	-	-	(25,075)	(25,075)
Total transactions with owners	-	-	-	(1,777)	(25,075)	(26,852)
Balance at 31 December 2018	307,790	(873)	2,877	600	70,499	380,893

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

* Refer to Note 12 for information on the impact of the adoption of AASB 16 *Leases*, including restatement of comparatives.

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 2019 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 2019 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 2019.

This consolidated interim financial report was approved for issue by the Board of Directors on 17 February 2020.

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.

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 2019, 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 2019:

- AASB 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements to IFRS Standards 2015-2017 Cycle

Except for AASB 16, the initial adoption of the above Standards and Interpretations have not had a material impact on the amounts reported, or disclosures made, in the consolidated interim financial report. Refer to Note 12 for the impact of AASB 16.

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 2019.

5. Operating segments

The consolidated entity has one continuing reportable segment, Water Solutions. This amalgamates the two continuing reportable segments reported in the 30 June 2019 financial report (Bathrooms and Kitchens, and Methven) following continued integration. This segment includes the sale of vitreous china toilet suites, basins, plastic cisterns, taps and showers, baths, kitchen sinks, laundry tubs, domestic water control valves, smart products and bathroom accessories. The CEO reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and income tax ('EBIT'), and excludes transaction and integration costs, 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 segment relative to other entities that operate in these industries.

Discontinued operations includes the Door & Access Systems' business that was sold with an effective date of 3 July 2018. Refer to Note 7 for further information regarding discontinued operations.

In thousands of AUD	**Water Solutions**		**Discontinued**		**Total**	
For the half year period ended 31 December	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sales revenue	206,272	182,647	-	-	206,272	182,647
Segment EBIT before gain on sale*	38,099	39,107	-	-	38,099	39,107
Gain on sale*	-	-	-	50,060	-	50,060
Segment EBIT	38,099	39,107	-	50,060	38,099	89,167
Depreciation (property, plant and equipment)	2,549	1,670	-	-	2,549	1,670
Depreciation (right of use assets)	6,368	4,736	-	-	6,368	4,736
Amortisation	1,034	566	-	-	1,034	566
Capital expenditure	8,239	1,008	-	-	8,239	1,008
As at	**31 Dec 2019**	**30 June 2019**	**31 Dec 2019**	**30 June 2019**	**31 Dec 2019**	**30 June 2019**
Reportable segment assets	690,249	680,485	-	-	690,249	680,485
Reportable segment liabilities	322,889	308,482	-	-	322,889	308,482

Reconciliation of profit **For the half year period ended 31 December**	**2019**	**2018**
Total EBIT for reportable segments	38,099	89,167
Elimination of discontinued operations	-	(50,060)
Transaction and integration costs on business combination	(622)	(1,495)
Operating profit from continuing operations	37,477	37,612

* Gain on sale of discontinued operations excluding tax benefit.

Continuing sales revenue by geographical location of customer

In thousands of AUD	**Australia**		**New Zealand**		**Other**		**Consolidated**	
For the half year period ended 31 December	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
External sales revenue	162,828	169,846	27,423	12,801	16,021	-	206,272	182,647

6. Business combination

On 10 April 2019, the consolidated entity acquired 100% of the share capital of Methven Limited. The acquisition provides a number of strategic benefits, strengthening the consolidated entities' position in Water Solutions across Australia and New Zealand, provides a platform for international growth, and opportunity to realise product, freight, logistics, and public company cost savings.

The provisional amount of goodwill recognised of $48,846,000 comprises the value of synergies to be achieved as a result of combining Methven Limited and its subsidiaries ('Methven') with the rest of the consolidated entity, as well as intangible assets that do not qualify for separate recognition. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of the identifiable assets and liabilities of Methven as at the date of the acquisition are disclosed below. Identification and valuation processes are still underway covering areas including, but not limited to, inventories, property, plant and equipment, and provisions. Therefore, they have been determined on a provisional basis only and as such, goodwill has not yet been allocated to cash-generating units (CGU's) or group of CGU's.

In thousands of AUD	**10 April 2019**
Cash and cash equivilents	3,762
Trade and other receivables	14,518
Inventories	21,955
Other assets	1,867
Deferred tax assets	5,379
Property, plant and equipment	6,600
Intangible assets	68,336
Right of use assets	9,095
Trade and other payables	(17,226)
Employee benefits	(1,636)
Income tax payable	(226)
Loans and borrowings	(36,275)
Provisions	(3,296)
Lease liabilities	(9,095)
Derivative financial instruments	(171)
Fair value of identifiable net assets - provisional	63,587
Goodwill arising on acquisition - provisional	48,846
	112,433
Cash paid	112,433
Acquisition date fair value of consideration transferred	112,433
Cash acquired on acquisition	3,762
Cash paid	(112,433)
Net consolidated cash outflow	(108,671)

The fair value of the acquired receivables amounts to $14,518,000. The gross contractual amount receivable was $14,551,000, however only the fair value amount is expected to be collected.

Various valuation techniques were used to determine fair value of the identifiable assets and liability of Methven. The relief-from-royalty method was used to value identifiable intangibles.

6. Business combination (continued)

Transaction and integration costs on business combination are as follows:

For the year ended 30 June 2019	
Direct costs relating to the acquisition	5,843
Integration costs	2,894
Transaction and integration costs on business combination	8,737
Income tax benefit	(1,140)
	7,597
For the half year period ended 31 December 2019	
Direct costs relating to the acquisition	-
Integration costs	622
Transaction and integration costs on business combination	622
Income tax benefit	(175)
	447
Total	
Direct costs relating to the acquisition	5,843
Integration costs	3,516
Transaction and integration costs on business combination	9,359
Income tax benefit	(1,315)
	8,044

7. Discontinued operations

A discontinued operation is a component of the consolidated entity's business that represents a separate line of business operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the period.

The Door & Access Systems' business (comprising of Gainsborough Hardware Industries Limited and API Services and Solutions Pty Ltd) was sold with an effective date of 3 July 2018.

Refer to the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2019 for details of the prior period financial results and cash flows of the discontinued operations. There were no financial results nor cash flows of the discontinued operations for the half year period ended 31 December 2019.

8. Income tax expense

Recognised in profit or loss

In thousands of AUD

	2019	2018
Current tax expense from continuing operations		
Current year	8,790	9,614
Adjustments for prior years	(84)	-
	8,706	9,614
Deferred tax (benefit) / expense from continuing operations		
Origination and reversal of temporary differences	1,029	1,111
Tax expense from continuing operations	9,736	10,725
Tax (benefit) / expense from discontinued operations	-	(742)
Total tax expense for the consolidated entity	9,736	9,983

Numerical reconciliation between tax expense and pre-tax profit

In thousands of AUD

	2019	2018
Profit from continuing operations before tax	33,327	35,460
Profit from discontinued operations before tax	-	50,060
Profit before tax for the consolidated entity	33,327	85,520
Tax expense using the domestic rate of 30% (2018: 30%)	9,998	25,656
Tax expense / (benefit) due to:		
Non-deductible expenses	110	57
Effect of tax rate in foreign jurisdictions	(132)	(11)
Non-deductible transaction & integration costs on business	-	404
Non-assessable accounting gain on disposal of discontinued operations on capital account	-	(15,760)
Other items	(156)	(363)
	9,820	9,983
(Over) / under provided in prior years	(84)	-
Income tax expense on pre-tax profit for the consolidated entity	9,736	9,983

9. Dividends

Dividends recognised and paid:	**Cost per share** *In cents*	**Total amount** *In thousands of AUD*
For the half year period ended 31 December 2019:		
Final 2019 ordinary dividend paid 4 September 2019	9.5	25,075
For the half year period ended 31 December 2018:		
Final 2018 ordinary dividend paid 6 September 2018	9.5	25,075

Dividends declared after the balance date:

On 17 February 2020, the Board declared a fully franked interim ordinary dividend of 8.0 cents per share and is payable on 4 March 2020. Based on 263,947,630 shares outstanding at 31 December 2019, the aggregate dividend payable will be $21,115,810.

10. Loans and borrowings

On 11 October 2019 the consolidated entity successfully completed the refinance of its syndicated banking facility. The facility now comprises a single three year multicurrency revolving facility of $210,000,000 which matures in October 2022. For the period 10 April 2019 to 10 October 2019 the facility was $250,000,000, and for the period 1 July 2018 to 9 April 2019 the facility was $225,000,000.

On 11 October 2019 the consolidated entity put in place a one year multicurrency revolving bilateral facility of $40,000,000 which matures in October 2020.

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.

The consolidated entity has unsecured bank loans of $185,495,000 drawn as at 31 December 2019 (30 June 2019: $177,759,000). The notional amount of the interest-bearing loans is deemed to reflect the fair value. The facilities were drawn in the following currencies.

In thousands of	**31 Dec 2019**	**30 June 2019**
AUD	152,000	115,000
NZD	30,000	61,500
GBP	2,500	2,200

11. 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	**Level 1**	**Level 2**	**Level 3**	**Total**
As at 31 December 2019				
Forward contracts used for hedging	-	(836)	-	(836)
Interest rate swaps used for hedging	-	(1,416)	-	(1,416)
	-	(2,252)	-	(2,252)
As at 30 June 2019				
Forward contracts used for hedging	-	1,656	-	1,656
Interest rate swaps used for hedging	-	(1,448)	-	(1,448)
	-	208	-	208

12. Leases

Transition to AASB 16 *Leases*
The consolidated entity has applied AASB 16 *Leases* using the full retrospective approach, which required restatement of comparative information (e.g. 31 December 2018 results and 30 June 2019 balances in these financial statements), including an adjustment to the comparative year's opening retained earnings (1 July 2018).

In thousands of AUD	
On transition to AASB 16 *Leases* , the consolidated entity recognised the following right of use assets and additional lease liabilities, recognising the difference in retained earnings as at 1 July 2018.	
Increase to right of use assets	47,549
Increase to lease liabilities	(51,280)
Decrease to payables and provisions	2,117
Increase to deferred tax assets	491
Decrease to retained earnings	1,123
The statement of financial position as at 30 June 2019 has been restated as follows:	
Increase to right of use assets	48,288
Increase to lease liabilities	(52,668)
Decrease to payables and provisions	1,940
Increase to deferred tax assets	652
Increase to translation reserves	(253)
Decrease to retained earnings	2,041
The income statement for the half year ending 31 December 2018 has been restated as follows:	
Increase to operating profit	(367)
Increase to financing costs	1,011
Decrease to profit before tax	644
Decrease to profit after tax	450

Policy
The consolidated entity enters into non-cancellable lease contracts, largely for the use of office and warehouse facilities. The leases typically run for a period of three to ten years.

The consolidated entity recognises a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate for site restoration, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the consolidated entity by the end of the lease term or the cost of the right of use asset reflects that the consolidated entity will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset. The right of use asset is also adjusted for certain remeasurements of the lease liability, and for any impairment losses recognised.

12. Leases (continued)

Policy (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the consolidated entities' incremental borrowing rate (adjusted to reflect the lease terms, for example, the lease period). The consolidated entity assesses whether it is reasonably certain to exercise the extension options, and if so, includes the option period into the calculation of the lease liability.

The lease liability is remeasured when there is a change in future payments arising from a change in an index or rate, or if there is a changed assessment as to whether it will exercise an extension option.

The consolidated entity has elected not to recognise right of use assets and lease liabilities for leases of low value and/or are short term.

The principal component of leased payments forms part of financing cash flows, and the interest component forms part of operating cash flows in the statement of cash flows.

In thousands of AUD **For the half year period ended 31 December**	**2019**	**2018**
Amounts recognised in the profit or loss statement		
Interest on lease liabilities	1,204	1,011
Depreciation of right of use assets	6,368	4,736
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	(7,280)	(6,721)
Right of use assets		
Balance as at 1 July	48,288	47,549
Additions to right of use assets	19,276	165
Depreciation for the period	(6,368)	(4,736)
Exchange rate movements	46	79
Balance as at 31 December	61,242	43,057

	31 Dec 2019	**30 June 2019**
Lease liabilities		
Lease liabilities recognised at the reporting date	65,331	52,668
The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be made after the reporting date (and therefore differs from the carrying amount of lease liabilities).		
Less than one year	11,448	11,210
One to two years	10,568	9,003
Two to five years	28,232	21,347
More than five years	26,072	21,944
Total	76,320	63,504

13. Subsequent events

To the Directors' best knowledge, there are no events that have arisen subsequent to 31 December 2019 that will, or may, significantly affect the operation or results of the consolidated entity.

GWA Group Limited and its controlled entities
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 2019 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 17 February 2020.

Signed in accordance with a resolution of the directors:

Darryl D McDonough Chairman	Tim R Salt Managing Director

Independent Auditor's Review Report

To the shareholders of GWA Group Limited

Report on the Interim Financial Report

Conclusion

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

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 2019 and of 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.*

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2019;
- Consolidated statement of profit or loss and other 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 13 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises 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.

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*
- 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 2019 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 a half-year 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*.

KPMG

KPMG

Julie Cleary

Partner

Sydney

17 February 2020

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 2019 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

Julie Cleary
Partner

Sydney
17 February 2020