GWA
Group Limited

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14 August 2023

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

GWA Group Limited (GWA Group) – Appendix 4E and Annual Results for the financial year ended 30 June 2023

In accordance with ASX Listing Rule 4.3A and the *Corporations Act 2001* (Cth), GWA Group attaches the following documentation for immediate release to the market:

1) Appendix 4E;
2) Managing Director's Review of Operations;
3) Directors' Report (including Remuneration Report);
4) Financial Report; and
5) Independent Auditor's Report,

for the financial year ended 30 June 2023.

On 14 August 2023 at 10.00 am (AEST), GWA Group is hosting a webcast of its FY23 results briefing. The webcast is accessible via GWA Group's website at www.gwagroup.com.au.

This announcement is authorised by the Board.

Yours faithfully

Ernie Lagis

Ernie Lagis
Company Secretary and General Counsel

GWA GROUP LIMITED

ABN: 15 055 964 380

Appendix 4E
Preliminary final report - 30 June 2023
Results for announcement to the market

For the year ended 30 June				**2023**	**2022**
Reported Results ($'000)					
Total Revenue from ordinary activities	Down	-1.6%	to	411,840	418,717
Total EBIT from ordinary activities	Up	15.7%	to	69,049	59,672
Total NPAT from ordinary activities	Up	22.7%	to	43,155	35,179
Continuing Operations (Normalised[1]) ($'000)					
Revenue from continuing operations	Down	-1.6%	to	411,840	418,717
EBIT from continuing operations - normalised	Down	-5.9%	to	70,451	74,849
NPAT from continuing operations - normalised	Down	-6.6%	to	44,142	47,266

[1] Normalised results excludes certain project costs - 2023: $1.4m ($1m post tax) in relation to organisation restructuring. 2022: $15.2m ($12.1m post tax) Group's Enterprise Resource Planning / Customer Relationship Management (ERP / CRM) project, and closure of the China sales function.

Dividends (cents per share)		
Final ordinary dividend[2] - 100% franked	7.0	8.0
Interim ordinary dividend - 100% franked	6.0	7.0

[2] The record date for determining entitlements to the final ordinary 2023 dividend is 21 August 2023 and the dividend is payable on 5 September 2023.

Net tangible asset and net asset backing (cents per share)	**As at**	**30 June 23**	**30 June 22**
Net tangible asset backing		(42.6)	(43.2)
Net asset backing		115.2	114.6

Brief explanation of the figures reported above

Refer to the attached Media Release and Managing Director's Review of Operations.
The attached Annual Financial Report has been audited by GWA's independent statutory auditors.

Managing Director's Review of Operations

Overview

GWA delivered a solid result for FY23 within a challenging operating environment that comprised two distinct halves.

We commenced the financial year with strong sales but incurred unexpected higher domestic freight rates and fuel surcharges partially offset by a reduction in international freight rates. In the later part of calendar year 2022 the performance was further negatively impacted by destocking by one merchant and the decline in building activity primarily in the residential renovation and replacement segment in Australia.

The decline in market activity continued in the second half, both in Australia and more particularly in New Zealand which entered recession.

GWA initiated a rapid and agile response to these conditions. Our focus on operational discipline and cost management resulted in an improved second half performance compared to the first half. This resulted in increased earnings and margin, with significantly improved operating cashflow in the second half of the year.

As a result, GWA continued to deliver returns to shareholders with a full year dividend of 13 cents per share fully-franked.

Meanwhile we continued to implement our strategy for growth, achieving considerable progress and momentum in core areas of our strategic plan. This provides a stronger platform for medium term growth and shareholder returns.

Health & Safety

During the year all GWA sites were re-certified to the industry standard ISO 45001.

GWA incurred two minor injuries in the first half in our New Zealand business which resulted in an increase in the Total Injury Frequency Rate (TIFR) for FY23 to 4.0 from 1.9 in the prior year.

In addition to lag indicators, we are increasingly shifting our emphasis towards lead indicators which we believe are more relevant in preventing workplace incidents.

This includes the worker insight frequency rate which measures reported worker insights per million hours worked. It is pleasing to report that we more than doubled worker insights in FY23, a clear indication of our continued commitment to safety.

During the period we updated our risk profile assessment to include psychosocial risks. We are also evolving our safety approach to respond to changing ways of working, including hybrid work arrangements.

Proactive and agile response to market challenges

GWA responded to the ongoing market challenges with a proactive and agile approach to cost management and also by adjusting our operating model to align to market conditions.

As a result, cost savings delivered in the second half assisted to deliver improved earnings at higher margin despite lower revenue.

The Company continued to adopt proactive management of inventory levels, while maintaining the quality of stock holdings to support product availability for customers.

This resulted in a reduction in working capital and significant improvement in operating cashflow together with improved customer service delivery.

The Company also realigned its Australian sales organisation to a State structure to enable the company to respond more quickly to local sales opportunities with localised solutions.

Group Financial Results

Reported – includes significant items

Group reported results include significant items. In FY23 significant items were $1.4 million (pre tax), including costs associated with aligning the company's cost base to the operating environment and rightsizing the organisation. FY22 significant items were $15.2 million (pre tax) including costs associated with the implementation of the ERP/CRM system and closure of the Asian sales operation.

A$ million ***(Reported- Includes Significant Items)***	**FY23**	**FY22**	**% change**
Revenue	411.8	418.7	(1.6%)
EBIT	**69.0**	**59.7**	**+15.7%**
EBIT Margin (%)	*16.8%*	*14.3%*	*+2.5ppts*
NPAT	**43.2**	**35.2**	**+22.7%**

Normalised – excludes significant items

A$ million ***(Normalised - Excludes Significant Items)***	**FY23**	**FY22**	**% change**
Revenue	411.8	418.7	(1.6%)
EBIT	**70.4**	**74.8**	**(5.9%)**
EBIT Margin (%)	*17.1%*	**17.9%**	*(0.8ppts)*
NPAT	**44.1**	**47.3**	**(6.6%)**

Group revenue declined by 1.6 per cent to $411.8 million.

Revenue in **Australia** declined by 1.2 per cent for the year with first half revenue impacted by a decline in residential renovation and replacement activity and merchant destocking in the second quarter.

Despite continued weakness in the residential renovation and replacement segment, revenue in the second half increased slightly on the first half, including a price increase of 4 per cent implemented from 1 April 2023.

GWA's commercial forward order bank remains strong and increased by 12.4 per cent in value on the start of the year which continues to create a strong platform for future growth in the commercial new build and renovation and replacement segment.

Revenue in **New Zealand** declined by 4.4 per cent on the prior year. Sales in the second half declined by 19 per cent from the first half reflecting weaker market conditions as the New Zealand economy entered recession. However, revenue in the fourth quarter increased by 1.9 per cent (constant currency) including the price increase of 5 per cent implemented from 1 March 2023.

While reported revenue in **International** markets declined by 1.5 per cent in FY23, sales revenue in constant currency increased by 3.7 per cent for the year.

Normalised Group EBIT declined by 5.9 per cent compared to the prior year to $70.4 million.

Volumes were impacted by the decline in the residential renovation and replacement segment in Australia, destocking from one merchant in the first half and market weakness in New Zealand.

The Group incurred unexpected higher domestic freight rates (fuel surcharges) introduced in the first half which were only partially offset by a moderation in international sea freight costs in the second half. Additional costs were incurred in New Zealand in the first half from the use of an external third party for warehousing and storage due to space restrictions in our New Zealand facilities.

As detailed above, GWA responded quickly and with agility to the challenging market conditions by aligning our cost base to the market conditions and through continued operational cost discipline and market execution.

This resulted in an improvement in Normalised Group EBIT of 6.5 per cent in the second half compared to the first half with a corresponding increase in Normalised Group EBIT margin to 17.7 per cent in the second half from 16.5 per cent in the first half.

Strong improvement in cashflow from operations

GWA continued to proactively manage inventory levels which resulted in a significant reduction in working capital compared to the prior year.

As a result, cashflow from operations in FY23 doubled to $99.6 million from $49.6 million in the prior year.

Cash conversion remains strong with the cash conversion ratio (cashflow from operations / normalised EBITDA) of 112 per cent.

Capital expenditure and other investing activities was $2.2 million for FY23 which was steady on the prior year.

The Group's capital expenditure programme remains focused on growth initiatives to drive revenue growth opportunities and cost efficiencies.

Full year dividend of 13.0 cents per share fully franked

The Board declared a final dividend of 7 cents per share, fully-franked, bringing the full-year dividend to 13 cents per share, fully-franked.

The record date for entitlement to receive the final dividend will be 21 August 2023 with the payment date of 5 September 2023. The full-year dividend represents a payout ratio of normalised net profit of 78 per cent and reported profit of 80 per cent,

As part of the Company's capital management approach, the Dividend Reinvestment Plan will not be offered to shareholders for the final dividend.

GWA's financial position remains strong

Net debt as at 30 June 2023 was $117.0 million, 15 per cent lower than 30 June 2022 and reflected the reduction in working capital and improved operating cashflow.

GWA's credit metrics improved on the prior year and remain solid. The Company's gearing ratio (net debt/net debt plus equity) was 23.0 per cent compared to 26.2 per cent at 30 June 2022 and leverage ratio (net debt/EBITDA) was 1.5 times compared to 1.7 times at 30 June 2022.

GWA's syndicated banking facility comprises a single three-year multicurrency revolving facility of $180 million which matures in November 2024.

GWA also maintains a separate $40 million one-year multi-currency revolving bilateral facility which matures in October 2023. This is being reviewed as part of our ongoing treasury management.

Excellent progress in growth strategy

GWA continued to make excellent progress in our strategy which is focused on being a trusted and integrated solutions partner in the delivery of sustainable water solutions for bathrooms, kitchens and laundries.

We are implementing measures to connect, deepen and leverage our plumbing industry relationships with a focus on delivering trusted and valued services and solutions to plumbers.

During FY23 we extended our reach with Australian/New Zealand plumbers with 20,000 plumbers now signed up. In addition, we have provided 6,700 plumbers with technical services and training. GWA launched the Caroma Plumber's hub which provides plumbers with the knowledge, tools and support to select, install, maintain and repair Caroma products correctly and efficiently. It enables plumbers to have a direct line of communication with an experienced Caroma technical support team to provide enhanced efficiency in the selection, procurement, and installation of Caroma products.

We continued to develop solutions to enhance our customer experience and make it easier for customers to do business with us. The new ERP launched across Australia and New Zealand in FY22 now allows for consistent and improved reporting, while service levels continue to improve with DIFOT in Australia/New Zealand increasing to 78 per cent. We will continue to focus on this important measure moving into FY24.

GWA launched a number of new products during the period with our vitality index (% of sales from new products launched in the last 2 years) exceeding 10 per cent for the year.

Products launched during the period included new entry-level tapware, showers and accessories to grow our share in builders and affordable housing markets and the continued expansion of our independent living range, Livewell, in the aged care sector. GWA also launched a coloured sink range to refresh our kitchen product offer and added commercial tapware products to capture growing demand in the education and public amenities sector.

FY24 Outlook and Priorities

GWA expects increased demand for commercial new build in health and aged care and commercial repair and renovation, while the existing pipeline in residential detached housing should support a solid level of completions in that segment into the first half of FY24. GWA also expects increased activity in multi residential, social and affordable housing and build to rent categories.

However, demand activity in residential renovation and replacement is expected to remain subdued.

Within that operating environment GWA will continue its disciplined execution with a strong focus on aligning its cost base to revenue, matching inventory levels to market demand with continued targeted investment in entry level products and customer experience centres across Australia and New Zealand. Within our overall strategic framework we will achieve this by focussing on our two key identified priorities being customer first initiative with our merchant partners and targeting profitable volume growth in existing and new markets and customers, including increasing share of wallet across the plumber network.

GWA monitors key risks to its future prospects and implements measures to mitigate these risks, where possible, which are outlined in the Appendix to this review.

The GWA team

I would like to thank my executive team and the entire GWA team for their support and contributions during a year where the business had to proactively adjust to changing market conditions.

The continued focus and progress of our strategy would not be possible without the commitment and passion of our team.

Appendix – Risk Materiality Table

Risk	Monitoring and Mitigation
A significant deterioration in building activity impacting sales growth and margins.	GWA monitors building activity and this is factored into the company's forecasting, annual budget and planning processes. Approximately 60% of GWA's revenue is generated from the Renovation and Replacement segment in Australia which is the largest segment of the overall market. GWA's forward order book for commercial projects remains solid and is growing with several major projects secured. In addition, GWA's corporate strategy incorporates opportunities for GWA to expand beyond current segments, categories and markets.
A significant movement in the Australian dollar impacting the price of imported products leading to changes in market pricing to maintain profitability.	GWA monitors foreign exchange rates closely and adopts appropriate mitigation strategies. Approximately 50% of US dollar exposure is hedged at US$0.68 for FY23. GWA's contracts with major customers include provisions for pricing changes based on significant movements in the Australian dollar.
Unforeseen disruptions impacting product supply from offshore suppliers leading to reputational damage, lower sales and loss of market share.	GWA has exclusive long-term supply partnerships with multiple proven offshore suppliers, many of whom have diverse capabilities and would be able to assist in the event of any disruption. GWA's supply chain processes include dual-sourcing strategies and access to safety stock to mitigate the risk of supplier disruption. GWA has its own employees located in Asia working directly with its supply partners and is actively diversifying its regional supply base. While the global supply chain landscape has stabilised post COVID-19, it continues to evolve because of changing market conditions and government policies, armed conflict and extreme weather events. GWA's business continuity plans are updated frequently to mitigate these issues.

Security risks around external threats to the digital network, IT systems and data could potentially result in adverse operational, financial and reputational impacts through possible system failures and security / cyber breaches.	GWA has established a formal IT security risk and governance framework to mitigate the risks being faced by GWA. GWA recently implemented a new Enterprise Resource Planning and Customer Relationship Management systems across its operations in Australia and New Zealand, with enhanced security and protection technologies. In FY23 GWA's cyber strategy was focussed on network security segmentation and uplift, raising Cyber awareness and risk culture in GWA, Data Loss Prevention and Customer Privacy Information protection In addition, GWA carries out disaster recovery and business continuity planning each year to test the effectiveness of its ability to respond to security and cyber risks. In FY23 this included a tabletop exercise to test GWA's business continuity plan in the context of a simulated Cyber-attack scenario.
Workplace health and safety risks could potentially result in physical injury to employees, contractors or others, or damage to the Company's reputation.	Aligned with its Cultural Pillar of "We care for each other", GWA remains committed to continuous improvement in workplace health and safety performance. GWA has implemented comprehensive safety systems and processes, communications with and training of employees, and increased diligence in identifying and removing safety risks. GWA has also increased its focus on the management of mental health issues, given the impact of COVID-19 and the significant workplace changes which occurred because of the pandemic. Group-wide WHS Operational Risks have been identified and a risk mitigation program is in place with each risk sponsored by an Executive. All GWA UK, Aust and NZ sites are certified to ISO45001:2018 (occupational health and safety management system).
Major global event (e.g., war, pandemic) impacting GWA's ability to operate, including workforce, supply chain and customer service disruptions.	GWA has comprehensive crisis management and business continuity plans in place for dealing with major global and domestic events. These were activated to address recent global events such as the COVID-19 pandemic and conflict in Ukraine. The plans guide GWA's response to events outside of the control of GWA and are continually reviewed to ensure they remain effective.

Adverse impact of environmental or social risks on the GWA business.	GWA is committed to managing environmental and social risks by embedding ESG principles as a foundation pillar of the corporate strategy. In addition, GWA has an ESG Steering Committee to oversee the progress and execution of GWA's ESG program. The physical risks of climate change on the GWA business are regularly assessed with risk mitigation and contingency plans in place. GWA's supply chain comprises internationally diverse manufacturing hubs, transport (shipping), storage, distribution and logistics. To mitigate the environmental risks associated with extreme weather events, GWA has implemented dual-sourcing strategies enabling it to source goods from multiple locations. GWA also carries up to about 2 months' safety stock in GWA's geographically diverse distribution centres. On the social front GWA carries out ongoing ethical sourcing and modern slavery analysis, and has engaged independent third party providers to complement its existing internal audit program on product suppliers. GWA believes the overall risk level to be low given the scope and location of GWA's operations, the maturity of its supply partner relationships and the diligence applied by GWA to identify and manage risks in the business. In December 2022, GWA's latest Modern Slavery Statement was lodged with the Australian Border Force. Refer to GWA's 2023 ESG Report for further information on GWA's initiatives supporting broader ESG value creation opportunities, and risk management of GWA's environmental and social impacts.

Directors' Report as at 30 June 2023

The directors present their report on the consolidated entity consisting of GWA Group Limited (the **Company**) and its controlled entities at the end of, or during, the financial year ended 30 June 2023 (together, **the Group**).

Directors

The following persons were directors of the Company during the financial year and up to the date of this report unless otherwise stated.

- Darryl McDonough, Chairman and Independent, Non-Executive Director
- John Mulcahy, Deputy Chairman and Independent, Non-Executive Director
- Urs Meyerhans, Managing Director and Chief Executive Officer
- Alison Barrass, Independent, Non-Executive Director (until 28 October 2022)
- Stephen Goddard, Independent, Non-Executive Director (until 30 June 2023)
- Jane McKellar, Independent, Non-Executive Director
- Richard Thornton, Non-Executive Director
- Stephen Roche, Independent, Non-Executive Director (from 28 October 2022)
- Bernadette Inglis, Independent, Non-Executive Director (from 9 November 2022)
- Patria Mann, Independent, Non-Executive Director (from 1 January 2023)

Details of directors' qualifications, experience and special responsibilities are outlined in the director profiles in each Annual Report.

Details of the directorships of other listed companies held by each director in the three years prior to the end of FY23, and the period for which each directorship has been held, will be outlined in the director profiles in the 2023 Annual Report.

The information referred to in the director profiles forms part of this Directors' Report.

Company Secretary

Ernie Lagis BBus LLB (Hons), LLM, Cert Gov&RiskMgt

Ernie has an extensive career in legal, governance and company secretariat. Ernie most recently led the company secretariat, legal and insurance functions for the Asia Pacific operations of Tetra Tech Inc, including Tetra Tech Coffey. He began his career as a lawyer with Ashurst (formerly Blake Dawson).

Directors' Interests

The relevant interest of each director in the share capital of the Company as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the *Corporations Act 2001* as at the date of this report is:

Director	**Ordinary Shares***
Darryl McDonough	170,000
John Mulcahy	40,950
Urs Meyerhans**	155,217
Stephen Goddard	10,000
Bernadette Inglis	-
Patria Mann	10,000
Jane McKellar	13,034
Stephen Roche	70,000
Richard Thornton***	349,561
Total******	**818,762**

Notes:
* The number of shares held refers to shares held either directly or indirectly by the relevant director.
** Urs Meyerhans also holds 1,249,063 Performance Rights. For details of the Performance Rights held, please refer to sections 7.2 and 7.3 of the Remuneration Report.
*** As at the date of this report, and as a former executive director of the Company until 3 June 2022, Richard Thornton also holds 55,040 Performance Rights. For details of the Performance Rights held, please refer to sections 7.2 and 7.3 of the Remuneration Report.
**** Section 7.3.3 of the Remuneration Report sets out the number of shares held directly, indirectly, or beneficially by key management personnel or their related entities at balance date as prescribed in Accounting Standard AASB 124, this being 987,232 shares (2022: 789,941shares).

Directors' Meetings

The number of directors' meetings (including meetings of Committees of directors) held during FY23, and the number of meetings attended by each director is outlined in the following table:

Director	Board		Audit and Risk Committee		People and Culture Committee	
	A	B	A	B	A	B
Darryl McDonough	11	11	4	4	4	4
John Mulcahy	11	11	-	-	4	4
Urs Meyerhans	11	11	-	-	-	-
Alison Barrass[1]	6	4	-	-	-	-
Stephen Goddard	11	11	4	4	-	-
Jane McKellar	11	11	-	-	4	4
Richard Thornton	11	11	4	4	-	-
Stephen Roche[2]	5	5	1	1	-	-
Bernadette Inglis[3]	5	5	-	-	1	1
Patria Mann[4]	4	4	2	2	-	-

Notes:
A – Number of meetings held during the time the director held office during the year including meetings of the non-executive directors only
B – Number of meetings attended during the period the director was a member of the Board or relevant Committee
[1] Alison Barrass ceased being a non-executive director of the Company on 28 October 2022.
[2] Stephen Roche was appointed a non-executive director of the Company on 28 October 2022.
[3] Bernadette Inglis was appointed a non-executive director of the Company on 9 November 2022.
[4] Patria Mann was appointed a non-executive director of the Company on 1 January 2023.

Principal Activities

The principal activities of the Group during the financial year were the research, design, import and marketing of building fixtures and fittings to residential and commercial premises, and the distribution and installation of various products through a range of distribution and customer channels in Australia, New Zealand and selected international markets.

There have been no significant changes in the nature of the activities of the consolidated entity during the financial year.

State of affairs

There have been no significant changes in the Group's state of affairs during the financial year.

Operating and Financial Review

The Operating and Financial Review for the consolidated entity during FY23 is provided in the Managing Director's Review of Operations, and forms part of this Directors' Report.

Dividends

Dividends paid or declared by the Group to shareholders since the end of the previous financial year were as follows.

Declared and paid during FY23.

Dividends	Cents per share	Total Amount $'000	Franked Percentage	Date of Payment
Final 2021/22 Ordinary	8.0	21,216	100%	6 September 2022
Interim 2022/23 Ordinary	6.0	15,912	100%	7 March 2023

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

Determined after end of FY23.

After the balance date the following dividend was determined by the directors. The dividend has not been provided and there are no income tax consequences as at 30 June 2023.

Dividend	Cents per share	Total Amount $'000	Franked Percentage	Date of Payment
Final 2022/23 Ordinary	7.0	18,564	100%	5 September 2023

The financial effect of the final dividend has not been brought to account in the financial statements for FY23 and will be recognised in subsequent financial reports.

The record date for the FY23 final dividend is 21 August 2023 and the dividend payment date is 5 September 2023. The Dividend Reinvestment Plan will not be offered to shareholders for the final dividend.

Events Subsequent to Reporting Date

Excepting the dividend declared after the end of FY23, as described above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years.

Likely Developments

Likely developments and expected results of the operations of the Group are provided in the Managing Director's Review of Operations.

Further information on likely developments and expected results of the operations of the Group has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental Regulations

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnification and Insurance of Directors and Officers Indemnification

The Company's constitution provides that, to the extent permitted by the law, every current (and former) director or secretary of the Group shall be indemnified out of the assets of the Group against all costs, expenses and liabilities which result directly or indirectly from facts or circumstances relating to the person serving (or having served) in their capacity as director or secretary of the Group, but excluding any liability arising out of conduct involving a lack of good faith or conduct known to the person to be wrongful or any liability to the Group or related body corporate.

In accordance with the Company's constitution, the Company has entered into a Deed of Indemnity, Insurance and Access with each of the Company's directors and company secretary. No director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the financial year.

Insurance Premiums.

The Company has paid a premium in respect of a contract insuring current and former directors, company secretaries and executives of the Company and its subsidiaries against liability that they may incur as an officer of the Company or any of its subsidiaries, including liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with certain exceptions. It is a condition of the insurance contract that no details of the premiums payable or the nature of the liabilities insured are disclosed.

Non-Audit Services

During the year KPMG, the Group's lead auditor, undertook a marketing expense benchmarking exercise.

The Board has considered the non-audit services provided by KPMG and is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the consolidated entity and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to KPMG and its network firms, for audit and non-audit services provided during the year are outlined in Note 21 of the financial statements.

Lead Auditor's Independence Declaration

The lead Auditor's Independence Declaration is set out in the Annual Report and forms part of the Directors' Report for FY23.

Proceedings on behalf of the Company

No application has been made under section 237 of the *Corporations Act* (Cth) in respect of the Company, and there are no proceedings that a person has brought or intervened in on behalf of the Company under that section.

Rounding

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the rounding of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded in accordance with that Instrument to the nearest thousand dollars, unless otherwise stated.

Remuneration Report

Introduction

The directors of GWA Group Limited present this Remuneration Report for the period ended 30 June 2023. The Remuneration Report outlines the Group's remuneration strategy and principles, explains how the Group's FY23 performance has driven executive remuneration outcomes, and provides the details of specific remuneration arrangements that apply to Key Management Personnel (KMP) in accordance with section 300A of the *Corporations Act 2001 (Cth)* (Corporations Act) and applicable accounting standards.

Sections 2 to 8 of this Remuneration Report, excluding Section 7.1.1, have been audited by the Group's External Auditor, KPMG.

The structure of the Remuneration Report is outlined below:

1. Message from the People & Culture Committee;
2. Key Management Personnel;
3. Board role in setting remuneration strategy and principles;
4. Relationship between remuneration policy and Group performance;
5. Description of non-executive director remuneration;
6. Description of executive remuneration;
7. Details of director and executive remuneration; and
8. Key terms of employment contracts.

1. Message from the People & Culture Committee (P&CC)

In this report the P&CC outlines GWA's approach to remuneration for its executives and in particular, identifies the link between GWA's strategy and its remuneration framework and importantly the link between performance and executive reward.

In summary:

- FY23 was challenged by operational matters beyond GWA's control including depressed construction market; inflation; increasing interest rates weighing on consumer spending.
- Disciplined execution of cost management to respond to market challenges.
- Financial position remains strong.
- Medium and longer term strategy remains the focus to take advantage of opportunities in FY24 and beyond.
- No STI payments awarded for FY23.

GWA's performance during FY23 was heavily impacted by the challenging market conditions in the construction sector, particularly in relation to renovation and replacement, as well as inflationary pressures with consequential interest rate rises which placed further pressure on business and consumer spending and sentiment. GWA responded to these challenges with an ongoing focus on operational and cost discipline and made significant progress against its strategic objectives which have positioned us favorably to capitalise on opportunities in FY24 and beyond.

The Company is in strong financial health due to a disciplined focus in FY23 on cost management and operational efficiencies. The short-term incentive outcomes for the Managing Director and other Executive Leadership Team (ELT) members for FY23 reflected the difficult market conditions in the construction sector and did not meet the criteria for payment.

The P&CC had oversight of the performance and remuneration arrangements of the Managing Director and the other ELT members during FY23, together with the Group's remuneration framework and incentive plans. The P&CC ensures that the financial reward for executives is aligned with performance and shareholders' interests.

GWA's remuneration framework reflects our approach to providing remuneration which is fair and equitable to attract, motivate and retain talented individuals necessary to deliver our strategy, while aligning the interests of executives and shareholders.

At the centre of our remuneration framework are the following:

- challenging financial and non-financial measures to assess performance and focus executives on key operational and strategic objectives critical to GWA's long-term success;
- incentive plans that align reward for executives to shareholder wealth creation over the short and medium term;
- ability for the Board to exercise its discretion to adjust or 'clawback' executive reward where business and operational risks have not been adequately managed; and
- best practice governance in determining remuneration arrangements and outcomes that are fair and reasonable taking into consideration community and shareholder expectations.

2. Key Management Personnel (KMP)

KMP are as defined by the Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124).

The KMP for FY23 remains consistent with FY22 to include all 8 current Executives for the full FY23 year, together with each of the Directors.

Table 1: Key Management Personnel (KMP)

Name	Position	Term as KMP
Non-Executive Directors		
D McDonough	Chairman and Non-Executive Director	Full year
J Mulcahy	Deputy Chairman and Non-Executive Director	Full year
A Barrass	Non-Executive Director	Until 28 October 2022
S Goddard	Non-Executive Director	Full year
J McKellar	Non-Executive Director	Full year
R Thornton	Non-Executive Director	Full year
B Inglis	Non-Executive Director	Effective 9 November 2022
S Roche	Non-Executive Director	Effective 28 October 2022
P Mann	Non-Executive Director	Effective 1 January 2023
Executive Director		
U Meyerhans	Managing Director and Chief Executive Officer	Full Year
Other Executive KMP		
M Hayes	Group General Manager, Marketing	Full year
E Lagis	Company Secretary and General Counsel	Full year
R Patel	Chief Information Officer	Effective 24 April 2023
A Larson	Chief Information Officer	Until 19 December 2022
C Norwell	Group General Manager, Sales – Aust, UK & Asia	Full year
P Oliver	Group General Manager, People & Performance	Full year

C Scott	Group Chief Financial Officer	Full year
C Sunaryo	Group General Manager, Supply Chain & Innovation	Full year

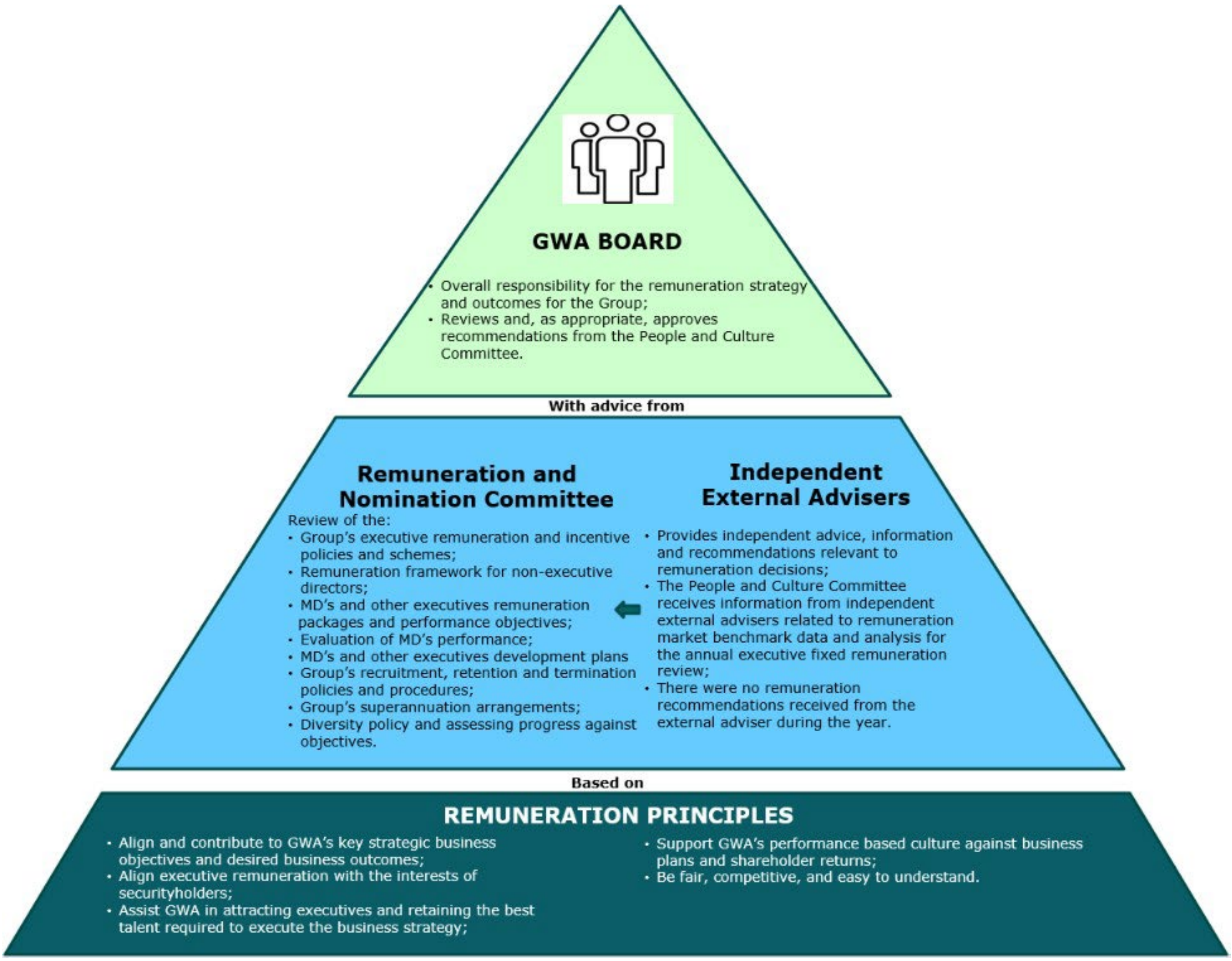
3. Board role in setting remuneration strategy and principles

The Board has overall responsibility for reviewing, approving, and monitoring GWA's remuneration strategy and outcomes including for the directors and executives. The strategy is designed to provide remuneration that is competitive and equitable and is designed to attract, motivate, and retain directors and executives with the experience, knowledge, skills, and commitment required for success.

The Board also engages with all stakeholders to continuously refine and improve director and executive remuneration policies and practices.

The Board delegates some aspects of the review and monitoring process to the People & Culture Committee. The charter for the People & Culture Committee is available on the Company's website at www.gwagroup.com under Corporate Governance Policies.

3.1 GWA's Remuneration Governance Framework



3.2 FY24 Executive remuneration changes

For FY24 the Board approved to maintain the two LTI performance hurdles in place in FY23, which are relative TSR and absolute EPS growth (CAGR over 3-year performance period). LTI performance rights granted will be split evenly to these two performance hurdles.

	Maximum LTI *As % of fixed remuneration*	**Maximum total performance pay (STI and LTI)** *As % of fixed remuneration*
Managing Director	**150%**	**200%**
Other ELT	**60%**	**100%**

For the FY24 LTI grant, the below proposed relative TSR measure group is as follows:

James Hardie Industries PLC, Fletcher Building Ltd, Boral Ltd, Adbri Limited[1], Brickworks Ltd, Super Retail Group Ltd, CSR Ltd, ARB Corp Ltd, Bapcor Ltd, Breville Group Ltd, GUD Holdings Ltd, Cedar Woods Properties Ltd, Decmil Group Ltd, Simonds Group Ltd, Hills Ltd, Fleetwood Ltd, Accent Group Ltd, Pact Group Holdings Ltd, Reece Ltd, Wagner Holding Ltd.

This aligns with the previously assigned peer group in FY23, except for Hills Ltd, now excluded due to the company's shares being suspended in May 2023 and entering voluntary administration in June 2023.

The TSR hurdle and the proportion of performance rights to vest if the TSR hurdle is met are summarised below:

TSR of GWA Group Limited relative to TSR of Comparator Companies	**Proportion of Performance Rights to vest if TSR hurdle is met**
Less than the 50^{th} percentile	0%
50% percentile	25%
Between 50% and 75% percentile	Straight line vesting between 25% and 100%
75^{th} percentile or higher	100%

EPS (CAGR over 3-year performance period)

The EPS hurdle and the proportion of performance rights to vest if the EPS hurdle is met are summarised below:

EPS (CAGR) of GWA Group Limited	**Proportion of Performance Rights to vest if EPS hurdle is met**
Less than 5%	0%
Equal to 5%	25%
Between 5% and 10%	Straight line vesting between 25% and 100%
10% and higher	100%

3.2.1 FY24 Managing Director variable remuneration structure.

The FY24 incentives structure for the Managing Director remains unchanged from FY23 and is provided in the following table:

Managing Director	**Maximum STI as % of fixed remuneration**	**Maximum LTI[1] as % of fixed remuneration (grant date fair value)**	**Maximum total performance pay as % of fixed remuneration**
FY24	50%	150%	**200%**

[1] Compared to FY22, while the proposed peer group remained the same, there was a change in name from Adelaide Brighton Ltd to Adbri Limited

The FY24 STI components for the Managing Director are provided in the following table:

Managing Director	Financial Targets[2] as maximum % of fixed remuneration	Critical Non- Financial KPIs[3] as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY24	40%	10%	**50%**

Note:
[1] The Managing Director's LTI grant for FY24 will require shareholder approval at the Annual General Meeting on 30 October 2023.
[2] Following the achievement of the STI financial targets, 25% of the financial component will be deferred until the Board approves the FY25 audited financial statements to verify the integrity of achieving the results.
[3] Critical non-financial KPIs have been established for the Managing Director at the beginning of FY24 covering key areas such as health and safety, customer first, profitable volume growth, employee engagement, ESG roadmap deliverables and strategy achievement.

3.2.2 FY24 Member of Executive team variable remuneration structure

The FY24 incentives structure for members of the executive team remains unchanged from FY23 and is provided in the following table:

Other Executives	Maximum STI as % of fixed remuneration	Maximum LTI as % of fixed remuneration (grant date fair value)	Maximum total performance pay as % of fixed remuneration
FY24	40%	60%	**100%**

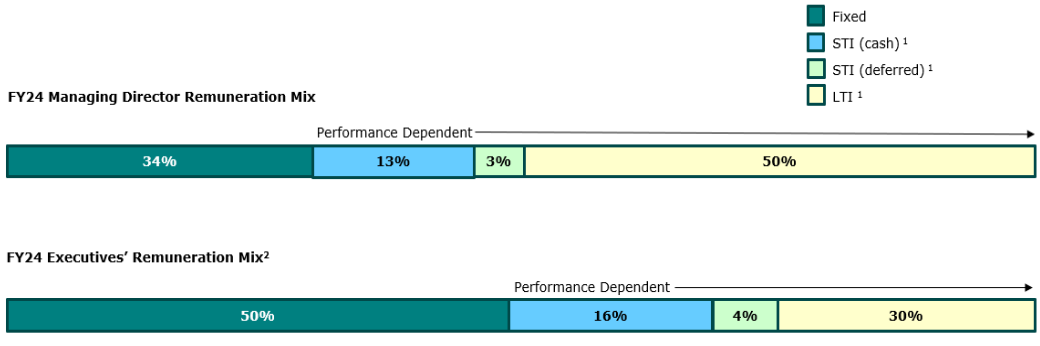
The FY24 STI components for the executive team are provided in the following table:

Other Executives	Financial Targets[1] as maximum % of fixed remuneration	Critical Non-Financial[2] KPIs as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY24	30%	10%	**40%**

Note:
[1] Following the achievement of the STI financial targets, 25% of the financial component will be deferred until the Board approves the FY25 audited financial statements to verify the integrity of achieving the results.
[2] Critical non-financial KPIs have been established for the other executives at the beginning of FY24 covering key areas such as health and safety, customer first, profitable volume growth, employee engagement, ESG roadmap deliverables and strategy achievement.

3.2.3 Managing Director and member of the Executive team remuneration mix for FY24.

The components of remuneration for the Managing Director and other executives' for FY24 remains unchanged from FY23 and are provided in the following table.



Note:
[1] STI and LTI are based on 100% vesting.
[2] Includes the average remuneration Executives' excluding the Managing Director.

3.2.4 FY24 Short-Term Incentive Plan Targets

The Board has decided to maintain the Short-Term Incentive (STI) financial targets for FY24 under the STI plan of Earnings Before Interest and Tax (EBIT) as the single financial target. EBIT is an effective basis for STI financial targets as it is currently a key business metric and aligned with the Group's strategy.

The Board has the discretion to normalise the EBIT measure where it is unduly distorted by significant or abnormal events, to ensure that the measure reflects underlying trading performance. Any adjustments to normalise the EBIT measure, and the reasons for any adjustments, will be disclosed.

STI payments for non-financial KPI's will be at the Board discretion if the financial threshold is not met. 25% of the payment applicable to achievement of the financial target to be deferred until the Board approves the FY25 audited financial statements to verify the integrity of achieving the results.

3.2.5 FY24 Long-Term Incentive Plan Targets

As outlined in section 6.4 Long-Term Incentive (LTI), for the FY23 LTI plan the Board re-introduced a second performance measure of Earnings Per Share (EPS) growth (CAGR over 3-year performance period). The introduction of this second performance measure is in addition to retaining the relative TSR measure.

For FY24 the two measures of relative TSR and EPS will remain in place.

3.3 FY24 Executive Fixed Remuneration

For FY24 there was one adjustment to the fixed remuneration for the Group General Manager People & Performance role of $10,000 per annum in line with an internal equity review. During the FY24 the Board will seek external advice on the level and structures of the remuneration framework for the KMP.

4. Relationship between remuneration policy and Group performance

Remuneration is linked to performance by:

- Applying challenging financial and non-financial measures to assess performance;
- Ensuring that these measures focus executives on strategic and operational business objectives that create shareholder value while balancing short-term and medium/longer term shareholder value creation.

GWA measures performance on the following key corporate measures:

- Earnings Before Interest and Tax (EBIT);
- Total Shareholder Return (TSR)
- Earnings Per Share (EPS) growth (introduced in FY23)

The Board has the discretion to normalise the EBIT and EPS measures where they are unduly distorted by significant or abnormal events, to ensure that the measures reflect underlying trading performance. Examples include the impact of restructuring costs or other non-recurring expenses or income, to ensure management is not discouraged from undertaking initiatives in the long-term interests of shareholders.

Any adjustments to normalise the EBIT and EPS measures, and the reasons for any adjustments, will be disclosed.

Remuneration for all executives varies with performance on the key EBIT, EPS and TSR measures together with achievement of their measurable personal KPI objectives, which underpin delivery of the financial outcomes, and are linked to the Group's performance review process.

The Total Shareholder Return (TSR) hurdle for the FY20 LTI grant was not met, accordingly those performance rights lapsed.

The following is a summary of key statistics for the Group over the last five years:

Financial Year	EBIT[(a)] ($m)	EPS[(a)] (cents)	Total DPS (cents)	Share Price (30 June) ($)	Market Capitalisation (30 June) ($m)
2018/19[(b)(c)]	78.1	19.3	18.5	3.42	902.7
2019/20[(c)(d)]	71.8	17.0	11.5	2.77	731.1
2020/21[(c)(d)]	68.5	16.0	12.5	2.77	734.6
2021/22[(c)(d)]	74.8	17.8	15.0	1.97	522.5
2022/23[(c)]	70.5	16.6	13.0	1.75	464.1

Notes:
(a) Excludes significant items.
(b) FY19 represent continuing operations and exclude the discontinued operations of the Door & Access Systems' business (including the gain on sale) which was sold on 3 July 2018.
(c) FY19 to FY23 includes the results of Methven Limited from the date of acquisition (10 April 2019).
(d) FY20 to FY22 performance was negatively impacted by COVID-19 resulting in business interruption from lockdown restrictions in various geographies and challenging market conditions.

The remuneration and incentive framework are designed to focus executives on sustaining short-term operating performance coupled with investment in long-term strategic growth in the markets in which the business operates.

The Group's Normalised[2] EBIT was down 6.0% year on year due softening market conditions particularly in the residential repair and renovation sector.

The Group remains in a strong financial position. While the residential repair & renovation segment is expected to remain subdued. Continued momentum is expected in residential detached completions through H1 of FY24 with increasing activity in commercial new build and renovation and multi residential. The earnings performance for FY23 enabled the Board to pay a full year fully franked dividend of [13 cents] per share for FY23 representing a dividend pay- out ratio of reported profit of 80% and normalised profit of 78% which is in line with the Company's dividend policy.

The Group has continued its progress in FY23 against its strategic objectives to enhance the operating performance of the business and to maximise returns to shareholders over time. The progress against the strategy is outlined in the Managing Director's Review of Operations.

The successful execution of the Group's strategy was included in executives' measurable personal goals and reflected in the financial performance targets under the STI and LTI plans for FY23; refer sections 6.3 Short-Term Incentive and 6.4 Long-Term Incentive.

The remuneration and incentive framework focused executives on responding appropriately to the challenging market conditions in FY23 which saw a significant slowdown in residential repair and renovation activity as a consequence of consecutive interest rate increases by Central Banks in the markets in which we operate. It has encouraged management to respond quickly and make medium term decisions to sustain competitiveness ensuring that the Group is well placed to maximise returns through the market cycle.

5. Description of non-executive director remuneration

Fees for non-executive directors are fixed and are not linked to the financial performance of the Group to ensure that non-executive directors maintain their independence.

At the 2018 Annual General Meeting, shareholders approved an increase in non-executive director fees to an annual maximum aggregate amount of $1,350,000 including statutory superannuation. This increase was to allow for new director appointments over time in accordance with the Board succession plans.

The actual fees paid to the non-executive directors are outlined in the Remuneration Tables in section 7.1 and are based on the following:

- Board Chair $280,000 (including superannuation);
- Other non-executive directors $120,000 (including superannuation); and
- Committee Chair $10,000 (including superannuation).

There have been no changes to these amounts since FY16.

Non-executive director remuneration comprises base fees and statutory superannuation, plus an additional fee for chairing a Board Committee (where applicable). The payment of committee fees recognises the additional time commitment required by a chair of a Board committee. Non- executive directors are not eligible to participate in the executive incentive schemes.

The People & Culture Committee, from time to time, obtains market benchmarking data from an external remuneration adviser to ensure that the level and allocation of non-executive director remuneration is market based and fairly represents the responsibilities and time spent by the directors on Group matters.

Retirement benefits other than statutory superannuation are not available for non-executive directors.

The Board does not require its non-executive directors to hold GWA shares, however the holding of shares is actively encouraged. For details of the non-executive director shareholdings, please refer to section 7.3.3.

6. Description of executive remuneration

6.1 Executive remuneration structure

Executive remuneration has a fixed component and a component that varies with performance. The variable component comprises a short-term incentive (STI) plan which provides rewards for performance over a 1-year period, and a long-term incentive (LTI) plan which provides rewards for performance over a 3-year period. The maximum total remuneration that can be provided to an executive is capped, with incentive payments expressed as a percentage of total fixed remuneration. Total fixed remuneration for the purposes of incentives includes superannuation and non-monetary benefits.

The remuneration structure implemented for executives, including the Managing Director, recognises the short-term challenges posed by operating in the cyclical housing industry, ability to sustain competitiveness, deliver value and growth in mature markets and maintain operating cash flows for dividends.

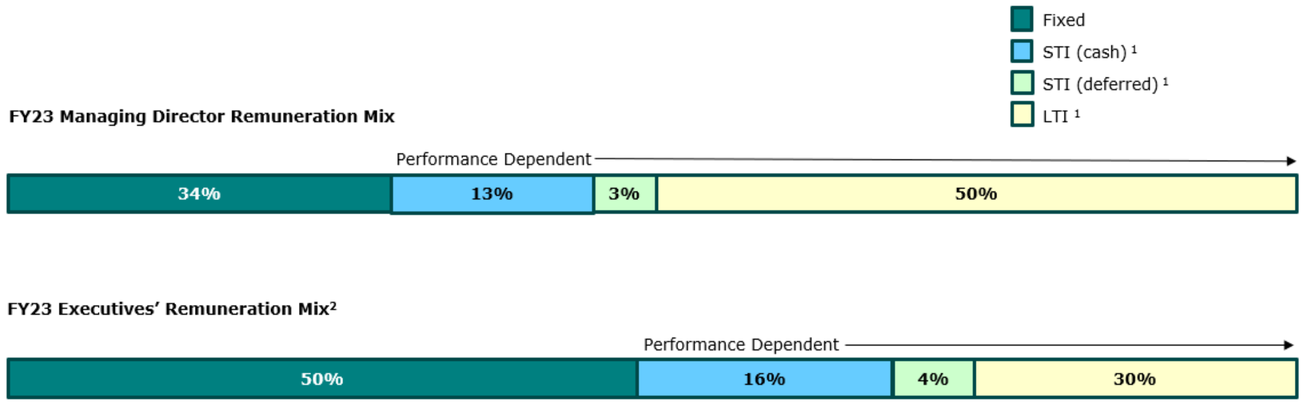
6.1.1 GWA's Executive Remuneration Structure for FY23

Objective	Attract and retain best talent	Reward current year performance	Reward long term performance
	Fixed	Variable (at risk)	
Remuneration Components	Fixed Remuneration	Short-Term Incentive (STI)	Long-Term Incentive (LTI)
Delivery	– Base salary – Non-monetary benefits – Superannuation	– Annual cash payment subject to performance – Portion deferred for one year and paid in cash	– Annual grant of Performance Rights vesting after 3 years subject to performance
FY23 Approach	– Fixed remuneration targeted between median and 75th percentile of comparator group – Benchmark companies of similar size and operational scope	STI performance measures: – Gateway: EBIT measure – Financial target (30-40%) EBIT – Personal targets (10%): measurable personal KPIs	LTI performance measures: – 3 year performance period – 2 Performance hurdles • Relative TSR (50%) • EPS (50%)

The Board is of the view that EBIT is an effective basis for STI financial targets as it is currently a key business metric aligned with the Group's strategy.

6.1.2 Managing Director and other executives' remuneration mix for FY23.

The components of remuneration for the Managing Director and other executives' for FY23 are provided in the following table. Please note that the variable remuneration mix for the Managing Director and other executives' remains unchanged for FY24.



Note:
[1] STI and LTI are based on 100% vesting.
[2] Includes the average remuneration Executives' excluding the Managing Director.

6.1.3 FY23 Managing Director variable remuneration structure.

The FY23 incentives structure for the Managing Director is provided in the following table:

Managing Director	Maximum STI as % of fixed remuneration	Maximum LTI as % of fixed remuneration (grant date fair value)	Maximum total performance pay as % of fixed remuneration
FY23	50%	150%	**200%**

The FY23 STI components for the Managing Director are provided in the following table:

Managing Director	Financial Targets as maximum % of fixed remuneration	Personal Goals as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY23	40%	10%	**50%**

6.1.4 FY23 Other Executives' variable remuneration structure

The FY23 incentives structure for other executives is provided in the following table:

Other Executives	Maximum STI as % of fixed remuneration	Maximum LTI as % of fixed remuneration (grant date fair value)	Maximum total performance pay as % of fixed remuneration
FY23	40%	60%	**100%**

The FY23 STI components for other executives are provided in the following table:

Other Executives	Financial Targets as maximum % of fixed remuneration	Personal Goals as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY23	30%	10%	**40%**

6.2 Fixed remuneration

Fixed remuneration is the sum of base salary, non-monetary benefits, and superannuation. The level of fixed remuneration is set:

- to retain proven performers with the relevant and required executive experience and competence;
- to attract external recruits with depth and breadth of expertise usually acquired while working with larger companies;
- in recognition of the short-term challenges posed by cyclical factors and the required focus on long-term growth.

The Board targets the setting of fixed remuneration for executives between the median and third quartiles or higher if warranted by superior performance and relative to companies of comparable size and operational scope to GWA. The comparator companies are primarily from the Consumer Discretionary, Industrial and Material sectors.

6.3 Short-Term Incentive (STI)

6.3.1 STI overview

The STI plan provides for an annual payment that varies with performance measured over the Group's financial year to 30 June 2023. The STI is aligned to shareholder interests as executives will only become entitled to most payments if profitability improves year on year, with maximum incentive payments above the target level linked directly to shareholder value creation. As noted in section 6.1, the maximum STI that can be earned is capped.

Financial gateways are in place to ensure a minimum level of financial performance is achieved before any STI payments (both financial and personal goals) are awarded to executives. If the gateway has not been achieved, then the executives are not eligible for an STI payment related to financials. The Board has absolute discretion in exercising any power or discretion concerning the STI and any payments accordingly made as they relate to the Executive.

The STI payment is made in cash after finalisation of the annual audited financial statements. 25% of the financial component of the STI is deferred for executives that achieve their STI financial targets. The deferred component is subject to further testing by the Board to confirm the integrity of the achievement of the STI financial targets following finalisation of the following year's audited financial statements. If the Board is satisfied, the deferred component will be paid to executives together with nominal interest at market rates. However, if the Board is not satisfied the deferred component will be subject to forfeiture.

6.3.2 STI performance requirements

6.3.2.1 Financial Performance Targets

For FY23, STI financial performance target is based on Earnings Before Interest and Tax (EBIT) as determined by the Board. The use of EBIT as the sole basis of STI financial targets is aimed at ensuring executives are accountable for delivering profit improvements. The Board is of the view that EBIT is an effective basis for STI financial targets as it is currently a key business metric and aligned with the Group's strategy.

The 'gateway' and 'maximum' STI financial targets are determined by the Board at the beginning of the financial year following approval of the budget by the Board.

The budget performance levels are taken into consideration in setting the financial targets, however different targets may be set (either higher or lower than budget) that ensure management is motivated while reflecting the degree of difficulty in achieving the budget. Performance between the 'gateway' and 'maximum' levels is rewarded on a straight-line basis.

The Board retains the right to vary from policy if required. However, any variation from policy and the reasons for it will be disclosed. There was no variation from policy in setting the STI financial performance targets for FY23.

6.3.2.1.1 FY23 STI Financial Performance Outcomes

Due to the downturn in the market and difficult conditions throughout FY23, the financial targets set for the executives were not met, hence STI payment relating to the financial outcomes was not triggered.

6.3.2.2 Personal Goals

The personal goals set for each executive include achievement of key milestones to improve or consolidate the Group or business unit's strategic position. The personal goals vary with the individual's role, risks, and opportunities, and are aligned with the Group's strategic plan and corporate priorities. Achievement of personal goals accounts for a maximum of 10% for the Managing Director and 10% of the other executives' fixed remuneration.

The achievement of personal goals reinforces the Group's leadership model for improved performance management through achieving measurable personal goals established during the performance review process at the beginning of the financial year. Strict criteria have been established by the People & Culture Committee for the setting of personal goals in order for them to be approved. The goals can be drawn from a number of areas specific to individual roles but must be specific, measurable, aligned, realistic and time based. Weightings are allocated to the personal goals based on their importance to the individual's role and the Group.

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

Assessment of the personal goals STI component is determined following a formal performance review process for each executive. The performance reviews for executives are conducted semi- annually by the Managing Director with the annual outcomes reviewed and approved by the Board. The personal goals for executives for the following year are established at the performance reviews and reviewed and approved by the Board.

The Managing Director's performance review is conducted semi-annually by the Chairman following input from the Board and with the outcomes reviewed and approved by the Board. An assessment of key performance goals subject to STI incentive payments for FY23 is provided in section 6.3.2.2.1.

The inclusion of personal goals in the remuneration structure ensures that executives can be recognised for improved business performance, including periods where troughs in the housing industry cycle mean financial performance is consequently weaker across the sector. The reward for achievement of personal goals provides specific focus on responding to changes in the economic cycle, as well as on continuous performance improvement. Hence the personal goals are a key part of the Group's performance management process.

6.3.2.2.1 Key performance goals and outcomes

An assessment of key performance goals and financial targets subject to STI incentive payments for FY23 is provided in the following table:

FY23 Goals	Performance	Assessment
Personal Objectives		
Achieve leading workplace health and safety (WHS) performance with the aim of an injury free workplace. **Measures:** Safety culture and initiatives Leading safety measures (worker insights, safety interactions, site inspections, actions closed)	Ownership and accountability for safety exists at all levels in the business with "Caring For Each Other" central to the Group's cultural pillars. During FY23 the Group continued its progress on implementing the WHS strategy. This strategy focuses on fostering a safety culture through strong leadership at all levels, ongoing coaching, structured training and embedding of reporting through reward and recognition programs. The Groups Safety Management System is regularly audited internally for the purpose of continuous improvement and remains ISO 45001 certified. The Group has exceeded the target set in relation to reporting of Worker Insights achieving a 1,402 insights per million hours against set target of 1,200. The Group proactively conducted a Psychosocial Risk Assessment and continues to support the health, safety, and psychological wellbeing of staff through its well-established programs. and practices around flexible work, EAP support, Mental Health First Aid, Resilience training and other support and referral programs.	**Above target**
To continue to build on the capabilities of the Executive team and GWA staff by implementing specific learning and development programs across the company	Individual development programs. for members of the ELT have been developed and are being implemented. Corporate Learning and Development plans have been developed and bespoke programs were deployed aligned with our Leadership Competency framework at frontline and self-leadership levels.	**On target**
Drive overall improvement of the recently implemented ERP system and develop business advantages from that development.	The system has been embedded into the organisation achieving significant improvements in system stability and insight (value) reporting. This includes consistent measure of DIFOT across ANZ and improving this important measure to 85%.	**On target**

Deliver on specific projects (Win the Plumber, Innovation through Design and Partnership, Digital and Customer Experience) as part of the 5-year Board endorsed strategy.	Pleasing progress has been made across a number of key projects. **Win the Plumber** Achieved registration of 20,000 plumbers during FY23 Provided technical services/training to more than 6,500 individual plumbers. **Innovation through Design and Partnership** Implemented and delivered a NPD program in support of the strategy launching a Builders Range entry level taps offering and updating core product ranges. **Digital** Successfully launched a digital app ''PlumbersHub' to increase ease of doing business for the plumbing community. **Customer Experience** A detailed Brand roadmap was developed with planned execution in FY24.	**On target**
ESG – Establish an approved ESG roadmap with measurable targets	During the year an Executive-led ESG steering committee was formed who developed a 5-year ESG roadmap which was approved by Board. For FY23 a revised external ESG report is being published	**On target**
Financial targets		
STI financial performance targets. **Measures:** EBIT financial gateway	Despite the disciplined response to softening market conditions throughout FY23 and successful execution of key business activities, the Managing Director and other executives did not meet the financial gateway hurdles and were therefore not eligible for STI payments (both financial and personal goals) for FY23 (refer section 6.3.2.1.1). Profit performance was maximised in a challenging market enabling a full dividend of 13c/share to be paid to shareholders, with a stronger platform for future growth and shareholder wealth creation.	**Below target**

Key

Above target On target Below target

The executive leadership team have delivered against all of their personal objectives during FY23, however due to not meeting the financial hurdles, the Board determined that no payment will be made for achieving the personal targets.

6.4 Long-Term Incentive (LTI)

6.4.1 LTI overview two hurdles - TSR and EPS for FY23

Executives participate in a LTI plan. This is an equity-based plan that provides for a reward that varies with Group performance over three-year periods. Three years is considered to be the maximum time period over which financial projections and detailed business plans can reasonably be made and reflects what the Board considers is a reasonable period to require and test the sustainability of earnings accretion from investments and given the nature of the business.

The LTI is provided as Performance Rights, with each right entitling the holder to an ordinary share in the Group, subject to meeting financial performance hurdles and the holder remaining in employment with the Group until the nominated vesting date.

If the vesting conditions and performance hurdles are achieved, the participants may exercise the Performance Rights at no cost before their expiry seven years after the grant date. Until that time, the participants have no right to dividends or voting rights on unvested Performance Rights. If the performance hurdles are not met, then the Performance Rights are cancelled. The LTI plan rules do not allow for re-testing of the performance hurdles after the initial performance period.

The performance hurdles for the LTI are selected by the Board. For the FY23 LTI grant, the basis of the grants of Performance Rights to executives is subject to two performance measure being:

- Total Shareholder Return (TSR) which is a relative performance requirement. TSR is a key measure on which the Group's strategic plan is focused and ensures LTI rewards are contingent on this measure is consistent with the Board's approved strategy.

- Earnings Per Share (EPS) growth (CAGR over 3-year performance period).

For the FY23 LTI grant, a participant may not dispose of the ordinary shares issued under the LTI until Board approval has been obtained and the shares are subject to a holding lock upon issue. This was to ensure that executives retain a suitable shareholding in the Group. In considering an application from a participant to dispose of the shares, the Board will consider whether the sale is in the best interests of the Group, relevant policies and regulations, the extent of the executive's Group shareholdings as a multiple of fixed remuneration, and such other factors as it considers relevant to the application. No applications from participants to dispose of the shares were received by the Board in FY23.

In accordance with the LTI plan rules, the executives are prohibited from entering into hedging transactions or arrangements which reduce or limit the economic risk of holding unvested Performance Rights.

In the event of a change of control, the Board will determine at its discretion the extent to which outstanding Performance Rights granted to executives will vest and be exercised into ordinary shares. In exercising its discretion, the Board will consider whether the vesting conditions are unlikely to be satisfied and the outstanding Performance Rights cancelled. If the Board makes the decision that not all outstanding Performance Rights will vest on a change of control, then all remaining Performance Rights will be cancelled.

For the FY23 LTI grant, the proportion of Performance Rights that can vest will be calculated when the shares vest in August 2025 subject to achieving the performance hurdle. If the performance hurdle is not met the Performance Rights will be cancelled.

The 'clawback' provisions under the LTI plan enable the Board to reduce or 'claw back' benefits under the LTI (including unvested Performance Rights, shares, proceeds of shares or cash amounts) if the Board considers that action is justified in the circumstance. This includes where an executive has committed an act of fraud, defalcation, or gross misconduct.

The maximum number of outstanding Performance Rights granted to executives must not exceed 5% of the total number of shares on issue by the Group. The total number of outstanding Performance Rights granted to executives as at 30 June 2023 was 2,865,004 which represents 1.1% of the Group's total issued shares.

6.4.2 LTI performance requirements

6.4.2.1 TSR hurdle

The TSR hurdle and the proportion of performance rights to vest if the TSR hurdle is met are summarised below:

TSR of GWA Group Limited relative to TSR of Comparator Companies	Proportion of Performance Rights to vest if TSR hurdle is met
Less than the 50th percentile	0%
50% percentile	25%
Between 50% and 75% percentile	Straight line vesting between 25% and 100%
75th percentile or higher	100%

The group of comparator companies for the TSR hurdle includes a bespoke group of twenty domestic ASX listed companies exposed to similar economic, market, and/or financial factors.

GWA and the comparator companies operate in a number of different sectors (e.g., Industrial, Material, Consumer Discretionary) and the choosing of one sector or industry will not provide a comprehensive list of related companies. To ensure an adequate number of comparator companies is included for the TSR hurdle, the Board has selected companies outside the building supplies and construction materials industry, but subject to similar external influences.

The proposed peer group (19 in total) for the FY24 LTI grant is as follows (unchanged since FY22 with the exception of excluding Hills Ltd, now excluded due to the company's shares being suspended in May 2023 and entering voluntary administration in June 2023):

James Hardie Industries PLC, Fletcher Building Ltd, Boral Ltd, Adbri Limited[3], Brickworks Ltd, Super Retail Group Ltd, CSR Ltd, ARB Corp Ltd, Bapcor Ltd, Breville Group Ltd, GUD Holdings Ltd, Cedar Woods Properties Ltd, Decmil Group Ltd, Simonds Group Ltd, Fleetwood Ltd, Accent Group Ltd, Pact Group Holdings Ltd, Reece Ltd, Wagner Company Ltd.

The Board has discretion to adjust the comparator group to take into account events including, but not limited to, takeovers, mergers, de-mergers and similar transactions that might occur over the performance period. The Board reviews the comparator group on an annual basis to ensure they remain relevant and to ensure potential new peers are considered for inclusion.

6.4.2.2 EPS hurdle

For the FY23 LTI grant, 50% of the performance rights were subject to a EPS hurdle (50% subject to TSR as per 6.4.2.1). The performance hurdles and vesting proportions for the EPS performance measure that applies to the FY23 LTI grant is outlined in the following table:

GWA Group Limited EPS growth over three year performance period	Proportion of Performance Rights to Vest if EPS hurdle is met
EPS less than 5% per annum	0%
EPS equal to 5% per annum	25%
EPS between 5% and 10% per annum	Straight line vesting between 25% and 100%
EPS equal to 10% or higher per annum	100%

The EPS performance hurdle is calculated by reference to the Group's audited accounts. The EPS hurdle is calculated in accordance with the Accounting Standards.

The Board has discretion to make reasonable adjustments to the profit component of the calculation where it is unduly distorted by significant or abnormal events, and in order to ensure that it reflects underlying trading performance. The use of any discretion and the reasons for it will be disclosed.

6.4.2.3 ROFE hurdle

For the FY20 LTI grant, 50% of the performance rights were subject to a ROFE hurdle (50% subject to TSR as per 6.4.2.1). The performance hurdles and vesting proportions for the ROFE performance measure that applies to the FY20 LTI grant is outlined in the following table:

GWA Group Limited ROFE over three-year performance period	Proportion of Performance Rights to Vest if ROFE hurdle is met
ROFE less than 16% per annum	0%
ROFE equal to 16% per annum	12.5%
ROFE between 16% and 19% per annum	Straight line vesting between 12.5% and 50%
ROFE equal to 19% or higher per annum	50% (i.e., 50% of total grant)

The ROFE performance hurdle is calculated by reference to the Group's audited accounts. The ROFE hurdle is calculated as earnings before interest and tax (EBIT) divided by funds employed and adjusted for normalisation if applicable; refer section 4. Funds employed is calculated as net assets minus cash plus borrowings and net AASB16 *Leases* balances.

The Board has discretion to make reasonable adjustments to the EBIT figure where it is unduly distorted by significant or abnormal events, and in order to ensure that it reflects underlying trading performance. The use of any discretion and the reasons for it will be disclosed.

7. Details of director and executive remuneration

7.1 Remuneration Tables

Details of the nature and amount of each element of remuneration for each director of the Group and other key management personnel (KMP) for the year ended 30 June 2023 are provided in the following Remuneration Tables.

[3] (Compared to FY22, while the proposed peer group remained the same, there was a change in name from Adelaide Brighton Ltd to Adbri Limited).

		Short-term				Long-term		Post-employment					
		Salary & Fees	Non-Monetary	STI Bonus	STI Bonus - Deferred	Value of Share-Based Awards	Long Service Leave	Super-annuation Benefits	Termination Benefits	Total	Proportion of remuneration performance based	STI Bonus vested in year	STI Bonus forfeited in year
		$[a]	$[c]	$[b][h]	$[b]	$[d]	$[k]	$	$	$	%[i]	%	%
Non-Executive Directors [f]													
D McDonough, Chairman	2023	273,677	-	-	-	-	-	6,323	-	280,000	-	-	-
	2022	280,000	-	-	-	-	-	0	-	280,000	-	-	-
J Mulcahy, Deputy Chairman	2023	116,350	-	-	-	-	-	13,650	-	130,000	-	-	-
	2022	117,000	-	-	-	-	-	13,000	-	130,000	-	-	-
A Barrass, Non-Executive Director	2023	53,700	-	-	-	-	-	6,300	-	60,000	-	-	-
(retired 28 October 2022) [m]	2022	108,000	-	-	-	-	-	12,000	-	120,000	-	-	-
S Goddard, Non-Executive Director	2023	116,350	-	-	-	-	-	13,650	-	130,000	-	-	-
(retired 30 June 2023)	2022	117,000	-	-	-	-	-	13,000	-	130,000	-	-	-
B, Inglis, Non-Executive Director	2023	69,259	-	-	-	-	-	8,125	-	77,384	-	-	-
(appointed 9 November 2022)	2022	-	-	-	-	-	-	-	-	-	-	-	-
P Mann, Non-Executive Director	2023	55,192	-	-	-	-	-	6,475	-	61,667	-	-	-
(appointed 1 January 2023)	2022	-	-	-	-	-	-	-	-	-	-	-	-
J McKellar, Non-Executive Director	2023	107,400	-	-	-	-	-	12,600	-	120,000	-	-	-
	2022	108,000	-	-	-	-	-	12,000	-	120,000	-	-	-
S Roche, Non-Executive Director	2023	72,426	-	-	-	-	-	8,497	-	80,923	-	-	-
(appointed 28 October 2022)	2022	-	-	-	-	-	-	-	-	-	-	-	-
R Thornton, Non-Executive Director [j]	2023	107,400	-	-	-	(70,678)	-	12,600	-	49,322	-	-	-
	2022	375,952	5,595	144,139	27,311	34,987	15,934	22,938	-	626,856	29	98	2
Total - Non-Executive Directors	**2023**	**971,754**	-	-	-	**(70,678)**	-	**88,220**	-	**989,296**			
	2022	**1,105,952**	**5,595**	**144,139**	**27,311**	**34,987**	**15,934**	**72,938**	**-**	**1,406,856**			
Executive Directors													
U Meyerhans, Managing Director and Chief Executive Officer [e]	2023	1,007,115	2,528	-	-	383,033	-	27,500	-	1,420,176	27	-	100
	2022	1,018,653	2,238	391,000	97,000	241,877	-	27,500	-	1,778,268	41	98	2
Total – Directors Remuneration [l]	**2023**	**1,978,869**	**2,528**	-	-	**312,355**	-	**115,720**	-	**2,409,472**			
	2022	**2,124,605**	**7,833**	**535,139**	**124,311**	**276,864**	**15,934**	**100,438**	**-**	**3,185,124**			

		Short-term			Long-term		Post-employment					
		Salary & Fees	Non-Monetary	STI Bonus	STI Bonus - Deferred	Value of Share-Based Awards	Long Service Leave	Super-annuation Benefits	Termination Benefits	Total	Proportion of remuneration performance based	STI Bonus vested in year	STI Bonus forfeited in year
		$[a]	$[c]	$[b][h]	$[b]	$[d]	$[k]	$	$	$	%[i]	%	%
Executives [g]													
M Hayes, Group General Manager - Marketing	2023	372,500	2,347	-	-	61,286	-	27,500	-	463,633	13	-	100
	2022	369,344	1,335	127,300	29,100	38,701	-	27,500	-	593,280	33	98	2
E Lagis, Company Secretary and General Counsel	2023	366,346	2,420	-	-	22,585	-	27,500	-	418,851	5	-	100
(appointed 6 June 2022)	2022	29,288	217	-	-	-	-	1,964	-	31,469	-	-	-
A Larson, Chief Information Officer	2023	179,372	2,402	(42,105)	-	(92,794)	-	12,646	-	59,521	-	-	100
(resigned 19 December 2022)	2022	393,461	2,797	193,494	29,100	65,747	-	25,000	-	709,599	31	98	2
C Norwell, Group General Manager - Sales	2023	426,769	1,445	9,178	-	20,115	7,749	27,500	-	492,756	4	-	100
	2022	437,500	1,263	224,937	33,829	54,650	7,751	27,500	-	787,430	30	98	2
P Oliver, Group General Manager - People & Performance	2023	376,708	2,709	-	-	59,753	-	25,292	-	464,462	13	-	100
	2022	378,032	1,877	124,117	28,373	37,733	-	23,568	-	593,700	32	98	2
R Patel, Chief Information Officer	2023	73,175	524	-	-	-	-	15,115	-	88,814	-	-	100
(appointed 17 April 2023)	2022	-	-	-	-	-	-	-	-	-	-	-	-
C Scott, Group Chief Financial Officer	2023	498,855	3,142	-	-	79,671	-	35,145	-	616,813	13	-	100
(appointed 10 January 2022)	2022	248,595	776	77,984	17,827	25,155	-	14,810	-	385,147	31	98	2
C Sunaryo, Group General Manager - Supply & Innovation	2023	387,671	3,124	4,441	-	45,439	20,202	26,138	-	487,015	9	-	100
(KMP from 1 August 2021)	2022	231,317	2,490	148,621	25,463	53,020	(38,688)	31,078	-	453,301	42	98	2
Total – Executives Remuneration [l]	**2023**	**2,681,396**	**18,113**	**(28,486)**	-	**196,055**	**27,951**	**196,836**	-	**3,091,865**			
	2022	**2,087,537**	**10,755**	**896,453**	**163,692**	**275,006**	**(30,936)**	**151,420**	**-**	**3,553,927**			
Total – Directors and Executives Remuneration [l]	**2023**	**4,660,265**	**20,641**	**(28,486)**	-	**508,410**	**27,951**	**312,556**	-	**5,501,337**			
	2022	**4,212,142**	**18,588**	**1,431,592**	**288,003**	**551,870**	**(15,002)**	**251,858**	**-**	**6,739,051**			

Notes to the Remuneration Tables:

(a) Salary and fees represent base salary and includes the movement in annual leave provision.
(b) Despite to the disciplined response to softening market conditions throughout FY23 and successful execution of key business activities, the Managing Director and other executives did not meet the financial gateway hurdles and were therefore not eligible for STI payments (both financial and personal goals). Refer to Section 6.3.1 for details on the deferred STI component.
(c) The short-term non-monetary benefits include insurance and other minor benefits including any applicable fringe benefits tax.
(d) The Long-Term Incentive (LTI) plan was approved by shareholders at the 2008 Annual General Meeting. The outstanding Performance Rights as at 30 June 2023 were granted to executives in FY21, FY22 and FY23 (as applicable) and are subject to vesting conditions and the achievement of specified performance hurdles over the three year performance periods. The fair values of the Performance Rights granted in FY21, FY22 and FY23 were calculated using Black Scholes Model (ROFE and EPS hurdle) and Monte Carlo Simulation (TSR hurdle) valuation methodologies and allocated to each financial year evenly over the three-year performance period. If the specified performance hurdles are not achieved, then no benefits will be received by the executives under the LTI plan, and the Performance Rights are cancelled. During FY23, 0% of the Performance Rights granted to executives in respect of the FY20 LTI grant vested, and the reversal is included in the table above where applicable.
(e) For details of Mr. Urs Meyerhans' remuneration arrangements as Managing Director, please refer to section 8.1. The Managing Director's total remuneration in FY22 was aligned with the market median in relation to a group of 18 peer companies of comparable operational scope and size to GWA based on the market benchmark data provided by an independent expert adviser, Guerdon Associates.
(f) Non-executive director remuneration has remained frozen since FY16 (excluding the pay reduction of 20% during Q4 FY20 to assist in managing costs during COVID-19). The total non-executive director remuneration is within the annual aggregate maximum amount approved by shareholders. For details of non-executive director remuneration, please refer to section 5.
(g) The fixed remuneration for most executives in FY23 was frozen with one exception to reflect additional responsibilities in the role undertaken. For the actual remuneration received by the executives for FY23, please refer to the table in section 7.1.1.
(h) Short term bonus is inclusive of the accounting accrual for the retention bonus scheme as disclosed in FY22 Remuneration Report. for Mr. Alex Larson (reversal of prior accrual), Mr. Craig Norwell and Ms. Caroline Sunaryo.
(i) Performance based remuneration does not include the retention bonus scheme.
(j) Mr. Richard Thornton's was Executive Director and Company Secretary to 3 June 2022, and Non-Executive Director from 3 June 2022. All performance-based remuneration relates to the period to 3 June 2022. Refer to Note 1 to Table 1 of Section 2 for details.
(k) Long service leave remuneration is based on the movement in long service leave provision.
(l) Total Directors remuneration and Total Executive Remuneration reported has decreased largely due to nil FY23 STI, partly offset by the timing of Executive appointments.
(m) Ms. Alison Barrass received an ex-gratia payment equivalent to 2 months fees in recognition of her past service.

7.1.1 Actual remuneration received by executives.

The following table sets out the actual value of remuneration received by executives for FY23, derived from the various components of their remuneration during FY23. This table differs from the more detailed statutory remuneration disclosures in the Remuneration Tables in section 7.1 due to the exclusion of LTI amounts not vested and the reversal of accounting expenses associated with LTI grants, accruals for the retention bonus scheme, and movements in leave entitlements, and is therefore unaudited.

		Fixed Remuneration $[(a)]	Short Term Incentive $[(b)]	Long Term Incentive (Earned) $[(c)]	Total $
U Meyerhans, Managing Director and Chief Executive Officer[(d)]	2023	1,002,528	-	-	1,002,528
	2022	1,002,238	488,000	-	1,490,238
M Hayes, Group General Manager - Marketing	2023	402,347	-	-	402,347
	2022	393,002	156,400	-	549,402
E Lagis, Company Secretary and General Counsel (appointed 6 June 2022)	2023	383,959	-	-	383,959
	2022	29,447	-	-	29,447
A Larson, Chief Information Officer (resigned 19 December 2022)	2023	189,068	-	-	189,068
	2022	402,797	206,400	-	609,197
C Norwell, Group General Manager - Sales	2023	466,445	58,125	-	524,570
	2022	466,263	239,940	-	706,203
P Oliver, Group General Manager - People & Performance	2023	392,709	-	-	392,709
	2022	384,377	152,490	-	536,867
R Patel, Chief Information Officer (appointed 17 April 2023)	2023	82,575	-	-	82,575
	2022	-	-	-	-
C Scott, Group Chief Financial Officer (appointed 10 January 2022)	2023	523,142	-	-	523,142
	2022	249,442	95,811	-	345,253
C Sunaryo, Group General Manager – Supply & Innovation (KMP from 1 August 2021)	2023	405,624	28,125	-	433,749
	2022	323,323	164,975	-	488,298
Total	**2023**	**3,848,397**	**86,250**	-	**3,934,647**
	2022	**3,250,889**	**1,504,016**	-	**4,754,905**

Notes:

(a) Fixed remuneration represents amounts actually paid to executives and includes base salary, non- monetary benefits, and superannuation.

(b) Despite the disciplined response to softening market conditions throughout FY23 and successful execution of key business activities, the Managing Director and other executives did not meet the financial gateway hurdles and were therefore not eligible for STI payments (both financial and personal goals) for FY23. Short term incentive is inclusive of the retention bonus scheme paid during FY23 as disclosed in FY22 Remuneration Report for Mr. Craig Norwell and Ms. Caroline Sunaryo.

(c) The performance hurdles for the FY20 LTI grant were tested during FY23 and 0% vested; refer section 7.2.1 Performance Rights. Excludes the value of any unvested LTI grants expensed or reversed during FY23.

(d) For details of Mr. Urs Meyerhans' remuneration arrangements as Managing Director refer to section 8.1.

7.2 Share based payments.

7.2.1 Performance Rights

The following table shows details of the Performance Rights granted to key management personnel during the year ended 30 June 2023 and in prior years that affects compensation in this or future reporting periods.

	Year of grant	Number of rights granted	Grant date*	% vested in year	% forfeit in year	Fair value of rights at grant date $(a)	Issue price used to determine number of rights granted
Executive Directors							
U Meyerhans, Managing Director	2023	707,547	28 October 2022	-	-	1,020,990	2.12
	2022	541,516	6 December 2021	-	-	725,631	2.77
R Thornton, Non-Executive Director	2023	-	-	-	-	-	-
(Executive Director to 3 June 2022)	2022	88,709	6 December 2021	-	-	118,870	2.77
	2021	43,723	7 December 2020	-	-	83,074	2.81
	2020	40,500	14 February 2020	-	97%	127,575	3.04
Executives							
M Hayes, Group General Manager - Marketing	2023	113,208	28 October 2022	-	-	163,359	2.12
	2022	86,643	6 December 2021	-	-	116,102	2.77
E Lagis, Company Secretary and General Counsel	2023	113,208	28 October 2022	-	-	163,359	2.12
	2022	-	-	-	-	-	-
A Larson, Chief Information Officer	2023	-	-	-	-	-	-
(resigned 19 December 2022)	2022	86,643	6 December 2021	-	100%	116,102	2.77
	2021	42,705	7 December 2020	-	100%	81,140	2.81
C Norwell, Group General Manager - Sales	2023	131,604	28 October 2022	-	-	189,905	2.12
	2022	100,722	6 December 2021	-	-	134,967	2.77
	2021	49,644	7 December 2020	-	-	94,324	2.81
	2020	46,000	14 February 2020	-	100%	144,900	3.04
P Oliver, Group General Manager - People & Performance	2023	110,377	28 October 2022	-	-	159,274	2.12
	2022	84,477	6 December 2021	-	-	113,199	2.77
R Patel, Chief Information Officer	2023	-	-	-	-	-	-
(appointed 17 April 2023)							
C Scott, Group Chief Financial Officer	2023	147,170	28 October 2022	-	-	212,366	2.12
	2022	112,635	29 June 2022	-	-	150,931	2.77
C Sunaryo, Group General Manager – Supply & Innovation	2023	118,868	28 October 2022	-	-	171,527	2.12
	2022	75,812	6 December 2021	-	-	101,588	2.77
	2021	12,011	7 December 2020	-	-	22,821	2.81
	2020	11,000	14 February 2020	-	100%	34,650	3.04

Note:
(a) The issue price used to determine the number of Performance Rights offered to key management personnel during FY23 was $2.12 being the volume weighted average price of the Group's shares calculated over the 10 trading days from the Group's FY22 results release on 15 August 2022. The grant dates and corresponding fair values per right in the table have been determined in accordance with Australian Accounting Standards. Fair values have been calculated using the Black Scholes Model valuation methodology for the ROFE and EPS hurdle and Monte Carlo simulation for the TSR hurdle. The fair value of rights issued during the year under the EPS hurdle was $1.69 and under the TSR hurdle was $1.20 per right.

All the rights carry an exercise price of nil. The rights granted on 7 December 2020, 6 December 2021 and 28 October 2022 will vest on the date of the release to the Australian Securities Exchange of the Group's annual audited financial statements for the years 30 June 2023, 2024, and 2025 respectively, subject to the achievement of the performance hurdles.

The rights granted to Mr. Thornton and Mr. Meyerhans were approved by shareholders at the 2020, 2021 and 2022 Annual General Meetings (as applicable) in accordance with ASX Listing Rule 10.14.

Rights were forfeited where an employee ceased employment with the Group during the year in accordance with the rules of the LTI plan.

The number of rights outstanding as at 30 June 2023 represents the balance yet to be tested.

7.2.2 Status and key dates of LTI awards

The following table shows the status and key dates for Performance Rights granted to key management personnel under the LTI plan.

Grant Date	Valuation Per Right[1]	Performance Testing Windows	Expiry Date (if hurdle not met)	Performance Status[2]
14 February 2020	Tranche A (TSR) \$2.71 Tranche B (ROFE) \$3.54	25 October 2019 to August 2022 (Tranche A) 1 July 2019 to 30 June 2022 (Tranche B)	August 2022	Tranche A (TSR): Performance condition was below the 50th percentile resulting in 0% vesting of the grant. Tranche B (ROFE): Performance condition was below the 16% hurdle, resulting in 0% vesting of the grant.
7 December 2020[3]	Tranche A (TSR) \$1.90	30 October 2020 to August 2023 (Tranche A)	August 2023	Performance testing not yet commenced.
6 December 2021[3]	Tranche A (TSR) \$1.34	29 October 2021 to August 2024 (Tranche A)	August 2024	Performance testing not yet commenced.
28 October 2022	Tranche A (TSR) \$1.20 Tranche B (EPS) \$1.69	1 July 2022 to 30 June 2025 (Tranche A) 1 July 2022 to 30 June 2025 (Tranche B)	August 2025	Performance testing not yet commenced.

Notes:

[1] The value of performance rights at grant date calculated in accordance with AASB 2 *Share-based Payments*. Valuations were performed by a third party, Deloitte.

[2] To ensure an independent TSR measurement, GWA engages the services of an external organisation, Deloitte, to assist with determining performance under the TSR hurdle.

[3] Due to the uncertainty in the market from the COVID-19 pandemic, the Board decided that the performance measure for the FY21 and FY22 LTI grant would be solely based on TSR. Refer section 6.4 Long-Term Incentive for further details.

7.3 Key management personnel transactions

7.3.1 Loans to key management personnel and their related parties

No loans were made to key management personnel or their related parties during the year ended 30 June 2023 (2022: nil).

7.3.2 Other key management personnel transactions with the Group or its controlled entities

There were no other key management personnel transactions with the Group or its controlled entities during the year ended 30 June 2023 (2022: nil).

From time to time, key management personnel of the Group or its controlled entities, or their related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees and are trivial or domestic in nature.

7.3.3 Movements in shares

The movement during the reporting period in the number of ordinary shares in GWA Group Limited held, directly, indirectly, or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2022	Granted as compensation	Purchases	Sales	Held at 30 June 2023
Non Executive Directors					
D McDonough	170,000	-	-	-	170,000
J Mulcahy	40,950	-	-	-	40,950
A Barrass	-	-	-	-	-
S Goddard (retired 30 June 2023)	10,000	-	-	-	10,000
B Inglis (appointed 9 November 2022)	n/a	-	-	-	-
P Mann (appointed 1 January 2023)	n/a		10,000		10,000
J McKellar	13,034	-	-	-	13,034
S Roche (appointed 28 October 2022)	n/a		70,000		70,000
R Thornton	299,561	-	50,000	-	349,561
Executive Directors					
U Meyerhans	65,217	-	90,000	-	155,217
Executives					
M Hayes	-	-	-	-	-
E Lagis	-	-	4,100	-	4,100
A Larson (resigned 19 December 2022)	-	-	-	-	n/a
C Norwell	150,663	-	-	-	150,663
P Oliver	-	-	-	-	-
R. Patel (appointed 17 April 2023)	n/a	-	-	-	-
C Scott	1,866	-	11,841	-	13,707
C Sunaryo	-	-	-	-	-

The relevant interest of each director in the share capital of the Group as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the *Corporations Act 2001* as at 30 June 2021 is listed in the Directors' Report under Directors' Interests.

During FY23, nil shares vested to key management personnel as compensation (2022: nil). The aggregate number of shares held by key management personnel or their related parties as at 30 June 2023 was 987,232 (2022: 789,941).

7.3.4 Movements in performance rights

The movement during the reporting period in the number of performance rights in GWA Group Limited held by each key management person is as follows:

	Held at 1 July 2022	Granted during the year	Vested during the year	Forfeited during the year	Held at 30 June 2023
Non Executive Directors					
R Thornton [(1)]	94,415	-	-	(39,375)	55,040
Executive Directors					
U Meyerhans	541,516	707,547	-	-	1,249,063
Executives					
M Hayes	86,643	113,208	-	-	199,851
E Lagis	-	113,208	-	-	113,208
A Larson (resigned 19 December 2022)	129,348	-	-	(129,348)	n/a
C Norwell	196,366	131,604		(46,000)	281,970
P Oliver	84,477	110,377	-	-	194,854
R Patel (appointed 17 April 2023)	n/a	-	-	-	-
C Scott	112,635	147,170	-	-	259,805
C Sunaryo	98,823	118,868	-	(11,000)	206,691

[1] All performance rights held by Mr. Richard Thornton relate to his role up to 3 June 2022 as Executive Director and Company Secretary.

8. Key terms of employment contracts

8.1 Managing Director remuneration

The remuneration arrangements for Mr. Urs Meyerhans as Managing Director and Chief Executive Officer were advised to the market on 29 June 2021[4]. The arrangements were determined by the Board following the provision of market data from an independent external adviser, Guerdon Associates. Based on the benchmark data, Mr. Meyerhans' total remuneration was aligned with the market median in relation to a group of 18 peer companies of comparable operational scope and size to GWA. For details of Mr. Meyerhans' remuneration arrangements as Acting Chief Executive Officer during FY21, refer note (e) to the Remuneration Tables in section 7.1.
The following is a summary of Mr. Meyerhans' remuneration package for FY23:

- Total Fixed Remuneration (TFR) of $1,000,000 comprising salary, superannuation, and all other benefits other than incentive plans and minor fringe benefits;
- Participation in GWA's Short-Term Incentive (STI) plan:
  - STI opportunity of 50% of TFR based on Mr. Meyerhans meeting Board approved Key Performance Indicator (KPI) objectives, including both financial and critical non-financial KPIs.
- Participation in GWA's Long-Term Incentive (LTI) plan:
  - LTI opportunity of 150% of TFR over a three-year performance period and subject to achievement of two performance hurdles of relative Total Shareholder Return (TSR) and Earnings Per Share (EPS).

8.2 Notice and termination payments.

The specified executives in the Directors' Report including the Managing Director, Mr. Urs Meyerhans, are on open-ended contracts.

The employment contract for Mr. Meyerhans provides that if either the Group or Mr. Meyerhans wishes to terminate employment for any reason, no less than one year's written notice of termination is required. The Group retains the right to immediately terminate the employment contract of Mr. Meyerhans by making payment equal to twelve months salary in lieu of providing notice.

For the other specified executives, the Group or the executives are required to give no less than six months' notice of termination of employment for any reason. The Group retains the right to immediately terminate the employment contracts of the executives by making payment equal to six months' salary in lieu of providing notice.

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

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

[4] Due to the continuing market uncertainty from the COVID-19 pandemic, the Board decided on a single performance measure of relative TSR for the FY22 LTI grant to the Managing Director. Please refer to section 3.2 FY23 Executive Remuneration Changes for further details.

8.3 Treatment of incentives on termination

The following table shows the treatment of incentives on termination of employment in the various circumstances shown.

Circumstances	Short-term incentive[1]	Long-term incentive – unvested Performance Rights
Immediate termination for cause	No STI payable and clawback provisions may apply (including deferred STI)	Performance Rights are forfeited
Resignation	Board discretion to award STI on a pro-rata basis (including deferred STI)	Performance Rights are forfeited unless Board determines otherwise
Notice by Company, good leaver, retirement, redundancy, death, or permanent disability	Board discretion to award STI on a pro-rata basis (including deferred STI)	Board discretion to allow awards to vest or remain subject to performance hurdles after termination on a pro-rata basis
Change of control	STI will be paid on a pro-rata basis	The Board has discretion to allow awards to vest on a change of control of GWA (e.g., a takeover or merger).

Notes:
1. Any STI payments will be paid according to the normal annual STI payment time frame (i.e., payment timing will not be accelerated).

The Directors' Report is made out in accordance with a resolution of the directors:

Darryl D McDonough
Chairman

Urs B Meyerhans
Managing Director

14 August 2023

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

To the Directors of GWA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of GWA Group Limited for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Trent Duvall
Partner
Sydney
14 August 2023

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

Annual financial report
30 June 2023

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

For the year ended 30 June *In thousands of AUD*	**Note**	**2023**	**2022**
Profit or loss			
Continuing operations			
Sales revenue	3(a)	411,840	418,717
Cost of sales	3(c)	(253,653)	(256,902)
Gross profit		158,187	161,815
Other income	3(b)	1,349	1,942
Selling expenses		(47,304)	(47,542)
Administrative expenses		(41,547)	(41,058)
Other expenses(i)	3(d)	(1,636)	(15,485)
Operating profit		69,049	59,672
Finance income	3(f)	668	22
Finance expenses	3(f)	(8,750)	(7,255)
Net financing costs		(8,082)	(7,233)
Profit before tax		60,967	52,439
Income tax expense	4	(17,812)	(17,260)
Profit from continuing operations		43,155	35,179
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net change in fair value of financial assets, net of tax		(1,720)	100
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		1,407	(510)
Cashflow hedges, net of tax		(4,069)	8,499
Other comprehensive income, net of tax		(4,382)	8,089
Total comprehensive income for the period		38,773	43,268
Earnings per share (cents)			
Total			
- Basic	5	16.3	13.3
- Diluted	5	16.1	13.2

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

(i) In the current year, $1.4m (pre-tax) of costs was incurred in relation to organisation restructuring. Other expenses in the prior year includes $15.2m (pre-tax) of costs incurred in relation to the Group’s Enterprise Resource Planning / Customer Relationship Management (ERP / CRM) project, and closure of the China sales operation. Refer to Note 3(d).

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

As at *In thousands of AUD*	**Note**	**30 June 2023**	**30 June 2022**
Current assets			
Cash and cash equivalents	6	43,443	31,440
Trade and other receivables	7	60,458	70,394
Inventories	8	88,136	108,845
Derivative financial instruments	18	206	4,785
Other		3,418	2,951
Total current assets		195,661	218,415
Non-current assets			
Deferred tax assets	9	3,149	2,455
Property, plant and equipment	10	14,515	16,978
Intangible assets	11	418,409	418,430
Right-of-use assets	12	42,303	49,969
Derivative financial instruments	18	5,691	6,846
Financial asset at fair value	18	520	2,935
Total non-current assets		484,587	497,613
Total assets		680,248	716,028
Current liabilities			
Trade and other payables	13	45,574	66,042
Loans and borrowings	16	35,000	20,000
Employee benefits	14	5,495	5,786
Income tax payable	4	3,567	1,615
Lease liabilities	12	11,709	11,161
Provisions	15	4,509	3,666
Total current liabilities		105,854	108,270
Non-current liabilities			
Deferred tax liability	9	93,076	95,007
Trade and other payables	13	211	597
Loans and borrowings	16	124,092	148,328
Lease liabilities	12	41,764	49,808
Employee benefits	14	4,297	4,188
Provisions	15	5,414	6,004
Total non-current liabilities		268,854	303,932
Total liabilities		374,708	412,202
Net assets		305,540	303,826
Equity			
Issued capital	17	311,294	311,294
Reserves		1,176	5,489
Retained earnings		(6,930)	(12,957)
Total equity		305,540	303,826

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

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

For the year ended 30 June	**2023**	**2022**
In thousands of AUD		
Cash flows from operating activities		
Receipts from customers	477,590	444,584
Payments to suppliers and employees	(381,174)	(405,376)
Cash generated from operations	96,416	39,208
Interest and facility fees paid	(6,620)	(4,883)
Lease interest paid	(2,150)	(2,426)
Interest received	668	22
Income taxes paid	(15,432)	(17,933)
Net cash from operating activities	72,882	13,988
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,945)	(1,708)
Acquisition of intangible assets	(275)	(700)
Net cash used in investing activities	(2,220)	(2,408)
Cash flows from financing activities		
Proceeds from borrowings	65,000	92,000
Repayment of borrowings	(75,000)	(68,797)
Dividends paid	(37,128)	(35,802)
Repayment of lease liability	(11,222)	(9,950)
Net cash used in financing activities	(58,350)	(22,549)
Net increase / (decrease) in cash and cash equivalents	12,312	(10,969)
Cash and cash equivalents at the beginning of the year	31,440	42,634
Effect of exchange rate changes	(309)	(225)
Cash and cash equivalents as at 30 June	43,443	31,440

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

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

For the year ended 30 June 2023

In thousands of AUD

	Share Capital	Translation Reserve	Hedging Reserve	Asset Revaluation Reserve	Equity Compensation Reserve	Retained Earnings	Total
Balance as at 1 July 2022	311,294	(4,172)	8,233	100	1,328	(12,957)	303,826
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	43,155	43,155
Other comprehensive income							
Exchange differences on translation of foreign subsidiaries, net of tax	-	1,407	-	-	-	-	1,407
Cash flow hedges, net of tax	-	-	(4,069)	-	-	-	(4,069)
Net change in fair value of financial assets	-	-	-	(1,720)	-	-	(1,720)
Total other comprehensive income	-	1,407	(4,069)	(1,720)	-	-	(4,382)
Total comprehensive income	-	1,407	(4,069)	(1,720)	-	43,155	38,773
Transaction with owners, recorded directly in equity							
Share-based payments, net of tax	-	-	-	-	69	-	69
Dividends paid	-	-	-	-	-	(37,128)	(37,128)
Total transactions with owners	-	-	-		69	(37,128)	(37,059)
Balance as at 30 June 2023	311,294	(2,765)	4,164	(1,620)	1,397	(6,930)	305,540

For the year ended 30 June 2022

In thousands of AUD

	Share Capital	Translation Reserve	Hedging Reserve	Asset Revaluation Reserve	Equity Compensation Reserve	Retained Earnings	Total
Balance as at 1 July 2021	311,294	(3,662)	(266)	-	1,579	(12,334)	296,611
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	35,179	35,179
Other comprehensive income							
Exchange differences on translation of foreign subsidiaries, net of tax	-	(510)	-	-	-	-	(510)
Cash flow hedges, net of tax	-	-	8,499	-	-	-	8,499
assets	-	-	-	100	-	-	100
Total other comprehensive income	-	(510)	8,499	100	-	-	8,089
Total comprehensive income	-	(510)	8,499	100	-	35,179	43,268
Transaction with owners, recorded directly in equity							
Share-based payments, net of tax	-	-	-	-	(251)	-	(251)
Dividends paid	-	-	-	-	-	(35,802)	(35,802)
Total transactions with owners	-	-	-		(251)	(35,802)	(36,053)
Balance as at 30 June 2022	311,294	(4,172)	8,233	100	1,328	(12,957)	303,826

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

Section I: Overview

1. Significant accounting policies

GWA Group Limited (the 'Company') is a for-profit company domiciled in Australia, limited by shares, which are publicly traded on the Australian Securities Exchange ('ASX') under the ASX code 'GWA'. The consolidated financial report of the Company for the financial year ended 30 June 2023 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The principal activities of the consolidated entity during the year were the research, design, import, and marketing of building fixtures and fittings to residential and commercial premises and the distribution of these various products through a range of distribution channels in Australia, New Zealand and selected international markets.

The financial report was authorised for issue by the directors on 14 August 2023.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASB') adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001.* The consolidated entity's financial report complies with International Financial Reporting Standards ('IFRS') adopted by the International Accounting Standards Board ('IASB').

(b) Basis of preparation

The financial report is presented in Australian dollars ('AUD') which is the Company's functional currency and the functional currency of the majority of the consolidated entity.

The financial report is prepared on the historical cost basis except for derivative financial instruments and financial assets measured at fair value.

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 and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 8 - valuation of inventories
- Note 11 - measurement of the recoverable amounts of intangible assets
- Note 18 - valuation of financial instruments

The accounting policies set out in this consolidated financial report have been applied consistently to all periods presented. The accounting policies have been applied consistently by all entities in the consolidated entity. The entity has elected not to early adopt any accounting standards or amendments.

Certain comparative information included in note disclosures have been amended in these financial statements to conform to the current year presentation.

Section I: Overview (continued)

1. Significant accounting policies (continued)

(c) Changes in accounting policies, disclosures, standards and interpretations

(i) 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 for the year ended 30 June 2023:

- AASB 2020-3 – Narrow Scope amendments to AASB 116, AASB 137 and AASB 3. Annual improvements to AASB 16, AASB 1, AASB9 and AASB 141.

The initial adoption of these Standards and Interpretations have not had a material impact on the amounts reported or disclosures made in the consolidated financial statement.

(ii) Standards and Interpretations issued but not yet effective

At the date of authorisation of the consolidated financial statements, the following Standards and Interpretations were issued but not yet effective.

	Effective for the annual reporting period beginning on	Expected to be initially applied in the period ending
AASB 2020-1 Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023	30 June 2024
AASB 2021-2 Disclosure of accounting policies and definition of accounting estimates	1 January 2023	30 June 2024
AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	30 June 2024

The consolidated entity is assessing the potential impact of the above standards and interpretations issued but not yet effective on its consolidated financial statements.

(d) Basis of consolidation

(i) Business combinations

The consolidated entity accounts for business combinations using the acquisition method when control is transferred to the consolidated entity. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the business combination date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. Transaction costs are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. The consolidated entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results and balances of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Section I: Overview (continued)

1. Significant accounting policies (continued)

(d) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and unrealised income and expense arising from intra-group transactions, are eliminated.

(e) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated to Australian dollars using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the date the fair value was determined.

(ii) Financial statements of foreign operations

The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. Foreign exchange differences arising on retranslation at balance date are recognised in other comprehensive income, and presented in the foreign currency translation reserve (FCTR) in equity. Hedge instrument movements of a hedge of a net investment in a foreign operation is also recognised in the FCTR to the extent the hedge is effective.
When a foreign operation is disposed such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(f) Current vs non-current classification

The consolidated entity presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.
An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised within twelve months after the reporting period;
- Held primarily for trading; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is due to be settled within twelve months after the reporting period;
- Held primarily for trading; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Section I: Overview (continued)

1. Significant accounting policies (continued)

(f) Current vs non-current classification (continued)

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Section II: Results for the year

2. Operating segments

The consolidated entity has one continuing reportable segment, Water Solutions. 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 the consolidated entity's reportable primary and secondary segments is included below. Performance is measured based on segment profit before interest and income tax ('EBIT') and excludes certain project costs (e.g. FY22 costs in relation to the Group's ERP / CRM project), in line with 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.

In thousands of AUD	**Water Solutions**	
For the year ended 30 June	**2023**	**2022**
Sales revenue	411,840	418,717
Segment EBIT	70,451	74,849
Depreciation (property, plant and equipment)	5,051	6,202
Depreciation (right of use assets)	11,801	11,784
Amortisation	1,796	2,042
Capital expenditure	2,220	2,408
Reconciliation of profit		
Total EBIT for reportable segment	70,451	74,849
Project costs[i]	(1,402)	(15,177)
Operating profit from continuing operations	69,049	59,672

[i] Project costs

In thousands of AUD		
ERP / CRM project costs	-	10,284
Closure of Asia sales operation	-	4,893
Organisation restructure	1,402	-
Total project costs, pre-tax	1,402	15,177
Income tax benefit	(414)	(3,091)
Total project costs, net of tax	988	12,086

Section II: Results for the year (continued)

2. Operating segments (continued)

As at 30 June	**2023**	**2022**
Reportable segment assets	680,248	716,028
Reportable segment liabilities	374,708	412,202

Geographical information

In thousands of AUD	**Australia**		**New Zealand**		**Other**		**Consolidated**	
For the year ended 30 June	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
External sales revenue	336,352	340,625	43,050	45,173	32,438	32,919	411,840	418,717
Non-current assets	440,920	448,989	24,411	24,311	19,256	24,313	484,587	497,613

The revenue information above is based on the geographical location of customers. Non-current assets are based on the geographical location of the assets.

Major customers

The consolidated entity conducts business with four customers (2022: four) where the net revenue generated from each customer exceeds 10% of the consolidated entity's net revenue. Net revenue from these customers was:

For the year ended 30 June	**2023**	**2022**
In thousands of AUD		
Customer 1	97,088	95,401
Customer 2	56,829	64,026
Customer 3	48,565	50,113
Customer 4	41,389	43,029

3. Income and Expenses

(a) Sales revenue

In thousands of AUD	**2023**	**2022**
Sales revenue	411,840	418,717

Sales revenue is recognised on the satisfaction of each performance obligation the consolidated entity has with its customers, and is measured based on an allocation of the contract's transaction price, in accordance with AASB 15 *Revenue from Contracts with Customers*. The consolidated entity's key performance obligation is the delivery of goods to its customers with typical payment terms of 30 days. Key components of the transaction price include the price for the goods, along with rebates (estimated based on customer contracts) and stock return estimates, which are recognised as revenue at the time of delivery.

Refer to Note 2 geographical information for disaggregated revenue information.

Section II: Results for the year (continued)

3. Income and Expenses (continued)

(b) Other income

In thousands of AUD	2023	2022
Foreign currency gains	376	48
Government grant income	619	929
Other - scrap income, royalties	354	965
	1,349	1,942

Government grant income is recognised as income where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

(c) Cost of sales

In thousands of AUD	2023	2022
Cost of sales	253,653	256,902

Cost of sales comprises the cost of manufacturing and purchase of goods including supply chain costs such as freight and warehousing.

The amount of inventories recognised as an expense (within cost of sales) during the period was $194,360,000 (2022: $205,599,000).

(d) Other expenses

In thousands of AUD	Note	2023	2022
Project costs	2	1,402	15,177
Foreign currency losses		218	305
Other		16	3
		1,636	15,485

(e) Personnel expenses

In thousands of AUD	2023	2022
Wages and salaries – including superannuation contributions, annual leave and long service leave	67,166	73,831
Equity-settled share-based payment transactions	69	(252)
	67,235	73,579

Defined contribution superannuation funds
The consolidated entity makes contributions to defined contribution superannuation funds. A defined contribution superannuation fund is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an employee benefit expense in profit or loss in the periods during which the services are rendered by employees. The amount recognised as an expense was $4,208,000 for the financial year ended 30 June 2023 (2022: $4,076,000) for continuing operations.

Section II: Results for the year (continued)

3. Income and Expenses (continued)

(f) Net financing costs

In thousands of AUD	2023	2022
Finance income	668	22
Finance expense		
Interest expense on financial liabilities	8,803	3,601
Interest (income) / expense on swaps	(2,385)	852
Fees on financial liabilities including amortisation	182	376
Interest on lease liabilities	2,150	2,426
	8,750	7,255
Net financing costs	8,082	7,233

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in profit or loss. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

4. Income tax expenses

Recognised in profit or loss

For the year ended 30 June *In thousands of AUD*	2023	2022
Current tax expense		
Current year	18,038	15,771
Adjustments for prior years	39	(31)
	18,077	15,740
Deferred tax benefit / (expense)		
Origination and reversal of temporary differences	(265)	1,520
Tax expense for the consolidated entity	17,812	17,260
Numerical reconciliation between tax expense and pre-tax profit		
Profit before tax for the consolidated entity	60,967	52,439
Tax expense using the domestic rate of 30%	18,290	15,732
Tax expense / (benefit) due to:		
Non-deductible expenses	131	103
Effect of tax rate in foreign jurisdictions	(182)	64
Non-deductible project costs	-	1,075
Rebateable research and development	(275)	(180)
Other items	(191)	497
	17,773	17,291
Under / (over) provided in prior years	39	(31)
Income tax expense on pre-tax profit for the consolidated entity	17,812	17,260

Section II: Results for the year (continued)

4. Income tax expenses (continued)

Deferred tax recognised directly in equity

In thousands of AUD	**2023**	**2022**
Cash flow hedges	(1,665)	3,619
Financial assets at fair value	(695)	-
	(2,360)	3,619

Current tax liability

In thousands of AUD	**2023**	**2022**
Current tax liability	3,567	1,615

Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate in, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Section II: Results for the year (continued)

4. Income tax expenses (continued)

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

The current tax liability for the consolidated entity represents the amount of income taxes payable. In accordance with tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the members in the tax-consolidated group.

Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authorities is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

5. Earnings per share

In cents	**2023**	**2022**
Total		
- Basic	16.3	13.3
- Diluted	16.1	13.2
Continuing operations excluding project costs		
- Basic	16.6	17.8
- Diluted	16.5	17.7

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Section II: Results for the year (continued)

5. Earnings per share (continued)

The calculation of basic and diluted EPS has been based on the following profit attributable to ordinary shareholders.

Profit attributable to ordinary shareholders – basic and diluted

In thousands of AUD	**2023**	**2022**
Continuing operations		
Profit before project costs	44,143	47,265
Project costs, net of tax (**Note 2**)	(988)	(12,086)
Profit for the year	43,155	35,179

The calculation of basic earnings per share has been based on the following weighted average number of shares outstanding.

Weighted average number of ordinary shares (basic)

In thousands of shares	**2023**	**2022**
Issued ordinary shares at 1 July	265,205	265,205
Weighted average number of ordinary shares	265,205	265,205

The calculation of diluted earnings per share has been based on the following weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

Weighted average number of ordinary shares (diluted)

In thousands of shares	**2023**	**2022**
Weighted average number of ordinary shares (basic)	265,205	265,205
Effect of performance rights on issue	2,490	1,619
Weighted average number of ordinary shares (diluted)	267,695	266,824

Section III: Assets and Liabilities

6. Cash and cash equivalents

(a) Balances

In thousands of AUD	**2023**	**2022**
Bank balances	43,443	31,440
Cash and cash equivalents	43,443	31,440

Cash and cash equivalents comprise cash balances and call deposits with an original maturity date of three months or less.

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 18.

(b) Reconciliation of cash flows from operating activities to net profit

In thousands of AUD	**2023**	**2022**
Profit for the year	43,155	35,179
Adjustments for:		
Depreciation	16,852	17,986
Amortisation	1,796	2,042
Net share-based payments	69	251
Unrealised foreign exchange loss	602	165
(Gain) on sale of PP&E and intangible assets	(6)	(5)
Deferred tax recognised directly in equity	2,360	(3,619)
Other non-cash movements	(1,053)	(1,610)
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	9,936	(13,969)
Decrease / (increase) in inventories	20,709	(38,826)
(Increase) in prepayments	(467)	(29)
(Decrease) / increase in trade payables and accrued expenses	(20,468)	14,771
(Decrease) / increase in deferred taxes and in taxes payable	(674)	2,895
Increase / (decrease) in provisions and employee benefits	71	(1,243)
Net cash flows from operating activities	72,882	13,988

Section III: Assets and Liabilities (continued)

7. Trade and other receivables

In thousands of AUD	**2023**	**2022**
Net trade receivables	59,701	69,285
Other	757	1,109
	60,458	70,394

Trade receivables are initially measured at the transaction price determined under AASB 15 *Revenue from Contracts with Customers* (refer to Note 3(a)) and subsequently measured at amortised cost using the effective interest rate (EIR) method and are subject to impairment. Impairment losses are recognised in profit or loss and reflected in an allowance account against trade receivables.

The consolidated entity recognises an allowance for expected credit losses (ECLs) for trade receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at an approximation of the original EIR.

The consolidated entity applies a simplified approach in calculating ECLs. Therefore, the consolidated entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The consolidated entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The consolidated entity's exposure to credit and currency risk and impairment loss related to trade and other receivables are disclosed in Note 18.

8. Inventories

In thousands of AUD	**2023**	**2022**
Raw materials and consumables	320	184
Work in progress	196	140
Finished goods	87,620	108,521
	88,136	108,845

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling or disposal expenses. The future estimated recoverability of inventory was determined with consideration of excess inventory volumes (i.e. ageing analysis), discontinued product lines and risk weightings applied by management with reference to their assessment of recovery rates.

During the year $122,000 (2022: $132,000) of inventories were recycled, and a $502,000 (2022: $95,000 net decrease) net decrease in the provision for inventories was recognised.

Section III: Assets and Liabilities (continued)

9. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2023	2022	2023	2022	2023	2022
Property, plant & equipment	213	616	(1,725)	(1,707)	(1,512)	(1,091)
Non-indefinite life intangibles	701	675	(746)	(958)	(45)	(283)
Indefinite life intangibles	-	-	(102,833)	(102,667)	(102,833)	(102,667)
Inventories	4,471	4,051	-	-	4,471	4,051
Employee benefits	2,885	2,936	-	-	2,885	2,936
Provisions	2,645	2,454	-	-	2,645	2,454
Leases	2,934	2,753	-	-	2,934	2,753
Other items	3,580	2,922	(2,052)	(3,627)	1,528	(705)
Tax assets / (liabilities)	17,429	16,407	(107,356)	(108,959)	(89,927)	(92,552)
Set off of tax	(14,280)	(13,952)	14,280	13,952	-	-
Net tax assets / (liabilities)	3,149	2,455	(93,076)	(95,007)	(89,927)	(92,552)

Movement in temporary differences during the year

In thousands of AUD	Balance 1 July 22	Recognised in income	Recognised in equity	Exchange differences	Balance 30 June 23
Property, plant & equipment	(1,091)	(433)	-	12	(1,512)
Non-indefinite life intangibles	(283)	230	-	8	(45)
Indefinite life intangibles	(102,667)	-	-	(166)	(102,833)
Inventories	4,051	406	-	14	4,471
Employee benefits	2,936	(43)	-	(8)	2,885
Provisions	2,454	197	-	(6)	2,645
Leases	2,753	191	-	(10)	2,934
Other items	(705)	(205)	2,360	78	1,528
	(92,552)	343	2,360	(78)	(89,927)

In thousands of AUD	Balance 1 July 21	Recognised in income	Recognised in equity	Exchange differences	Balance 30 June 22
Property, plant & equipment	(779)	(272)	-	(40)	(1,091)
Non-indefinite life intangibles	(475)	197	-	(5)	(283)
Indefinite life intangibles	(102,760)	-	-	93	(102,667)
Inventories	5,000	(939)	-	(10)	4,051
Employee benefits	2,947	(16)	-	5	2,936
Provisions	3,019	(569)	-	4	2,454
Leases	2,225	520	-	8	2,753
Other items	3,410	(485)	(3,619)	(11)	(705)
	(87,413)	(1,564)	(3,619)	44	(92,552)

Section III: Assets and Liabilities (continued)

9. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

In thousands of AUD	**2023**	**2022**
Capital losses	15,203	15,203
Revenue losses from foreign jurisdictions	3,434	1,312

The deductible losses accumulated at balance date do not expire under current tax legislation.
Refer to Note 4 for the consolidated entity's accounting policy on deferred tax.

10. Property, plant and equipment

In thousands of AUD	**Plant and equipment**	**Work in progress**	**Total**
Cost			
Balance at 1 July 2022	52,278	1,175	53,453
Additions	1,190	1,281	2,471
Disposals	(219)	-	(219)
Transfers	1,076	(1,076)	-
Exchange rate movements	170	4	174
Balance at 30 June 2023	54,495	1,384	55,879
Balance at 1 July 2021	50,881	2,005	52,886
Additions	1,644	108	1,752
Disposals	(1,024)	-	(1,024)
Transfers	938	(938)	-
Exchange rate movements	(161)	-	(161)
Balance at 30 June 2022	52,278	1,175	53,453
Accumulated depreciation			
Balance at 1 July 2022	(36,475)	-	(36,475)
Depreciation	(5,051)	-	(5,051)
Disposals	213	-	213
Exchange rate movements	(51)	-	(51)
Balance at 30 June 2023	(41,364)	-	(41,364)
Balance at 1 July 2021	(31,352)	-	(31,352)
Depreciation	(6,202)	-	(6,202)
Disposals	993	-	993
Exchange rate movements	86	-	86
Balance at 30 June 2022	(36,475)	-	(36,475)
Carrying amounts			
As at 30 June 2023	13,131	1,384	14,515
As at 30 June 2022	15,803	1,175	16,978

Section III: Assets and Liabilities (continued)

10. Property, plant and equipment (continued)

Recognition and Measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site where they are located, and an appropriate proportion of overheads. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in profit or loss as an expense as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' or 'other expenses' in profit or loss.

Depreciation
Depreciation is recognised in profit or loss as incurred on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- plant and equipment 3-15 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

Impairment
The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Impairment losses are recognised in profit or loss.

Section III: Assets and Liabilities (continued)

11. Intangible assets

In thousands of AUD	Software	Brand names	Trade names, designs and patents	Goodwill	Total
Cost					
Balance at 1 July 2022	33,699	346,674	5,953	66,815	453,141
Additions	374	-	14	-	388
Disposals	(24,610)	-	(39)	-	(24,649)
Exchange rate movements	65	885	73	449	1,472
Balance at 30 June 2023	9,528	347,559	6,001	67,264	430,352
Balance at 1 July 2021	33,110	347,175	6,024	67,125	453,434
Additions	618	-	144	-	762
Disposals	-	-	(78)	-	(78)
Exchange rate movements	(29)	(501)	(137)	(310)	(977)
Balance at 30 June 2022	33,699	346,674	5,953	66,815	453,141
Accumulated amortisation					
Balance at 1 July 2022	(32,795)	-	(1,916)	-	(34,711)
Amortisation	(639)	-	(1,157)	-	(1,796)
Disposals	24,610	-	37	-	24,647
Exchange rate movements	(64)	-	(19)	-	(83)
Balance at 30 June 2023	(8,888)	-	(3,055)	-	(11,943)
Balance at 1 July 2021	(31,734)	-	(1,081)	-	(32,815)
Amortisation	(1,103)	-	(939)	-	(2,042)
Disposals	-	-	72	-	72
Exchange rate movements	42	-	32	-	74
Balance at 30 June 2022	(32,795)	-	(1,916)	-	(34,711)
Carrying amounts					
As at 30 June 2023	640	347,559	2,946	67,264	418,409
As at 30 June 2022	904	346,674	4,037	66,815	418,430

Recognition and measurement
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Goodwill acquired in business combinations is initially measured at cost being the excess of the cost of the business combination over the consolidated entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Section III: Assets and Liabilities (continued)

11. Intangible assets (continued)

Recognition and measurement (continued)
Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss as incurred. Expenditure incurred in developing, maintaining or enhancing brand names is recognised in the Income Statement in the year in which it is incurred.

Capitalisation of configuration and customisation costs in SaaS arrangements
Software-as-a-service ('SaaS') arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. As such, the Group does not receive a software intangible asset for this right to use at the contract commencement date and associated costs are recognised as an operating expense when the services are received.

In implementing SaaS arrangements, the Company develops software code that either enhances, modifies or creates additional capability of existing software and connects with the SaaS arrangement cloud-based application, or develops software code that meets the definition of and recognition criteria of an intangible asset in accordance with AASB 138 *Intangible Assets* and International Financial Reporting Standards Interpretations Committee's (IFRIC) *Configuration or customisation costs in a cloud computing arrangement - April 2021* agenda decision. This requires the application of judgement including determining whether the developed software code is distinct or not from the underlying use of the application software. Costs that do not meet either of these criteria are recognised as an operating expense.

Amortisation
Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- goodwill — indefinite
- brand names — indefinite
- software — 3-5 years
- trade names — 10-20 years
- designs — 15 years
- patents — 3-19 years (based on patent term)

Brand names are not amortised as they have an indefinite useful life.
Impairment
Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with an indefinite useful life are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value is impaired.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its own value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Section III: Assets and Liabilities (continued)

11. Intangible assets (continued)

Impairment (continued)

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU's. Subject to an operating segment ceiling test, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGU's that are expected to benefit from the synergies of the combination.

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

In thousands of AUD	**2023**	**2022**
Water Solutions	414,823	413,489

Impairment testing for brand names and goodwill

The recoverable amounts of Water Solutions' brand names and goodwill were assessed as at 30 June 2023 based on internal value in use calculations and no impairment was identified (2022: nil).

Value in use was determined by discounting the future cash flows to be generated from the continuing use of the business unit and to which the brand names and goodwill are attached and was based on the following assumptions:

- Cash flows were projected based on actual operating results and business plans of the business unit, with projected cash flows to five years before a terminal value was calculated.
- Management used a constant growth rate of 2.3% (2022: 2.2%) in calculating the terminal value, which does not exceed the long-term average growth rate for the industry.
- A pre-tax discount rate of 11.7% was used (2022: 9.9%).

Key assumptions include management's forecast of construction market activity, market share and economic conditions (e.g. inflationary impacts to product costs). The values assigned to the key assumptions represent management's assessment of future trends in the Water Solutions industry and are based on both external sources and internal sources (historical data).

The recoverable amount of the CGU exceeds its carrying value as at 30 June 2023 and there are no reasonably possible changes in any of the key assumptions that would cause the CGU's recoverable amount to be less than its carrying amount.

Section III: Assets and Liabilities (continued)

12. Right-of-use assets and lease liabilities

In thousands of AUD **For the year ended 30 June**	**2023**	**2022**
Right-of-use assets		
Balance as at 1 July	49,969	57,118
Additions to right-of-use assets	4,058	4,755
Depreciation for the period	(11,801)	(11,784)
Exchange rate movements	77	(120)
Balance as at 30 June	42,303	49,969
Lease liabilities		
Balance as at 1 July	(60,969)	(66,498)
Additions to lease liabilities	(3,499)	(4,730)
Accretion of interest	(2,150)	(2,426)
Payments made	13,372	12,376
Exchange rate movements	(227)	309
Balance as at 30 June	(53,473)	(60,969)
Current lease liabilities	(11,709)	(11,161)
Non-current lease liabilities	(41,764)	(49,808)
	(53,473)	(60,969)

The following table sets out the 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).

In thousands of AUD	**2023**	**2022**
Less than one year	13,517	13,316
One to two years	11,830	12,170
Two to five years	26,565	30,349
More than five years	6,886	13,574
Total	58,798	69,409

Recognition and measurement
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.

Section III: Assets and Liabilities (continued)

12. Right-of-use assets and lease liabilities (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 entity's 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 (contracts typically have 3 to 6 years 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 those that 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 year ended 30 June**	**2023**	**2022**
Amounts recognised in the profit or loss statement		
Interest on lease liabilities	2,150	2,426
Depreciation of right-of-use assets	11,801	11,784
Payments made for low value leases	743	882
	14,694	15,092
Amounts recognised in the statement of cash flows		
Payments of lease liability principal	(11,222)	(9,950)
Payments of lease liability interest	(2,150)	(2,426)
	(13,372)	(12,376)

Section III: Assets and Liabilities (continued)

13. Trade and other payables

In thousands of AUD	**2023**	**2022**
Current		
Trade payables and accrued expenses	45,574	66,042
Non-current		
Trade payables and accrued expenses	211	597

Trade and other payables are initially measured at fair value and subsequently at their amortised cost.

The consolidated entity's exposure to currency risk and liquidity risk related to trade and other payables are disclosed in Note 18.

14. Employee benefits

In thousands of AUD	**2023**	**2022**
Current		
Liability for annual leave	4,422	4,739
Liability for long service leave	1,073	1,047
	5,495	5,786
Non-current		
Liability for long service leave	4,297	4,188

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits
The consolidated entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted to present value using market yields at the reporting date on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Section III: Assets and Liabilities (continued)

15. Provisions

In thousands of AUD	Warranties	Restructuring	Site restoration	Other	Total
Balance at 1 July 2022	4,193	662	4,396	419	9,670
Provisions made / (written back)	(458)	1,402	659	-	1,603
Provisions utilised	(81)	(1,332)	-	(15)	(1,428)
Exchange rate differences	31	1	46	-	78
Balance at 30 June 2023	3,685	733	5,101	404	9,923
Current	2,747	733	988	41	4,509
Non-current	938	-	4,113	363	5,414
	3,685	733	5,101	404	9,923

Recognition and Measurement
A provision is recognised when the consolidated entity has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warranties
The provision for warranties relates to future warranty expenses on products sold during the current and previous financial years. A provision for warranties is recognised when the underlying products or services are sold. The provision is based on estimates made from historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Restructuring
The restructuring provision relates to the estimated costs of redundancies, site closures and product rationalisation related to business restructuring. A provision for restructuring is recognised when the consolidated entity has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Site restoration
A provision for restoration in respect of leased premises is recognised when the obligation to restore arises. The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration obligations are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

Section IV. Funding and Risk Management

16. Loans and borrowings

This note provides information about the contractual terms of the consolidated entity's loans and borrowings, which are measured at amortised cost. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, refer to Note 18.

In thousands of AUD	**2023**	**2022**
Current - unsecured bilateral loan facilities	35,000	20,000
Non-current - unsecured syndicated loan facilities	124,092	148,328
	159,092	168,328
Facilities available		
Unsecured loan facilities	220,000	220,000
Bank guarantees and standby letters of credit	7,343	7,317
	227,343	227,317
Facilities utilised at reporting date		
Unsecured loan facilities	159,092	168,328
Bank guarantees and standby letters of credit	1,373	1,360
	160,465	169,688
Facilities not utilised at reporting date		
Unsecured loan facilities	60,908	51,672
Bank guarantees and standby letters of credit	5,970	5,957
	66,878	57,629

Recognition and Measurement
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost using the effective interest rate (EIR) method. The EIR amortisation is included as finance costs in profit or loss.

Unsecured loan facilities

On 21 October 2021 the consolidated entity successfully completed the refinance of its syndicated banking facility. The facility comprises a single three year multicurrency revolving facility of $180,000,000 which matures in October 2024. For the period 18 November 2020 to 20 October 2021 the facility was $226,670,000.

On 6 October 2022, the consolidated entity extended its one year multicurrency revolving bilateral facility of $40,000,000 which now matures in October 2023.

The consolidated entity has unsecured bank loans of $159,092,000 drawn as at 30 June 2023 (30 June 2022: $168,328,000). 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	**2023**	**2022**
AUD	135,000	145,000
NZD	20,000	20,000
GBP	3,000	3,000

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 (refer Note 18(d)).

Section IV. Funding and Risk Management (continued)

16. Loans and borrowings (continued)

Bank guarantee and standby letter of credit facilities

The bank guarantee and standby letter of credit facilities are committed facilities available to be drawn down under the facility agreement. The limits are specified in the facility agreement.

17. Share capital and reserves

Share capital

	Ordinary shares			
	Number of shares *(in thousands)*		AUD *(in thousands)*	
	2023	2022	2023	2022
On issue at 1 July – fully paid	265,205	265,205	311,294	311,294
On issue at 30 June – fully paid	265,205	265,205	311,294	311,294

Ordinary Shares
Ordinary shares are classified as equity. Incremental costs (transaction costs) directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

The Company has neither authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the retranslation of the financial statements of foreign operations where their functional currency is different from the presentation currency of the reporting entity, as well as from the retranslation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

In thousands of AUD - Net of tax	2023	2022
Opening balance at 1 July	8,233	(266)
Reclassed to P&L	5,220	938
Change in fair value	(9,289)	7,561
Closing balance at 30 June	4,164	8,233

Equity compensation reserve

The equity compensation reserve represents the fair value of the cumulative net charges of performance rights granted (refer Note 19).

Section IV. Funding and Risk Management (continued)

17. Share capital and reserves (continued)

Dividends

Dividends recognised in the current year are:

Dividends paid

	Costs per share *(In cents)*	Total amount *(In thousands of AUD)*	Franked	Date of Payment
2023				
Interim 2023 ordinary	6.0	15,912	100%	7th March 2023
Final 2022 ordinary	8.0	21,216	100%	6th September 2022
Total amount	14.0	37,128		
2022				
Interim 2022 ordinary	7.0	18,564	100%	4th March 2022
Final 2021 ordinary	6.5	17,238	100%	6th October 2021
Total amount	13.5	35,802		

Dividends are recognised as a liability in the period in which they are declared. Franked dividends declared or paid during the year were franked at the tax rate of 30%.

After the balance date the following dividends were determined by the directors. These will be paid out of the parent entity's retained earnings in accordance with the *Corporations Act 2001*. The dividends have not been provided for as at the balance date. The determination and payment of the dividend has no income tax consequences.

Dividends declared

	Costs per share *(In cents)*	Total amount *(In thousands of AUD)*	Franked	Date of Payment
Final 2023 ordinary	7.0	18,564	100%	5th September 2023

The financial effect of these dividends has not been brought to account in the financial statements for the financial year ended 30 June 2023 and will be recognised in subsequent financial reports.

Dividend franking account

	The Company	
In thousands of AUD	**2023**	**2022**
30 per cent franking credits available to shareholders of GWA Group Limited for subsequent financial years (i.e. prior to payment of final 2023 ordinary dividend)	12,907	13,181

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits/debits that will arise from the payment/settlement of the current tax liabilities/assets; and

(b) franking debits that will arise from the payment of dividends recognised as a liability at year-end.

The above franking account balance will decrease following the payment of the final dividend determined subsequent to balance date.

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management

(a) Policies

Exposure to credit, interest rate and currency risks arise in the normal course of the consolidated entity's business. Derivative financial instruments are used to hedge exposures to fluctuations in foreign exchange rates and interest rates.

Risk management policy

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Finance Risk Committee, which is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risk faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities.

The Audit and Risk Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity. The Audit and Risk Committee is assisted in its oversight role by the Internal Audit function. The Internal Audit function conducts both regular and ad hoc reviews of risk management controls and procedures. The results of the reviews are reported to the Audit and Risk Committee.

Capital management policy

The Board's policy is to maintain a strong capital base and grow shareholder wealth. The Board monitors debt levels, cash flows and financial forecasts to establish appropriate levels of dividends and funds available to reinvest in the businesses or invest in growth opportunities.

The Board focuses on growing shareholder value by monitoring the performance of the consolidated entity by reference to earnings growth and the return on funds employed. The Board defines return on funds employed as operating profit (earnings before interest and tax) divided by net assets after adding back net debt and net AASB 16 *Leases* balances.

There were no changes to the Board's approach to capital management during the year.

Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised in profit or loss, unless the derivative qualifies for hedge accounting, in which case the recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management (continued)

(a) Policies (continued)

Derivative financial instruments (continued)

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

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

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

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

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

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

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in profit or loss.

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or other counterparty to a financial instrument fails to discharge their obligations.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. A risk assessment process is used for some customers requiring credit and credit insurance is utilised. Goods are sold subject to retention of title clauses in most circumstances. The consolidated entity does not require collateral in respect of financial assets.

The consolidated entity maintains an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. To date, recent economic uncertainties driven by global events (e.g. inflation) have not led to any material losses in respect of trade receivables.

Transactions involving derivative financial instruments are with counterparties with sound credit ratings. Given their sound credit ratings, management does not expect any counterparty to fail to meet its obligations.

The consolidated entity has four major customers which comprise 61% of the trade receivables carrying amount as at 30 June 2023 (2022: three customers comprising 57% of trade receivables).

The carrying amount of financial assets represents the maximum credit exposure of the consolidated entity. The maximum exposure to credit risk at balance date was:

In thousands of AUD	**2023**	**2022**
Cash and cash equivalents	43,443	31,440
Net trade receivables	59,701	69,285
Other receivables	757	1,109
	103,901	101,834

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

In thousands of AUD	**2023**	**2022**
Not yet due	53,450	64,592
Past due 0-30 days	20,300	23,036
Past due 31-60 days	78	2,242
Past due 61-120 days	1,067	473
Past due 120+ days	3,525	593
Less accrued rebates	(18,358)	(21,608)
	60,062	69,328

There were no trade receivables with re-negotiated terms.

The movement in the allowance for impairment in respect of trade receivables during the year for the consolidated entity was as follows:

In thousands of AUD	**2023**	**2022**
Balance at 1 July	(43)	(34)
Impairment losses (recognised) / written back	(339)	(13)
Provisions used during the year	21	4
Balance at 30 June	(361)	(43)

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity prepares cash flow forecasts and maintains financing facilities with a number of institutions to ensure sufficient funds will be available to meet obligations without incurring excessive costs. The cash flows of the consolidated entity are controlled by management and reported monthly to the Board.

The contractual maturities of financial liabilities and derivatives that are cash flow hedges of the consolidated entity, including estimated interest payments are as follows:

Maturity analysis *In thousands of AUD*	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6 - 12 months**	**1-2 years**	**2-5 years**	**5+ years**
2023							
Non-derivatives financial liabilities							
Unsecured cash advance facilities	(159,092)	(218,003)	(40,034)	(5,034)	(172,935)	-	-
Trade and other payables	(45,785)	(46,289)	(45,938)	-	(117)	(234)	-
Lease liabilities	(53,473)	(58,798)	(6,758)	(6,759)	(11,830)	(26,565)	(6,886)
Derivative financial instruments							
Interest rate swaps used for hedging (net)	5,691	5,906	1,448	1,147	1,461	1,850	-
Forward exchange contracts used for hedging (net)	206	206	174	32	-	-	-
Total at 30 June 2023	(252,453)	(316,978)	(91,108)	(10,614)	(183,421)	(24,949)	(6,886)
2022							
Non-derivatives financial liabilities							
Unsecured cash advance facilities	(168,328)	(184,023)	(23,304)	(3,304)	(6,609)	(150,806)	-
Trade and other payables	(66,639)	(67,143)	(66,367)	-	(425)	(351)	-
Lease liabilities	(60,969)	(69,409)	(6,658)	(6,658)	(12,170)	(30,349)	(13,574)
Derivative financial instruments							
Interest rate swaps used for hedging (net)	6,846	6,998	1,300	1,295	2,385	2,018	-
Forward exchange contracts used for hedging (net)	4,785	4,785	4,067	718	-	-	-
Total at 30 June 2022	(284,305)	(308,792)	(90,962)	(7,949)	(16,819)	(179,488)	(13,574)

(d) Market risk

Market risk is the risk that changes in market prices such as interest rates and foreign exchange rates will affect the consolidated entity's income or value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The consolidated entity enters into derivatives in order to manage market risks. All transactions are carried out within the guidelines set by the Finance Risk Committee.

(i) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the consolidated entity's income. The consolidated entity's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates in Australia, New Zealand and the United Kingdom.

The consolidated entity adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is reduced (typically to less than 50% for the next two year period). Interest rate swaps, denominated in Australian dollars and New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure.

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

As at 30 June 2023, the consolidated entity had interest rate swaps in operation with a notional contract amount of $118,377,000 (2022: $143,038,000). These swaps have fixed rates ranging from 0.43% to 2.74% (2022: 0.43% to 1.45%) and mature over the next three years.

The consolidated entity classifies interest rate swaps as cash flow hedges and states them at fair value.

The net fair value of swaps as at 30 June 2023 of $5,691,000 was recognised as a fair value derivative asset (2022: $6,846,000 asset). No hedge ineffectiveness was recognised, and therefore the full movement in the value of the hedging instrument was recognised in Other Comprehensive Income.

Profile

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

In thousands of AUD	2023 Notional value	2023 Carrying amount	2022 Notional value	2022 Carrying amount
Variable rate financial instruments				
Unsecured cash advance facilities	(159,092)	(159,092)	(168,328)	(168,328)
Cash	43,443	43,443	31,440	31,440
	(115,649)	(115,649)	(136,888)	(136,888)
Fixed rate financial instruments				
Interest rate swap derivatives	118,377	5,691	143,038	6,846
Total	2,728	(109,958)	6,150	(130,042)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting, with all other variables held constant.

The impact on the consolidated entity's profit is affected through the impact on floating rate borrowings and derivatives. The impact on the consolidated entity's other comprehensive income ('OCI') is due to changes in the fair value of interest rate swap contracts designated as cash flow hedges.

The assumed movement in basis points for the interest rate sensitivity analysis is considered reasonably possible given the market forecasts available at the reporting date and the current economic environment in which the consolidated entity operates.

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis (continued)

In thousands of AUD - Higher/(Lower)	2023	2023	2022	2022
	Post Tax Profit	**OCI[(i)]**	**Post Tax Profit**	**OCI[(i)]**
AUD denominated loans				
+50 basis points (2022: +75 basis points)	(21)	711	(37)	1,405
-50 basis points (2022: -25 basis points)	21	(711)	12	(468)
NZD denominated loans				
+50 basis points (2022: +75 basis points)	(32)	160	(47)	160
-50 basis points (2022: -25 basis points)	32	(54)	16	(54)
GBP denominated loans				
+50 basis points (2022: +75 basis points)	(20)	-	(28)	-
-50 basis points (2022: -25 basis points)	20	-	9	-

[(i)] *Other Comprehensive Income: cash flow hedges, net of tax*

(ii) Foreign currency risk

The consolidated entity is exposed to foreign currency risk on sales, purchases and asset and liability holdings that are denominated in a currency other than the respective functional currencies of its subsidiaries. The currencies giving rise to this risk are primarily USD and RMB.

The consolidated entity hedges its foreign currency exposure in respect of forecasted sales and purchases by entering into forward exchange contracts (typically for at least 50% for the next six months). The forward exchange contracts have maturities of up to 12 months after the balance date.

Forward exposure for the 12 months after the balance date covered by forward exchange contracts	**2023**	**2022**
AUD:USD	47%	51%
AUD:RMB	54%	57%
GBP:USD	77%	41%
NZD:AUD	71%	53%

The consolidated entity classifies forward exchange contracts as cash flow hedges and states them at fair value. The net fair value of contracts as at 30 June 2023 of $206,000 was recognised as a fair value derivative asset (2022: $4,785,000 asset). No hedge ineffectiveness was recognised, and therefore the full movement in the value of the hedging instrument was recognised in Other Comprehensive Income.

The consolidated entity is also exposed to foreign currency risk on retranslation of the financial statements of foreign subsidiaries into AUD. The currencies giving rise to this risk are NZD, GBP and RMB. The consolidated entity hedges this exposure by holding net borrowings in foreign currencies, and designates these as net investment hedges.

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management (continued)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

Sensitivity analysis

The following table demonstrates the impact of reasonably possible exchange rate movements with all other variables held constant. However, the impact of exchange rate movements on profit is subject to other variables including competitor exchange rate positions and movement in market prices.

The impact on the consolidated entity's other comprehensive income ('OCI') is due to changes in the fair value of forward exchange contracts designated as cash flow hedges, as well as from changes in the net borrowings in foreign currencies designated as net investment hedges (these movements will offset the translation of the financial statements foreign subsidiaries into AUD).

The assumed movement in exchange rates for the sensitivity analysis is considered reasonably possible given the market forecasts available at the reporting date and the current economic environment in which the consolidated entity operates.

The impact on foreign currency monetary assets and liabilities not designated as cash flow hedges are not material.

In thousands of AUD - Higher/(Lower)	**2023**	**2022**
USD		
10% increase in USD:AUD – OCI (cash flow hedges, net of tax) (2022: 15% increase in USD:AUD)	5,030	5,890
10% decrease in USD:AUD – OCI (cash flow hedges, net of tax) (2022: 15% decrease in USD:AUD)	(4,116)	(4,353)
10% increase in USD:GBP – OCI (cash flow hedges, net of tax) (2022: 15% increase in USD:GBP)	1,605	828
10% decrease in USD:GBP – OCI (cash flow hedges, net of tax) (2022: 15% decrease in USD:GBP)	(1,313)	(612)
RMB		
10% increase in RMB:AUD – OCI (cash flow hedges, net of tax) (2022: 15% increase in RMB:AUD)	3,949	5,399
10% decrease in RMB:AUD – OCI (cash flow hedges, net of tax) (2022: 15% decrease in RMB:AUD)	(3,231)	(3,991)
NZD		
10% increase in NZD:AUD – OCI (cash flow hedges, net of tax) (2022: 15% increase in NZD:AUD)	1,515	(1,501)
10% decrease in NZD:AUD – OCI (cash flow hedges, net of tax) (2022: 15% decrease in NZD:AUD)	(1,852)	1,110
10% increase in NZD:AUD – OCI (net investment hedge, net of tax) (2022: 15% increase in NZD:AUD)	(1,429)	(2,228)
10% decrease in NZD:AUD – OCI (net investment hedge, net of tax) (2022: 15% decrease in NZD:AUD)	1,169	1,647
GBP		
10% increase in GBP:AUD – OCI (net investment hedge, net of tax) (2022: 15% increase in GBP:AUD)	(444)	(411)
10% decrease in GBP:AUD – OCI (net investment hedge, net of tax) (2022: 15% decrease in GBP:AUD)	364	337

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management (continued)

(e) Fair values

The carrying value of financial assets and liabilities as at 30 June 2023 equalled fair value (30 June 2022: equalled fair value). The fair values of financial instruments were estimated using the following methods and assumptions.

(i) Derivatives

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.

(ii) Loans and borrowings

Interest-bearing loans bear interest at market rates. Accordingly, the notional amount of the interest-bearing loans is deemed to reflect the fair value.

(iii) Trade and other receivables / payables

All current receivables / payables are either repayable within twelve months or repayable on demand. Non-current payables relate to a supplier contractual obligation. Accordingly, the notional amount is deemed to reflect the fair value.

(iv) Financial asset at fair value

The investment in an unlisted company is accounted as a financial asset at fair value through other comprehensive income ('FVOCI') following an irrevocable decision made at initial recognition. The fair value of the financial asset is based on the equity price established in the most recent round of equity financing or an independent valuation with consideration of any other key changes in the investment which requires a level of judgement, with the changes in the fair value being recognised in OCI.

(v) Interest rates used for determining fair value

The consolidated entity uses the government yield curve as at the balance date plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2023	**2022**
Derivatives	3.3% - 4.9%	1.8% - 3.9%
Loans and borrowings denominated in AUD	4.7% - 4.9%	3.2% - 3.4%
Loans and borrowings denominated in NZD	5.1% - 5.3%	3.4% - 3.6%
Loans and borrowings denominated in GBP	4.4% - 4.6%	2.6% - 3.4%

(vi) Fair value hierarchy

The consolidated entity recognises the fair value of its financial instruments and financial asset at fair value using the level 2 and level 3 valuation methods respectively. 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)

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management (continued)

(e) Fair values (continued)

(vi) Fair value hierarchy (continued)

In thousands of AUD				
30 June 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Forward contracts used for hedging	-	206	-	206
Interest rate swaps used for hedging	-	5,691	-	5,691
Investment in unlisted entity	-	-	520	520
	-	5,897	520	6,417
30 June 2022				
Forward contracts used for hedging	-	4,785	-	4,785
Interest rate swaps used for hedging	-	6,846	-	6,846
Investment in unlisted entity	-	-	2,935	2,935
	-	11,631	2,935	14,566

Section V. Other Information

19. Share-based payments

The Long Term Incentive (Equity) Plan was approved by shareholders at the 2008 Annual General Meeting. Under the plan, the Board may offer performance rights to participants which entitle the holder to ordinary shares in the Company (or in limited cases cash payments), subject to meeting certain financial performance hurdles and the holder remaining in employment with the Company until the nominated vesting date.

The performance hurdles in relation to performance rights granted to the 2023, 2022 and 2021 financial years are subject to financial performance conditions which measure growth in Earnings Per Share (EPS) and/or Total Shareholder Return (TSR) compared to a peer group of companies. The performance hurdles are challenging but achievable and focus executives on sustained long term growth consistent with shareholder wealth creation.

The Plan runs over a three year performance period and the rights will only vest if the performance hurdles are achieved. If the vesting conditions and performance hurdles are achieved, ordinary shares will be issued to the participants at no cost. If the performance hurdles are not met, then the rights are cancelled.

For performance rights granted to executives for the 2023, 2022 and 2021 financial year, the performance hurdles and vesting proportions for the TSR performance measure are outlined in the table below.

TSR of GWA Group Limited relative to TSRs of Comparator Companies	Proportion of Performance Rights to Vest if TSR hurdle is met
Less than the 50th percentile	0%
50th percentile	25%
Between the 50th percentile and 75th percentile	Straight line vesting between 25% and 100%
75th percentile or higher	100%

Section V. Other Information (continued)

19. Share-based payments (continued)

For the performance rights granted to executives for the 2023 financial year, the performance hurdles and vesting conditions for the EPS performance measures are outlined in the tables below.

GWA Group Limited EPS (CAGR Over 3-Year Performance Period)	Proportion of Performance Rights to Vest if EPS hurdle is met
Less than 5%	0%
Equal to 5%	25%
Between 5 and 10%	Straight line vesting between 25% and 100%
10% and higher	100%

Recognition and Measurement

The grant date fair value of performance rights granted to employees is recognised as a personnel expense, with a corresponding increase in equity (equity compensation reserve), evenly over the specified three year period that the performance rights vest to employees.

The amount recognised as an expense is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting hurdles are met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market based non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Section V. Other Information (continued)

19. Share-based payments (continued)

Fair Value

During the year 1,514,330 performance rights were granted to employees (2022: 1,250,933) at a weighted average fair value of $1.20 (TSR) (2022: $1.34 (TSR)).

The fair value of the performance rights granted subject to the TSR hurdle for vesting was determined by using a Monte Carlo simulation. When determining the fair values it was assumed the Company would have a dividend yield of 7.25%, the risk free rate was 3.26% and annualised share price volatility was 40% for the Company and its comparator companies listed for the TSR hurdle.

The amount recognised as personnel expenses (Note 3(e)) in the current financial year was a $69,029 debit (2022: $251,649 credit).

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

In number of performance rights	Grant date	Expiry date	Balance at beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at end of the year
2023							
	14/02/2020	30/06/2022	383,820	-	-	(383,820)	-
	7/12/2020	30/06/2023	361,313	-	-	(70,315)	290,998
	6/12/2021	30/06/2024	1,189,330	-	-	(129,654)	1,059,676
	28/10/2022	30/06/2025	-	1,514,330	-	-	1,514,330
			1,934,463	1,514,330	-	(583,789)	2,865,004
2022							
	18/02/2019	30/06/2021	507,556	-	-	(507,556)	-
	14/02/2020	30/06/2022	526,278	-	-	(142,458)	383,820
	7/12/2020	30/06/2023	544,985	-	-	(183,672)	361,313
	6/12/2021	30/06/2024	-	1,250,933	-	(61,603)	1,189,330
			1,578,818	1,250,933	-	(895,289)	1,934,463

20. Related parties

Key management personnel compensation

The key management personnel compensation included in personnel expenses (Note 3(e)) are as follows:

In AUD	2023	2022
Short-term employee benefits	4,652,420	6,423,513
Post-employment benefits	312,556	279,900
Share-based payments	508,410	224,578
Other long term employee benefits	27,951	(92,259)
	5,501,337	6,835,732

Information regarding individual key management personnel compensation is provided in the Remuneration Report section of the Directors' Report.

Section V. Other Information (continued)

21. Auditor's remuneration

In AUD	2023	2022
The auditor of GWA Group Limited is KPMG Australia.		
Audit services		
KPMG Australia:		
Audit and review of financial reports	360,700	359,000
Other assurance services	17,000	16,000
Overseas KPMG firms:		
Audit of financial reports	39,200	39,200
	416,900	414,200
Overseas auditors:		
Audit and review of financial statements	54,000	83,000
	54,000	83,000
Total audit services	470,900	497,200
Other services		
KPMG Australia:		
Other services	56,937	-
Other auditors(i)		
Internal audit services	-	203,000
Other services	-	44,000
Total other services	56,937	247,000

(i) In FY22, other auditors represented internal audit services provided by PwC (External auditors for Methven UK Limited). In FY23, PwC continued to perform internal audit work for the Group, however ceased to be the external auditors for Methven UK Limited, hence no disclosure required.

22. Commitments

Expenditure commitments for software, plant and equipment purchases and major projects contracted but not provided for are payable as follows:

In thousands of AUD	2023	2022
Less than one year	2,268	2,519
Between one and five years	276	-
	2,544	2,519

Section V. Other Information (continued)

23. Consolidated entities

	Parties to cross guarantee	Country of incorporation	Ownership interest 2023	2022
Parent entity				
GWA Group Limited	Y	Australia		
Subsidiaries				
Caroma Holdings Limited	Y	Australia	100%	100%
Caroma Industries Limited	Y	Australia	100%	100%
Caroma International Pty Ltd	N	Australia	100%	100%
Caroma Middle East FZCO*	N	UAE	-	100%
Caroma Singapore Pte Ltd	N	Singapore	100%	100%
Deva Tap Company Ltd	N	United Kingdom	100%	100%
GWA Finance Pty Limited	Y	Australia	100%	100%
GWA Group Holdings Limited	Y	Australia	100%	100%
GWA Group Holdings (NZ) Limited	N	New Zealand	100%	100%
GWA Group (NZ) Limited	N	New Zealand	100%	100%
GWA Trading (Shanghai) Co Ltd	N	China	100%	100%
Methven Australia Pty Limited	Y	Australia	100%	100%
Methven ROI Limited	N	Ireland	100%	100%
Methven UK Limited	N	United Kingdom	100%	100%
Sebel Furniture Holdings Pty Ltd	N	Australia	100%	100%

**deregistered 22 March 2023*

24. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries as listed in Note 23 are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, as at 30 June 2023, is set out in the table below.

Summarised statement of profit or loss and other comprehensive income

In thousands of AUD - For the year ended 30 June	2023	2022
Sales revenue	336,355	340,625
Cost of sales	(198,885)	(202,078)
Gross profit	137,470	138,547
Operating expenses	(69,520)	(80,610)
Finance income	666	1,047
Finance expenses	(5,014)	(4,950)
Profit before tax	63,602	54,034
Tax expense	(17,920)	(16,436)
Profit from continuing operations, net of tax	45,682	37,598
Net profit	45,682	37,598
Other comprehensive income, net of tax	(3,582)	8,223
Total comprehensive income, net of tax	42,100	45,821

Section V. Other Information (continued)

24. Deed of cross guarantee (continued)

Statement of financial position As at 30 June *In thousands of AUD*	2023	2022
Assets		
Cash and cash equivalents	35,746	23,591
Trade and other receivables	49,819	57,706
Inventories	63,939	84,369
Derivative financial instruments	206	4,785
Other	3,102	2,411
Total current assets	152,812	172,862
Investments	466,895	466,895
Intercompany receivable	35,505	37,361
Derivative financial instruments	5,873	6,411
Property, plant and equipment	11,645	13,815
Intangible assets	388,600	385,031
Right of use assets	36,242	44,027
Total non-current assets	944,760	953,540
Total assets	1,097,572	1,126,402
Liabilities		
Trade and other payables	34,603	49,553
Loans and borrowings	35,000	20,000
Employee benefits	4,194	4,082
Income tax payable	3,566	1,498
Lease liabilities	11,866	11,860
Provisions	3,479	2,550
Total current liabilities	92,708	89,543
Deferred tax liabilities	88,548	92,859
Loans and borrowings	124,092	148,328
Lease liabilities	35,245	42,988
Employee benefits	4,782	4,883
Provisions	4,144	4,788
Total non-current liabilities	256,811	293,846
Total liabilities	349,519	383,389
Net assets	748,053	743,013
Equity		
Issued capital	311,294	311,294
Reserves	5,651	9,165
Retained earnings	431,108	422,554
Total equity	748,053	743,013
Retained earnings at beginning of the year	422,554	420,758
Net profit	45,682	37,598
Dividends paid during the year	(37,128)	(35,802)
Retained earnings at end of the year	431,108	422,554

Section V. Other Information (continued)

25. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2023 the parent company of the consolidated entity was GWA Group Limited.

In thousands of AUD	The Company 2023	2022
Results of the parent entity		
Profit for the year	(4,663)	119,540
Total comprehensive income for the year	(4,663)	119,540
Financial position of the parent entity		
Current assets	1,836	648
Total assets	907,254	946,721
Current liabilities	468	575
Total liabilities	421,989	419,733
Equity of the parent entity		
Share capital	311,294	311,294
Equity compensation reserve	1,397	1,328
Retained earnings	172,574	214,366
Total equity	485,265	526,988

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters below, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities
The directors are not aware of any contingent liabilities of the parent entity as at reporting date (2022: $nil).

Capital expenditure commitments
The parent entity has not entered into contractual commitments on behalf of wholly-owned subsidiaries for the acquisition of property, plant or equipment as at reporting date (2022: $nil).

Parent entity guarantees
The parent entity in the ordinary course of business has guaranteed the performance of certain contractual commitments entered into by its subsidiaries.

The parent entity has entered into a Deed of Cross Guarantee with the effect that the parent entity has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed is wound up. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Notes 23 and 24.

26. Subsequent events

To the Directors' best knowledge, there are no events that have arisen subsequent to 30 June 2023 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 consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, 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 30 June 2023 and of its performance for the year ended on that date; and

    b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

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;

3. There are reasonable grounds to believe that the Company and the group entities identified in Note 23 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418;

4. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2023; and

5. The directors draw attention to Note 1(a) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards (IFRS).

Dated on 14 August 2023.

Signed in accordance with a resolution of the directors:

Darryl D McDonough

Director

Urs B Meyerhans

Director

Independent Auditor's Report

To the shareholders of GWA Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of GWA Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

The ***Key Audit Matter*** we identified is:

- Valuation of finished goods inventory.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of finished goods inventory ($87.6m)	
Refer to Note 8 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of finished goods inventory is a key audit matter given it is a significant asset in the financial report and the net realisable value is impacted by the building industry cycles and changes in consumer preferences. This necessitated an additional audit focus on excess and discontinued inventory SKUs (stock keeping unit). The most significant areas of judgement we focused on was in assessing the Group's: • Expected forecast demand which is based on previous sales, as the criteria for categorisation of inventory SKUs by risk (ageing analysis), such as discontinued or excess as the Group attributes different values due to the differing provision policy rates; • The Group's assessment of SKU recovery rates based on the expected selling price of inventory; and • Provision percentages (risk weightings) by inventory category.	Our procedures included: • Obtaining an understanding of the Group's key processes for the valuation of finished goods inventory (net realisable value) and the Group's determination of discontinued inventory; • Assessing the Group's policies for the valuation of finished goods inventory against the requirements of the accounting standards and our understanding of the business; • Attending stocktakes in significant locations and observing the Group's processes; • Assessing the accuracy of Group sales forecasts by inventory SKU by comparing forecast demand to actual sales for each inventory SKU in the period. This informed our evaluation of sales forecasts incorporated in the inventory provision at 30 June 2023; • Testing the completeness of inventory SKUs identified as discontinued or excess as follows: • Assessing the Group's identification of

Such judgements may have a significant impact on the Group's provision and therefore the overall carrying value of finished good inventories, necessitating additional audit effort.	excess inventory by independently developing an expectation based on actual sales data and comparing to the Group's results; and
	• Checking a sample of inventory SKUs to be discontinued in the inventory provision to sales management approval;
	• Comparing the estimated selling or disposal expenses to actual selling or disposal expenses;
	• Challenging the Group's assumptions, such as the Group's assessment of recovery rates and provision percentages by product category by:
	  • Using our understanding of the Group's business;
	  • Independently developing an expected inventory valuation range by considering the following:
	    • Inventory turnover rate by inventory SKU;
	    • Recovery rates achieved historically when selling discontinued inventory. We considered the historical quantum recovered compared to the original cost; and
	    • Overall recoveries achieved for a sample of sales recorded below original cost;
	  • Comparing the independently developed expected inventory valuation range to the inventory value recorded by the Group; and
	• Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

Other Information

Other Information is financial and non-financial information in GWA Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the *Remuneration Report* and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at**:**
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf
This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of GWA Group Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited Sections 2 to 8 (excluding Section 7.1.1) of the Remuneration Report included in the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Trent Duvall

Partner

Sydney

14 August 2023