GWA
Group Limited

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16 February 2021

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results for the Half Year Ended 31 December 2020

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

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

On 16 February 2021 at 10:00am (AEDT), GWA will be hosting a webcast of its FY21 half year results briefing. The webcast is accessible via the GWA website at www.gwagroup.com.au.

This document was authorised for release by the GWA Board.

Yours faithfully

R J Thornton
Executive Director

GWA GROUP LIMITED

ABN: 15 055 964 380

Appendix 4D
Preliminary final report - 31 December 2020

Results for announcement to the market

For the half year ended 31 December				**2020**	**2019**
Reported Results ($'000)					
Total Revenue from ordinary activities	Down	-4%	to	197,235	206,272
Total EBIT from ordinary activities	Down	-20%	to	29,915	37,477
Total NPAT from ordinary activities	Down	-22%	to	18,501	23,591
Continuing Operations (Normalised[1]) ($'000)					
Revenue from continuing operations	Down	-4%	to	197,235	206,272
EBIT from continuing operations excluding integration costs	Down	-16%	to	32,078	38,099
NPAT from continuing operations excluding integration costs	Down	-17%	to	20,014	24,038

[1] Normalised results excludes integration costs incurred during the period in relation to the acquisition of Methven Limited - 2020: $2.2m ($1.5m post tax) and 2019: $0.6m ($0.4m post tax).

Dividends (cents per share)		
Interim ordinary dividend - 100% franked	6.0	8.0

The record date for determining entitlements to the interim ordinary 2021 dividend is 16 March 2021 and the dividend is payable on 20 April 2021.

Net tangible asset and net asset backing (cents per share)	**As at**	**31 Dec 20**	**30 Jun 20**
Net tangible asset backing		(50.8)	(53.6)
Net asset backing		108.3	106.0

Brief explanation of the figures reported above

Refer to the attached Appendix 4D commentary for the review of operations.
The attached Interim Financial Report has been reviewed by GWA's independent statutory auditors.
This Interim Financial Report should be read in conjunction with the most recent Annual Financial Report.

Appendix 4D Commentary

16 February 2021

GWA reports normalised[1] net profit of $20 million in challenging market – well positioned for expected market improvement

Continued strong financial position enables payment of fully-franked interim dividend of 6 cents per share

- Group Revenue down 4.4% to $197.2m - revenue improved 1.6% in Q2 vs Q1 FY21
- Normalised Group Earnings Before Interest and Tax (EBIT) of $32.1m, down 16%
- Normalised Net Profit After Tax of $20.0m, down 17% from prior period
- Reported Net Profit After Tax of $18.5m, down 22% from prior period
- Continued solid cashflow generation – operating cashflow of $49.7m, up 18% with cash conversion ratio of 118%
- Net debt further reduced to $125m – leverage ratio down to 1.7 times
- Strong cash generation and ongoing strong financial position enables fully-franked interim dividend of 6 cents per share, payable on 20 April 2021
- Leading market share position maintained in Australia. Grew share in New Zealand and the United Kingdom
- Commercial forward order book strong and growing – up ~16% since 31 December 2019, although commercial completions expected to remain subdued in 2H FY21
- Methven continuing to perform to expectations - in growth in NZ and the UK, partially offset by weaker Australian market
- Methven synergies in line with FY21 guidance of over A$6m total – consolidation in NZ to deliver additional $3m annualised cost savings from FY22

First half result

Overall conditions in the first half continued to be impacted by the ongoing construction market downturn and further COVID-19 related slow down.

Managing Director, Tim Salt, said: "In Australia the retail-focused merchant channel and residential detached activity have shown signs of improvement, particularly in the second quarter. However, these have been more than offset by declines in the commercial and multi residential segments.

"While our commercial order bank is up on the prior-year, we experienced timing delays in projects being drawn down which impacted margins and earnings for the first half."

GWA estimates that total market activity in Australia declined approximately 6 per cent for 1H FY21 vs the prior corresponding half[2].

The New Zealand and United Kingdom markets have performed well despite the significant market disruption in the United Kingdom due to COVID-19.

[1] Normalised is before Significant Items
[2] Source: BIS Oxford Economics and GWA estimates Australia market (value). 12 months MAT

"We have continued to respond to the short-term challenging market conditions by remaining disciplined on operational costs, ensuring the ongoing stability and efficiency of our supply chain and managing our working capital and cash flow accordingly," Mr Salt said.

"Notwithstanding the 4 per cent decline in Group revenue, these initiatives have assisted our Australian / New Zealand EBIT margin to remain consistent with the prior corresponding period."

Group 1H FY21 performance was impacted by challenging market conditions but was in line with expectations and includes staff incentives accrued in FY21 but not in the prior corresponding period. This resulted in an overall Group EBIT margin of 16.3 per cent compared to 18.5 per cent for the prior period.

GWA well positioned for expected market improvement

Mr Salt said GWA demonstrated continued discipline in responding to the challenging market conditions in the first half while executing its growth strategy.

As a result GWA remained well capitalised to manage through the current environment with a stronger platform for growth.

"We saw signs of market improvement in Q2 FY21 with more recent lead indicators pointing to an increase in detached residential completions and renovation and replacement activity in Q4 FY21 / FY22.

"GWA maintains significant operational leverage to an improvement in the residential building cycle, while our commercial forward order bank is 16 per cent ahead of 31 December 2019. The implementation of our superior water solutions strategy and ongoing investment in revenue enhancing initiatives means GWA has a very solid foundation to improve revenue and earnings momentum as market conditions improve," Mr Salt said.

Water solutions growth strategy on track

GWA continued to successfully execute its strategy for growth as market conditions improve.

"We have established centres of excellence in Auckland and Sydney to harness our quality, technical, design and sourcing capability in taps, showers and sanitaryware. In Q2 we launched new ranges of taps, showers, accessories and sanitaryware under the Caroma brand in Australia and New Zealand through key merchant partners. As part of this launch we introduced Germgard® antibacterial glazing to our sanitaryware to capitalise on consumers' heightened concerns over safety and hygiene following the COVID-19 outbreak. In addition, we launched new Methven showerware ranges in Australia, New Zealand and China.

"The current temporary slow-down in commercial activity has required us to pivot our focus to commercial segments which offer greater short term growth opportunities including aged care, education and commercial renovation and replacement.

"We have progressed our consumer engagement with a focus on our digital communications strategy leveraging our key brands' social media and websites to interact more directly with consumers in the renovation decision process. We also used digital engagement and remote streaming for consultations and industry functions from our Caroma flagship stores in Sydney and Adelaide.

"Meanwhile, our touchless intelligent bathroom system, Caroma Smart Command®, continues to represent a growth opportunity in the commercial segment. Caroma Smart Command® includes a set of Bluetooth-enabled, touchless bathroom products which enable monitoring and management of water usage in commercial buildings.

"The system has now been successfully installed in 77 sites across Australia / New Zealand with a solid bank of additional projects in the pipeline. While COVID-19 delayed the anticipated roll-out into some sites during the half (retail and airports), we maintain a solid NPD pipeline with a number of product, technology and cloud interface enhancements in development.

"In the current environment, the system's touchless features, which offer customers a safe and hygienic solution is resonating well.

"We have completed the first pilot installation in Asia with further activity planned over the next year.

Good Progress on Methven integration – additional $3m in cost efficiencies targeted

"We are pleased with the continued integration of Methven which provides enhanced geographic diversity and scale to the Group.

"We have incorporated Methven's world leading shower IP into Caroma new shower launches this year.

"Cost synergies remain on target with $1.5 million realised in the first half and we remain on schedule to deliver $3 million for FY21, bringing the overall total across FY20 / FY21 to over A$6 million.

"Separately, we have commenced the project to consolidate the New Zealand distribution network from two warehouses to one and consolidate Caroma and Methven deliveries in New Zealand with one invoice to improve our customers' experience and we expect to complete the sale of the Methven China plant in Q3 FY21.

"We expect additional benefits of approximately $3 million annualised from FY22 onwards with one-off costs of ~$4 million to be incurred in FY21, of which $2.1 million (pre-tax) were incurred in the first half," Mr Salt said.

Group Financial Results

Group Normalised Results (Excludes Significant Items)

A$ million (unless specified)	1HFY20	1HFY21	% change
Sales Revenue	206.3	197.2	-4.4%
EBITDA	48.1	42.2	-12.2%
EBIT	**38.1**	**32.1**	-15.8%
EBIT Margin (%)	18.5%	16.3%	-2.2ppts
NPAT	**24.0**	**20.0**	-16.7%
Return on Funds Employed (%)	18.8%	15.1%	-3.7ppts

Group normalised results exclude significant items. In 1H FY21 these included net costs associated with the acquisition and integration of Methven of $1.5 million (after tax) compared to $0.4 million for the prior corresponding half.

Group revenue declined by 4.4 per cent, reflecting the overall decline in market conditions. In Australia revenue declined by 6.2 per cent, with 1Q sales down 10 per cent followed by an improvement in 2Q FY21 where sales declined by 2 per cent on the prior corresponding quarter.

GWA did not experience any further customer destocking during the half. As anticipated, merchant restocking did not eventuate.

Sales in New Zealand increased by 3.1 per cent (local currency basis) compared to the prior corresponding period with sales in the United Kingdom up 5.7 per cent (local currency basis), despite the ongoing impacts of COVID-19.

Normalised Group EBIT (before significant items) was $32.1 million compared to $38.1 million for the prior corresponding period.

Volume and mix were impacted by the ongoing effects of COVID-19 and weaker market conditions, further exacerbated by the timing delay in some commercial projects being drawn down from GWA's order bank.

Price increases of approximately 5 per cent were implemented from August 2020, which partially mitigated the impact of the weaker Australian dollar on product cost purchases in the half.

Group Normalised EBIT margin was 16.3 per cent compared to 18.5 per cent for the prior period, reflecting the inclusion of staff incentive accrual in 1H FY21 which was not included in 1H FY20. Adjusting for the staff incentive accrual, normalised Group 1H FY21 EBIT margin was consistent with full year FY20 normalised EBIT margin.

Group Reported Results (Includes Significant Items)

A$ million (unless specified)	1HFY20	1HFY21	% change
Sales Revenue	206.3	197.2	-4.4%
EBITDA	47.4	40.0	-15.6%
EBIT	**37.5**	**29.9**	-20.3%
EBIT Margin (%)	18.2%	15.2%	-3.0ppts
NPAT	**23.6**	**18.5**	-21.6%
Return on Funds Employed (%)	17.3%	14.4%	-2.9ppts

Group reported results include significant items referred to above.

Group net profit after tax was $18.5 million for the half-year ended 31 December 2020.

Group Revenue was $197.2 million compared to $206.3 million for the prior period.

Group EBITDA was $40.0 million compared to $47.4 million, while Group EBIT was $29.9 million, down from $37.5 million in 1H FY20.

Continued strong cash generation and financial position enables GWA to pay 6.0 cent dividend

The Board resolved to pay an interim dividend of 6.0 cents per share, fully franked, compared to 8.0 cents per share for the prior corresponding period and 3.5 cents per share for the final dividend for FY20.

The record date for entitlement to receive the interim dividend will be 16 March 2021 with the dividend being paid on 20 April 2021.

As part of the Company's capital management approach, the Dividend Reinvestment Plan (DRP) will be offered to shareholders for the interim dividend at a 1.5 per cent discount. The DRP is not underwritten.

GWA's financial metrics remain solid and improving

Net debt as at 31 December 2020 was $125 million, compared to $144.8 million as at 30 June 2020.

In November 2020, GWA successfully completed the refinancing of its syndicated banking facility. The facility comprises a single three-year multicurrency revolving facility of $227 million which matures in November 2023.

GWA also maintains a separate $40 million one-year multi-currency revolving bilateral facility which matures in October 2021.

GWA's credit metrics remain consistent with investment grade with the Company's gearing ratio (net debt / net debt plus equity) of 25.2 per cent compared to 28.4 per cent at 30 June 2020 and leverage ratio (net debt / EBITDA) of 1.7 times compared to 1.9 times at 30 June 2020. GWA's interest cover ratio (EBITDA / net interest) was 13.9 times at 31 December 2020 compared to 13.6 times at 30 June 2020.

Continued strong operating cashflow generation

GWA continues to generate strong operating cashflow, despite the weaker market conditions in the first half.

Cashflow from operations was $49.7 million for 1H FY21 compared to $42.2 million for the prior corresponding period.

Cash conversion remains solid with a cash conversion ratio of 118 per cent for the half.

Working Capital and debtor management remain a continuing focus with Day Sales Outstanding (DSO) at 31 December 2020 improved on the prior corresponding period.

Capital expenditure for the half was $5.5 million compared to $8.2 million for the prior corresponding period and reflects the Company's prudent approach to cash management during the period with a specific focus on initiatives to drive cost efficiencies and revenue enhancing opportunities, including a seed investment in a third party overseas venture.

FY21 Outlook - expect some market improvement in Q4 FY21 / FY22

Recent lead indicators in Australia (consumer sentiment, dwelling approvals, new housing loans, housing turnover) and Federal (HomeBuilder) and State Government incentives point to increased detached residential completions and renovation and replacement activity in Q4 FY21/ FY22.

GWA's Commercial order bank remains strong and ~16 per cent above 31 December 2019. However, Commercial and multi-residential completions are expected to remain subdued in 2H FY21. As confidence and activity increases in the Commercial segment, GWA remains well placed to capitalise on this improvement.

Growth is expected in New Zealand, the United Kingdom (despite COVID-19 challenges) and Asia.

For FY21, the Company's focus remains on generating profitable share growth through customer and consumer initiatives. These include targeting new commercial segment growth opportunities and embedding new products (sanitaryware, coloured tapware) with key merchants. It also includes enhanced consumer engagement leveraging GWA's digital strategy and channels and leveraging the touchless / hygiene benefit of Caroma Smart Command® with further installations and cloud applications.

GWA has strong operational leverage to the market upturn underpinned by ongoing operational discipline.

GWA continues to maintain operational and cost discipline and remains on track to deliver the targeted Methven integration savings of $3 million and strategic supply chain savings of $4m in FY21. In 2H FY21 GWA will commence implementation of a new ERP / CRM[3] system to improve customer experience and replace multiple legacy systems.

GWA continues to 'control the controllables' with a specific focus on discretionary spend, working capital and capital expenditure.

GWA monitors foreign exchange rates closely and adopts appropriate mitigation strategies. For FY21, approximately 68 per cent of US dollar exposure is hedged at US67 cents and for FY22 approximately 48 per cent of US dollar exposure is hedged at US73 cents.

[3] Enterprise Resource Planning (ERP) / Customer Relationship Management (CRM) system

GWA Group Limited
and its controlled entities

ABN 15 055 964 380

31 December 2020
Interim Financial Report

Table of Contents

GWA Group Limited and its controlled entities
Directors' Report

Your directors submit their report on the consolidated entity of GWA Group Limited (the 'Group') and the entities it controlled for the half year ended 31 December 2020.

Directors

The names of the directors of the Group during the half year and up to the date of this report are listed below. Directors were in office for the entire period.

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

Review of Operations

A review of operations for the Group for the half year ended 31 December 2020 and the results of those operations are set out in the Appendix 4D commentary.

Interim Dividend

The directors have declared a fully franked interim dividend to shareholders of 6.0 cents per share. The record date for the interim dividend is 16 March 2021 and is payable on 20 April 2021. The Dividend Reinvestment Plan will be offered to shareholders for the interim dividend.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration forms part of the Directors' Report for the half year ended 31 December 2020.

Rounding

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

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

Darryl D McDonough
Chairman

Tim R Salt
Managing Director

16 February 2021

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

For the half year ended 31 December *In thousands of AUD*	**Note**	**2020**	**2019**
Profit or loss			
Continuing operations			
Sales revenue		197,235	206,272
Cost of sales		(119,267)	(120,022)
Gross profit		77,968	86,250
Other income		138	1,268
Selling expenses		(24,743)	(30,891)
Administrative expenses		(21,242)	(18,260)
Other expenses		(43)	(268)
Operating profit (excluding integration costs)		32,078	38,099
Integration costs on business combination[(i)]	7(a)	(2,163)	(622)
Operating profit		29,915	37,477
Finance income		16	110
Finance expenses		(3,920)	(4,260)
Net financing costs		(3,904)	(4,150)
Profit before tax		26,011	33,327
Income tax expense	8	(7,510)	(9,736)
Profit from continuing operations		18,501	23,591
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		113	(1,098)
Cashflow hedges, net of tax		(3,110)	(1,536)
Other comprehensive income, net of tax		(2,997)	(2,634)
Total comprehensive income for the period		15,504	20,957
Earnings per share (cents)			
Total			
- Basic		7.0	8.9
- Diluted		7.0	8.9
Continuing operations (excluding integration costs)			
- Basic		7.6	9.1
- Diluted		7.5	9.1

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

(i) Integration costs are a form of 'other expenses' however are disclosed separately due to their significance.

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

As at *In thousands of AUD*	**Note**	**31 Dec 2020**	**30 June 2020**
Current assets			
Cash and cash equivalents		42,343	32,359
Trade and other receivables		48,276	56,628
Inventories		81,157	78,782
Other		6,051	3,772
Total current assets		177,827	171,541
Non-current assets			
Deferred tax assets		17,200	15,990
Property, plant and equipment		24,060	24,830
Intangible assets		420,432	421,226
Right of use assets		62,532	67,833
Financial asset at fair value	10	2,835	-
Total non-current assets		527,059	529,879
Total assets		704,886	701,420
Current liabilities			
Trade and other payables		48,229	43,699
Loans and borrowings	9	30,000	27,000
Employee benefits		5,462	5,120
Income tax payable		265	137
Lease liabilities		12,538	11,458
Provisions		7,026	6,438
Derivative financial instruments	10	9,067	4,315
Total current liabilities		112,587	98,167
Non-current liabilities			
Deferred tax liability		102,798	102,846
Trade and other payables		412	696
Loans and borrowings	9	136,029	148,400
Lease liabilities		58,747	63,138
Employee benefits		4,391	4,310
Provisions		3,683	4,132
Total non-current liabilities		306,060	323,522
Total liabilities		418,647	421,689
Net assets		286,239	279,731
Equity			
Issued capital		308,438	307,790
Reserves		(9,160)	(5,758)
Retained earnings		(13,039)	(22,301)
Total equity		286,239	279,731

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

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

For the half year ended 31 December	**2020**	**2019**
In thousands of AUD		
Cash flows from operating activities		
Receipts from customers	229,964	244,188
Payments to suppliers and employees	(181,041)	(202,766)
Cash generated from operations	48,923	41,422
Interest and facility fees paid	(2,261)	(3,263)
Lease interest paid	(1,402)	(1,204)
Interest received	16	113
Income taxes paid	(7,093)	(10,416)
Net cash from operating activities	38,183	26,652
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1	3
Acquisition of property, plant and equipment	(1,307)	(6,819)
Acquisition of intangible assets	(1,380)	(1,423)
Acquisition of financial asset	(2,835)	-
Net cash used in investing activities	(5,521)	(8,239)
Proceeds from borrowings	20,747	264,147
Repayment of borrowings	(30,000)	(255,827)
Dividends paid	(8,591)	(25,075)
Repayment of lease liability	(4,520)	(6,076)
Net cash used in financing activities	(22,364)	(22,831)
Net increase / (decrease) in cash and cash equivalents	10,298	(4,418)
Cash and cash equivalents at the beginning of the year	32,359	39,637
Effect of exchange rate changes	(314)	(1,460)
Cash and cash equivalents at 31 December	42,343	33,759

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 half year ended 31 December 2020

In thousands of AUD

	Share Capital	Translation Reserve	Hedging Reserve	Equity Compensation Reserve	Retained Earnings	Total
Balance as at 1 July 2020	307,790	(4,139)	(2,971)	1,352	(22,301)	279,731
Total comprehensive income for the period						
Profit for the period	-	-	-	-	18,501	18,501
Other comprehensive income						
Exchange differences on translation of foreign subsidiaries, net of tax	-	113	-	-	-	113
Cash flow hedges, net of tax	-	-	(3,110)	-	-	(3,110)
Total other comprehensive income	-	113	(3,110)	-	-	(2,997)
Total comprehensive income	-	113	(3,110)	-	18,501	15,504
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	-	-	-	(405)	-	(405)
Dividends paid and issue of shares under the Dividend Reinvestment Plan	648	-	-	-	(9,239)	(8,591)
Total transactions with owners	648	-	-	(405)	(9,239)	(8,996)
Balance at 31 December 2020	308,438	(4,026)	(6,081)	947	(13,039)	286,239

For the half year ended 31 December 2019

In thousands of AUD

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

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

GWA Group Limited and its controlled entities
Notes to the interim financial statements

1. Reporting entity

GWA Group Limited (the 'Company') is a for-profit company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half year period ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2020 is available from the Company's website www.gwagroup.com.au.

2. Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2020.

This consolidated interim financial report was approved for issue by the Board of Directors on 16 February 2021.

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

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2020, except as noted below:

Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted by the consolidated entity for the first time in the half year period ended 31 December 2020:

- AASB 2018-6 Definition of a Business – Amendments to AASB 3
- AASB 2018-7 Definition of Material – Amendments to IAS 1 and IAS 8
- AASB 2019-1 Amendments to The Conceptual Framework for Financial Reporting
- AASB 2019-3 Amendments to Australian Accounting Standards (AASs) – Interest Rate Benchmark Reform (Phase 1 Amendments to AASB 9, AASB 139, AASB 7)

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

4. Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2020.

5. 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 each reportable segment is included below. Performance is measured based on segment profit before interest and income tax ('EBIT'), and excludes integration costs, 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 half year ended 31 December	**2020**	**2019**
Sales revenue	197,235	206,272
Segment EBIT	32,078	38,099
Depreciation (property, plant and equipment)	3,016	2,549
Depreciation (right of use assets)	5,970	6,368
Amortisation	1,099	1,034
Capital expenditure	2,686	8,239
As at	**31 Dec 2020**	**30 Jun 2020**
Reportable segment assets	704,886	701,420
Reportable segment liabilities	306,060	323,522

Reconciliation of profit		
For the half year period ended 31 December	**2020**	**2019**
Total EBIT for reportable segment	32,078	38,099
Integration costs on business combination	(2,163)	(622)
Operating profit from continuing operations	29,915	37,477

Sales revenue by geographical location of customer

In thousands of AUD	Australia		New Zealand		Other		Consolidated	
For the half year period ended 31 December	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
External sales revenue	152,818	162,828	27,862	27,423	16,555	16,021	197,235	206,272

6. Dividends

Dividends recognised and paid:	**Cost per share** *In cents*	**Total amount** *In thousands of AUD*
For the half year period ended 31 December 2020:		
Final 2020 ordinary dividend paid 16 October 2020	3.5	9,239
For the half year period ended 31 December 2019:		
Final 2019 ordinary dividend paid 4 September 2019	9.5	25,075

Dividends declared after the balance date:

On 16 February 2021, the Board declared a fully franked interim ordinary dividend of 6.0 cents per share and is payable on 20 April 2021. Based on 264,195,869 shares outstanding at 31 December 2020, the aggregate dividend payable will be $15,851,752.

7. Expenses

(a) Integration costs

Integration costs following the business combination of Methven Limited on 10 April 2019 are as follows:

In thousands of AUD **For the half year ended 31 December**	**2020**	**2019**
Integration costs on business combination	2,163	622
Income tax benefit	(650)	(175)
	1,513	447

(b) Lease costs

The amounts recognised in the profit or loss statement are as follows:

In thousands of AUD **For the half year ended 31 December**	**2020**	**2019**
Interest on lease liabilities	1,402	1,204
Depreciation of right of use assets	5,970	6,368
Payments made for low value leases	496	362
	7,868	7,934

8. Income tax expense

Recognised in profit or loss

For the half year ended 31 December *In thousands of AUD*	**2020**	**2019**
Current tax expense		
Current year	7,632	8,790
Adjustments for prior years	27	(84)
	7,659	8,706
Deferred tax (expense) / benefit		
Origination and reversal of temporary differences	(149)	1,029
Tax expense for the consolidated entity	7,510	9,736

Numerical reconciliation between tax expense and pre-tax profit

Profit before tax for the consolidated entity	26,011	33,327
Tax expense using the domestic rate of 30%	7,803	9,998
Tax expense / (benefit) due to:		
Non-deductible expenses	208	110
Effect of tax rate in foreign jurisdictions	(205)	(132)
Rebateable research and development	(55)	(81)
Other items	(268)	(75)
	7,483	9,820
Under / (over) provided in prior years	27	(84)
Income tax expense on pre-tax profit for the consolidated entity	7,510	9,736

9. Loans and borrowings

On 18 November 2020 the consolidated entity successfully completed the refinance of its syndicated banking facility. The facility comprises a single three year multicurrency revolving facility of $226,670,000 which matures in November 2023. For the period 8 April 2020 to 17 November 2020 the facility was $243,340,000. For the period 11 October 2019 to 7 April 2020 the facility was $210,000,000. For the period 10 April 2019 to 10 October 2019 the facility was $250,000,000.

On 18 September 2020 the consolidated entity extended its one year multicurrency revolving bilateral facility of $40,000,000 which now matures in October 2021.

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

The consolidated entity has unsecured bank loans of $166,029,000 drawn as at 31 December 2020 (30 June 2020: $175,400,000). The notional amount of the interest-bearing loans is deemed to reflect the fair value. The facilities were drawn in the following currencies.

In thousands of	**31 Dec 2020**	**30 June 2020**
AUD	130,000	142,000
NZD	30,000	30,000
GBP	3,000	3,000
USD	2,000	-

10. Financial instruments

Estimation of fair values

Financial assets and liabilities that are not measured at cost or amortised cost in the half year financial report comprise forward foreign exchange contracts, interest rate swaps and an investment in an unlisted company. 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. The investment in an unlisted company is accounted for as a financial asset at fair value through other comprehensive income ('FVOCI') following an irrevocable election made at initial recognition.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Fair value hierarchy

The consolidated entity recognises the fair value of its financial instruments using the level 2 valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The investment in an unlisted entity is valued through a level 3 approach under AASB *13 Fair Value Measurement*, which is based on recent equity pricing and consideration of any other key changes in the investment which requires a level of judgement.

There were no transfers between levels during the half year.

In thousands of AUD	Level 1	Level 2	Level 3	Total
As at 31 December 2020				
Forward contracts used for hedging	-	(6,462)	-	(6,462)
Interest rate swaps used for hedging	-	(2,605)	-	(2,605)
Investment in an unlisted company	-	-	2,835	2,835
	-	(9,067)	2,835	(6,232)
As at 30 June 2020				
Forward contracts used for hedging	-	(1,375)	-	(1,375)
Interest rate swaps used for hedging	-	(2,940)	-	(2,940)
	-	(4,315)	-	(4,315)

11. Subsequent events

To the Directors' best knowledge, there are no events that have arisen subsequent to 31 December 2020 that will, or may, significantly affect the operation or results of the consolidated entity.

GWA Group Limited and its controlled entities
Directors' Declaration

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

1. The financial statements and notes are in accordance with the *Corporations Act 2001* including:

   a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2020 and of its performance for the half year ended on that date; and

   b) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated 16 February 2021.

Signed in accordance with a resolution of the directors:

Darryl D McDonough
Chairman

Tim R Salt
Managing Director

KPMG

Independent Auditor's Review Report

To the shareholders of GWA Group Limited

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 31 December 2020;
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date;
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of GWA Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Trent Duvall

Partner

Sydney

16 February 2021

KPMG

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

To the Directors of GWA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of GWA Group Limited for the half-year ended 31 December 2020 there have been:

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

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

KPMG

Trent Duvall
Partner

Sydney
16 February 2021