GWA
Group Limited

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16 August 2021

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results for the Year Ended 30 June 2021

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

- Appendix 4E Preliminary Final Report
- Chairman's Report
- Managing Director's Review of Operations
- Directors' Report including Remuneration Report
- Annual Financial Report

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

This announcement has been authorised for release to the ASX by the GWA Board of Directors.

Yours faithfully

R J Thornton
Executive Director

GWA GROUP LIMITED

ABN: 15 055 964 380

Appendix 4E
Preliminary final report - 30 June 2021

Results for announcement to the market

For the year ended 30 June				2021	2020
Reported Results ($'000)					
Total Revenue from ordinary activities	Up	1.8%	to	405,736	398,704
Total EBIT from ordinary activities	Down	-16.1%	to	58,953	70,297
Total NPAT from ordinary activities	Down	-20.1%	to	35,056	43,886
Continuing Operations (Normalised[1]) ($'000)					
Revenue from continuing operations	Up	1.8%	to	405,736	398,704
EBIT from continuing operations - normalised	Down	-4.7%	to	68,482	71,840
NPAT from continuing operations - normalised	Down	-5.8%	to	42,323	44,923

[1] Normalised results excludes costs incurred in relation to Methven integration and ERP / CRM project - 2021: $9.5m ($7.3m post tax) and 2020: $1.5m ($1.0m post tax).

Dividends (cents per share)	2021	2020
Final ordinary dividend[2] - 100% franked	6.5	3.5
Interim ordinary dividend - 100% franked	6.0	8.0

[2] The record date for determining entitlements to the final ordinary 2021 dividend is 8 September 2021 and the dividend is payable on 6 October 2021.

Net tangible asset and net asset backing (cents per share)	As at	30 June 21	30 June 20
Net tangible asset backing		(46.8)	(53.6)
Net asset backing		111.8	106.0

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.

Chairman's Report

GWA's performance during the year reflected the Company's continued disciplined response to the impact of weaker construction markets in the first half, followed by a stronger result in the second half as residential construction activity showed signs of improvement.

FY21 Results

Revenue increased by 1.8 per cent, reflecting improved residential conditions in the second half partially offset by continued weakness in the Australian Commercial segment.

Sales in our New Zealand and international businesses continued to increase strongly in the second half, demonstrating the enhanced diversity and scale the successful acquisition and integration of Methven has brought to the Company.

Normalised Group EBIT before significant items declined by 4.7 per cent to $68.5 million compared to $71.8 million for the prior year. Earnings were impacted by the ongoing decline in the higher-margin Commercial segment, only partially offset by our continued cost-out and supply chain efficiency initiatives and improved residential construction activity.

Normalised Group Net Profit After Tax was $42.3 million compared to $44.9 million for the prior year.

Reported Net Profit After Tax for the year was $35.1 million which includes significant items of $7.3 million after tax.

Strong Balance sheet maintained – full year dividend up 9 per cent on prior year

Net debt as at 30 June 2021 was $104.8 million which was 28 per cent below the prior year's total of $144.8 million.

GWA maintains total Group facilities of $267 million while financial metrics, including leverage, gearing and interest cover ratios all remain solid and have improved year on year.

In line with the Company's dividend policy, the Board declared a final dividend of 6.5 cents per share, bringing the full-year dividend to 12.5 cents per share fully-franked, compared with 11.5 cents per share for the prior year. The full year dividend represents a normalised payout ratio of 78 per cent and reported dividend payout ratio of 95 per cent.

The Company's Dividend Reinvestment Plan will not be offered to shareholders for the final dividend.

New Managing Director

The Board was pleased to welcome the appointment of Urs Meyerhans as Managing Director and CEO effective 1 July 2021.

Urs is a skilled executive who brings extensive international industry experience in fast moving consumer goods, manufacturing, professional services, mining, engineering and construction in Australia, Europe, USA, and Asia Pacific.

Urs was acting CEO from 1 March 2021 until 1 July 2021 and in a relatively short period impressed the Board with his commitment to openness, attention to detail and an unrelenting focus on the future of the business. He demonstrated he possesses the skills, knowledge, aptitude, attitude and capability to lead the management team to deliver future success for GWA's shareholders.

On behalf of the Board I thank former Managing Director and CEO, Tim Salt, for his contribution to the business and wish him success in his new endeavours.

Continued focus on sustainability

GWA is committed to sustainable practices throughout our operations and we continue to work with our key stakeholders and communities to deliver on that commitment.

A major achievement during the year was the successful accreditation of all GWA sites to the global safety standard, ISO45001.

Safety Homecoming training is now in its fourth year and includes all employees across Australia, New Zealand and for the first time the United Kingdom. Safety Homecoming is an internal safety awareness/training programme involving safety workshops with all employees.

GWA measures a range of balanced safety performance indicators. We are focused on identifying, implementing and monitoring our activities to ensure we eliminate unsafe acts and practices.

GWA's Total Injury Frequency Rate has trended lower since FY18 and demonstrated a significant reduction in FY20 to 0.9. Despite our ongoing focus on safety, there was a disappointing increase in the rate to 4.3 in FY21, primarily as a result of an increase in manual handling injuries. Additional manual handling training has been implemented to reduce this. Workplace safety remains an ongoing focus for the Board and the executives of the Group.

GWA is committed to promoting diversity and inclusion through the implementation of policies and initiatives to achieve a diverse workforce. Females comprised 43 per cent of GWA's overall workforce for the year which represented an increase from 42 per cent for the prior year.

We remain focused on those areas of sustainability where we believe we can make the most impact. For GWA that includes providing innovative sustainable solutions for the built environment with a clear focus on sustainable water solutions.

During FY21, we continued the roll-out of our intelligent bathroom system, Caroma Smart Command® which has now been installed in 127 sites - up from 49 in the prior year.

Meanwhile, in response to ongoing concerns relating to reducing risks of transmission and driving more hygienic outcomes for bathroom users, GWA launched Caroma GermGard®. This is a unique, proprietary antimicrobial formula that kills 99 per cent of bacteria it comes into contact with when applied to products. Caroma GermGard® is applicable for households and commercial premises, particularly in care applications such as hospitals, aged care facilities and accessible or ambulant bathrooms.

GWA will publish its third Sustainability Report in September 2021 providing further details on our policies and initiatives in these areas.

Executive Remuneration

During the year, the Board determined the remuneration arrangements for the incoming Managing Director, Mr Urs Meyerhans, who was appointed on 1 July 2021. The remuneration arrangements for Mr Meyerhans signaled a significant change in the variable remuneration mix for FY22 with a greater weighting being placed on long-term incentives coupled with a focus on short-term financial targets and critical non-financial KPIs.
This change has been extended to the members of the Executive team for FY22. The Board believes the changes will provide better alignment between executive remuneration outcomes and long-term shareholder wealth creation. Full details of the changes are included in the Remuneration Report.

The Group's remuneration framework is fit for purpose and aligned with our growth strategy and market practice. The Board seeks to remunerate executives on a fair basis that is sufficient to attract and retain a high-quality Executive team with the requisite experience, knowledge, skills and judgement required to grow the business. In order to achieve this objective, the key principle is that fixed remuneration for executives varies between the median and third quartiles relative to companies of comparable size and scope.

Fixed remuneration for executives was frozen for FY21. Due to the disciplined response to weaker markets in the first half of FY21, followed by an improved financial performance in the second half of FY21 and successful execution of key business activities, the executives were eligible for Short-Term Incentive payments. The financial performance was achieved despite the continuing negative impacts of COVID-19.

Conclusion

The significant degree of restructuring GWA has undertaken over the past number of years has simplified our business, reduced our cost base, and strengthened our supply chain capability.

As a result, the business maintains strong operational leverage to an expected improvement in the residential detached construction markets in FY22.

While the timing of any recovery in Commercial construction activity in Australia remains uncertain, our order bank remains strong and we are well placed to capitalise on an eventual improvement in this segment.

The ongoing effects of COVID-19 lockdowns, particularly in Sydney/NSW and Melbourne/Victoria, continue to create uncertainty regarding potential impacts on construction markets.

The business continues to be supported by a solid balance sheet and strong cashflow generation which enables the continued generation of returns to shareholders.

I want to acknowledge and thank Urs, our executive leadership team and all employees across the Group for their significant contribution over the year.

Our employees have continued to manage a difficult operating environment by supporting each other and our customers during the year and I commend them for their efforts.

To our shareholders, thank you for your continuing support of GWA.

Managing Director's Review of Operations

Introduction

I am delighted to present my first Review of Operations as Managing Director and CEO of GWA Group.

Since joining the company in March 2021, I have been greatly impressed by the calibre of our people and their unwavering dedication to delivering outstanding services and products for our customers.

Despite the limitations of COVID-19, I have travelled to as many sites and visited as many of our customers and suppliers as possible.

Those visits have reinforced my firm belief that GWA retains a strong competitive advantage with market-leading brands, superior quality products, and a history and ongoing capability of delivering innovative water solutions for the built environment.

We remain well placed to leverage this capability and I look forward to sharing the progress of our strategy to deliver earnings momentum and shareholder returns over the medium term.

Summary of FY21

FY21 was a challenging year; however, continued operational discipline and improved residential construction activity enabled GWA to deliver an improved performance in the second half over the first half of FY21.

This provides a strong platform for GWA to leverage the expected improvement in detached residential construction markets in FY22.

GWA continues to enhance the diversity of its revenue and earnings base with strong growth in our New Zealand and International businesses.

Our commercial forward order bank continues to strengthen and while the timing of commercial project commencements remains uncertain, GWA is well positioned to leverage a turnaround in this segment.

Notwithstanding the weaker overall markets in FY21, GWA continued to generate strong cashflow and retains its solid financial position.

That has enabled an increase in the full year dividend to 12.5 cents per share fully-franked.

Health & Safety

A key focus of the Group's safety strategy during the year was the transition to ISO45001, which is recognised as the global best practice safety standard. All GWA sites have been successfully accredited to this standard. The standardisation of operating procedures to deliver a consistent and measurable approach to safety across the Group was a significant undertaking and this was achieved through the dedicated efforts of our personnel.

Following an improvement in the Total Injury Frequency Rate since FY18, and a significant reduction in FY20, we experienced an increase in the rate from 0.9 in FY20 to 4.3 in FY21, primarily as a result of an increase in manual handling injuries, which is a disappointing result. We are renewing our focus on behaviours and have implemented customised training strategies, revised our standard operating procedures and trained staff to address the root cause to reduce manual handling injuries.

GWA recorded a Medically Treated Injury Frequency Rate of 0.0 for FY21.

FY21 GROUP FINANCIAL RESULTS

Normalised – excludes significant items

A$ million (Excludes Significant Items)	FY20	FY21	% change
Revenue	398.7	405.7	1.8%
EBITDA	92.2	88.4	(4.1)%
EBIT	**71.8**	**68.5**	**(4.7)%**
EBIT Margin (%)	*18.0%*	*16.9%*	*(1.1)ppts*
NPAT	**44.9**	**42.3**	**(5.8)%**

Group normalised results exclude significant items. In FY21 significant items were $9.5 million (pre tax) and included costs associated with the consolidation of New Zealand warehouses, sale of the China plant, Methven integration costs, and Enterprise Resource Planning (ERP)/Customer Relationship Management (CRM) systems' project costs.

Group revenue increased by 1.8 per cent to $405.7 million, reflecting improved residential construction activity in Australia in the second half and continued sales momentum in the New Zealand and UK businesses, partially offset by the decline in the Commercial segment in Australia due to delays caused by COVID-19.

Revenue in Australia declined by 1 per cent for the year with 1H FY21 sales down 6.2 per cent compared to 1H FY20, followed by an improvement in the second half with 2H FY21 sales increasing by 9.3 per cent on 1H FY21.

The retail-focused merchant channel continued to out-perform the trade/commercial channel while sales to the builders' segment increased in 2H FY21 as a result of the increase in residential detached housing activity.

However, sales in the commercial and multi residential segments continued to be soft.

The New Zealand and International markets performed well with revenue up 14.5 and 12.4 per cent respectively, continuing the strong momentum from the first half. The growth in these markets demonstrates the success of the Methven acquisition in driving enhanced scale and diversification across the group.

Normalised Group EBIT before significant items declined by 4.7 per cent to $68.5 million compared to $71.8 million for the prior year.

Volume and mix were impacted by COVID-19, primarily in 1H FY21. In addition, the continued decline in the commercial segment in Australia impacted product mix as this segment represents a higher margin category for GWA.

Price increases of approximately 5 per cent were implemented from August 2020, which partially mitigated the impact of the weaker Australian dollar on product costs. The average A$/US$ exchange rate for FY21 was 69.3 cents compared to 70.8 cents for the prior year.

GWA successfully mitigated $7 million of the EBIT decline through the delivery of the previously announced $3 million in Methven synergies and supply chain savings of $4 million.

EBIT margin was 16.9 per cent compared to 18.0 per cent for the prior year. The reduction in margin primarily reflects the decline in the commercial segment which is a higher margin segment.

Notwithstanding the full year decline in earnings, revenue, EBIT and EBIT margin increased in the second half over the first half which provides positive momentum into FY22.

Group revenue increased by 5.7 per cent while Group EBIT lifted by 13.4 per cent in 2H FY21 compared to 1H FY21. Group EBIT margin in 2H FY21 increased by 120 basis points to 17.5 per cent compared to the first half, demonstrating GWA's positive leverage to improving market conditions.

Full Year dividend 12.5 cents, fully franked

The Board declared a final dividend of 6.5 cents per share, fully-franked, bringing the full-year dividend to 12.5 cents per share, fully-franked compared to 11.5 cents per share for the prior year.

The record date for entitlement to receive the final dividend will be 8 September 2021 with the payment date of 6 October 2021.

The full-year dividend represents a payout ratio of normalised profit of 78 per cent and reported profit of 95 per cent, and is consistent with our policy to pay dividends in the range of 65-85 per cent of net profit after tax.

The policy strikes the appropriate balance of providing immediate returns to shareholders and maintaining the Company's strong financial position for current conditions and for continued investment in growth opportunities.

As part of the Company's capital management approach, the Dividend Reinvestment Plan will not be offered to shareholders for the FY21 final dividend.

Strong financial position maintained

GWA's balance sheet metrics remain strong, ensuring the Company remains well positioned as markets improve.

Net debt as at 30 June 2021 was $104.8 million which was 28 per cent below the prior year's total of $144.8 million.

GWA's credit metrics remain solid. The Company's gearing ratio of net debt/net debt plus equity was 21.5 per cent compared to 28.4 per cent at 30 June 2020 and leverage ratio of net debt/EBITDA of 1.4 times compared to 1.9 times at 30 June 2020.

GWA's interest cover ratio of EBITDA/net interest was 15.5 times at 30 June 2021, an increase from 13.6 times for the prior year.

Total Group facilities are $267 million, comprising a multicurrency revolving facility of $227 million which matures in November 2023 and a $40 million revolving bilateral facility which is due to mature in October 2021. The Company plans to seek an extension of the bilateral facility in Q1 FY22.

Continued solid cash generation

GWA continues to generate strong operating cashflow, notwithstanding the weaker market conditions, particularly in the first half of the year.

Cashflow from operations in FY21 increased by 16 per cent to $103.1 million compared to $88.6 million in the prior year.

Cash conversion remains strong with the cash conversion ratio being cashflow from operations divided by normalised EBITDA of 117 per cent.

Capital expenditure and other investing activities was $8.0 million in FY21 reflecting the timing of some projects given the continuing impact of COVID-19 restrictions and the expensing of ERP/CRM systems' project costs.

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

Successful Methven acquisition and integration

The continued delivery of integration synergies and enhanced geographical revenue and earnings diversification reinforces the success of the Methven acquisition.

Methven sales increased with strong growth in the United Kingdom providing further earnings and revenue diversity and enhanced scale.

Cost synergy targets have been realised with $3.0 million achieved during the year, bringing the total synergies achieved during FY20/FY21 to over $6 million.

Separately, and as previously advised, the New Zealand distribution network was reduced from two warehouses to one with Caroma and Methven deliveries in New Zealand consolidated to one invoice to improve customer experience. The Methven China plant was divested in March 2021.

Additional annualised benefits of $3 million are expected to flow from FY22 with one-off costs of $4 million incurred in FY21.

Key business activities

During the year new ranges of taps, showers, accessories and sanitaryware were launched, leveraging the Company's centres of excellence in Auckland and Sydney.

This range includes Caroma GermGard® antibacterial glazing to sanitaryware products to capitalise on consumers' heightened concerns over safety and hygiene.

GWA's touchless intelligent bathroom system, Caroma Smart Command®, continues to resonate with customers 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 127 sites across Australia/New Zealand; up from 49 installations in the prior year.

In FY21, 17 sites were migrated to the cloud solution with further migrations planned for FY22.

GWA continues to build engagement with key merchant partners through joint business planning and agreed business plans. This collaboration has resulted in enhanced ranging of key Caroma and Methven brands both in-store and behind merchant trade counters.

While the commercial segment remains subdued, GWA's commercial forward order book remains strong and is 14 per cent ahead of the prior year. Given the temporary slow-down in particular sub-segments such as retail and offices, GWA has refocused on areas which provide near term growth opportunities including, education, health and commercial renovation and replacement. These categories now represent 38 per cent of the commercial order bank compared to 32 per cent in prior year.

Strategy

GWA has evolved its strategy with the aim to be the trusted and integrated solutions partner in the delivery of sustainable water solutions for bathrooms, kitchens and laundries.

GWA is focused on five key strategic pillars to support that objective.

These include: *delivering great customer experiences* by being easy to do business with and consistent quality delivery; *win the plumber* by connecting, deepening and leveraging our plumbing relationships; *innovating through design and partnerships* by leveraging our in-house capability and global partnerships to modernise our portfolio to realise value; *grow our after market offerings* by building a comprehensive after-market capability; and *focusing on strategic growth opportunities* through a disciplined and targeted investment in local and international markets.

I look forward to sharing the progress of this strategy with shareholders as we seek to deliver further sustainable value over the medium term.

FY22 Market Outlook

GWA expects continued momentum in residential detached activity during FY22 from improved consumer sentiment, increased dwelling approvals, new housing loans, higher housing turnover and Government stimulus (HomeBuilder).

Renovation and Replacement activity (both residential and commercial) is expected to be stable or slightly positive for the year.

Commercial completions are however expected to remain subdued in FY22. Growth in education and health is expected to be offset by declines in offices and retail. As confidence and activity increases in the Commercial segment, GWA remains well placed to capitalise on the improvement.

The Multi-Residential segment is expected to decline further as a result of lower net migration resulting from international border closures and travel restrictions.

The above commentary is dependent on the effects of the COVID-19 lockdowns, particularly in Sydney/NSW and Melbourne/Victoria, and the uncertainty thereby created in construction markets. GWA continually monitors these impacts and, to the extent possible, will adjust its operations accordingly.

The Company's focus in FY22 remains on generating profitable share growth through customer and consumer initiatives.

This includes new product development focused on new bathroom ranges in Caroma (GermGard®, inVogue and Livewell) ranges and Methven showerware.

Agreed business plans have been implemented with major merchants targeting enhanced product ranging in core categories.

GWA continues to focus on leveraging the touchless/hygiene benefit of Caroma Smart Command® with further installations and cloud applications expected in FY22, including showcasing the system at the Australian Pavilion at the Dubai World Expo to be held later this year.

The Company's cost base was further reduced in FY21 and an additional $3 million in supply chain savings will be delivered from FY22.

Price increases of ~3 per cent were implemented across Australia/New Zealand on 1 July 2021 which, together with an expected foreign exchange benefit, should offset expected increases in freight costs for FY22.

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

GWA monitors keys risks to its future prospects and implements measures to mitigate these risks, where possible, which are outlined in Appendix 2 to this report.

The Company will provide an update on trading at the Company's Annual General meeting on 28 October 2021.

The GWA global team

The FY21 financial year has presented a number of challenges for GWA Group. The above achievements are testimony to our dedicated and hardworking staff.

Wherever I go I see the commitment of our people to deliver superior solutions to our customers. I would like to thank my management team and everyone across the company for their continuing contribution to the success of GWA Group.

APPENDIX 1 – GROUP RESULTS FOR FY21

Group Reported Results – Includes Significant Items

A$ million	FY20	FY21	% change
Revenue	398.7	405.7	1.8%
EBITDA	90.7	78.9	(13.0)%
EBIT	**70.3**	**59.0**	(16.1)%
NPAT	**43.9**	**35.1**	(20.1)%
Earnings Per Share (cents)	*16.6c*	*13.3c*	*(3.3)c*

APPENDIX 2 – RISK MATERIALITY TABLE

GWA's keys risks to its future prospects, and measures to mitigate these risks, where possible, are outlined in the following 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 monthly reporting, forecasting, annual budget and planning processes. Approximately 61 per cent of GWA's revenue is generated from the Renovation and Replacements segment in Australia which is the largest and most stable segment of the overall market. GWA's forward order book for commercial projects remains solid and is growing with several major projects secured. Since the end of the financial year, the New South Wales and Victorian governments announced new restrictions on business, requiring amongst other things, the cessation of all construction activities in specified areas in Sydney in response to rising cases of coronavirus. This is in addition to a range of varying restrictions on public movement in Australia. The Directors' continue to assess the uncertain and evolving impact of these restrictions on GWA's operations.

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 55 per cent of US dollar exposure is hedged for FY22. 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 experienced offshore suppliers. 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. The COVID-19 pandemic has led to challenges with container and shipping availability increasing freight costs and product supply lead times. Mitigations are in place to deal with 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 address any gaps. A cyber breach simulation exercise was held by management during FY21 to test and refine business continuity plans. GWA is currently implementing new Enterprise Resource Planning and Customer Relationship Management systems with enhanced security and protection technologies with go live scheduled for FY22.
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 achieved ISO45001 International Safety Standard certification across all sites during FY21.

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 successfully activated to address the COVID-19 pandemic. The plans guide GWA's response to COVID-19 and are continually reviewed to ensure they remain effective.
Adverse impact of climate change on the GWA business.	GWA is a low emissions intensity entity as its business activities are less carbon intensive than other sectors. The physical risks of climate change on the GWA business are regularly assessed with risk mitigation and contingency plans in place including insurance. Refer to GWA's Sustainability Reports for further information.

Directors' Report as at 30 June 2021

Your directors present their report on the consolidated entity of GWA Group Limited (the Group) and the entities it controlled during FY21.

Directors

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

D D McDonough, Chairman and Non-Executive Director
J F Mulcahy, Deputy Chairman and Non-Executive Director
U B Meyerhans, Managing Director and Chief Executive Officer (appointed 1 July 2021)
P A Birtles, Non-Executive Director
J M McKellar, Non-Executive Director
S T Goddard, Non-Executive Director
A J Barrass, Non-Executive Director
R J Thornton, Executive Director and Company Secretary
T R Salt, Managing Director and Chief Executive Officer (resigned 26 February 2021)

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

Details of the directorships of other listed companies held by each director in the three years prior to the end of FY21, and the period for which each directorship has been held, are outlined in the director profiles in the Annual Report.

Company Secretary

Mr R J Thornton was appointed Company Secretary of GWA Group Limited in 2003. Mr Thornton continued in his role as Company Secretary following his appointment as Executive Director in May 2009. Details of Mr Thornton's qualifications and experience are outlined in the director profiles in the Annual Report.

Directors' Interests

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 the date of this report is:

Director	**Ordinary Shares**
D D McDonough	155,234
J F Mulcahy	40,950
U B Meyerhans	-
P A Birtles	38,650
J M McKellar	10,977
S T Goddard	10,000
A J Barrass	-
R J Thornton*	272,311
Total**	**528,122**

Notes:
* The executive director, Mr R J Thornton, is a holder of Performance Rights under the GWA Group Limited Long Term Incentive Plan. For details of the Performance Rights held, please refer to section 7.2.1 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 869,006 shares (2020: 1,194,301 shares).

Directors' Meetings

The number of meetings of directors (including meetings of Committees of directors) held during FY21 and the number of meetings attended by each director is outlined in the following table:

Director	Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
D D McDonough	12	12	4	4	5	5
J F Mulcahy	12	12	-	-	5	5
U B Meyerhans[1]	3	3	-	-	-	-
P A Birtles	12	12	4	4	-	-
J M McKellar	12	12	-	-	5	5
S T Goddard	12	12	4	4	-	-
A J Barrass	12	12	-	-	-	-
R J Thornton[2]	11	11	-	-	-	-
T R Salt[3]	8	8	-	-	-	-

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
[1] U B Meyerhans was appointed as Acting Chief Executive Officer on 1 March 2021 and Managing Director and Chief Executive Officer on 1 July 2021.
[2] R J Thornton attends Committee meetings as Company Secretary.
[3] T R Salt resigned as Managing Director and Chief Executive Officer on 26 February 2021.

Principal Activities

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

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

Operating and Financial Review

The Operating and Financial Review for the consolidated entity during FY21 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:

Declared and paid during FY21

Dividends	Cents per share	Total Amount $'000	Franked	Date of Payment
Final 2019/20 Ordinary	3.5	9,238	Fully Franked	16 October 2020
Interim 2020/21 Ordinary	6.0	15,852	Fully Franked	18 March 2021

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

Determined after end of FY21

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 at 30 June 2021.

Dividend	Cents per share	Total Amount $'000	Franked	Date of Payment
Final 2020/21 Ordinary	6.5	17,238	Fully Franked	6 October 2021

The financial effect of the final dividend has not been brought to account in the financial statements for FY21 and will be recognised in subsequent financial reports.

The record date for the FY21 final dividend is 8 September 2021 and the dividend payment date is 6 October 2021. The Dividend Reinvestment Plan will not be offered to shareholders for the final dividend.

Events Subsequent to Reporting Date

Since the end of the financial year, the New South Wales and Victorian governments announced new restrictions on business, requiring amongst other things, the cessation of construction activities in specified areas in Sydney in response to rising cases of COVID-19. This is in addition to a range of varying restrictions on public movement in Australia. The directors' continue to assess the uncertain and evolving impact of these restrictions on the Group's operations.

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 Group, 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 consolidated entity are provided in the Managing Director's Review of Operations.

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

Environmental Issues

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 Group'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.

Insurance Premiums

The Group has paid premiums in respect of insurance contracts which provide cover against certain liabilities of every current (and former) director and officer of the Group and its controlled entities. The contracts of insurance prohibit disclosure of the total amount of the premiums paid, or the nature of the liabilities covered under the policies.

Premiums were paid in respect of every current (and former) director and officer of the Group and controlled entities, including the directors named in the Directors' Report, the Chief Financial Officer and all persons concerned or taking part in the management of the Group and its controlled entities.

Non-Audit Services

During the year KPMG, the consolidated entity's auditor, did not perform any non-audit services.

The Board has considered the non-audit services provided, if applicable, during the year and in accordance with written advice provided by resolution of the Audit and Risk Committee, 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 the auditor of the consolidated entity, 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 FY21.

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 2021. The Remuneration Report outlines the Group's remuneration strategy and principles, explains how the Group's FY21 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, excluded 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 Remuneration and Nomination Committee;
2. Key Management Personnel and senior executives;
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 Remuneration and Nomination Committee (RNC)

The RNC is pleased to present shareholders with the FY21 Remuneration Report. This report outlines GWA's approach to remuneration for its executives and in particular, the link between GWA's strategy and its remuneration framework and the link between performance and executive reward.

GWA's performance during FY21 reflected the Company's continued disciplined response to the impact of weaker construction markets in the first half, followed by a stronger result in the second half as detached residential construction activity improved. GWA responded to these challenges with a focus on operational and cost discipline and made significant progress against its strategic objectives which have strengthened the Company's competitive position for the expected improvement in market conditions in FY22, subject to COVID-19 impacts.

The Company is in strong financial health to navigate through these uncertain times. The incentive outcomes for the Managing Director and other Executive Leadership Team (ELT) members for FY21 reflected GWA's financial performance and progress with executing the Group's strategy. While market conditions were difficult, management continues to respond to the unforeseen impacts of COVID-19 in ensuring the health, safety and wellbeing of staff and taking actions to control costs and create a stronger growth platform.

This report outlines how GWA's performance has driven the remuneration outcomes for executives. The RNC had oversight of the performance and remuneration arrangements of the Managing Director and the other ELT members during FY21, together with the Group's remuneration framework and incentive plans. The RNC 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 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:

- 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.

During FY21, the Board determined the remuneration arrangements for the incoming Managing Director, Mr Urs Meyerhans, who was appointed on 1 July 2021. The remuneration arrangements for Mr Meyerhans signaled a significant change in the variable remuneration mix for FY22 to a greater weighting to long-term incentives coupled with a focus on short-term financial targets and critical non-financial KPIs. The changes have been extended to the other ELT members for FY22 together with a number of other changes which the Board believes will provide better alignment of executive remuneration outcomes and long-term shareholder wealth creation.

Further details of the FY22 executive remuneration changes are outlined in section 3.2 and will be provided in the FY22 Remuneration Report to be available in August 2022.

2. Key management personnel (KMP) and senior executives

KMP are as defined by the Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124). Following a review of senior executives against the criteria for determining executive KMP, the names and titles of the Group's KMP for FY21 are detailed in the table below.

Table 1: Key management personnel

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
P Birtles	Non-Executive Director	Full year
J McKellar	Non-Executive Director	Full year
S Goddard	Non-Executive Director	Full year
A Barrass	Non-Executive Director	Full year
Executive Director		
R Thornton	Executive Director and Company Secretary	Full year
Other Executive KMP		
U Meyerhans[1]	Acting Chief Executive Officer	From 1 March 2021
P Gibson	Group Chief Financial Officer	Full year
C Reil[2]	Group General Manager - People & Performance	Full year
Former Executive KMP		
T Salt	Managing Director and Chief Executive Officer	To 26 February 2021

Note:
[1] U Meyerhans was appointed as Managing Director and Chief Executive Officer on 1 July 2021
[2] C Reil resigned as Group General Manager – People & Performance on 2 July 2021

The Group's non-KMP senior executives are set out in the table below. These senior executives are not KMP as defined by AASB 124.

Table 2: Non-KMP senior executives

Name	Position	Term as senior executive
Non-KMP Senior Executives		
A Mortimer	CEO New Zealand and Global Supply Chain	Full year
C Norwell	General Manager Sales	Full year
P Oliver	Group General Manager - People & Performance	From 3 May 2021
M Hayes	General Manager Marketing	From 24 May 2021
A Larson	General Manager Technology & Transformation	From 11 August 2020

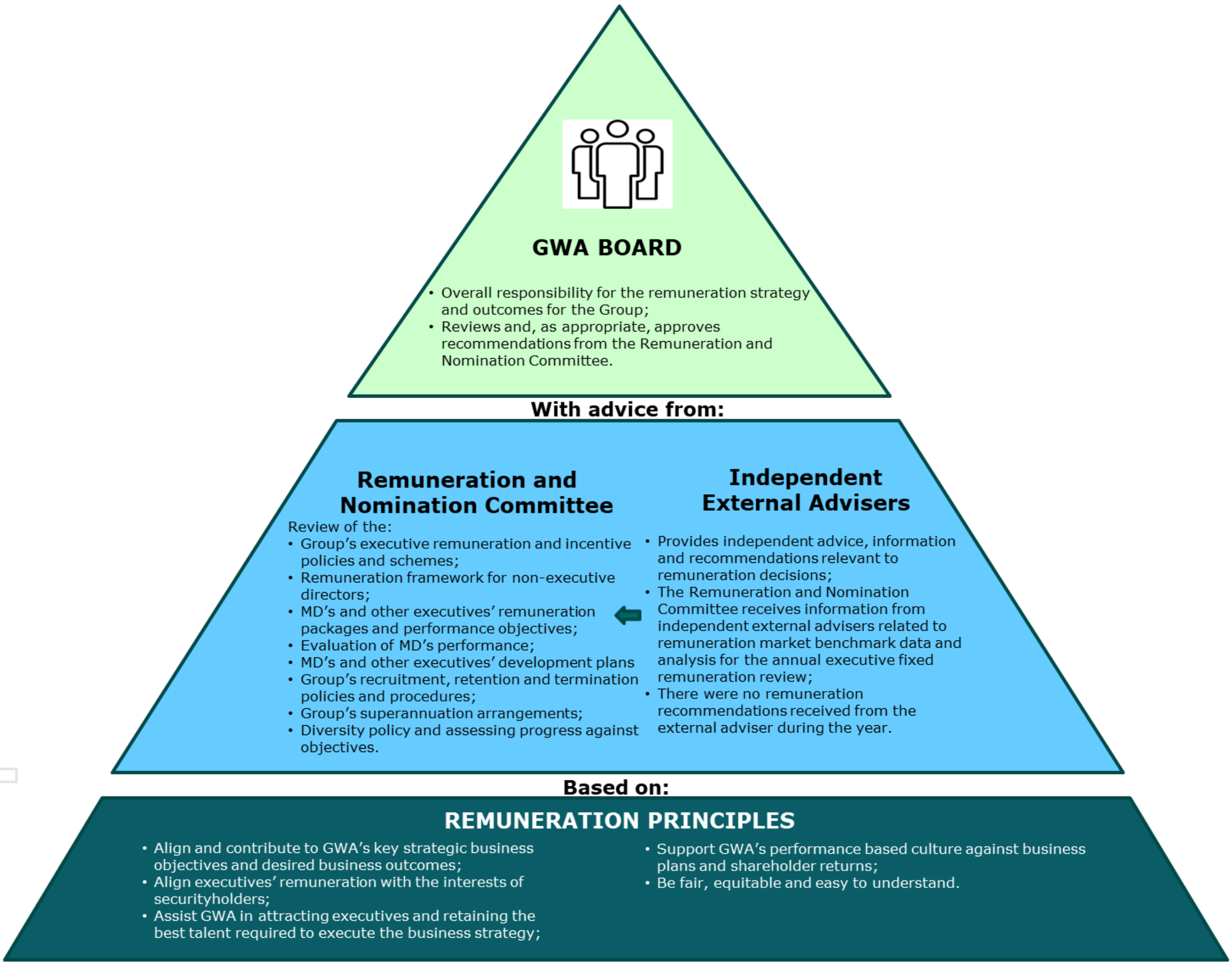
3. Board role in setting remuneration strategy and principles

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 fair and equitable and is designed to attract and retain directors and management with the experience, knowledge, skills and judgement 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 Nomination and Remuneration Committee. The charter for the Nomination and Remuneration Committee is available on the Company's website at www.gwagroup.com.au under Corporate Governance Policies.

3.1 GWA's Remuneration Governance Framework



3.2 FY22 Executive remuneration changes

During FY21, the Board engaged an independent remuneration consultant, Guerdon Associates, to review the remuneration arrangements for the incoming Managing Director and Chief Executive Officer, Mr Urs Meyerhans, who was appointed on 1 July 2021. Refer section 8.1 Managing Director remuneration for details of Mr Meyerhans' remuneration arrangements which were disclosed to the market on 29 June 2021. 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.

As part of the review the Board decided that the variable remuneration mix for the Managing Director and other executives' will be changed for FY22 with a greater weighting to long-term incentives coupled with a continued focus on short-term financial and critical non-financial KPIs. The changes ensure that the Managing Director and other executives are focused on both short and long-term results aligned with the strategy but with an emphasis on long-term profitable growth delivery and thereby shareholder value creation.

As a consequence of the departure of the former Managing Director, the Board put in place a retention scheme for senior executives and key management to provide stability. The retention scheme provides for the payment of a retention bonus representing 25% of fixed remuneration with 50% of that amount to be paid on or about 31 March 2022 and the balance on or about 30 September 2022 subject to satisfactory performance as determined by the Board. No retention bonus is payable in respect of the whole amount if the participant resigns or their employment is terminated before 31 March 2022 or in respect of the second amount if the participant resigns or their employment is terminated before 30 September 2022. The amounts accrued to 30 June 2021 are included in the Remuneration Tables in section 7.1.

The amounts paid under the retention bonus scheme will be set out in the FY22 and FY23 Remuneration Reports. The retention bonus scheme has not been incorporated into the tables in sections 3.2.2 and 3.2.3 or in sections 6.1.2 and 6.1.4 as it is considered to be neither fixed nor performance related remuneration.

Further details of the FY22 executive remuneration changes will be provided in the FY22 Remuneration Report to be available in August 2022.

The tables in section 3.2.1 and 3.2.2 outline the changes to the Managing Director and other executives' variable remuneration mix for FY22.

3.2.1 FY22 Managing Director variable remuneration structure

The FY22 incentives structure for the Managing Director 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
FY22	50%	150%	**200%**

The FY22 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
FY22	40%	10%	**50%**

Note:
[1] The Managing Director's LTI grant for FY22 will require shareholder approval at the Annual General Meeting in October 2021.
[2] Following the achievement of the STI financial targets, 25% of the financial component (i.e. maximum of 10%) will be deferred and subject to further testing by the Board following finalisation of the FY23 audited financial statements.
[3] Critical non-financial KPIs have been established for the Managing Director at the beginning of FY22 covering key areas such as health and safety, customer experience, employee engagement and strategy achievement.

3.2.2 FY22 Other Executives' variable remuneration structure

The FY22 incentives structure for other executives is provided in the following table:

Other Executives	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
FY22	40%	60%	**100%**

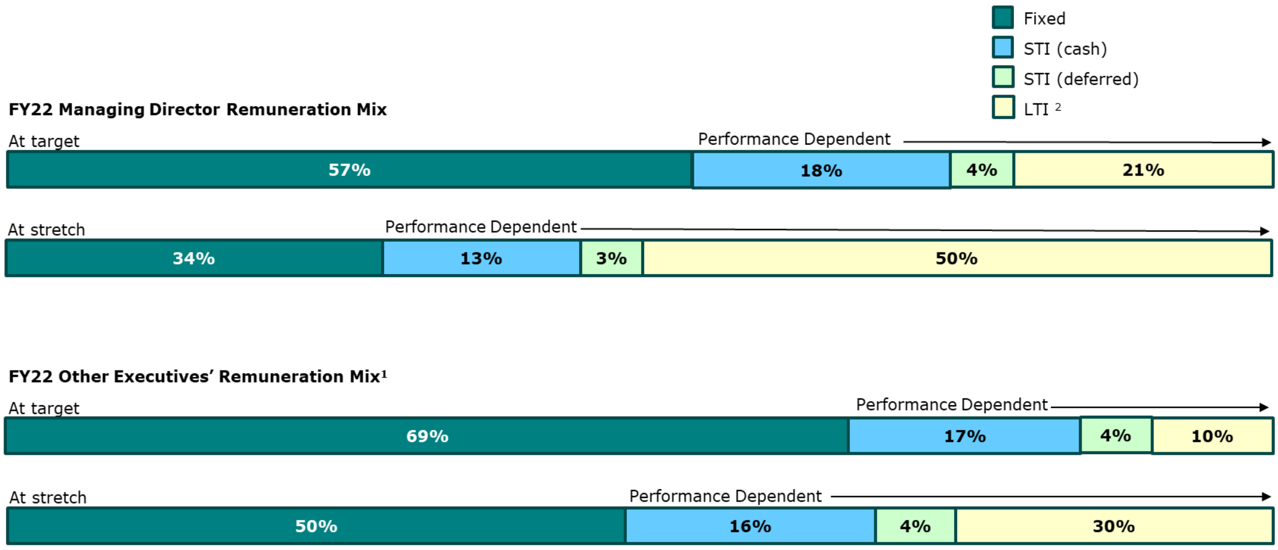
The FY22 STI components for other executives are provided in the following table:

Other Executives	Financial Targets[2] as maximum % of fixed remuneration	Critical Non-Financial[3] KPIs as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY22	30%	10%	**40%**

Note:
[1] The Executive Director's LTI grant for FY22 will require shareholder approval at the Annual General Meeting in October 2021.
[2] Following the achievement of the STI financial targets, 25% of the financial component (i.e. maximum of 7.5%) will be deferred and subject to further testing by the Board following finalisation of the FY23 audited financial statements.
[3] Critical non-financial KPIs have been established for the other executives at the beginning of FY22 covering key areas such as health and safety, customer experience, employee engagement and strategy achievement.

3.2.3 Managing Director and other executives' remuneration mix for FY22

The components of remuneration for the Managing Director and other executives' for FY22 at 'target' and 'stretch' performance are provided in the following table.



Note:
[1] Includes the average remuneration of KMP and other executives' excluding the Managing Director.
[2] At target and at stretch performance LTI based on 25% and 100% vesting respectively.

3.2.4 FY22 Short-Term Incentive Plan Targets

The Board has decided to simplify the Short-Term Incentive (STI) financial targets for FY22 under the STI plan to include the adoption 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 metric used in the business and aligned with the Group's strategy.

Due to the ongoing uncertainty caused by the impacts of the COVID-19 pandemic, the EBIT target to trigger STI payments will be set by the Board after first quarter FY22 trading results are known. The EBIT target will provide for a graduated pay-out range based on performance between threshold and stretch levels.

The Board has the discretion to normalise the EBIT measure where it is unduly distorted by significant or abnormal events, and in order 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.

3.2.5 FY22 Long-Term Incentive Plan Targets

As outlined in section 6.4 Long-Term Incentive (LTI), for the FY21 LTI plan the Board decided on a single performance measure of relative Total Shareholder Return (TSR) due to the ongoing uncertainty caused by the impacts of the COVID-19 pandemic. The COVID-19 pandemic has weighed heavily on construction markets which has resulted in difficulty in accurately forecasting the business performance for the next three year period. For the FY22 LTI plan, the Board decided to continue with a single performance measure of relative TSR. That decision was taken after considering various alternatives and incorporating independent expert advice.

For the FY23 LTI plan and in following years, the Board's current preference is to re-introduce a second performance measure of Earnings Per Share (EPS) growth. The introduction of this second performance measure would be in addition to retaining the relative TSR measure and its introduction would be subject to prevailing conditions at that time. Shareholders will be kept informed on this issue.

3.3 FY22 Executive Fixed Remuneration

Given the ongoing impact of COVID-19 and uncertain market conditions, the Board has determined that executive fixed remuneration for FY22 will remain frozen, subject to two exceptions to align with market benchmark levels. This will be reflected in the FY22 Remuneration Report.

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 management on operational and strategic 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);
- Return on funds employed (ROFE);
- Total shareholder return (TSR).

The Board has the discretion to normalise the EBIT and ROFE measures where they are unduly distorted by significant or abnormal events, and in order 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.

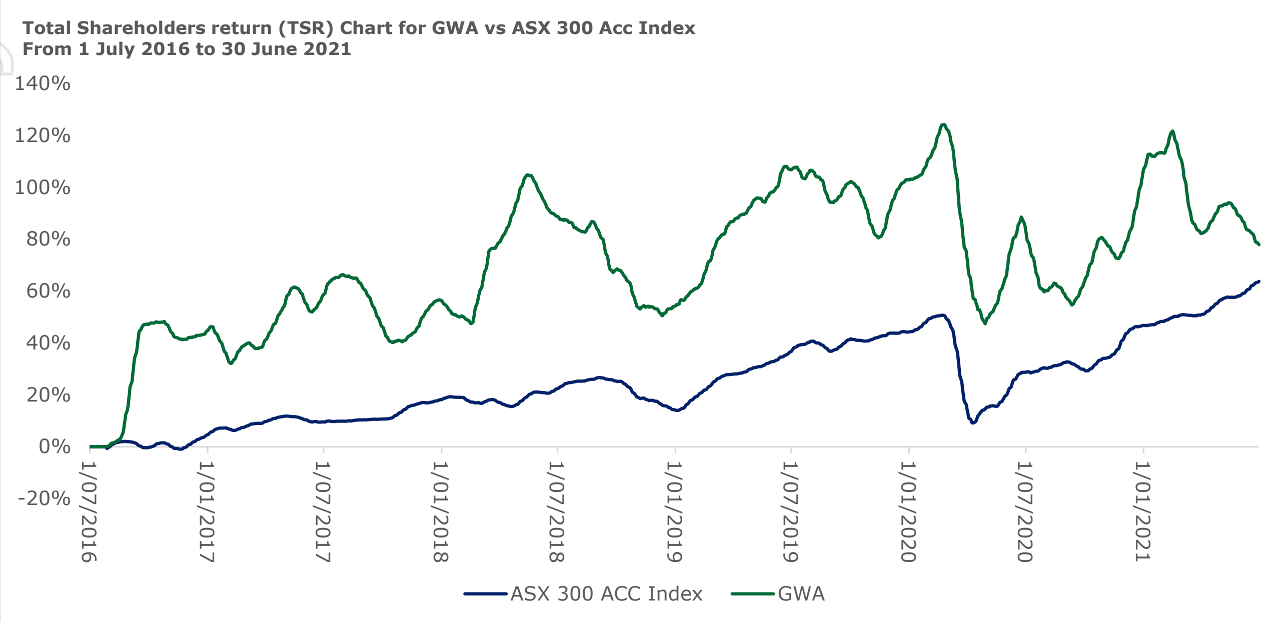
Any adjustments to normalise the EBIT and ROFE measures, and the reasons for any adjustments, will be disclosed.

In FY21, the EBIT and ROFE measures under the STI plan were normalised (i.e. exclude) $9.5 million in significant items (pre-tax) relating to costs associated with the consolidation of New Zealand warehouses, sale of the China plant, Methven integration costs, and Enterprise Resource Planning/Customer Relationship Management system project costs.

For the FY19 LTI grant (performance period for the 3 years to 30 June 2021) to be tested in August 2021, the impact of the adoption of the May 2020 IFRS Interpretation Committee decision (refer Note 1c to the 30 June 2020 financial statements) will be excluded from ROFE i.e. the resulting deferred tax liability (DTL) will be added back to net assets. This ensures there is no unintended benefit for the executives with the testing of the ROFE hurdle.

Remuneration for all executives varies with performance on the key EBIT, ROFE 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.

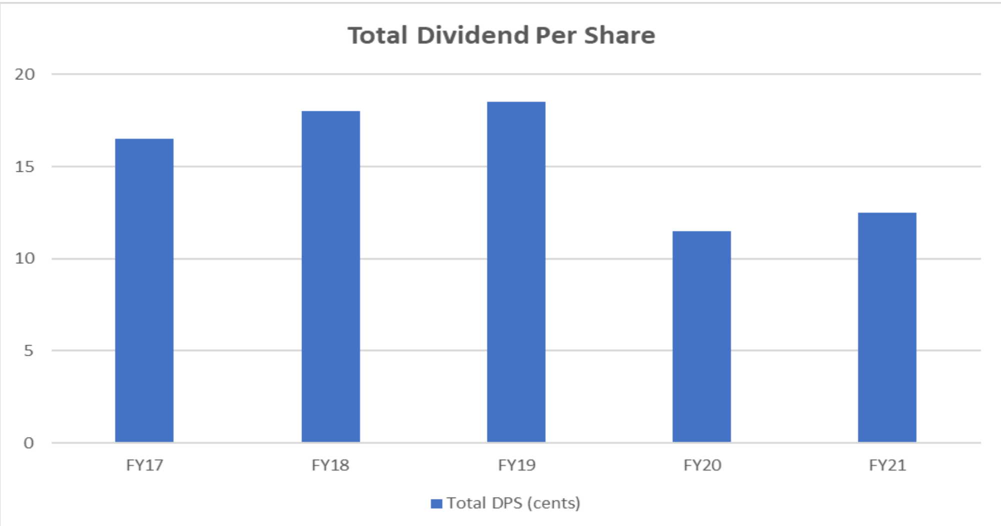
The following graph shows the Group's relative TSR performance over the five-year period from 1 July 2016 to 30 June 2021 compared to the ASX 300 Accumulation Index. The ASX 300 Accumulation Index comprises the top 300 stocks on the Australian Securities Exchange based on liquidity and size and includes GWA. During FY20 and FY21 there was significant volatility in GWA's share price due to the impact of COVID-19 and uncertain market conditions.



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

Financial Year	EBIT[(a)] ($m)	EPS[(a)] (cents)	Total DPS (cents)[(b)]	Share Price (30 June) ($)	Market Capitalisation (30 June) ($m)
2016/17	80.6	20.3	16.5	3.15	831.4
2017/18[(b)]	76.2	19.0	18.0	3.40	897.4
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

Notes:
(a) Excludes significant items.
(b) FY18 and 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. FY17 includes the results of the Door & Access Systems' business.
(c) FY19 to FY21 includes the results of Methven Limited from the date of acquisition (10 April 2019).
(d) FY20 and FY21 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 aims 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.

Group Revenue for FY21 increased on the prior year reflecting improved detached residential construction in Australia in the second half and sales momentum in the international businesses. The Group's Normalised[1] profit declined due to the impact of COVID-19 on the commercial segment in Australia resulting in project delays and weaker activity. The focus on operational and cost discipline during FY21 ensured the Company was able to manage through the short-term challenges and continue to invest in its growth strategy.

The Group is in a strong financial position to manage through the current challenging environment and is well placed to leverage an expected improvement in residential market activity in FY22, subject to COVID-19 impacts. The earnings performance for FY21 enabled the Board to pay an increased full year fully franked dividend of 12.5 cents per share for FY21 representing a dividend pay-out ratio of reported profit of 95% and normalised profit of 78% which is in line with the Company's dividend policy.

The Group has continued its progress in FY21 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 FY21; refer sections 6.3 Short-Term Incentive and 6.4 Long-Term Incentive.

The remuneration and incentive framework has focused executives on responding appropriately to the challenging market conditions in FY21 which included the ongoing impacts of COVID-19. It has encouraged management to respond quickly and make long-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 able to participate in the executive incentive schemes.

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[1] Normalised is before $9.5 million in significant items (pre-tax) relating to costs associated with the consolidation of New Zealand warehouses, sale of the China plant, Methven integration costs, and Enterprise Resource Planning/Customer Relationship Management system project costs.

The Nomination and Remuneration Committee 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 FY21

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
FY21 Approach	– Fixed remuneration targeted between median and 75th percentile of comparator group – Benchmark companies of similar size and operational scope	STI performance measures (at maximum): – Gateway: Revenue and EBIT at 95% of target – Financial targets (60%): EBIT and ROFE – Personal targets (40%): measurable personal KPIs	LTI performance measure: – 3 year performance period – Performance hurdle (100%): • TSR (relative measure)

Note:
[1] The former Managing Director's remuneration structure for FY21 was the same as the other executives, however the remuneration mix was different as outlined in section 6.1.2. For details of the incoming Managing Director, Mr Urs Meyerhans' remuneration arrangements for FY22 including the changes to remuneration mix, please refer to section 8.1.

In addition to the above structure, as outlined in Section 3.2, in FY21 the Board put in place a retention scheme for senior executives and key management to provide stability.

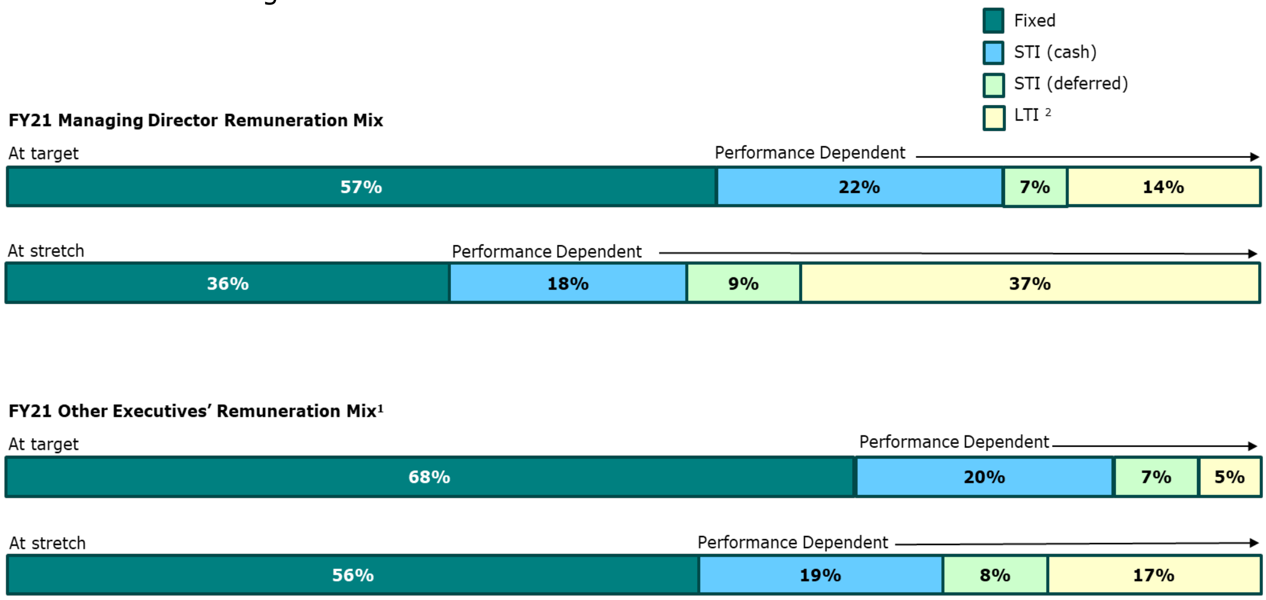
The Board is of the view that EBIT is an effective basis for STI financial targets as it is currently a key metric used in the business and aligned with the Group's strategy. ROFE is a key target in driving returns on capital employed in excess of the cost of capital, but will not be used as a metric for the FY22 STI plan; refer section 3.2 FY22 Executive Remuneration Changes for further details.

Due to the market uncertainty from the COVID-19 pandemic, the Board conducted a review with an external remuneration advisor regarding the appropriate measures for the FY21 LTI grant to executives. Based on this review, a decision was made that the performance measure for the FY21 LTI grant would be solely based on relative TSR. This is a change from the FY20 LTI grant where the LTI performance measures were 50% TSR and 50% ROFE.

The Board will continue with a single performance measure of relative TSR for the FY22 LTI grant. Please refer to section 3.2 FY22 Executive Remuneration Changes for further details.

6.1.2 Former Managing Director and other executives' remuneration mix for FY21

The components of remuneration for the former Managing Director and other executives' for FY21 at 'target' and 'stretch' performance are provided in the following table. Please note that the variable remuneration mix for the incoming Managing Director and other executives' will be changed for FY22 with a greater weighting to long-term incentives coupled with a focus on short-term financial and critical non-financial KPIs. Please refer to section 3.2 FY22 Executive Remuneration Changes for further details.



Note:
[1] Includes the average remuneration of KMP and other executives' excluding the Managing Director.
[2] At target and at stretch performance LTI based on 25% and 100% vesting respectively.

6.1.3 FY21 Former Managing Director variable remuneration structure

The FY21 incentives structure for the former 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
FY21	75%	100%	**175%**

The FY21 STI components for the former 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
FY21	50%	25%	**75%**

6.1.4 FY21 Other Executives' variable remuneration structure

The FY21 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
FY21	50%	30%	**80%**

The FY21 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
FY21	30%	20%	**50%**

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 who possess difficult to source experience;
- 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 focus on conserving market leadership, cash flow and dividends where opportunities for outperformance and subsequent incentive payments are more limited.

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.

Given the impact of COVID-19 and uncertain market conditions, the fixed remuneration for executives in FY21 was frozen. The temporary COVID-19 executive salary reductions in Q4 FY20 equivalent to 20% of fixed remuneration were ceased as planned with normal salaries resuming on 1 July 2020. As there were no adjustments to executive salaries for FY21, there was no need to conduct a market benchmarking exercise. However, based on a market benchmarking report provided by an independent remuneration adviser for the FY20 executive remuneration review, the fixed remuneration for most executive positions at GWA are comparable to market benchmark levels for companies of comparable operational scope and size to GWA, having regard to market capitalisation and revenue.

The 19 listed peer companies included in the FY20 survey provided reliable and robust statistical remuneration benchmarking and shared some common attributes with GWA, however, few direct competitors and good position matches exist for precise remuneration positioning. The Board therefore exercises judgement in determining appropriate remuneration levels, having regard to the background and experience of the individuals.

While market levels of remuneration are monitored on a regular basis, there is no contractual requirement that pay will be adjusted each year. Where these levels are above the 75th percentile, fixed remuneration will either be frozen or increases will be below market levels.

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 2021. The STI is aligned to shareholder interests as executives will only become entitled to the majority of payments if profitability improves, 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. The gateways represent 95% of at target Revenue and EBIT. If both gateways have not been achieved, then the executives are not eligible for an STI payment.

The STI payment is made in cash after finalisation of the annual audited financial statements. 50% of the financial target 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 FY21, STI financial performance targets are based on Earnings Before Interest and Tax (EBIT) and Return On Funds Employed (ROFE) targets as determined by the Board. The use of EBIT and ROFE as the basis of STI financial targets is aimed at ensuring executives are accountable for delivering both profit and return on funds improvements.

The Board is of the view that EBIT is an effective basis for STI financial targets as it is currently a key metric used in the business and aligned with the Group's strategy. ROFE is a key target in driving returns on capital employed in excess of the cost of capital, but will not be used as a metric for the FY22 STI plan; refer section 3.2 FY22 Executive Remuneration Changes for further details. The EBIT and ROFE targets are weighted equally for divisional and corporate executives and adjusted for normalisation if applicable; refer section 4.

The 'target' and 'stretch' STI financial targets are determined by the Board at the beginning of the financial year following approval of the divisional and corporate budgets by the Board.

The budget performance levels are taken into consideration in setting the financial targets but 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 'target' and 'stretch' levels is rewarded on a straight-line basis between 'target' achievement and 'stretch' achievement.

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 FY21.

6.3.2.1.1 FY21 STI Financial Performance Outcomes

Due to the disciplined response to weaker markets in the first half of FY21, followed by an improved financial performance in the second half and successful execution of key business activities, the executives met the gateway hurdles and were eligible for STI payments (both financial and personal goals) at the 'stretch' level for FY21 performance.

The following table provides an overview of the STI metrics for FY21 and outcomes:

Financial Metric	Gateway	FY21 STI Outcomes
Net Sales	Achieved	–
EBIT	Achieved	Achieved at 'stretch' level
ROFE	–	Achieved at 'stretch' level

The STI performance outcomes for FY21 were aligned with shareholders' interests as profit performance was maximised in a challenging market enabling higher dividend payments to shareholders, with a stronger platform for future growth and shareholder wealth creation.

This outcome is reflected in the Remuneration Tables in section 7.1.

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 25% for the Managing Director and 20% 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 Nomination and Remuneration 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, market share 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 FY21 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 FY21 is provided in the following table:

FY21 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 (safety interactions, hazards reported, site inspections, actions closed) • Lagging safety measures (MTIFR, LTIFR, TIFR) • COVID-19 response	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 FY21 the Group continued its progress on implementing the safety strategy. This strategy focuses on leadership and behavioural aspects of safety together with identifying and mitigating physical risks in our operations. Whilst the TIFR increased to 4.3 in FY21 which was disappointing, the Group has made significant progress with its safety agenda with the second successive year of zero medically treated injuries through a focus on implementing preventative measures at each site. An important initiative during FY21 was the updating of policies and procedures and the accreditation of all GWA sites to the global best practice safety standard ISO45001 which demonstrates the commitment of the Group to the health and safety of workers with a compliant and effective workplace health and safety system. The Group has continued to ensure the health, safety and wellbeing of staff during the COVID-19 pandemic through its well-established practice of supporting flexible work, enabling all office based staff to work from home. Warehouse staff continued to work on site as essential workers with COVID safety protocols in place.	**On target**
Executing and delivering the business strategy and FY21 operating plan including the integration of Methven. Deliver the growth strategy in accordance with the horizon plans. **Measures:** • Integration of Methven • Growth strategy execution • Caroma Smart Command® installations	Long-term growth plans have been developed for the Group in order to accelerate growth and improve shareholder returns. The plans outline growth initiatives to strengthen the core business, build emerging businesses and create growth options into the future in line with the Group's sustainable water solutions strategy. The integration of Methven remains on track with synergies delivered in excess of the business case and with strong sales and earnings growth in Methven NZ and UK during FY21. In addition, the NZ distribution network was fully integrated and Methven China plant successfully divested during FY21 to realise future benefits. The Group released new ranges of innovative products during FY21 with enhanced ranging with merchants across key Caroma and Methven brands and a focus on digital engagement with customers. The Group made solid progress with its touchless intelligent bathroom system, Caroma Smart Command® (CSC). The number of installations of CSC increased to 127 sites in FY21, up from 49 installations in the prior year. CSC continues to represent a significant growth opportunity for the Group.	**On target**

Build employee engagement and culture and embed purpose and values to deliver the strategy. Continue to increase diversity with a focus on increasing female representation. **Measures:** • Gender diversity • Leadership and development	The Group continues to implement programs to drive a high performance culture and to encourage staff to perform their best while upholding GWA's Cultural Pillars. There is an active Culture Council which is led by the Managing Director who champions programs aligned to GWA's Cultural Pillars. Increasing the gender diversity of the Group's talent continues to be a focus and the percentage of female employees increased to 43% globally. In Australia, the percentage of women increased to 43% as reported in the Group's 2021 Workplace Gender Equality Report which is available on the Group's website at www.gwagroup.com.au under Gender Equality Reporting. The Group received notification that it is compliant with the *Workplace Gender Equality Act 2012*. The Group continues to invest in the development of its people through leadership and training programs which provide the knowledge, skills and support to enable staff to perform at their best.	**On target**
Financial targets		
STI financial performance targets. **Measures:** • Revenue and EBIT financial gateways • EBIT and ROFE financial targets	Due to the disciplined response to weaker markets in the first half of FY21, followed by an improved financial performance in the second half and successful execution of key business activities, the Managing Director and other executives met the gateway hurdles and were eligible for STI payments (both financial and personal goals) for FY21 at the 'stretch' level. Profit performance was maximised in a challenging market enabling higher dividend payments to shareholders, with a stronger platform for future growth and shareholder wealth creation. This outcome is reflected in the Remuneration Tables in section 7.1.	**Above target**

Key

Above target

On target

Below target

6.4 Long-Term Incentive (LTI)

6.4.1 LTI overview

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 FY21 LTI grant, the basis of the grants of Performance Rights to executives is 100% of the Performance Rights are subject to a single 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 ensuring LTI rewards are contingent on this measure is consistent with the Board's approved strategy.

As outlined in the Company's 2020 Notice of Annual General Meeting, the Board considered the setting of performance targets for the FY21 LTI grant in the context of the ongoing impacts of the COVID-19 pandemic. There were significant challenges with predicting the impact of the pandemic on the construction market and the level of activity, and therefore accurately forecasting ROFE for the next three year period.

As a result, the Board decided that ROFE was not a suitable second performance measure for the FY21 LTI grant. After considering various alternatives and incorporating independent expert advice, the Board decided to retain the relative TSR measure with the existing comparator group as a single performance measure.

The Board's decision was specific to the FY21 LTI grant and was in response to the uncertain economic environment at that time and subject to prevailing conditions a second measure would be considered for future LTI grants. For further details of the proposed LTI plan changes for FY22, please refer to section 3.2 FY22 Executive Remuneration Changes.

For the FY21 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 FY21.

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 FY21 LTI grant, the proportion of Performance Rights that can vest will be calculated when the shares vest in August 2023 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 circumstances. 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 at 30 June 2021 was 1,578,819 which represents 0.6% of the Group's total issued shares.

6.4.2 LTI performance requirements

For the FY21 LTI grant, the single performance measure provides for vesting scales graduated with performance and demanding performance requirements.

6.4.2.1 TSR hurdle

The performance hurdle and vesting proportions for the TSR performance measure that applies to the FY21 LTI grant is outlined in the following table:

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%
Equal to 50th percentile	25%
Between the 50th percentile and 75th percentile	Straight line vesting between 25% and 100%
75th percentile or higher	100% (i.e. 100% of total grant)

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 group of comparator companies for the FY21 LTI grant is as follows:

James Hardie Industries PLC, Fletcher Building Ltd, Boral Ltd, Adelaide Brighton Ltd, Brickworks Ltd, Super Retail Group Ltd, CSR Ltd, ARB Corp Ltd, Bapcor Ltd, Breville Group Ltd, Asaleo Care Ltd, GUD Holdings Ltd, Cedar Woods Properties Ltd, Decmil Group Ltd, Simonds Group Ltd, Hills Ltd, Fleetwood Corp Ltd, Accent Group Ltd, Pact Group Holdings Ltd, Reece 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.

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 2021 are provided in the following Remuneration Tables.

		Short-term			Long-term		Post-employment					
		Salary & Fees	STI Cash Bonus	Non-Monetary	Value of Share-Based Awards	Long Service Leave	Super-annuation Benefits	Termination Benefits	Total	Proportion of remuneration performance based	STI Cash Bonus vested in year	STI Cash Bonus forfeited in year
		$[(a)]	$[(b)]	$[(c)]	$[(d)]	$	$	$	$	%	%	%
Non-Executive Directors [(f)]												
D McDonough, Chairman	2021	258,306	-	-	-	-	21,694	-	280,000	-	-	-
	2020	244,997	-	-	-	-	21,003	-	266,000	-	-	-
J Mulcahy, Deputy Chairman	2021	117,650	-	-	-	-	12,350	-	130,000	-	-	-
	2020	111,150	-	-	-	-	12,350	-	123,500	-	-	-
P Birtles, Non-Executive Director	2021	108,600	-	-	-	-	11,400	-	120,000	-	-	-
	2020	102,600	-	-	-	-	11,400	-	114,000	-	-	-
J McKellar, Non-Executive Director	2021	108,600	-	-	-	-	11,400	-	120,000	-	-	-
	2020	102,600	-	-	-	-	11,400	-	114,000	-	-	-
S Goddard, Non-Executive Director	2021	117,650	-	-	-	-	12,350	-	130,000	-	-	-
	2020	111,150	-	-	-	-	12,350	-	123,500	-	-	-
A Barrass, Non-Executive Director	2021	108,600	-	-	-	-	11,400	-	120,000	-	-	-
	2020	102,600	-	-	-	-	11,400	-	114,000	-	-	-
Total - Non-Executive Directors	**2021**	**819,406**	**-**	**-**	**-**	**-**	**80,594**	**-**	**900,000**			
	2020	**775,097**	**-**	**-**	**-**	**-**	**79,903**	**-**	**855,000**			

		Short-term			Long-term		Post-employment					
		Salary & Fees	STI Cash Bonus	Non-Monetary	Value of Share-Based Awards	Long Service Leave	Superannuation Benefits	Termination Benefits	Total	Proportion of remuneration performance based	STI Cash Bonus vested in year	STI Cash Bonus forfeited in year
		$ [a]	$ [b][i]	$ [c]	$ [d]	$	$	$	$	% [j]	%	%
Executive Directors [g]												
T Salt, Managing Director	2021	1,083,690	600,000	2,548	581,574	107,989	16,665	1,000,000	3,392,466	35	100	-
(resigned 26 February 2021) [h]	2020	967,514	-	4,277	676,736	-	25,000	-	1,673,527	40	-	100
R Thornton, Executive Director	2021	393,684	231,299	5,051	108,841	6,325	21,694	-	766,894	41	100	-
	2020	369,520	-	4,254	110,404	6,344	21,003	-	511,525	22	-	100
Total – Directors Remuneration	**2021**	**2,296,780**	**831,299**	**7,599**	**690,415**	**114,314**	**118,953**	**1,000,000**	**5,059,360**			
	2020	**2,112,131**	**-**	**8,531**	**787,140**	**6,344**	**125,906**	**-**	**3,040,052**			
Executives [g]												
U Meyerhans, Acting Chief Executive Officer	2021	342,333	150,000	434	-	-	16,499	-	509,266	29	100	-
(appointed 1 March 2021) [e]	2020	-	-	-	-	-	-	-	-	-	-	-
P Gibson, Group Chief Financial Officer	2021	733,654	423,583	8,918	199,653	12,498	25,000	-	1,403,306	41	100	-
	2020	701,848	-	10,440	202,361	64,758	25,000	-	1,004,407	20	-	100
C Reil, Group General Manager - People & Performance	2021	412,680	237,206	2,910	111,457	-	25,000	-	789,253	41	100	-
(resigned 2 July 2021)	2020	373,012	-	4,792	112,948	-	25,000	-	515,752	22	-	100
Total – Executives Remuneration	**2021**	**1,488,667**	**810,789**	**12,262**	**311,110**	**12,498**	**66,499**	**-**	**2,701,825**			
	2020	**1,074,860**	**-**	**15,232**	**315,309**	**64,758**	**50,000**	**-**	**1,520,159**			
Total – Directors and Executives	**2021**	**3,785,447**	**1,642,088**	**19,861**	**1,001,525**	**126,812**	**185,452**	**1,000,000**	**7,761,185**			
Remuneration	**2020**	**3,186,991**	**-**	**23,763**	**1,102,449**	**71,102**	**175,906**	**-**	**4,560,211**			

Notes to the Remuneration Tables:

(a) Salary and fees represent base salary and includes the movement in annual leave provision. Executive fixed remuneration was frozen for FY21.
(b) Due to the disciplined response to weaker markets in the first half of FY21, followed by an improved financial performance in the second half and successful execution of key business activities, the Managing Director and other executives met the gateway hurdles and were eligible for STI payments (both financial and personal goals) at the 'stretch' level for FY21 performance.
(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 at 30 June 2021 were granted to executives in FY19, FY20 and FY21 (as applicable) and are subject to vesting conditions and the achievement of specified performance hurdles over the three year performance periods. During FY21, 93% of the Performance Rights granted to executives in respect of the FY18 LTI grant vested as the TSR hurdle was fully achieved and ROFE hurdle was partially achieved. The fair values of the Performance Rights granted in FY19, FY20 and FY21 were calculated using Black Scholes Model (ROFE 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.
(e) As advised to the market on 1 March 2021, the Acting Chief Executive Officer's, Mr Urs Meyerhans', remuneration arrangements comprise fixed remuneration of $1 million per annum and a bonus at the complete discretion of the Board based on Mr Meyerhans' performance. At the conclusion of FY21 the Board determined a bonus of $150,000 for Mr Meyerhans which was paid in July 2021. For details of Mr Urs Meyerhans' FY22 remuneration arrangements as Managing Director, please refer to section 8.1. The Managing Director's total remuneration for 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 executives in FY21 was frozen. The temporary COVID-19 executive salary reductions in Q4 FY20 equivalent to 20% of fixed remuneration were ceased as planned with normal salaries resuming on 1 July 2020. For the actual remuneration received by the executives for FY21, please refer to the table in section 7.1.1.
(h) The termination arrangements for the former Managing Director, Mr Tim Salt, comprised the payment of 12 months' salary in line with his employment contract and statutory entitlements. The Board waived the requirement for Mr Salt to serve his one year's notice period under his employment contract by making payment of 12 months' salary in lieu. The Board also approved STI payments to Mr Salt totaling $600,000 for FY21. Mr Salt's outstanding performance rights under the LTI plan will remain subject to the performance hurdles after termination on a pro-rata basis with a proportion forfeited based on service period. Refer section 7.1.1 Performance Rights for details of the proportion forfeited during FY21.
(i) Short term bonus is inclusive of the accounting accrual for the retention bonus scheme as disclosed in Section 3.2 for Mr Richard Thornton, Mr Patrick Gibson and Ms Cara Reil.
(j) Performance based remuneration does not include the retention bonus scheme.

7.1.1 Actual remuneration received by executives for FY21

The following table sets out the actual value of remuneration received by executives for FY21, derived from the various components of their remuneration during FY21. 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.

FY21	Fixed Remuneration $[(a)]	Short Term Incentive $[(b)]	Long Term Incentive (Earned) $[(c)]	Termination Benefits $	Total $
Executive KMP					
T Salt, Managing Director [(d)] (resigned 26 February 2021)	975,193	600,000	389,432	1,000,000	2,964,625
U Meyerhans, Acting Chief Executive Officer [(e)] (appointed 1 March 2021)	333,766	150,000	-	-	483,766
R Thornton, Executive Director	414,590	204,770	79,973	-	699,333
P Gibson, Group Chief Financial Officer	758,918	375,000	146,037	-	1,279,955
C Reil, Group General Manager - People & Performance (resigned 2 July 2021)	422,910	210,000	81,711	-	714,621
Total	**2,905,377**	**1,539,770**	**697,153**	**1,000,000**	**6,142,300**
Non-KMP senior executives					
Total [(f)]	**1,327,027**	**630,834**	**156,468**	-	**2,114,329**

Notes:

(a) Fixed remuneration represents amounts actually paid to executives during FY21 and includes base salary, non-monetary benefits and superannuation.

(b) Due to the improved financial performance in the second half of FY21 and successful execution of key business activities during the year, the executives met the gateway hurdles and were eligible for STI payments (both financial and personal goals) at the 'stretch' level for FY21 performance.

(c) The performance hurdles for the FY18 LTI grant were tested during FY21 and partially achieved; refer section 7.2.1 Performance Rights. Excludes the value of any unvested LTI grants expensed or reversed during FY21.

(d) For details of Mr Tim Salt's termination arrangements refer to footnote (h) of section 7.1.

(e) For details of Mr Urs Meyerhans' remuneration arrangements as Acting Chief Executive Officer refer to footnote (e) of section 7.1 and as Managing Director from 1 July 2021 refer to section 8.1.

(f) Aggregate remuneration of Non-KMP senior executives as listed in section 2 table 2.

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 2021 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 $*	Issue price used to determine number of rights granted
Executive Directors							
T Salt, Managing Director	2021	355,872	7 December 2020	-	67%	676,157	2.81
(resigned 26 February 2021)	2020	329,000	14 February 2020	-	44%	1,036,350	3.04
	2019	220,000	18 February 2019	-	11%	566,500	2.73
	2018	224,000	19 February 2018	93%	7%	427,358	2.68
R Thornton, Executive Director	2021	43,723	7 December 2020	-	-	83,074	2.81
	2020	40,500	14 February 2020	-	-	127,575	3.04
	2019	45,000	18 February 2019	-	-	115,875	2.73
	2018	46,000	19 February 2018	93%	7%	87,761	2.68
Executives							
P Gibson, Group Chief Financial	2021	80,071	7 December 2020	-	-	152,135	2.81
Officer	2020	74,000	14 February 2020	-	-	233,100	3.04
	2019	83,000	18 February 2019	-	-	213,725	2.73
	2018	84,000	19 February 2018	93%	7%	160,259	2.68
C Reil, Group General Manager -	2021	44,840	7 December 2020	-	-	85,196	2.81
People & Performance	2020	41,500	14 February 2020	-	-	130,725	3.04
(resigned 2 July 2021)	2019	46,000	18 February 2019	-	-	118,450	2.73
	2018	47,000	19 February 2018	93%	7%	89,669	2.68

Note:
* The issue price used to determine the number of Performance Rights offered to key management personnel during FY21 was $2.81 being the volume weighted average price of the Group's shares calculated over the 20 trading days after the Group's Annual General Meeting on 30 October 2020. 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 hurdle and Monte Carlo simulation for the TSR hurdle. The fair value of rights issued during the year under the TSR hurdle was $1.90 per right.

All the rights carry an exercise price of nil. The rights granted on 18 February 2019, 17 February 2020 and 7 December 2020 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 2021, 2022 and 2023 respectively, subject to the achievement of the performance hurdles. The rights granted to Mr Thornton and Mr Salt were approved by shareholders at the 2018, 2019 and 2020 Annual General Meetings 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 at 30 June 2021 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]
19 February 2018	Tranche A (TSR) $1.43 Tranche B (ROFE) $2.38	27 October 2017 to 17 August 2020 (Tranche A) 1 July 2017 to 30 June 2020 (Tranche B)	17 August 2020	Tranche A (TSR): Performance condition met at 76th percentile resulting in maximum 100% vesting of the grant. Tranche B (ROFE): Performance condition met at an average of 18.4% per annum resulting in maximum 86% vesting of the grant.
18 February 2019	Tranche A (TSR) $2.23 Tranche B (ROFE) $2.92	26 October 2018 to 16 August 2021 (Tranche A) 1 July 2018 to 30 June 2021 (Tranche B)	16 August 2021	Performance testing not yet commenced.
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	Performance testing not yet commenced.
7 December 2020[3]	Tranche A (TSR) $1.90	30 October 2020 to August 2023 (Tranche A)	August 2023	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, PWC for the FY18 grant and Deloitte for the FY19 to FY21 grants.
[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. In addition, GWA's external auditor, KPMG, is engaged to perform agreed upon procedures to assist with ROFE measurement and the accuracy of LTI vesting outcomes.
[3] Due to the uncertainty in the market from the COVID-19 pandemic, the Board decided that the performance measure for the FY21 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 2021 (2020: 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 2021 (2020: 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 or customers 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 2020	Granted as compensation	Purchases	Sales	Held at 30 June 2021
Non-Executive Directors					
D McDonough	150,000	-	5,234	-	155,234
J Mulcahy	40,950	-	-	-	40,950
P Birtles	38,650	-	-	-	38,650
J McKellar	3,054	-	7,923	-	10,977
S Goddard	10,000	-	-	-	10,000
A Barrass	-	-	-	-	-
Executive Directors					
T Salt (resigned 26 February 2021)	512,570	208,096	-	-	n/a
R Thornton	229,577	42,734	-	-	272,311
Executives					
U Meyerhans (appointed 1 March 2021)	n/a	-	-	-	-
P Gibson	209,500	78,036	9,685	-	297,221
C Reil (resigned 2 July 2021)	-	43,663	-	-	43,663

	Held at 1 July 2019	Granted as compensation	Purchases	Sales	Held at 30 June 2020
Non-Executive Directors					
D McDonough	150,000	-	-	-	150,000
J Mulcahy	40,950	-	-	-	40,950
P Birtles	38,650	-	-	-	38,650
J McKellar	3,054	-	-	-	3,054
S Goddard	10,000	-	-	-	10,000
A Barrass	-	-	-	-	-
Executive Directors					
T Salt	298,070	214,500	-	-	512,570
R Thornton	185,577	44,000	-	-	229,577
Executives					
P Gibson	129,000	80,500	-	-	209,500
C Reil	-	-	-	-	-

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 the FY21 reporting period, there were 372,529 shares vested to key management personnel as compensation (2020: 339,000). The aggregate number of shares held by key management personnel or their related parties at 30 June 2021 was 869,006 (2020: 1,194,301).

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.[2] 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.

[2] 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 FY22 Executive Remuneration Changes for further details.

The following is a summary of Mr Meyerhans' remuneration package for FY22:

- Total Fixed Remuneration (TFR) comprising salary, superannuation and all other benefits other than incentive plans of $1,000,000;
- 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 a single performance hurdle of relative Total Shareholder Return (TSR).

The remuneration arrangements for Mr Meyerhans represent a change in the structural elements of the approach to executive remuneration with a heavier weighting being placed on long-term incentives coupled with a continued focus on short-term financial and critical non-financial KPIs. Please refer to section 3.2 FY22 Executive Remuneration Changes for further details.

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 three 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 three 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.

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

16 August 2021

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

Annual financial report
30 June 2021

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**	**2021**	**2020**
Profit or loss			
Continuing operations			
Sales revenue	3(a)	405,736	398,704
Cost of sales	3(c)	(241,660)	(237,432)
Gross profit		164,076	161,272
Other income	3(b)	1,387	2,892
Selling expenses		(50,844)	(53,781)
Administrative expenses		(45,929)	(38,020)
Other expenses(i)	3(d)	(9,737)	(2,066)
Operating profit		58,953	70,297
Finance income	3(f)	21	156
Finance expenses	3(f)	(8,040)	(8,800)
Net financing costs		(8,019)	(8,644)
Profit before tax		50,934	61,653
Income tax expense	4	(15,878)	(17,767)
Profit from continuing operations		35,056	43,886
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		477	(1,740)
Cashflow hedges, net of tax		2,705	(3,120)
Other comprehensive income, net of tax		3,182	(4,860)
Total comprehensive income for the period		38,238	39,026
Earnings per share (cents)			
Total			
- Basic	5	13.3	16.6
- Diluted	5	13.2	16.5
Continuing operations excluding Methven integration costs and ERP / CRM project costs			
- Basic	5	16.0	17.0
- Diluted	5	15.9	16.9

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

(i) Other expenses includes $9.5m (pre-tax) of Methven integration and Enterprise Resource Planning / Customer Relationship Management (ERP / CRM) project costs. 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 2021**	**30 June 2020**
Current assets			
Cash and cash equivalents	6	42,634	32,359
Trade and other receivables	7	56,425	56,628
Inventories	8	70,019	78,782
Derivative financial instruments	18	686	-
Other		2,922	3,772
Total current assets		172,686	171,541
Non-current assets			
Deferred tax assets	9	15,347	15,990
Property, plant and equipment	10	21,534	24,830
Intangible assets	11	420,619	421,226
Right-of-use assets	12	57,118	67,833
Financial asset at fair value	18	2,835	-
Total non-current assets		517,453	529,879
Total assets		690,139	701,420
Current liabilities			
Trade and other payables	13	51,271	43,699
Loans and borrowings	16	25,000	27,000
Employee benefits	14	5,623	5,120
Income tax payable	4	3,859	137
Lease liabilities	12	11,813	11,458
Provisions	15	4,737	6,438
Derivative financial instruments	18	1,413	4,315
Total current liabilities		103,716	98,167
Non-current liabilities			
Deferred tax liability	9	102,760	102,846
Trade and other payables	13	734	696
Loans and borrowings	16	121,106	148,400
Lease liabilities	12	54,685	63,138
Employee benefits	14	4,378	4,310
Provisions	15	6,149	4,132
Total non-current liabilities		289,812	323,522
Total liabilities		393,528	421,689
Net assets		296,611	279,731
Equity			
Issued capital	17	311,294	307,790
Reserves		(2,349)	(5,758)
Retained earnings		(12,334)	(22,301)
Total equity		296,611	279,731

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	**Note**	**2021**	**2020**
In thousands of AUD			
Cash flows from operating activities			
Receipts from customers		455,549	461,319
Payments to suppliers and employees		(358,317)	(374,567)
Cash generated from operations		97,232	86,752
Interest and facility fees paid		(4,780)	(5,431)
Lease interest paid		(2,739)	(2,683)
Interest received		21	159
Income taxes paid		(11,436)	(17,845)
Net cash from operating activities	6(b)	78,298	60,952
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1	35
Acquisition of property, plant and equipment		(3,584)	(10,044)
Acquisition of intangible assets		(1,563)	(2,308)
Acquisition of financial assets		(2,835)	-
Net cash used in investing activities		(7,981)	(12,317)
Cash flows from financing activities			
Proceeds from borrowings		37,747	293,145
Repayment of borrowings		(67,000)	(293,827)
Dividends paid		(21,585)	(46,191)
Repayment of lease liability		(8,695)	(8,384)
Net cash used in financing activities		(59,533)	(55,257)
Net increase / (decrease) in cash and cash equivalents		10,784	(6,622)
Cash and cash equivalents at the beginning of the year		32,359	39,637
Effect of exchange rate changes		(509)	(656)
Cash and cash equivalents at 30 June		42,634	32,359

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 2021

In thousands of AUD

	Note	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		-	-	-	-	35,056	35,056
Other comprehensive income							
Exchange differences on translation of foreign subsidiaries, net of tax		-	477	-	-	-	477
Cash flow hedges, net of tax	17	-	-	2,705	-	-	2,705
Total other comprehensive income		-	477	2,705	-	-	3,182
Total comprehensive income		-	477	2,705	-	35,056	38,238
Transaction with owners, recorded directly in equity							
Share-based payments, net of tax		-	-	-	227	-	227
Dividends paid and issue of shares under the Dividend Reinvestment Plan		3,504	-	-	-	(25,089)	(21,585)
Total transactions with owners		3,504	-	-	227	(25,089)	(21,358)
Balance at 30 June 2021		311,294	(3,662)	(266)	1,579	(12,334)	296,611

For the year ended 30 June 2020

In thousands of AUD

	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total
Balance as at 1 July 2019	307,790	(2,399)	149	1,212	(19,996)	286,756
Total comprehensive income for the period						
Profit for the period	-	-	-	-	43,886	43,886
Other comprehensive income						
Exchange differences on translation of foreign subsidiaries, net of tax	-	(1,740)	-	-	-	(1,740)
Cash flow hedges, net of tax	-	-	(3,120)	-	-	(3,120)
Total other comprehensive income	-	(1,740)	(3,120)	-	-	(4,860)
Total comprehensive income	-	(1,740)	(3,120)	-	43,886	39,026
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	-	-	-	140	-	140
Dividends paid	-	-	-	-	(46,191)	(46,191)
Total transactions with owners	-	-	-	140	(46,191)	(46,051)
Balance at 30 June 2020	307,790	(4,139)	(2,971)	1,352	(22,301)	279,731

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. The consolidated financial report of the Company for the financial year ended 30 June 2021 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 16 August 2021.

(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 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 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 2021:

- 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 Interest Rate Benchmark Reform – Amendments to AASB 9, AASB 139 and AASB 7
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- Annual Improvements to IFRS Standards 2018-2020

(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 2020-8 - Interest Rate Benchmark (IBOR) Reform – Phase 2 Amendments to AASB 4, AASB 7, AASB 9, AASB 16 and AASB 139	1 January 2021	30 June 2022
AASB 2020-3 – Narrow Scope amendments to AASB 16, AASB 137 and AASB 3. Annual improvements to AASB 16, AASB 1, AASB 9 and AASB 141.	1 January 2022	30 June 2023
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

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 each reportable segment is included below. Performance is measured based on segment profit before interest and income tax ('EBIT'), and excludes Methven integration and ERP / CRM project 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.

	Water Solutions	
In thousands of AUD		
For the year ended 30 June	**2021**	**2020**
Sales revenue	405,736	398,704
Segment EBIT	68,482	71,840
Depreciation (property, plant and equipment)	5,960	5,303
Depreciation (right of use assets)	11,901	12,956
Amortisation	2,540	2,107
Capital expenditure	5,147	12,317
As at 30 June	**2021**	**2020**
Reportable segment assets	690,139	701,420
Reportable segment liabilities	393,528	421,689

Reconciliation of profit		
For the year period ended 30 June	**2021**	**2020**
Total EBIT for reportable segment	68,482	71,840
Methven integration and ERP / CRM project costs[i]	(9,529)	(1,543)
Operating profit from continuing operations	58,953	70,297

Section II: Results for the year (continued)

2. Operating segments (continued)

(i) Integration and project costs

In thousands of AUD **For the year ended 30 June**	**2021**	**2020**
Integration costs	4,732	1,543
ERP / CRM project costs	4,797	-
Total integration and project costs	9,529	1,543
Income tax benefit	(2,262)	(506)
Integration and project costs, net of tax	7,267	1,037

Geographical information

In thousands of AUD	**Australia**		**New Zealand**		**Other**		**Consolidated**	
For the year ended 30 June	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
External sales revenue	319,831	323,183	54,186	47,319	31,719	28,202	405,736	398,704
Non-current assets	464,917	470,869	26,773	37,588	25,763	21,422	517,453	529,879

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 three customers (2020: 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 *In thousands of AUD*	**2021**	**2020**
Customer 1	88,842	85,091
Customer 2	65,618	64,545
Customer 3	52,354	49,456

3. Income and Expenses

(a) Sales revenue

In thousands of AUD	**2021**	**2020**
Sales revenue	405,736	398,704

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. 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 and stock return estimates.

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	**2021**	**2020**
Foreign currency gains	370	968
Other - scrap income, royalties	983	876
Government grant income (employment assistance funding)	34	1,048
	1,387	2,892

Government grant income relates to employment assistance funding provided by governments in response to the coronavirus. These grants have been recognised in other 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	**2021**	**2020**
Cost of sales	241,660	237,432

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

(d) Other expenses

In thousands of AUD	**Note**	**2021**	**2020**
Methven integration and ERP / CRM project costs	2	9,529	1,543
Foreign currency losses		208	94
Other		-	429
		9,737	2,066

(e) Personnel expenses

	2021	**2020**
Wages and salaries – including superannuation contributions, annual leave and long service leave	74,844	69,554
Equity-settled share-based payment transactions	1,381	1,431
	76,225	70,985

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 $4,084,000 for the financial year ended 30 June 2021 (2020: $3,948,000) for continuing operations.

Section II: Results for the year (continued)

3. Income and Expenses (continued)

(f) Net financing costs

In thousands of AUD	**2021**	**2020**
Finance income	21	156
Finance expense		
Interest expense on financial liabilities	3,691	4,910
Interest expense on swaps	1,224	910
Fees on financial liabilities including amortisation	386	297
Interest on lease liabilities	2,739	2,683
	8,040	8,800
Net financing costs	8,019	8,644

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

For the year ended 30 June *In thousands of AUD*	**2021**	**2020**
Current tax expense		
Current year	16,233	17,792
Adjustments for prior years	29	(945)
	16,262	16,847
Deferred tax (expense) / benefit		
Origination and reversal of temporary differences	(384)	920
Tax expense for the consolidated entity	15,878	17,767
Numerical reconciliation between tax expense and pre-tax profit		
Profit before tax for the consolidated entity	50,934	61,653
Tax expense using the domestic rate of 30%	15,280	18,496
Tax expense / (benefit) due to:		
Non-deductible expenses	75	256
Effect of tax rate in foreign jurisdictions	(180)	(178)
Non-deductible integration costs	595	71
Rebateable research and development	(165)	(129)
Other items	244	196
	15,849	18,712
Under / (over) provided in prior years	29	(945)
Income tax expense on pre-tax profit for the consolidated entity	15,878	17,767

Section II: Results for the year (continued)

4. Income tax expenses (continued)

Deferred tax recognised directly in equity

In thousands of AUD	**2021**	**2020**
Cash flow hedges	941	(1,396)
Share buy-back costs	-	2
	941	(1,394)

Current tax liability

In thousands of AUD	**2021**	**2020**
Current tax liability	3,859	137

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, 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	**2021**	**2020**
Total		
- Basic	13.3	16.6
- Diluted	13.2	16.5
Continuing operations excluding Methven integration costs and ERP / CRM project costs		
- Basic	16.0	17.0
- Diluted	15.9	16.9

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

Profit attributable to ordinary shareholders – basic and diluted		
In thousands of AUD	**2021**	**2020**
Continuing operations		
Profit before Methven integration and ERP / CRM project costs	42,323	44,923
Methven integration and ERP / CRM project costs	(7,267)	(1,037)
Profit for the year	35,056	43,886

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	**2021**	**2020**
Issued ordinary shares at 1 July	263,948	263,948
Effect of new shares issued under the DRP	374	-
Weighted average number of ordinary shares	264,322	263,948

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	**2021**	**2020**
Weighted average number of ordinary shares (basic)	264,322	263,948
Effect of new shares issued under the DRP	374	-
Effect of performance rights on issue	1,227	1,306
Weighted average number of ordinary shares (diluted)	265,923	265,254

Section III: Assets and Liabilities

6. Cash and cash equivalents

(a) Balances

In thousands of AUD	**2021**	**2020**
Bank balances	42,634	32,359
Cash and cash equivalents	42,634	32,359

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	**2021**	**2020**
Profit for the year	35,056	43,886
Adjustments for:		
Depreciation	17,861	18,259
Amortisation	2,540	2,107
Net share-based payments	133	(75)
Unrealised foreign exchange loss / (gain)	37	(713)
Loss / (gain) on sale of PP&E and intangible assets	(32)	429
Other non-cash movements	111	(1,298)
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	203	14,429
Decrease / (increase) in inventories	8,763	(3,521)
Decrease / (increase) in prepayments	850	478
Increase / (decrease) in trade payables and accrued expenses	7,610	(11,759)
Increase / (decrease) in deferred taxes and in taxes payable	4,279	(1,288)
Increase / (decrease) in provisions and employee benefits	887	18
Net cash flows from operating activities	78,298	60,952

Section III: Assets and Liabilities (continued)

7. Trade and other receivables

In thousands of AUD	2021	2020
Net trade receivables	55,399	56,080
Other	1,026	548
	56,425	56,628

Trade receivables are initially measured at the transaction price determined under AASB 15 (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	2021	2020
Raw materials and consumables	822	4,268
Work in progress	134	181
Finished goods	69,063	74,333
	70,019	78,782

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 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.

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	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Property, plant & equipment	889	1,141	(1,668)	(1,273)	(779)	(132)
Non-indefinite life intangibles	648	660	(1,123)	(960)	(475)	(300)
Indefinite life intangibles	-	-	(102,760)	(102,846)	(102,760)	(102,846)
Inventories	5,000	4,661	-	-	5,000	4,661
Employee benefits	2,947	2,816	-	-	2,947	2,816
Provisions	3,019	2,914	-	-	3,019	2,914
Leases	2,225	1,449	-	-	2,225	1,449
Other items	4,188	4,831	(778)	(249)	3,410	4,582
Tax assets / (liabilities)	18,916	18,472	(106,329)	(105,328)	(87,413)	(86,856)
Set off of tax	(3,569)	(2,482)	3,569	2,482	-	-
Net tax assets / (liabilities)	15,347	15,990	(102,760)	(102,846)	(87,413)	(86,856)

In thousands of AUD	**Balance 1 July 20**	**Recognised in income**	**Recognised in equity**	**Exchange differences**	**Balance 30 June 21**
Property, plant & equipment	(132)	(612)	-	(35)	(779)
Non-indefinite life intangibles	(300)	(165)	-	(10)	(475)
Indefinite life intangibles	(102,846)	-	-	86	(102,760)
Inventories	4,661	354	-	(15)	5,000
Employee benefits	2,816	123	-	8	2,947
Provisions	2,914	99	-	6	3,019
Leases	1,449	765	-	11	2,225
Other items	4,582	(217)	(941)	(14)	3,410
	(86,856)	347	(941)	37	(87,413)

In thousands of AUD	**Balance 1 July 19**	**Recognised in income**	**Recognised in equity**	**Exchange differences**	**Balance 30 June 20**
Property, plant & equipment	424	(539)	-	(17)	(132)
Non-indefinite life intangibles	(45)	(257)	-	2	(300)
Indefinite life intangibles	(102,842)	-	-	(4)	(102,846)
Inventories	4,294	386	-	(19)	4,661
Employee benefits	2,934	(110)	-	(8)	2,816
Provisions	3,070	(132)	-	(24)	2,914
Leases	652	787	-	10	1,449
Other items	4,183	(988)	1,394	(7)	4,582
	(87,330)	(853)	1,394	(67)	(86,856)

Unrecognised deferred tax assets

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

In thousands of AUD	**2021**	**2020**
Capital losses	15,203	15,203
Revenue losses from foreign jurisdictions	-	-

The deductible capital 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.

Section III: Assets and Liabilities (continued)

10. Property, plant and equipment

In thousands of AUD	Plant and equipment	Work in progress	Total
Cost			
Balance at 1 July 2020	48,866	1,867	50,733
Additions	1,919	1,930	3,849
Disposals	(1,679)	-	(1,679)
Transfers	1,792	(1,792)	-
Exchange rate movements	(17)	-	(17)
Balance at 30 June 2021	50,881	2,005	52,886
Balance at 1 July 2019	47,311	2,342	49,653
Additions	11,507	232	11,739
Disposals	(9,466)	-	(9,466)
Transfers	681	(681)	-
Exchange rate movements	(1,167)	(26)	(1,193)
Balance at 30 June 2020	48,866	1,867	50,733
Accumulated depreciation			
Balance at 1 July 2020	(25,903)	-	(25,903)
Depreciation	(5,960)	-	(5,960)
Disposals	507	-	507
Exchange rate movements	4	-	4
Balance at 30 June 2021	(31,352)	-	(31,352)
Balance at 1 July 2019	(28,849)	-	(28,849)
Depreciation	(5,303)	-	(5,303)
Disposals	8,205	-	8,205
Exchange rate movements	44	-	44
Balance at 30 June 2020	(25,903)	-	(25,903)
Carrying amounts			
As at 30 June 2021	19,529	2,005	21,534
As at 30 June 2020	22,963	1,867	24,830

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 2020	33,045	346,855	5,027	66,936	451,863
Additions	433	-	1,144	-	1,577
Disposals	(373)	-	(135)	-	(508)
Exchange rate movements	5	320	(12)	189	502
Balance at 30 June 2021	33,110	347,175	6,024	67,125	453,434
Balance at 1 July 2019	31,618	346,968	5,007	67,246	450,839
Additions	1,615	-	291	-	1,906
Disposals	(178)	-	(168)	-	(346)
Exchange rate movements	(10)	(113)	(103)	(310)	(536)
Balance at 30 June 2020	33,045	346,855	5,027	66,936	451,863
Accumulated amortisation					
Balance at 1 July 2020	(30,117)	-	(520)	-	(30,637)
Amortisation	(1,835)	-	(705)	-	(2,540)
Disposals	223	-	135	-	358
Exchange rate movements	(5)	-	9	-	4
Balance at 30 June 2021	(31,734)	-	(1,081)	-	(32,815)
Balance at 1 July 2019	(28,748)	-	-	-	(28,748)
Amortisation	(1,423)	-	(684)	-	(2,107)
Disposals	52	-	160	-	212
Exchange rate movements	2	-	4	-	6
Balance at 30 June 2020	(30,117)	-	(520)	-	(30,637)
Carrying amounts					
As at 30 June 2021	1,376	347,175	4,943	67,125	420,619
As at 30 June 2020	2,928	346,855	4,507	66,936	421,226

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 the directors believe that 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	**2021**	**2020**
Water Solutions	414,300	413,791

Impairment testing for brand names and goodwill

The recoverable amounts of Water Solutions' brand names and goodwill were assessed as at 30 June 2021 based on internal value in use calculations and no impairment was identified (2020: 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 units, with projected cash flows to five years before a terminal value was calculated. Maintainable earnings were adjusted for an allocation of corporate overheads.
- Management used a constant growth rate of 2.3% (2020: 2.7%) in calculating the terminal value, which does not exceed the long-term average growth rate for the industry.
- A pre-tax discount rate of 8.8% was used (2020: 9.1%).

The key assumptions relate to dwelling completions, economic activity and market share. 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 values as at 30 June 2021 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. Sensitivities included reasonably possible changes in the discount rate and considered the economic uncertainties due to the coronavirus pandemic based on information to date.

Section III: Assets and Liabilities (continued)

12. Right-of-use assets and lease liabilities

In thousands of AUD **For the year ended 30 June**	**2021**	**2020**
Right-of-use assets		
Balance as at 1 July	67,833	48,288
Additions to right-of-use assets	1,600	32,340
Modification of right-of-use assets	(473)	-
Depreciation for the period	(11,901)	(12,956)
Exchange rate movements	59	161
Balance as at 30 June	57,118	67,833
Lease liabilities		
Balance as at 1 July	(74,596)	(52,668)
Additions to lease liabilities	(1,015)	(30,145)
Modification of lease liabilities	491	-
Accretion of interest	(2,739)	(2,683)
Payments made	11,434	11,067
Exchange rate movements	(73)	(167)
Balance as at 30 June	(66,498)	(74,596)
Current lease liabilities	(11,813)	(11,458)
Non-current lease liabilities	(54,685)	(63,138)
	(66,498)	(74,596)

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	**2021**	**2020**
Less than one year	14,246	13,904
One to two years	12,948	11,767
Two to five years	33,318	29,905
More than five years	22,498	29,608
Total	83,010	85,184

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, 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**	**2021**	**2020**
Amounts recognised in the profit or loss statement		
Interest on lease liabilities	2,739	2,683
Depreciation of right-of-use assets	11,901	12,956
Payments made for low value leases	889	752
	15,529	16,391
Amounts recognised in the statement of cash flows		
Payments of lease liability principal	(8,695)	(8,384)
Payments of lease liability interest	(2,739)	(2,683)
	(11,434)	(11,067)

Section III: Assets and Liabilities (continued)

13. Trade and other payables

In thousands of AUD	2021	2020
Current		
Trade payables and accrued expenses	51,271	43,699
Non-current		
Trade payables and accrued expenses	734	696

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	2021	2020
Current		
Liability for annual leave	4,528	4,065
Liability for long service leave	1,095	1,055
	5,623	5,120
Non-current		
Liability for long service leave	4,378	4,310

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 2020	4,439	1,342	4,320	469	10,570
Additional provisions made / (written back)	151	3,723	439	-	4,313
Provisions used	-	(3,681)	(291)	(37)	(4,009)
Exchange rate differences	-	-	12	-	12
Balance at 30 June 2021	4,590	1,384	4,480	432	10,886
Current	3,157	1,384	127	69	4,737
Non-current	1,433	-	4,353	363	6,149
	4,590	1,384	4,480	432	10,886

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 owned and 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	**2021**	**2020**
Current - unsecured bilateral loan facilities	25,000	27,000
Non-current - unsecured syndicated loan facilities	121,106	148,400
	146,106	175,400
Facilities available		
Unsecured loan facilities	266,670	283,400
Bank guarantees and standby letters of credit	7,258	7,125
	273,928	290,525
Facilities utilised at reporting date		
Unsecured loan facilities	146,106	175,400
Bank guarantees and standby letters of credit	1,332	1,800
	147,438	177,200
Facilities not utilised at reporting date		
Unsecured loan facilities	120,564	108,000
Bank guarantees and standby letters of credit	5,926	5,325
	126,490	113,325

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 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 consolidated entity has unsecured bank loans of $146,106,000 drawn at 30 June 2021 (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	**2021**	**2020**
AUD	110,000	142,000
NZD	30,000	30,000
GBP	3,000	3,000
USD	2,000	-

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)*	
	2021	**2020**	**2021**	**2020**
On issue at 1 July – fully paid	263,948	263,948	307,790	307,790
FY20 Final Dividend - Dividend Reinvestment Plan	248	-	648	-
FY21 Interim Dividend - Dividend Reinvestment Plan	1,009	-	2,856	-
On issue at 30 June – fully paid	265,205	263,948	311,294	307,790

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.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

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	
Opening balance at 1 July 2020	(2,971)
Reclassed to P&L	1,650
Change in fair value	1,055
Closing balance at 30 June 2021	(266)

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:

	Costs per share *(In cents)*	Total amount *(In thousands of AUD)*	Franked	Date of Payment
2021				
Interim 2021 ordinary	6.0	15,851	100%	20th April 2021
Final 2020 ordinary	3.5	9,238	100%	16th October 2020
Total amount	9.5	25,089		
2020				
Interim 2020 ordinary	8.0	21,116	100%	4th March 2020
Final 2019 ordinary	9.5	25,075	100%	4th September 2019
Total amount	17.5	46,191		

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.

	Costs per share *(In cents)*	Total amount *(In thousands of AUD)*	Franked	Date of Payment
Final 2021 ordinary	6.5	17,238	100%	6th October 2021

The financial effect of these dividends has not been brought to account in the financial statements for the financial year ended 30 June 2021 and will be recognised in subsequent financial reports.

Dividend franking account

In thousands of AUD	The Company 2021	2020
30 per cent franking credits available to shareholders of GWA Group Limited for subsequent financial years (i.e. prior to payment of final 2021 ordinary dividend.)	11,229	9,759

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. The Finance Risk Committee is required to report regularly to the Audit and Risk Committee on its activities.

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 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, the economic uncertainties caused by the coronavirus pandemic have not led to any 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 three major customers which comprise 61% of the trade receivables carrying amount at 30 June 2021 (2020: four customers comprising 65% 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	**2021**	**2020**
Cash and cash equivalents	42,634	32,359
Net trade receivables	55,399	56,080
Other receivables	1,026	548
	99,059	88,987

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

In thousands of AUD	**2021**	**2020**
Not yet due	53,926	58,203
Past due 0-30 days	18,144	14,389
Past due 31-60 days	735	446
Past due 61-120 days	163	250
Past due 120+ days	47	195
Less accrued rebates	(17,582)	(17,376)
	55,433	56,107

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	**2021**	**2020**
Balance at 1 July	(27)	(71)
Impairment losses written back / (recognised)	(12)	(44)
Provisions used during the year	5	88
Balance at 30 June	(34)	(27)

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 who is ultimately responsible for maintaining liquidity.

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**
2021							
Non-derivatives financial liabilities							
Unsecured cash advance facilities	(146,106)	(154,902)	(26,852)	(1,852)	(3,703)	(122,495)	-
Trade and other payables	(52,005)	(52,509)	(51,535)	-	(506)	(351)	(117)
Lease liabilities	(66,498)	(83,010)	(7,123)	(7,123)	(12,948)	(33,318)	(22,498)
Derivative financial instruments							
Interest rate swaps used for hedging (net)	(1,413)	(1,413)	(365)	(365)	(532)	(151)	-
Forward exchange contracts used for hedging (net)	686	686	583	103	-	-	-
Total at 30 June 2021	(265,336)	(291,148)	(85,292)	(9,237)	(17,689)	(156,315)	(22,615)
2020							
Non-derivatives financial liabilities							
Unsecured cash advance facilities	(175,400)	(182,515)	(28,552)	(1,552)	(3,105)	(149,306)	-
Trade and other payables	(44,395)	(44,899)	(44,197)	-	(117)	(351)	(234)
Lease liabilities	(74,596)	(85,184)	(6,952)	(6,952)	(11,767)	(29,905)	(29,608)
Derivative financial instruments							
Interest rate swaps used for hedging (net)	(2,940)	(2,940)	(597)	(448)	(896)	(999)	-
Forward exchange contracts used for hedging (net)	(1,375)	(1,375)	(1,031)	(344)	-	-	-
Total at 30 June 2020	(298,706)	(316,913)	(81,329)	(9,296)	(15,885)	(180,561)	(29,842)

(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. 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.

As at 30 June 2021, the consolidated entity had interest rate swaps in operation with a notional contract amount of $118,613,000 (2020: $118,686,000). These swaps have fixed rates ranging from 0.43% to 1.56% (2020: 0.88% to 2.30%) and mature over the next three years.

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

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 2021 of $1,413,000 was recognised as a fair value derivative liability (2020: $2,940,000 liability). 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	**2021 Notional value**	**2021 Carrying amount**	**2020 Notional value**	**2020 Carrying amount**
Variable rate financial instruments				
Unsecured cash advance facilities	(146,106)	(146,106)	(175,400)	(175,400)
Cash	42,634	42,634	32,359	32,359
	(103,472)	(103,472)	(143,041)	(143,041)
Fixed rate financial instruments				
Interest rate swap derivatives	118,613	(1,413)	143,686	(2,940)
Total	15,141	(104,885)	645	(145,981)

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)	2021 Post Tax Profit	2021 OCI[i]	2020 Post Tax Profit	2020 OCI[i]
AUD denominated loans				
+25 basis points (2020: +50 basis points)	(65)	348	(160)	458
-10 basis points (2020: -25 basis points)	26	(139)	80	(865)
NZD denominated loans				
+25 basis points (2020: +50 basis points)	(16)	90	(67)	128
-25 basis points (2020: -25 basis points)	16	(90)	34	(255)
GBP denominated loans				
+25 basis points (2020: +50 basis points)	(10)	-	(17)	-
-10 basis points (2020: -25 basis points)	4	-	8	-
USD denominated loans				
+25 basis points	(5)	-	-	-
-10 basis points	2	-	-	-

[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. 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	2021	2020
AUD:USD	36%	74%
AUD:RMB	40%	71%
GBP:USD	70%	82%
NZD:AUD	70%	67%

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 2021 of $686,000 was recognised as a fair value derivative asset (2020: $1,375,000 liability).

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)	**2021**	**2020**
USD		
10% increase in USD:AUD – OCI (cash flow hedges, net of tax) (2020: 20% increase in USD:AUD)	1,861	10,709
10% decrease in USD:AUD – OCI (cash flow hedges, net of tax)	(1,523)	(3,894)
10% increase in USD:GBP – OCI (cash flow hedges, net of tax) (2020: 20% increase in USD:GBP - OCI)	749	1,683
10% decrease in USD:GBP – OCI (cash flow hedges, net of tax	(915)	(612)
RMB		
10% increase in RMB:AUD – OCI (cash flow hedges, net of tax) (2020: 20% increase in RMB:AUD – OCI)	1,639	4,083
10% decrease in RMB:AUD – OCI (cash flow hedges, net of tax)	(1,341)	(1,485)
NZD		
10% increase in NZD:AUD – OCI (cash flow hedges, net of tax)	(1,662)	(663)
10% decrease in NZD:AUD – OCI (cash flow hedges, net of tax)	1,359	525
10% increase in NZD:AUD – OCI (net investment hedge, net of tax)	(2,172)	(2,180)
10% decrease in NZD:AUD – OCI (net investment hedge, net of tax)	1,777	1,784
GBP		
10% increase in GBP:AUD – OCI (net investment hedge, net of tax)	(430)	(348)
10% decrease in GBP:AUD – OCI (net investment hedge, net of tax)	352	285

(e) Fair values

The carrying value of financial assets and liabilities as at 30 June 2021 equalled fair value (30 June 2020: equalled fair value). The fair values of financial instruments were estimated using the following methods and assumptions.

Section IV. Funding and Risk Management (continued)

18. Financial instruments and financial risk management (continued)

(e) Fair values (continued)

(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 and consideration of any other key changes in the investment which requires a level of judgement.

(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:

	2021	2020
Derivatives	0.1% - 1.0%	0.2% - 0.4%
Loans and borrowings denominated in AUD	1.8% - 2.0%	1.5% - 1.7%
Loans and borrowings denominated in NZD	2.1% - 2.3%	1.6% - 1.8%
Loans and borrowings denominated in GBP	1.9% - 2.0%	1.5% - 1.7%
Loans and borrowings denominated in USD	1.9% - 2.0%	-

(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 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Forward contracts used for hedging	-	686	-	686
Interest rate swaps used for hedging	-	(1,413)	-	(1,413)
Investment in unlisted entity	-	-	2,835	2,835
	-	(727)	2,835	2,108
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)

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 2021, 2020 and 2019 financial years are subject to financial performance conditions which measure growth in Return on Funds Employed (ROFE) 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 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 2020 and 2019 financial year, the performance hurdles and vesting conditions for the ROFE and TSR performance measures are outlined in the tables below.

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)

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	12.5%
Between the 50th percentile and 75th percentile	Straight line vesting between 12.5% and 50%
75th percentile or higher	50% (i.e. 50% of total grant)

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 827,073 performance rights were granted to employees (2020: 749,500) at a weighted average fair value of $1.90 (TSR) (2020: $2.71 (TSR) and $3.54 (ROFE)).

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 3.69%, the risk free rate was 0.12% and annualised share price volatility was 38% 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 $1,381,000 (2020: $1,431,000).

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

	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
In number of performance rights							
2021							
	19/02/2018	30/06/2020	537,000	-	(498,873)	(38,127)	-
	18/02/2019	30/06/2021	532,000	-	-	(24,444)	507,556
	14/02/2020	30/06/2022	672,500	-	-	(146,222)	526,278
	7/12/2020	30/06/2023	-	827,073	-	(282,088)	544,985
			1,741,500	827,073	(498,873)	(490,881)	1,578,819
2020							
	24/02/2017	30/06/2019	461,222	-	(461,222)	-	-
	19/02/2018	30/06/2020	537,000	-	-	-	537,000
	18/02/2019	30/06/2021	617,000	-	-	(85,000)	532,000
	14/02/2020	30/06/2022	-	749,500	-	(77,000)	672,500
			1,615,222	749,500	(461,222)	(162,000)	1,741,500

20. Related parties

Key management personnel compensation

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

In AUD	**2021**	**2020**
Short-term employee benefits	5,447,396	3,214,647
Post-employment benefits	185,452	175,906
Termination benefits	1,000,000	-
Share-based payments	1,001,525	1,102,449
Other long term employee benefits	126,812	71,102
	7,761,185	4,564,104

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	**2021**	**2020**
The auditor of GWA Group Limited is KPMG Australia.		
Audit services		
KPMG Australia:		
Audit and review of financial reports	269,400	351,200
Other assurance services	58,000	16,000
Overseas KPMG firms:		
Audit of financial reports	30,000	18,500
	357,400	385,700
Overseas non-KPMG audit firms:		
PwC - audit of financial reports	79,000	122,600
PwC - other assurance services	-	12,200
	79,000	134,800
Total audit services	436,400	520,500
Other services		
Network firm of overseas non-KPMG audit firms:		
PwC - internal audit services	161,000	261,000
PwC - other services	21,000	25,000
Total other services	182,000	286,000

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	**2021**	**2020**
Less than one year	6,669	942
	6,669	942

Section V. Other Information (continued)

23. Consolidated entities

	Parties to cross guarantee	Country of incorporation	Ownership interest 2021	Ownership interest 2020
Parent entity				
GWA Group Limited	Y	Australia		
Subsidiaries				
Austral Lock Pty Ltd[(a)]	N	Australia	0%	100%
Canereb Pty Ltd[(a)]	N	Australia	0%	100%
Caroma Holdings Limited	Y	Australia	100%	100%
Caroma Industries Limited	Y	Australia	100%	100%
Caroma Industries (NZ) Limited[(c)]	N	New Zealand	100%	100%
Caroma International Pty Ltd	N	Australia	100%	100%
Caroma Singapore Pte Ltd	N	Singapore	100%	100%
Caroma Middle East FZCO	N	UAE	100%	0%
Corille Limited[(a)]	N	Australia	0%	100%
Deva Tap Company Ltd	N	United Kingdom	100%	100%
Dorf Clark Industries[(a)]	N	Australia	0%	100%
G Subs Pty Ltd[(a)]	N	Australia	0%	100%
GWA Finance Pty Limited	Y	Australia	100%	100%
GWA Group Holdings Limited	Y	Australia	100%	100%
GWAIL (NZ) Ltd[(d)]	N	New Zealand	100%	100%
GWA Taps Manufacturing Limited[(a)]	N	Australia	0%	100%
GWA Trading (Shanghai) Co Ltd	N	China	100%	100%
Heshan Methven Bathroom Fittings Co.[(b)]	N	China	0%	100%
Industrial Mowers (Australia) Limited[(a)]	N	Australia	0%	100%
Methven Australia Pty Limited	Y	Australia	100%	100%
Methven Hotel Solutions Pty Ltd[(a)]	N	Australia	0%	100%
Methven Limited[(c)]	N	New Zealand	0%	100%
Methven UK Limited	N	United Kingdom	100%	100%
Methven USA Inc[(e)]	N	USA	0%	100%
McIlwraith Davey Pty Ltd[(a)]	N	Australia	0%	100%
Plumbing Supplies (NZ) Ltd[(c)]	N	New Zealand	0%	100%
Sebel Furniture Holdings Pty Ltd	N	Australia	100%	100%
Starion Tapware Pty Ltd[(a)]	N	Australia	0%	100%
Stylus Pty Ltd[(a)]	N	Australia	0%	100%

(a) Entities entered into liquidation on 23 June 2020 and were liquidated during the year ended 30 June 2021.
(b) Entity was sold on 10 March 2021. The results and net loss on the sale is immaterial to the results of the Group for the year ended 30 June 2021. The net loss on sale is included within the Methven integration costs as disclosed in Note 3(d).
(c) Entities were amalgamated and renamed as GWA Group (NZ) Limited during the year ended 30 June 2021.
(d) Entity was renamed as GWA Group Holdings (NZ) Limited during the year ended 30 June 2021.
(e) Entity liquidated during the year ended 30 June 2021.

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.

Section V. Other Information (continued)

24. Deed of cross guarantee (continued)

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, at 30 June 2021, is set out in the table below.

Summarised statement of profit or loss and other comprehensive income

In thousands of AUD	**2021**	**2020**
Sales revenue	319,831	323,263
Cost of sales	(186,855)	(189,937)
Gross profit	132,976	133,326
Operating expenses	(100,029)	(70,952)
Finance income	1,074	1,717
Finance expenses	(7,736)	(8,693)
Profit before tax	26,285	55,398
Tax expense	(8,200)	(17,135)
Profit from continuing operations, net of tax	18,085	38,263
Net profit	18,085	38,263
Other comprehensive income, net of tax	2,931	(3,056)
Total comprehensive income, net of tax	21,016	35,207
Retained earnings at beginning of the year	427,762	347,659
Net profit	18,085	38,263
Dividends received during the year	-	88,031
Dividends paid during the year	(25,089)	(46,191)
Retained earnings at end of the year	420,758	427,762

Statement of financial position

In thousands of AUD	**2021**	**2020**
Assets		
Cash and cash equivalents	29,090	20,777
Trade and other receivables	45,419	44,466
Inventories	54,395	60,029
Other	2,374	3,128
Total current assets	131,278	128,400
Investments	465,632	449,313
Intercompany receivable	36,515	73,218
Deferred tax assets	12,787	12,511
Property, plant and equipment	17,573	20,971
Intangible assets	385,717	386,140
Right of use assets	50,460	59,429
Total non-current assets	968,684	1,001,582
Total assets	1,099,962	1,129,982

Section V. Other Information (continued)

24. Deed of cross guarantee (continued)

Statement of financial position (continued)

In thousands of AUD	2021	2020
Liabilities		
Trade and other payables	37,697	32,616
Loans and borrowings	25,000	27,000
Employee benefits	4,671	4,151
Income tax payable	4,659	715
Lease liabilities	11,175	11,005
Provisions	2,748	4,700
Derivative financial instruments	1,413	4,738
Total current liabilities	87,363	84,925
Deferred tax liabilities	100,590	100,569
Loans and borrowings	121,106	148,400
Lease liabilities	48,469	54,976
Employee benefits	4,266	4,201
Provisions	4,922	3,324
Total non-current liabilities	279,353	311,470
Total liabilities	366,716	396,395
Net assets	733,246	733,587
Equity		
Issued capital	311,294	307,790
Reserves	1,194	(1,965)
Retained earnings	420,758	427,762
Total equity	733,246	733,587

25. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2021 the parent company of the consolidated entity was GWA Group Limited.

	The Company	
In thousands of AUD	**2021**	**2020**
Results of the parent entity		
Profit for the year	(1,192)	78,775
Other comprehensive income	-	-
Total comprehensive income for the year	(1,192)	78,775
Financial position of the parent entity		
Current assets	300	446
Total assets	862,661	885,212
Current liabilities	-	-
Total liabilities	419,162	419,162
Equity of the parent entity		
Share capital	311,294	307,790
Equity compensation reserve	1,578	1,352
Retained earnings	130,628	156,908
Total equity	443,500	466,050

Section V. Other Information (continued)

25. Parent entity disclosures (continued)

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, 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 (2020: $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 (2020: $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

Since the end of the financial year, the New South Wales and Victorian governments announced new restrictions on business, requiring amongst other things, the cessation of construction activities in specified areas in Sydney in response to rising cases of coronavirus. This is in addition to a range of varying restrictions on public movement in Australia. The Directors continue to assess the uncertain and evolving impact of these restrictions on GWA's operations.

To the Directors' best knowledge, there are no events that have arisen subsequent to 30 June 2021 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 2021 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 2021; 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 16 August 2021.

Signed in accordance with a resolution of the directors:

Darryl D McDonough

Director

Urs B Meyerhans

Director

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 audit of GWA Group Limited for the financial year ended 30 June 2021 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

16 August 2021

KPMG

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 2021 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 2021;
- 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; and
- 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 the Code.

Key Audit Matters

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

- Valuation of 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 Inventory $70.0m

Refer to Note 8 to the Financial Report

The key audit matter

The valuation of inventory is a key audit matter as inventory is a significant asset in the financial report and the net realisable value is impacted by the building industry cycles, changes in consumer preferences and economic instability as a result of the coronavirus pandemic. This necessitated an additional focus on excess and discontinued inventory SKU's (stock keeping unit) and judgemental valuation assumptions.

These conditions gave rise to additional audit effort, including greater involvement by our senior team members, to gather evidence over the estimation of the valuation of inventory.

We focused on the following elements of the Group's estimation of the valuation of inventory:

- Criteria for categorisation of inventory SKU's by risk, such as discontinued, new products, excess or fast moving range, as they attribute different values due to the differing provision policy rates;
- Expected forecast demand which is based on the last 12 months' sales, as this determines the categorisation of inventory SKU's as excess or fast moving; and
- Assessing the impact of inventory sold in the current year below cost.

How the matter was addressed in our audit

Our procedures included:

- We assessed the accuracy of previous Group forecasts by inventory SKU by comparing forecast demand to actual sales in the prior period. This informed our evaluation of forecasts incorporated in the inventory provision calculation in the current year;
- We tested the completeness of inventory identified as excess or fast moving and discontinued as follows:
  - We assessed the Group's calculation for identifying excess inventory. We did this by performing our own calculation based on sales data for the last 12 months and comparing the results. We considered the impact on our audit of any exceptions. Where relevant, we obtained underlying documentation from the Group to evaluate exceptions; and
  - We compared inventory SKU's to be discontinued to the approved discontinued inventory report used by the Group in assessing the recoverable value of inventory;
- We assessed the write off history for the last 3 years against the provision to determine the adequacy of the inventory provision;
- We independently developed 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 sales recorded below original cost;
- We compared our estimated inventory valuation range to the inventory value recorded by the Group; and
- We tested a sample of inventory items to purchase invoices and sales invoices to determine the recoverability and valuation of inventory in line with accounting standards.

Other Information

Other Information is financial and non-financial information in GWA Group'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.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of GWA Group Limited for the year ended 30 June 2021, 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 the Remuneration Report included in the

Annual report for the year ended 30 June 2021.

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

16 August 2021