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GWA
Group Limited

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15 February 2022

ASX On-Line

Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results for the Half Year Ended 31 December 2021

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

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

On 15 February 2022 at 10:00am (AEDT), GWA will be hosting a webcast of its FY22 half year results briefing. The webcast is accessible via the GWA website at www.gwagroup.com.au.

This document was authorised for release by the GWA Board.

Yours faithfully

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

Richard J Thornton
Executive Director



GWA GROUP LIMITED

ABN: 15 055 964 380

Appendix 4D Half Year Report - 31 December 2021 Results for announcement to the market

For the half year ended 31 December				2021	2020
Reported Results (\$'000)					
Total Revenue from ordinary activities	Up	2.1%	to	201,343	197,235
Total EBIT from ordinary activities	Up	1.0%	to	30,205	29,915
Total NPAT from ordinary activities	Up	0.3%	to	18,562	18,501
Continuing Operations (Normalised¹) (\$'000)					
Revenue from continuing operations	Up	2.1%	to	201,343	197,235
EBIT from continuing operations - normalised	Up	11.0%	to	35,619	32,078
NPAT from continuing operations - normalised	Up	11.7%	to	22,361	20,014

¹ Normalised results in the current half year excludes costs incurred in the Group's ERP / CRM project of \$5.4m (\$3.8m post tax). In the prior half year, \$2.2m (\$1.5m post tax) was incurred in relation to Methven integration.

Dividends (cents per share)

Interim ordinary dividend - 100% franked	7.0	6.0
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The record date for determining entitlements to the interim ordinary 2022 dividend is 21 February 2022 and the dividend is payable on 4 March 2022.

Net tangible asset and net asset backing (cents per share)	As at	31 Dec 21	30 June 21
Net tangible asset backing		(45.0)	(46.8)
Net asset backing		113.5	111.8

Brief explanation of the figures reported above

Refer to the attached Appendix 4D commentary for the review of operations.

The attached Interim Financial Report has been reviewed by GWA's independent statutory auditors.

This Interim Financial Report should be read in conjunction with the most recent Annual Financial Report.

Appendix 4D Commentary

15 February 2022

GWA reports normalised net profit of \$22.4 million, a 12% improvement on PcP

Continued strong financial position enables payment of fully franked interim dividend of 7.0 cents per share, an increase of 17% on PcP

GWA Group Limited, a leading provider of water solutions products and systems to households and commercial premises, today announced its financial results for the half year ended 31 December 2021 ("1H FY22").

Improved Financial Performance

- Group Revenue up 2% to \$201.3 million – Australia revenue up 6%
- Normalised Group Earnings Before Interest and Tax (EBIT) \$35.6 million, up 11%
- Normalised Group EBIT margin up 140 basis points
- Normalised Net Profit After Tax of \$22.4 million, up 12%
- Reported Net Profit After Tax (incl significant items) \$18.6 million, up 1%

Strong Financial Position

- Continued solid cashflow generation – cash conversion ratio of 96%
- Financial position remains strong – leverage ratio down to 1.3 times
- This enables fully franked interim dividend of 7.0 cents per share, payable on 4 March 2022, an increase of 17% on PcP

Positive Full Year Outlook

- Commercial forward order book remains strong up 11% since end FY21
- Expect H2 Group Normalised EBIT to be higher than H1, subject to any potential further impact of the general economic environment.

Group Normalised Results (Excludes Significant Items)

A\$ million (unless specified)	1H FY22	1H FY21	% Change
Sales Revenue	201.3	197.2	+2%
EBITDA	45.5	42.2	+8%
EBIT	35.6	32.1	+11%
<i>EBIT Margin (%)</i>	17.7%	16.3%	+1.4ppts
NPAT	22.4	20.0	+12%
<i>Return on Funds Employed (%)</i>	17.5%	15.1%	+2.4 ppts

The increase in group revenue of 2 per cent reflects improved Australian market activities partly offset by the five-week market shut down in New Zealand and lower international sales.

Normalised Group EBIT (before significant items) increased by 11 per cent compared to the prior corresponding period. The improvement in earnings came despite the significant increase in freight costs compared to the prior corresponding period.

Group normalised results exclude significant items. In 1H FY22 significant items amounted to \$3.8 million (after tax) in net costs associated with the implementation of the Group's Enterprise Resource Planning (ERP)/Customer Relationship Management (CRM) project which was announced at the Company's full year results in August 2021.

Continued strong financial position enables GWA to pay 7.0 cents per share dividend

The Board resolved to pay an interim dividend of 7.0 cents per share, fully franked, compared to 6.0 cents per share for the prior corresponding period, an increase of 17 per cent.

The record date for entitlement to receive the interim dividend will be 21 February 2022 with the dividend being paid on 4 March 2022.

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

GWA's financial metrics remain solid

Net debt as at 31 December 2021 was \$104.0 million, which was in line with \$104.8 million as at 30 June 2021.

GWA's credit metrics remain solid. The Company's gearing ratio (net debt/net debt plus equity) of 21.2 per cent compared to 21.5 per cent at 30 June 2021 and leverage ratio (net debt/EBITDA) was 1.3 times compared to 1.4 times at 30 June 2021. GWA's interest cover ratio (EBITDA/net interest) improved to 16.3 times at 31 December 2021 compared to 15.5 times at 30 June 2021.

In October 2021, GWA successfully completed the extension of its syndicated banking facility which comprises a single three year multicurrency revolving facility of \$180 million which matures in October 2024.

GWA also maintains a separate \$40 million one-year multi-currency revolving bilateral facility which matures in October 2022. This will be reviewed as part of our ongoing treasury management.

Continued strong operating cashflow generation

GWA continues to generate strong operating cashflow, notwithstanding the ongoing disruption of its end markets.

Cashflow from operations was \$43.6 million for 1H FY22 compared to \$49.7 million for the prior corresponding period. Working capital increased due to a planned inventory build in response to global supply chain challenges.

Cash conversion remains solid with a cash conversion ratio of 96 per cent for the half.

Capital expenditure for the half was \$1.6 million compared to \$5.5 million for the prior corresponding period and was lower than anticipated due to the Company's focus on the implementation of the ERP/CRM project. The Group's capital expenditure programme remains focused on growth initiatives to drive revenue enhancing opportunities and cost efficiencies.

Six Monthly Update

Health & Safety

GWA's Managing Director & CEO, Urs Meyerhans said: "Throughout the period, we continued to operate within the COVID-19 impacted environment with the health and safety of our people and customers remaining as our first priority. We continue to implement our operational procedures to safeguard our people while minimising disruption to our customers to the extent possible."

"Following an increase in the Lost Time Injury Frequency Rate (LTIFR) in FY21, GWA has implemented customised training strategies primarily to address the root cause to reduce manual handling injuries."

"I am pleased to report an improvement in the LTIFR to 0.9 in 1H FY22 compared to 4.3 for FY21."

Group Reported Results (Including Significant Items)

A\$ million (unless specified)	1H FY22	1H FY21	% Change
Sales Revenue	201.3	197.2	+2%
EBITDA	40.5	40.0	+1%
EBIT	30.2	29.9	+1%
<i>EBIT Margin (%)</i>	15.0%	15.2%	-0.2 pts
NPAT	18.6	18.5	+0.5%
<i>Return on Funds Employed (%)</i>	14.4%	14.4%	0%

Group reported results include as significant items costs associated with the implementation of the Group's ERP/CRM which are expected to complete in 2H FY22

Business Overview – proactively managing challenging conditions

Mr. Meyerhans said the Company delivered a solid result amid challenging conditions.

"We experienced the ongoing impacts of the pandemic during the half, including construction site shutdowns, merchant closures and global freight disruptions and a 5-week New Zealand shutdown.

"We have proactively managed our response to these challenges by ensuring the ongoing stability and efficiency of our supply chain, remaining disciplined on operational costs and managing our working capital and cash flow accordingly.

"That focus enabled the Group to deliver an improved financial performance for the half, including a strong uplift in EBIT margin and increased dividend, despite global freight disruptions leading to a delay in sales for the half."

"We are continuing to generate stronger momentum leading into the second half while we are also making solid progress in establishing the ground-work for implementing our strategy for future growth," he said.

Market Updates

Australia – Revenue increased by 6 per cent compared to the prior corresponding period, despite the impacts of lockdowns including construction site shutdowns and merchant closures in NSW and VIC during the first quarter.

Commercial sales strengthened in the first half as several projects were drawn down from the Company's order bank. Notwithstanding this drawdown, GWA's commercial forward order bank remains strong and is up 11% since the end of FY21.

Price increases of approximately 3 per cent and 4 per cent were implemented from July 2021 and December 2021 respectively, which partly mitigated the impact of increased product costs in the half.

In New Zealand sales declined by 15 per cent, reflecting the five-week shutdown in quarter 1 resulting in no sales. GWA experienced a partial recovery in sales as some restrictions were lifted from late September 2021. A price increase of 3% was implemented in July 2021.

Sales in International markets declined by 5 per cent reflecting the strong prior comparative period in the United Kingdom which included pre-Brexit purchases by some of our clients and ongoing economic disruptions both in UK and Asia

Supply Chain Disruption

GWA has implemented a number of strategies to mitigate the global disruption to supply chains affecting all businesses.

GWA has long term exclusive agreements with its supply partners, with on-site management to ensure the ongoing quality of our products and adherence to end markets' building codes and standards.

In response to global sea freight challenges, in Q2 FY22 GWA hired two vessels, in conjunction with other importers, to maintain product availability.

Key Business Activities

During the period, GWA continued to leverage the Company's centres of excellence in Auckland and Sydney with the launch of new products including taps, showers, accessories and sanitaryware to complement our offering.

These include Caroma sink mixers and LiveWell Opal colours. The launch of sink mixers expands on the success of the Urbane II and Liano II bathroom launches from the prior year.

In the Commercial segment, GWA continues to focus on areas which provide near term growth opportunities including, education, aged care and commercial renovation and replacement. These categories now represent 44 per cent of the commercial order bank compared to 38 per cent in June 2021.

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 order and one invoice to improve customer experience.

Establishing the groundwork for Growth Strategy

GWA's strategy is focused on key initiatives to support its objective to be the trusted and integrated solutions partner in the delivery of sustainable water solutions for bathrooms, kitchens and laundries.

During the reporting period we made considerable progress in establishing the groundwork on core priority areas as part of our ongoing strategy development.

"As part of our focus on improving our customer experience we launched virtual and augmented reality products and planning capabilities via the Caroma website (Caroma Visualiser) which enable users to plan and visualise their new bathroom using technology-enabled tools.

Key activity for the second half will be the implementation of the new ERP system across the group. We are also completing our customer journey review analysis which is an important building block of our market category, product and branding strategies.

"We have commenced a brand portfolio review to implement a clear brand value proposition to our customers while undertaking category reviews to support our brands.

"I look forward to sharing further progress of our strategy implementation as the year progresses," said Mr. Meyerhans.

Outlook

GWA remains well positioned to capitalise on current improving market conditions.

The Company expects continued momentum in all its key markets, particularly in the Renovation & Replacement segment both for residential and commercial, however labour availability and global supply chain disruptions have extended the timing of completions particularly for new detached projects from around 9-12 months to 12-15 months and consequently we expect completions' activity to remain strong into FY23.

While Commercial new build completions are expected to remain subdued, as confidence and activity increases in the Commercial segment, GWA remains well placed to capitalise on this expected improvement.

The Multi-Residential segment, while only representing 5% of Australian revenue is expected to be flat in FY22 because of lower net migration resulting from the international border closures and travel restrictions.

GWA will continue to closely monitor and adjust its business operations as required to respond to the market uncertainty/disruption being experienced here and abroad.

The Company remains on track to deliver annualised supply chain savings of \$3 million from FY22 with \$2.0 million achieved in the first half of FY22.

Price increases implemented during the year are expected to largely mitigate the impact of freight cost increases.

GWA monitors foreign exchange rates closely and adopts appropriate mitigation strategies. For the second half of FY22, approximately 73 per cent of US dollar exposure is hedged at US75 cents.

The Company's supply chain remains robust and despite some intermittent supply delays GWA is well placed to continue to service our customers in FY22.

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

For FY22, GWA currently expects Group Normalised EBIT in the second half will be higher than the first half, subject to any potential further impact of the general economic environment.

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**GWA Group Limited
and its controlled entities**

ABN 15 055 964 380

**31 December 2021
Interim Financial Report**

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GWA Group Limited and its controlled entities Directors' Report

Your directors submit their report on the consolidated entity of GWA Group Limited (the 'Group') and the entities it controlled for the half year ended 31 December 2021.

Directors

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

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

Review of Operations

A review of operations for the Group for the half year ended 31 December 2021 and the results of those operations are set out in the Appendix 4D commentary.

Interim Dividend

The directors have declared a fully franked interim dividend to shareholders of 7.0 cents per share. The record date for the interim dividend is 21 February 2022 and is payable on 4 March 2022. The Dividend Reinvestment Plan will not be offered to shareholders for the interim dividend.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration forms part of the Directors' Report for the half year ended 31 December 2021.

Rounding

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

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



Darryl D McDonough
Chairman



Urs B Meyerhans
Managing Director

15 February 2022

GWA Group Limited and its controlled entities

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December

In thousands of AUD

	2021	2020
	Note	
Profit or loss		
Continuing operations		
Sales revenue	201,343	197,235
Cost of sales	(121,674)	(119,267)
Gross profit	79,669	77,968
Other income	1,259	138
Selling expenses	(24,319)	(24,743)
Administrative expenses	(20,719)	(21,242)
Other expenses ⁽ⁱ⁾	(5,685)	(2,206)
Operating profit	30,205	29,915
Finance income	6	16
Finance expenses	(3,837)	(3,920)
Net financing costs	(3,831)	(3,904)
Profit before tax	26,374	26,011
Income tax expense	8 (7,812)	(7,510)
Profit from continuing operations	18,562	18,501
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries, net of tax	485	113
Net change in fair value of financial assets	100	-
Cashflow hedges, net of tax	3,039	(3,110)
Other comprehensive income, net of tax	3,624	(2,997)
Total comprehensive income for the period	22,186	15,504
Earnings per share (cents)		
Total		
- Basic	7.0	7.0
- Diluted	7.0	7.0
Continuing operations excluding ERP / CRM project costs and Methven integration costs		
- Basic	8.4	7.6
- Diluted	8.4	7.5

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

(i) Other expenses in the current half year of \$5.4m (\$3.8m post tax) include costs incurred in the Group's ERP / CRM project. In the prior half year, \$2.2m (\$1.5m post tax) was incurred in relation to Methven integration. Refer to Note 5.

GWA Group Limited and its controlled entities

Consolidated statement of financial position

As at		31 Dec 2021	30 June 2021 ⁽ⁱ⁾
<i>In thousands of AUD</i>	Note		
Current assets			
Cash and cash equivalents		35,910	42,634
Trade and other receivables		46,797	56,425
Inventories		92,158	70,019
Derivative financial instruments	10	3,778	686
Other		4,170	2,922
Total current assets		182,813	172,686
Non-current assets			
Deferred tax assets		2,565	3,039
Property, plant and equipment		19,533	21,534
Intangible assets		420,361	420,619
Right-of-use assets		54,116	57,118
Financial asset at fair value	10	2,935	2,835
Total non-current assets		499,510	505,145
Total assets		682,323	677,831
Current liabilities			
Trade and other payables		65,897	51,271
Loans and borrowings	9	35,000	25,000
Employee benefits		5,968	5,623
Income tax payable		572	3,859
Lease liabilities		11,329	11,813
Provisions		4,154	4,737
Derivative financial instruments	10	-	1,413
Total current liabilities		122,920	103,716
Non-current liabilities			
Deferred tax liability		91,040	90,452
Trade and other payables		345	734
Loans and borrowings	9	103,564	121,106
Lease liabilities		53,109	54,685
Employee benefits		4,376	4,378
Provisions		6,075	6,149
Total non-current liabilities		258,509	277,504
Total liabilities		381,429	381,220
Net assets		300,894	296,611
Equity			
Issued capital		311,294	311,294
Reserves		610	(2,349)
Retained earnings		(11,010)	(12,334)
Total equity		300,894	296,611

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

(i) Refer to Note 8 regarding the re-presentation of certain comparative balances.

GWA Group Limited and its controlled entities

Consolidated statement of cash flows

For the half year ended 31 December

In thousands of AUD

	2021	2020
Cash flows from operating activities		
Receipts from customers	234,397	229,964
Payments to suppliers and employees	(194,671)	(181,041)
Cash generated from operations	39,726	48,923
Interest and facility fees paid	(2,437)	(2,261)
Lease interest paid	(1,248)	(1,402)
Interest received	6	16
Income taxes paid	(11,364)	(7,093)
Net cash from operating activities	24,683	38,183
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	1
Acquisition of property, plant and equipment	(1,164)	(1,307)
Acquisition of intangible assets	(475)	(1,380)
Acquisition of financial assets	-	(2,835)
Net cash used in investing activities	(1,639)	(5,521)
Cash flows from financing activities		
Proceeds from borrowings	15,000	20,747
Repayment of borrowings	(23,000)	(30,000)
Dividends paid	(17,238)	(8,591)
Repayment of lease liability	(4,953)	(4,520)
Net cash used in financing activities	(30,191)	(22,364)
Net (decrease) / increase in cash and cash equivalents	(7,147)	10,298
Cash and cash equivalents at the beginning of the year	42,634	32,359
Effect of exchange rate changes	423	(314)
Cash and cash equivalents at 31 December	35,910	42,343

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

GWA Group Limited and its controlled entities

Consolidated statement of changes in equity

For the half year ended 31 December 2021

In thousands of AUD

	Share Capital	Translation Reserve	Hedging Reserve	Asset Revaluation Reserve	Equity Compensation Reserve	Retained Earnings	Total
Balance as at 1 July 2021	311,294	(3,662)	(266)	-	1,579	(12,334)	296,611
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	18,562	18,562
<i>Other comprehensive income</i>							
Exchange differences on translation of foreign subsidiaries, net of tax	-	485	-	-	-	-	485
Cash flow hedges, net of tax	-	-	3,039	-	-	-	3,039
Net change in fair value of financial assets	-	-	-	100	-	-	100
Total other comprehensive income	-	485	3,039	100	-	-	3,624
Total comprehensive income	-	485	3,039	100	-	18,562	22,186
Transaction with owners, recorded directly in equity							
Share-based payments, net of tax	-	-	-	-	(665)	-	(665)
Dividends paid	-	-	-	-	-	(17,238)	(17,238)
Total transactions with owners	-	-	-	-	(665)	(17,238)	(17,903)
Balance at 31 December 2021	311,294	(3,177)	2,773	100	914	(11,010)	300,894

For the half year ended 31 December 2020

In thousands of AUD

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

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

GWA Group Limited and its controlled entities

Notes to the interim financial statements

1. Reporting entity

GWA Group Limited (the 'Company') is a for-profit company domiciled in Australia, limited by shares, which are publicly traded on the Australian Securities Exchange ("ASX") under ASX code "GWA". The consolidated interim financial report of the Company as at and for the half year period ended 31 December 2021 comprises the Company and its controlled entities (together referred to as the 'consolidated entity').

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2021 is available from the Company's website www.gwagroup.com.au.

2. Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2021.

This consolidated interim financial report was approved for issue by the Board of Directors on 15 February 2022.

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

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2021, except as noted below:

Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted by the consolidated entity for the first time in the half year period ended 31 December 2021:

- AASB 2020-8 – Interest Rate Benchmark (IBOR) Reform - Phase 2 Amendments to AASB 4, AASB 7 AASB 9, AASB 16 and AASB 139

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

4. Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2021.

GWA Group Limited and its controlled entities

Notes to the interim financial statements (continued)

5. Operating segments

The consolidated entity has one continuing reportable segment, Water Solutions. This segment includes the sale of vitreous china toilet suites, basins, plastic cisterns, taps and showers, baths, kitchen sinks, laundry tubs, domestic water control valves, smart products and bathroom accessories. The CEO reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and income tax ('EBIT') and excludes significant items such as ERP/CRM project costs and integration costs, in line with management reports that are reviewed by the CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segment relative to other entities that operate in these industries.

<i>In thousands of AUD</i>	Water Solutions	
	2021	2020
For the half year ended 31 December		
Sales revenue	201,343	197,235
Segment EBIT	35,619	32,078
Depreciation (property, plant and equipment)	3,103	3,016
Depreciation (right of use assets)	5,923	5,970
Amortisation	1,228	1,099
Capital expenditure	1,639	2,686
Reconciliation of profit		
Total EBIT for reportable segment	35,619	32,078
ERP / CRM project costs and Methven integration ⁽ⁱ⁾	(5,414)	(2,163)
Operating profit from continuing operations	30,205	29,915
(i) Project costs and Methven integration		
<i>In thousands of AUD</i>		
ERP / CRM project costs	5,414	-
Integration costs	-	2,163
Total integration and project costs	5,414	2,163
Income tax benefit	(1,615)	(650)
Integration and project costs, net of tax	3,799	1,513
As at	31 Dec 2021	30 June 2021
Reportable segment assets	682,323	677,831
Reportable segment liabilities	381,429	381,220

Sales revenue by geographical location of customer

<i>In thousands of AUD</i>	Australia		New Zealand		Other		Consolidated	
	For the half year period ended 31 December							
	2022	2021	2022	2021	2022	2021	2022	2021
External sales revenue	161,923	152,818	23,703	27,862	15,717	16,555	201,343	197,235

GWA Group Limited and its controlled entities

Notes to the interim financial statements (continued)

6. Dividends

Dividends recognised and paid:	Cost per share <i>In cents</i>	Total amount <i>In thousands of AUD</i>
For the half year period ended 31 December 2021:		
Final 2021 ordinary dividend paid 6 October 2021	6.5	17,238
For the half year period ended 31 December 2020:		
Final 2020 ordinary dividend paid 16 October 2020	3.5	9,239

Dividends declared after the balance date:

On 15 February 2022, the Board declared a fully franked interim ordinary dividend of 7.0 cents per share payable on 4 March 2022. Based on 265,205,113 shares outstanding at 31 December 2021, the aggregate dividend payable will be \$18,564,358.

7. Expenses

(a) Lease costs

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

In thousands of AUD

For the half year ended 31 December	2021	2020
Amounts recognised in the profit or loss statement		
Interest on lease liabilities	1,248	1,402
Depreciation of right-of-use assets	5,923	5,970
Payments made for low value leases	456	496
	<u>7,627</u>	<u>7,868</u>

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

8. Income tax expense

Recognised in profit or loss

For the half year ended 31 December

2021 **2020**

In thousands of AUD

Current tax expense

Current year	7,904	7,632
Adjustments for prior years	(14)	27
	<u>7,890</u>	<u>7,659</u>

Deferred tax (expense) / benefit

Origination and reversal of temporary differences	(78)	(149)
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Tax expense for the consolidated entity

7,812 7,510

Numerical reconciliation between tax expense and pre-tax profit

Profit before tax for the consolidated entity	26,374	26,011
Tax expense using the domestic rate of 30%	7,912	7,803
Tax expense / (benefit) due to:		
Non-deductible expenses	47	208
Effect of tax rate in foreign jurisdictions	(136)	(205)
Rebateable research and development	(63)	(55)
Other items	66	(268)
	<u>7,826</u>	<u>7,483</u>
Under / (over) provided in prior years	(14)	27
Income tax expense on pre-tax profit for the consolidated entity	<u>7,812</u>	<u>7,510</u>

The presentation of the deferred tax assets and deferred tax liabilities for the comparative period in the consolidated statement of financial position has been amended in these financial statements to conform to the current year presentation. The adjustment was a decrease in both deferred tax asset and deferred tax liabilities of \$12,308,000 with nil impact to net assets.

9. Loans and borrowings

On 21 October 2021 the consolidated entity successfully completed the refinance of its syndicated banking facility. The facility comprises a single three year multicurrency revolving facility of \$180,000,000 which matures in October 2024. For the period 18 November 2020 to 20 October 2021 the facility was \$226,670,000. For the period 8 April 2020 to 17 November 2020 the facility was \$243,340,000.

On 17 September 2021 the consolidated entity extended its one year multicurrency revolving bilateral facility of \$40,000,000 which now matures in October 2022.

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

The consolidated entity has unsecured bank loans of \$138,564,000 drawn as at 31 December 2021 (30 June 2021: \$146,106,000). The notional amount of the interest-bearing loans is deemed to reflect the fair value. The facilities were drawn in the following currencies.

In thousands of

31 Dec 2021 **30 June 2021**

AUD	102,000	110,000
NZD	30,000	30,000
GBP	3,000	3,000
USD	2,000	2,000

GWA Group Limited and its controlled entities

Notes to the interim financial statements (continued)

10. Financial instruments

Estimation of fair values

Financial assets and liabilities that are not measured at cost or amortised cost in the half year financial report comprise forward foreign exchange contracts, interest rate swaps and an investment in an unlisted company.

Forward exchange contracts are marked to market by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps broker quotes are obtained. These quotes are back tested using discounted cash flow techniques.

The investment in an unlisted company is accounted for as a financial asset at fair value through other comprehensive income ('FVOCI') following an irrevocable election made at initial recognition. Fair value 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.

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

Fair value hierarchy

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

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

There were no transfers between levels during the half year.

In thousands of AUD

As at 31 December 2021

	Level 1	Level 2	Level 3	Total
Forward contracts used for hedging	-	2,599	-	2,599
Interest rate swaps used for hedging	-	1,179	-	1,179
Investment in an unlisted company	-	-	2,935	2,935
	-	3,778	2,935	6,713

As at 30 June 2021

Forward contracts used for hedging	-	686	-	686
Interest rate swaps used for hedging	-	(1,413)	-	(1,413)
Investment in an unlisted company	-	-	2,835	2,835
	-	(727)	2,835	2,108

11. Subsequent events

To the Directors' best knowledge, there are no events that have arisen subsequent to 31 December 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 financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2021 and of its performance for the half year ended on that date; and
 - b) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated 15 February 2022.

Signed in accordance with a resolution of the directors:



Darryl D McDonough
Chairman



Urs B Meyerhans
Managing Director



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

To the Directors of GWA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of GWA Group Limited for the half-year ended 31 December 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Trent Duvall
Partner

Sydney
15 February 2022

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Independent Auditor's Review Report

To the shareholders of GWA Group Limited

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 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 half-year ended on that date
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Trent Duvall

Partner

Sydney

15 February 2022

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