GWA
Group Limited

2017 ANNUAL REPORT



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FY17 PERFORMANCE HIGHLIGHTS

REVENUE

▲ $446.3 million

Revenue ▲ 2% to $446.3 million ahead of market growth with margin expansion delivering solid net profit and earnings growth

- Bathrooms & Kitchens revenue ▲ 3%
- Door & Access Systems revenue ▼ 2%

EARNINGS

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

▲ 2% to $86.2 million

Earnings Before Interest and Tax (EBIT)

▲ 3% to $80.6 million

- Bathrooms & Kitchens EBIT ▲ 4%
- Door & Access Systems EBIT ▼ 14%

Earnings per share ▲ 7% to 20.3 cents per **share**

Note: All references are to continuing operations which excludes Gliderol which was sold on 31 July 2015. All comparisons are to the year ended 30 June 2016 (FY16) unless otherwise stated.

NET PROFIT

▲ $53.7 million

Net Profit After Tax (NPAT)
▲ 3% to $53.7 million

FINANCIAL POSITION

Strong financial position with net debt ▼ 10% and credit metrics continue to improve supporting growth plans

RETURN

Return on Funds Employed (ROFE)
▲ 0.9pp to 20.2%

STRATEGY

Continued progress on strategy to deliver stronger platform to manage through the market cycle

FINAL DIVIDEND

Fully-franked final dividend of 9 cents per share, bringing the FY17 full year dividend to 16.5 cents per share fully-franked ▲ 10%

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FIVE YEAR FINANCIAL SUMMARY

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Continuing operations	2012/13[1] $'000	2013/14[1] $'000	2014/15[1] $'000	2015/16[1] $'000	2016/17 $'000
Revenue from continuing operations	565,365	399,394	426,218	439,666	446,332
Earnings before interest, tax, depreciation, amortisation (EBITDA) and significant items[3]	87,168	76,819	81,734	84,250	86,156
EBITDA margin (%)	15.4	19.2	19.2	19.2	19.3
Depreciation and amortisation	(20,398)	(12,328)	(8,970)	(5,985)	(5,562)
Earnings before interest, tax (EBIT) and significant items[3]	66,770	64,491	72,764	78,265	80,594
EBIT margin (%)	11.8	16.1	17.1	17.8	18.1
Interest (net)	(13,324)	(11,201)	(7,329)	(6,508)	(5,338)
Normalised profit before tax[3]	53,446	53,290	65,435	71,757	75,256
(%)	9.5	13.3	15.4	16.3	16.9
Tax expense	(14,115)	(15,452)	(20,278)	(19,837)	(21,585)
Effective tax rate (%)	26.4	29.0	31.0	27.6	28.7
Normalised profit after tax[3]	**39,331**	**37,838**	**45,157**	**51,920**	**53,671**
Significant items after tax	(6,941)	(6,664)	(34,796)	–	–
Net profit after tax from continuing operations	**32,390**	**31,174**	**10,361**	**51,920**	**53,671**
Profit / (loss) from discontinued operations (net of income tax)	–	(12,578)	(26,544)	1,761	–
Net profit / (loss) after tax for the period	**32,390**	**18,596**	**(16,183)**	**53,681**	**53,671**
Net cash from operating activities	63,349	33,898	43,505	54,924	57,171
Capital expenditure	14,703	5,570	5,062	3,628	5,281
Net debt[4]	162,243	149,385	94,763	88,420	79,756
Shareholders' equity	426,742	425,989	305,894	307,698	320,603
Other Ratios and Statistics					
Interest cover (times)[7]	6.5	8.5	12.8	14.3	17.1
Gearing: net debt / (net debt + equity) (%)[4]	27.5	26.1	23.7	22.3	19.9
Return on shareholders' equity (%)	7.6	4.4	(5.3)	17.4	16.7
Dividend payout ratio (%)[6]	113.2	90.3	–	81.4	81.1
Dividend per share (cents)[8]	12.0	5.5	6.0	16.0	16.5
Franking (%)	100	100	76.7	100	100
Capital return (cents)[5]	–	–	22.8	–	-
Share price (30 June) ($)	2.40	2.63	2.28	2.09	3.15
Dividend yield at 30 June share price (%)	5.0	2.1	2.6	7.7	5.2
Number of employees	1,680	1,681	1,183	876	760
Basic earnings per share (cents) – Group	10.6	6.1	(5.3)	19.7	20.3
Basic earnings per share (cents) – Continuing	10.6	10.2	3.4	19.0	20.3
Normalised earnings per share (cents) – Continuing[2]	12.9	12.4	14.8	19.0	20.3

(1) During the year ended 30 June 2016, the Gliderol business was sold with an effective date of 31 July 2015. During the year ended 30 June 2015, the Dux Hot Water Business was sold with an effective date of 19 December 2014 and the Brivis heating & Cooling business was sold with an effective date of 2 February 2015. Accordingly, the operating activities of Gliderol, Dux and Brivis were classified as discontinued operations in FY16 and FY15 and presented separately from the results of continuing operations. The FY14 results have been re-presented to be comparable with FY16 and FY15. FY13 has not been re-presented and includes the operating activities of Gliderol, Dux and Brivis as part of continuing operations.

(2) Excludes significant items.

(3) Normalised profit before significant items is a non-IFRS financial measure reported to provide a greater understanding of the underlying business performance of the Group. The disclosures are extracted or derived from the FY13-FY15 financial reports and have not been subject to review or audit. The non-IFRS financial measures included in this table exclude significant items that are detailed in the FY13-FY15 financial reports.

(4) Net debt reflects the Group's borrowings and bank guarantees less cash (including cash classified within assets held for sale at 30 June 15).

(5) A capital return of 22.8 cents per share and a special dividend of 6.0 cents per share from the Brivis and Dux net sale proceeds were paid to shareholders on 15 June 2015.

(6) Dividend payout ratio is calculated as the Dividend per share (cents) divided by the Basic EPS for the Group (cents). Basic EPS is calculated using the weighted average number of ordinary shares at 30 June.

(7) Interest cover (times) is calculated using EBITDA excluding non-recurring other significant items divided by net interest expense.

(8) Dividend per share includes ordinary and special dividends.

COMPANY PROFILE

GWA Group Limited (GWA) listed on the Australian Securities Exchange in May 1993 and is a leading Australian supplier of building fixtures and fittings to households and commercial premises. The Group has sales and distribution facilities located across Australia and a branch office in New Zealand. GWA is a member of the ASX 200 index of listed Australian companies.

GWA operates a central-led business with corporate functions supporting two business divisions focused on customers in their target market segments. GWA's business divisions currently comprise:

GWA Group Limited

GWA Bathrooms & Kitchens

GWA Door & Access Systems

GWA Bathrooms & Kitchens is Australia's foremost designer, importer and distributor of iconic brands and products, servicing and enhancing residential and commercial bathrooms and kitchens across Australia and New Zealand. The product range is distributed under Australian brands including Caroma, Clark, Dorf, Fowler, Stylus and international brands including Schell, EMCO, Virtu and Sanitron.

GWA Door & Access Systems is a leading Australian designer, manufacturer, importer and distributor of a comprehensive range of access and security systems and door hardware for use in residential and commercial premises. The product range is distributed under Australian brands including Gainsborough, Trilock, TradePro, Austral Lock and international brands including Salto, Lorient and Eco Schulte.

GWA Door & Access Systems was expanded in 2012 to include API Locksmiths which is an Australian supplier of security and access control systems and locksmithing services to major commercial enterprises.

GWA has grown since listing as a result of the strong performance of the core building fixtures and fittings businesses and through successful acquisitions. The Group remains committed to growing shareholder wealth through organic growth initiatives in target market segments and acquisitions that add value to its core businesses by supporting expansion into new markets or providing access to new products and solutions.



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STRATEGIC SUMMARY

OUR MISSION

To build GWA as the most trusted and respected company in the building sector

OUR PURPOSE

Making life better

with simple, superior water solutions
Bathrooms & Kitchens

with a superior range of access and security systems
Door & Access Systems

GWA OPERATIONAL MEASURES

Market share, NSV, EBIT, ROFE, DIFOT, NPS, Safety, Engagement

CORPORATE PRIORITIES

Leverage and build on core assets & brands to drive revenue and market share growth

Add value to customers through improved insights, analytics and processes

Build "fit for future" culture, engagement and capability

Build an advantaged Supply Chain to deliver superior NPD, Quality and Service at best cost

Drive cost out in SG&A and Supply Chain to improve profitability and allow selective reinvestment

MAXIMISE SHAREHOLDER VALUE CREATION

Key Financial Measures – NPAT Growth, TSR, ROFE

OUR CULTURAL PILLARS

We are empowered to make a difference	We strive to be the best	We collaborate to achieve goals	We are customer focused and consumer driven	We care for each other

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CHAIRMAN'S REVIEW

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GWA continued to deliver improved financial results in FY17 with increased revenue and disciplined cost management driving higher earnings and profitability.

As a result, earnings per share and ordinary dividends to shareholders increased on the prior year with the company continuing to maintain a strong financial position.

GWA continues to make good progress on its strategy and your Board believes the company remains well positioned to capitalise on our market-leading position in our core markets to continue to deliver value for shareholders.

FINANCIAL OVERVIEW[1]

GWA's revenue growth was ahead of the market with net sales increasing by 2 per cent to $446.3 million on the prior year.

Earnings Before Interest and Tax (EBIT), increased by 3 per cent to $80.6 million from improved earnings in the Bathrooms & Kitchens' division and a reduction in costs, partially offset by the decline in earnings from the Door & Access Systems division.

Net profit after tax increased by 3 per cent to $53.7 million. Earnings per share of 20.3 cents increased by 7 per cent, driven by improved profitability and also due to the reduced weighted average number of shares on issue following the completion of the on-market share buyback program in the prior year.

Our continued focus on effective use of capital across the business was reflected in an improvement in Return on Funds Employed of 0.9 percentage points to 20.2 per cent.

DIVIDENDS / CAPITAL MANAGEMENT

Your Board maintains a policy to pay 65-85 per cent of net profit after tax as ordinary dividends.

Consistent with this policy, the Board resolved to pay a final ordinary dividend of 9 cents per share, fully-franked. This brings the full-year ordinary dividend to 16.5 cents per share, fully-franked compared to 15 cents for the prior year.[2]

The record date for entitlement to receive the final dividend will be 25 August 2017 with the dividend being paid on 5 September 2017. The Dividend Reinvestment Plan will not be offered to shareholders for the final ordinary dividend.

GWA's financial position remains strong which provides the company with ongoing financial flexibility to implement its strategic growth agenda through the market cycle. Net debt at 30 June 2017, was $79.8 million, compared to $88.4 million in the previous year.

GWA's financial metrics, comprising leverage, gearing, and interest cover ratios continued to strengthen on the prior year and remain consistent with investment grade.

STRATEGY

GWA has a clearly defined strategy to build its competitive position in its core markets to maximise returns for shareholders.

Our strategy has evolved from a focus on manufacturing products to a focus on developing solutions for customers and consumers to create "pull" for our brands.

The Group is focused on growing revenue and profitable market share through customer and consumer initiatives targeting specific segments where we have significant opportunities to grow.

We are also driving further efficiencies in overhead costs and supply chain to enable reinvestment in the business and maintain margins through the cycle.

Importantly, our strategy requires us to build our internal capability, engagement and culture to deliver sustainable results.

The Group has made significant progress in implementing this strategy in FY17 which is detailed in the Managing Director's Review of Operations.

BOARD RENEWAL

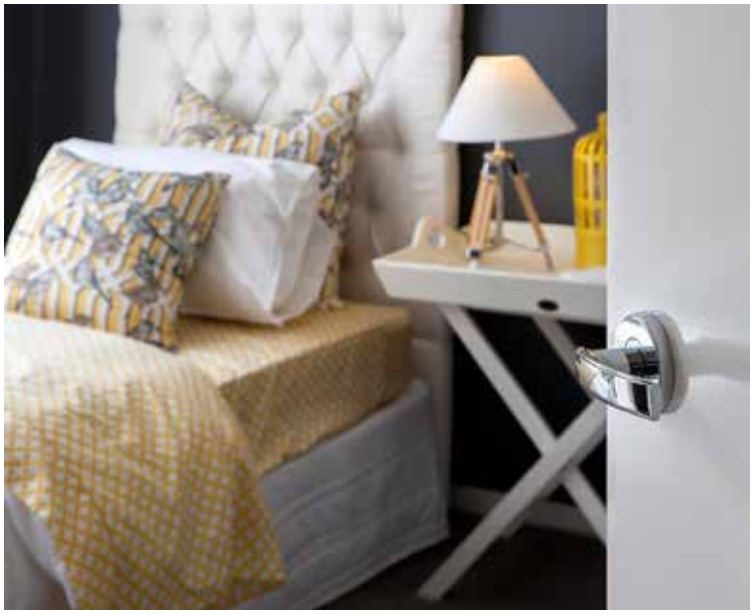
The Board was pleased to welcome the appointments of Jane McKellar and Stephen Goddard as Non-Executive Directors at the conclusion of the 2016 Annual General Meeting.

Jane and Stephen bring significant experience to the Board, specifically within retail and customer-focused businesses, which is a strong complement to our strategy.

1 Unless specified, all amounts and comparisons are based on results in respect of Continuing Operations which exclude the Gliderol Garage Doors business which was divested on 31 July 2015

2 Excluding the FY16 fully-franked special dividend of 1 cent per share paid in September 2016





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Robert Anderson retired from the Board at the conclusion of the 2016 Annual General Meeting. Bill Bartlett will retire at the conclusion of the 2017 Annual General Meeting. Both Robert and Bill have made valuable contributions to the Board over many years and we wish them both well in their future endeavours.

DIVERSITY

GWA is committed to promoting diversity through the implementation of targeted employment policies and initiatives to achieve a diverse workforce. The Board understands the significant benefits that arise from increasing the pool of diverse employees. In line with GWA's approach to embedding diversity in the organisation, the company's Diversity Policy has been refreshed and renamed the Diversity and Inclusion Policy and is available on the Group's website.

A number of measurable objectives have been approved by the Board to promote and encourage diversity, particularly the improvement of female representation within our workforce. These objectives are assessed annually and are reported in the Corporate Governance Statement which is also available on the Group's website.

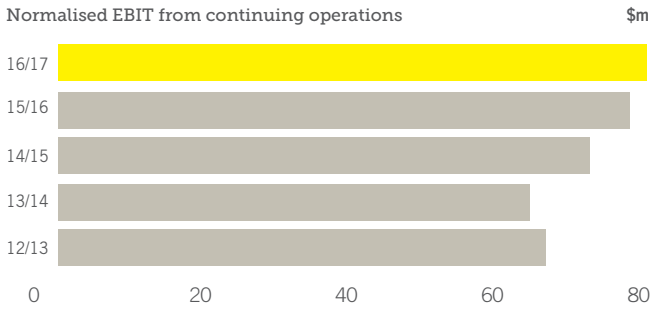
During the year, the Group conducted a detailed review of its recruitment practices leading to the implementation of a new simplified process which continues to encourage the promotion of equal opportunity and diversity.

GWA also completed a detailed review of employment policies and practices during the year to ensure that, among other things, flexibility is offered to attract and retain female talent. Together with this review, the Group introduced a new policy enabling victims of domestic violence to take an additional five days paid leave per year.

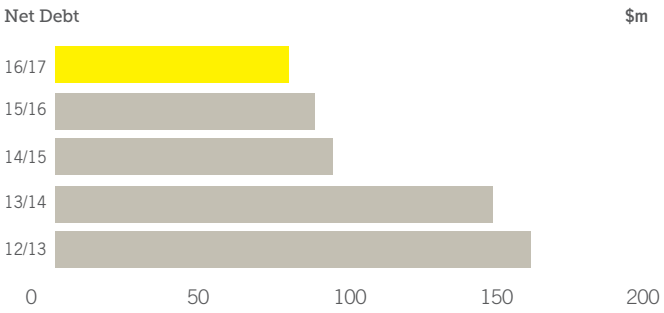
The Board supports the recommendations of the ASX Corporate Governance Council on diversity and has provided the required diversity disclosures in its Corporate Governance Statement. The Group lodged its Workplace Gender Equality Report with the Workplace Gender Equality Agency in May 2017 and the report is available on the Group's website under Gender Equality Reporting.

EXECUTIVE REMUNERATION

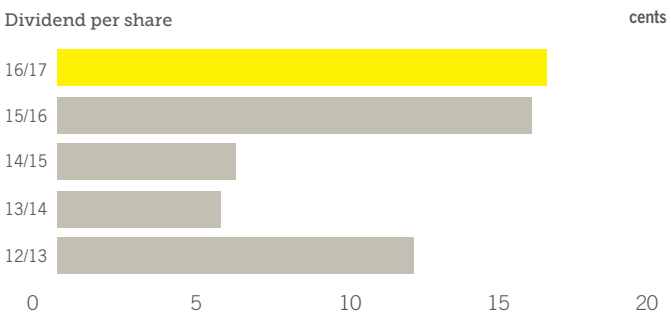
GWA's remuneration policies continue to be assessed with the independent advice of Guerdon Associates who were engaged by the Board for the FY18 executive remuneration review. We aim to provide remuneration to executives which is fair and which is designed to attract and retain a high quality management team with the requisite experience, knowledge, skills and judgement required for the business.



Group EBIT improved by 3 per cent to $80.6 million. Group EBIT in the second half of FY17 increased by 5 per cent compared to the first half, in line with market guidance provided at the half year result in February 2017.



GWA remains in a solid financial position with financial flexibility to support strategic growth initiatives and manage through the market cycle. Net debt at 30 June 2017 was $79.8 million compared to $88.4 million in the prior year.



The Board resolved to pay a final dividend of 9 cents per share fully-franked, bringing the full-year FY17 dividend to 16.5 cents per share fully-franked compared with 16 cents for the full-year FY16 which includes the special dividend of 1 cent per share paid in September 2016.



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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. The remuneration package for the Managing Director, Tim Salt, was determined by the Board in FY16 following the provision of market data from Guerdon Associates and was aligned with the market median in relation to a group of comparable companies to GWA.

The Board continued the freeze on executive fixed remuneration for FY17. This is the second consecutive year executive fixed remuneration has been frozen. The short term incentive payments for the Managing Director and other executives for FY17 reflect the improved group performance and profitability driven by sales growth in the Bathrooms & Kitchens business exceeding market growth for the period. This growth enabled the Board to increase dividend payments to shareholders for FY17 and resulted in higher shareholder returns.

SAFETY

GWA continues to focus on providing a safe workplace for employees, contractors, visitors and customers, while driving a positive safety culture and actively reducing and mitigating risk.

In FY17, GWA introduced a Safety Interaction Program to develop and drive safety behaviour engagement between employees and business 'safety' leaders. The intent is to acknowledge and celebrate 'safe' behaviour, while addressing 'at-risk' behaviour.

We measure a range of safety performance indicators. 'Lead' indicators such as the number of safety interactions conducted, hazards reported and actions closed were measured in FY17. GWA also measures key 'lag' indicators which measure lost time and medically treated injuries, hours lost due to injury and total injuries which represents a combination of lost time and medically treated injuries.

Our safety performance in respect of lag indicators in FY17 was below our expectation and the Group did not achieve its key lag indicator targets. Actions are being implemented to address this issue and the Board and management remain focused on initiatives to improve the Group's safety performance and culture with the aim of an injury-free workplace.

CARBON EMISSIONS

The Board is committed to reducing energy, carbon emissions, water and waste across the GWA Group operations. GWA has deregistered from reporting the Group's carbon emissions under the Federal Government's National Greenhouse and Energy Reporting (NGER) scheme as its energy and emissions are below the reporting thresholds from FY15. GWA is a low emissions intensity entity and continues to report its carbon emissions on the GWA website www.gwagroup.com.au under Carbon Reporting.

For FY17 total carbon emissions from GWA's controlled facilities are expected to be approximately 7,300 tonnes CO_2e, representing a 15 per cent reduction on the prior year. This reduction is due to a combination of factors including the closure of the Norwood plastics factory and the implementation of energy efficiency measures across the group.

CONCLUSION

GWA delivered improved financial performance in FY17 while continuing to build a stronger business for the future.

On behalf of the Board, I acknowledge and thank Tim Salt, his executive team and our people across GWA for their contribution over the past year in delivering this result.

GWA remains in a strong financial position and we have a clear strategy and focus to build our platform further to maximise returns to shareholders.



MANAGING DIRECTOR'S REVIEW OF OPERATIONS

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I am pleased to report that GWA delivered a solid financial result for the year ended 30 June 2017. We continued to make significant progress on our strategy to build a stronger platform for future growth across our business.

During the year, we maintained our focus on building profitable market share in the core segments of Renovations and Replacements, Commercial and Detached Housing which has assisted GWA in achieving continued growth at both the top line and bottom line and also margin improvement.

Meanwhile, we continued to progress our strategic priorities. Our strategy is focused on improving engagement with our major customers, leveraging our strong brands and assets to drive revenue and market share growth and simplifying our business by continuing to address our cost base and improving our supply chain.

As a result, GWA has strengthened its competitive position over the past year. While we still have considerable work to do to deliver our strategic goals, I am pleased with the progress we're continuing to make in creating a stronger platform to deliver growth through the market cycle.

MARKET CONDITIONS[1]

In total GWA estimates that the increase in market activity weighted across its end markets was approximately 1.3 per cent for the year ended 30 June 2017.

- Market activity for home **Renovations and Replacements**, (approximately 52% of GWA revenue) is forecast to have decreased by 0.2 per cent (MAT).
- **Detached House** completions (representing approximately 22 per cent of GWA revenue) decreased by 5.9 per cent.
- **Medium and high-density** dwelling completions (approximately 11 per cent of GWA revenue) increased by 29.3 per cent.
- On a value of work done basis, **Commercial** building activity (approximately 15% of GWA revenue) is forecast to have declined by 2.8 per cent (MAT).

GROUP RESULTS OVERVIEW[2]

A$ million	FY16	FY17	% change
Sales Revenue	439.7	446.3	+2%
EBITDA	84.3	86.2	+2%
EBIT	**78.3**	**80.6**	**+3%**
EBIT margin (%)	17.8%	18.1%	+0.3ppts
NPAT	**51.9**	**53.7**	**+3%**

GWA's revenue continues to grow ahead of the market. Group net sales increased by 2 per cent to $446.3 million, reflecting an improvement in Bathrooms & Kitchens' sales of 3 per cent; partially offset by a 2 per cent decline in sales from Door & Access Systems compared to the prior year.

Group EBITDA increased by 2 per cent to $86.2 million while Group EBIT improved by 3 per cent to $80.6 million. Group EBIT in the second half of FY17 increased by 5 per cent compared to the first half, in line with market guidance provided at the half year result in February 2017.

Continued focus on cost containment and margin led to a further reduction in corporate costs of 2 per cent which assisted in improved earnings and also an increase in Group EBIT margin to 18.1 per cent from 17.8 per cent in the prior year.

Further information on division earnings is provided on the following page.

Net profit after tax increased by 3 per cent to $53.7 million, reflecting the increase in EBIT together with lower interest expense compared to the prior year due to lower average borrowings and lower interest rates in FY17.

The effective tax rate for the year was 28.7 per cent compared to the prior year's rate of 27.6 per cent.

GWA's earnings per share of 20.3 cents improved by 7 per cent on the prior year from increased profitability and the reduced weighted average number of shares on issue in FY17 following the completion of the accretive on-market share buyback program on 20 June 2016.

GWA continues to generate strong cashflow with cashflow from operations of $88.8 million in FY17 compared to $91.7 million in the prior year. Cash conversion remains strong with operating cashflow 103 per cent of EBITDA.

Cash restructuring costs of $11.5 million relate primarily to the closure of the Norwood factory. As disclosed previously, these costs were provided for in previous accounts and the cash outflow did not impact GWA's net profit in FY17.

1 Source: BIS Shrapnel, GWA estimates (B&K FY17)

2 Unless specified, all amounts and comparisons are based on results for Continuing Operations which exclude the Gliderol Garage Doors business which was divested on 31 July 2015

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Capital expenditure of $4.9 million was $1.4 million higher than the prior year and included investments in new products, tooling and information technology.

GWA continues its focus on generating strong returns on capital employed in the business with Return on Funds Employed up 0.9 percentage points on the prior year to 20.2 per cent.

FINANCIAL POSITION AND CAPITAL MANAGEMENT

GWA remains in a solid financial position with financial flexibility to support strategic growth initiatives and manage through the market cycle.

Net debt at 30 June 2017 was $79.8 million compared to $88.4 million in the prior year.

GWA's credit metrics remain consistent with investment grade with the company's gearing ratio (net debt/net debt plus equity) of 20 per cent compared to 22 per cent at 30 June 2016 and leverage ratio (net debt/EBITDA) of 0.9 times compared to 1.1 times for the prior year.

Meanwhile, GWA's strong financial position continues to be reflected in the improved interest cover ratio (EBITDA/net interest) which at 30 June 2017 was 17.1 times compared to 14.3 times last year.

GWA maintains significant headroom within its three-year revolving $225 million facility which matures in October 2019, providing ongoing financial flexibility.

DIVIDEND

The Board resolved to pay a final dividend of 9 cents per share fully-franked, bringing the full-year dividend to 16.5 cents per share fully-franked compared with 15 cents for the full-year FY16[3] – a 10 per cent increase on the prior year. This represents a full-year FY17 dividend payout ratio of 81 per cent which is in line with the company's dividend policy to pay out as ordinary dividends 65-85 per cent of net profit after tax.

The record date for entitlement to receive the final dividend will be 25 August 2017 with the dividend being paid on 5 September 2017. The Dividend Reinvestment Plan will not be offered to shareholders for the final ordinary dividend.

DIVISION RESULTS

BATHROOMS & KITCHENS

The Bathrooms & Kitchens' division continued to deliver growth at both the top line and bottom line, from increased market share in core segments, together with an improvement in margin from a focus on profitable product mix and continued cost control.

A$ million	FY16	FY17	% change
Sales Revenue	342.0	350.4	+3%
EBIT	84.6	87.6	+4%
EBIT Margin	24.7%	25.0%	+0.3ppts
Return on Funds Employed (ROFE)	24.1%	25.2%	+1.1ppts

Revenue in the Bathrooms & Kitchens division increased by 3 per cent. Net sales continue to grow ahead of the market as GWA continues to build profitable market share in its core focus segments of Renovations and Replacements, Commercial and Detached Housing. Revenue growth also reflected improved product mix and pricing.

Sales growth in the second half was impacted by the timing of public holidays in April and fewer trading days compared to the prior corresponding period.

Revenue growth was strong across the eastern states with net sales in NSW up 11 per cent, Victoria up 5 per cent and QLD up 3 per cent. While construction markets in WA continued to remain weak, the rate of decline in sales from WA in FY17 slowed from the previous year.

Sales of sanitaryware increased by 6 per cent on the prior year, assisted by the launch of the new Caroma Cleanflush range of rimless toilets where market response has been very positive. GWA has recorded strong sales of Cleanflush since launch and built market share through launching and extending new products in tapware, showers, basins and toilets in FY17.

GWA continues to focus on selling higher value products, particularly in the Renovations and Replacements and Commercial segments which resulted in improved mix compared to the prior year.

The Caroma brand continues to resonate positively in the market with net sales from the Caroma brand increasing strongly on the prior year.

Cost savings across the division also assisted to recover the impact of higher product costs resulting from the impact of the lower Australian dollar compared to the prior year.

The average A$/US$ exchange rate for FY17 was 3 per cent lower than the prior year.

EBIT of $87.6 million was 4 per cent higher than the prior year's earnings of $84.6 million.

Ongoing cost discipline and focus on higher margin product categories resulted in an increase in EBIT margin of 0.3 percentage points to 25.0 per cent compared to 24.7 per cent for FY16.

Meanwhile, Return on Funds Employed of 25.2 per cent was 1.1 percentage points higher than the prior year.

DOOR & ACCESS SYSTEMS

Earnings in Door & Access Systems improved 52 per cent on the first half following the implementation of initiatives to refocus the business to address short-term performance and strengthen for the medium term. However, ongoing weak construction markets in WA, where GWA has a strong relative market position, impacted earnings with full-year EBIT 14 per cent lower than the prior year.

A$ million	FY16	FY17	% change
Sales Revenue	97.7	95.9	(2%)
EBIT	7.3	6.3	(14%)
EBIT Margin	7.5%	6.6%	(0.9ppts)
Return on Funds Employed (ROFE)	13.7%	12.3%	(1.4ppts)

Revenue in Door & Access Systems declined by 2 per cent to $95.9 million. Sales were generally stronger in the eastern states, with Victoria and QLD up 2 per cent and NSW in line with the prior year. However, the weak construction markets in Western Australia, where GWA has a strong relative market position, resulted in revenue from WA declining by 27 per cent.

EBIT of $6.3 million was 14 per cent lower than the prior year's earnings of $7.3 million. However, earnings in the second half of $3.8 million were significantly ahead of the first half of $2.5 million following initiatives implemented to address short term performance and strengthen and refocus the business for the medium term.

3 Excluding the FY16 fully-franked special dividend of 1 cent per share paid in September 2016.

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These include refocusing the sales team to better target the core builder segment, a simplified structure to improve customer service and rationalisation of the API branch network in Victoria.

Return on Funds Employed of 12.3 per cent was 1.4 percentage points lower than the prior year of 13.7 per cent with 2H17 ahead of 1H17.

STRATEGY

Over the course of FY17, GWA continued to make significant progress on its key strategic objectives:

- Leverage and build on core assets and brands to drive revenue and market share growth;
- Add value to customers through improved insights, analytics and processes;
- Build a "fit for future" culture, engagement and capability;
- Build an advantaged supply chain to deliver superior new product development, quality and service at best cost; and
- Drive cost out in SG&A and supply chain to improve profitability and allow selective reinvestment.

As a result, the group continues to build a stronger platform to compete more effectively through the cycle to maximise value creation for shareholders.

Leverage and build on core assets and brands to drive revenue and market share growth

GWA remains focused on building profitable market share in the core categories of Renovations & Replacements, Commercial and Detached Housing which are accretive to earnings, while competing selectively in the Multi-Residential segment. We continued to build market share in FY17 through initiatives such as an expansion of the Caroma Cleanflush range, having recently launched two further variants of Cleanflush for the Commercial segment.

Our new product development pipeline continues to strengthen with new products launching this year with a specific focus on the Renovations & Replacements and Commercial segments. During FY18, GWA will also open two new concept centres in Adelaide and Sydney, supported by further investment in our core brands as part of our strategy to further enhance the profile of our portfolio of market leading brands.

Add value to customers through improved insights, analytics and processes

GWA continues to build engagement with key customers and has commenced joint business planning with major merchants to agree mutual targets and growth agendas.

We have specific plans in place with each major customer in relation to product ranging and also increased visibility and presence in our customers' showrooms. We are also continuing to work collaboratively on building a deeper understanding of our customers' business and their shoppers/customers to better support their growth.

Build a "fit for future" culture, engagement and capability

Our focus continues on our internal capability to drive greater accountability and agility across the organisation. A critical component of this strategic priority is to ensure all our people understand GWA's purpose of "making life better" and demonstrate the values and behaviours to drive our business. To further our ambitions we have embarked on leadership development initiatives for the top 60 leaders in the business. In addition we have rolled out functional capability training in both Marketing and Sales.

Build an advantaged supply chain to deliver superior new product development, quality and service at best cost

GWA continues to strengthen its supply network. We continue to progress the integrated business planning initiative to better align demand and supply to improve customer service.

The new international sea freight partnership is delivering improvements in container yield and we have established our first consolidation centre in Asia to further reduce freight costs and enable cross category shipping of our product direct to capital cities across Australia.

Drive cost out in SG&A and supply chain to improve profitability and allow selective reinvestment

GWA is currently tracking ahead of its target to achieve $13-15 million in cost savings progressively by FY19 through a combination of SG&A and supply chain efficiencies. These savings are being used to reinvest in growth initiatives as well as providing margin resilience and to offset cost inflation through the market cycle.

In summary, GWA has made substantial progress over the past year. While we still have a lot of work to do, I remain confident that we are continuing to create a strong foundation to achieve our strategic goals and maximise value creation for shareholders over the medium term.

PROSPECTS AND RISKS

GWA expects the Renovation and Replacements segment, the largest segment accounting for just over half of GWA's revenue, to remain relatively stable in FY18.

Residential construction activity is expected to slow, however the pipeline of building work yet to be completed remains reasonably strong, supporting continued demand for GWA's brands into FY18.

GWA's forward order book remains solid with several major Commercial projects secured, primarily across the eastern states.

GWA monitors foreign exchange rates closely and adopts appropriate mitigation strategies as appropriate. Approximately 79 per cent of foreign exchange exposure is hedged for FY18.

The company continues to pursue initiatives to improve revenue and market share across its core product categories and segments through the launch of new products and services, working collaboratively with key customers and engaging with end consumers as part of our brand "pull" strategy.

In the meantime, we remain focused on continuing to address the company's cost base through SG&A and supply chain savings.

The company's financial position remains robust with the ability to generate strong operating cashflow across the business.

The risks to this outlook include:

- a significant deterioration in the Renovations and Replacements market and dwelling completions activity impacting sales growth and margins;
- a significant movement in the Australian dollar impacting the price of imported products leading to changes in market pricing in order to maintain margins and competitiveness; and
- unforeseen disruptions impacting product supply from offshore suppliers leading to reputational damage, lower sales and loss of market share.

GWA expects to provide a further update at the company's Annual General Meeting on 27 October 2017.

HEALTH & SAFETY



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GWA continues to ensure that it provides a safe workplace for employees, contractors, visitors and customers, whilst driving a positive safety culture and actively reducing and mitigating risk.

GWA's objective remains to ensure everyone is safe... every day. GWA is committed to "Caring for Each Other", as central to the newly developed Cultural Pillars.

The GWA management structure for Workplace Health and Safety (WHS) follows a central-led approach with a National WHS Manager and Regional Safety Specialists (Northern and Southern). The National WHS Manager addresses the Board and Executive Leadership Team (ELT) on a regular basis to discuss all matters relating to WHS. This provides an opportunity for updates, scope discussions and to monitor progress of the WHS strategy and performance.

The ELT members each continue to sponsor key risk areas aligned with our business risk profile. These include Chain of Responsibility, Health and Wellbeing, Environmental and Waste.

As a new safety initiative for FY17, GWA introduced a Safety Interactions Program which is a program to develop and drive safety behaviour engagement between employees and business 'safety' leaders. The intent is to acknowledge and celebrate safe demonstrated behaviour, whilst engaging and addressing at-risk behaviour.

A Due Diligence and Awareness training program was introduced in FY17 which was delivered at the inaugural Senior Leadership Team Summit by the National Safety Manager in September 2016. This program provided the GWA business 'safety' leaders with the tools and knowledge needed to drive the safety focus throughout the business.

In FY17 GWA rolled out the new Move 4 Life manual handling program into the Supply Chain Division. Included in the plan for FY18 is a tailored program for the remainder of the business. To accompany this initiative, and similar to the Safety Interactions initiative, GWA has introduced Move Interactions to address physical and movement behaviour. Daily routines have been introduced at most sites called the '60 Seconds Investment' to prevent workplace injuries.

In FY18 GWA will continue to drive its WHS strategy with commencement of initiatives such as Environmental and Waste Management with zero waste being the aim. Also within the next 12 months a new Distribution Centre will be established in Sydney and two new Concept Centres in Sydney and Adelaide, which the Safety Team are centrally involved with planning and execution. Driver Safety is another item on the safety agenda to improve risk management in this space.

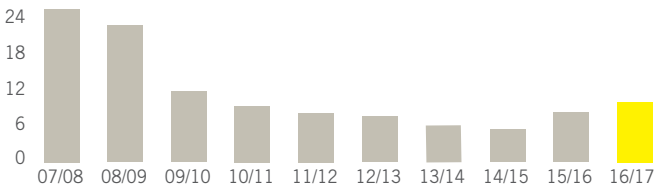
GWA recently re-launched the SafetyOne online site to enhance the internal experience including simpler navigation, ease of reporting and recording and ensuring the information required is easily accessible. For FY18 the new online Safety reporting system, Myosh, will be implemented. This is set to change the way in which we report and record safety events, hazards, create and complete actions, manage visitors and contractors, training and other important features.

SAFETY PERFORMANCE INDICATORS

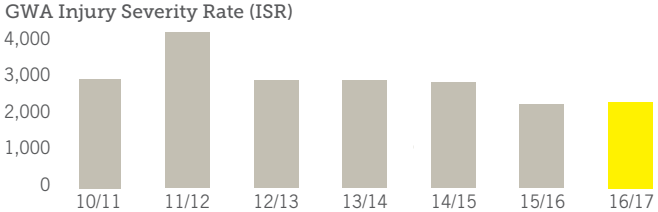
GWA measures a range of balanced safety performance indicators. Proactive 'LEAD' indicators such as number of Safety Interactions conducted, hazards reported and actions closed were measured in FY17. GWA also measures key 'LAG' indicators that measure lost time and medically treated injuries, hours lost due to injury and total injuries which represents a combination of lost time and medically treated injuries.

In FY17 GWA did not achieve its key LAG indicator targets, with a final Total Injuries (TI) result of 14 against a target of 9. This comprised of 7 Lost Time Injuries (LTI) and 7 Medically Treated Injuries (MTI) against targets of 5 LTIs and 4 MTIs respectively. Despite not achieving the TI LAG target for FY17, substantial progress was made to improve the Group's safety culture with a number of safety initiatives implemented, and ownership and accountability for safety existing at all levels in the business. The Board and management remain focussed on initiatives to improve the Group's safety performance and culture with the aim of an injury free workplace.

GWA Total Injury Frequency Rate (TIFR)



GWA Injury Severity Rate (ISR)





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SEGMENT PERFORMANCE

Continuing Operations A$M	FY16	FY17	% Change
Revenue	342.0	350.4	2.5%
EBITDA	86.6	89.4	3.2%
EBIT	84.6	87.6	3.5%
EBIT Margin %	24.7%	25.0%	0.3pp
Return on Funds Employed %	24.1%	25.2%	1.1pp

BUSINESS DESCRIPTION

GWA Bathrooms and Kitchens is Australia's foremost designer, importer and distributor of iconic brands and products, servicing and enhancing residential and commercial bathrooms and kitchens across Australia and New Zealand. With a strong Australian heritage and a commitment to local design and engineering, GWA Bathrooms & Kitchens is at the forefront of delivering brilliantly designed and innovative market leading solutions to meet our customer needs. GWA Bathrooms & Kitchens is at the forefront of product innovation incorporating water saving technology and is the market leader in water efficient sanitaryware, showers and tapware.

MAIN PRODUCTS AND SERVICES

- Vitreous china toilet suites, plastic cisterns, seats, urinals and basins
- Acrylic, pressed steel and solid surface baths
- Tapware, showers, accessories and thermostatic mixing valves
- Stainless steel sinks and laundry tubs
- Solutions for aged care and commercial applications

MAJOR BRANDS

Owned: Caroma, Clark, Dorf, Fowler, Stylus

Distributed: Schell, EMCO, Virtu, Sanitron

OPERATING LOCATIONS

Australia, New Zealand, export markets

MAJOR MARKETS

- Renovation and replacement
- New residential builds
- New and refurbished commercial projects
- New multi residential developments

STRATEGIC DIRECTION

With innovation at its core, GWA Bathrooms & Kitchens will drive category leadership by providing market leading solutions that create long term value for customers across the commercial, residential, renovation and replacement segments. GWA Bathroom & Kitchens will continue to invest in its strong portfolio of brands and deliver innovative and high quality products incorporating advanced water saving technology, supported by an outstanding level of service to enhance the experience of our customers. GWA Bathrooms & Kitchens are committed to continuous process improvement in its Australian supply chain operations.

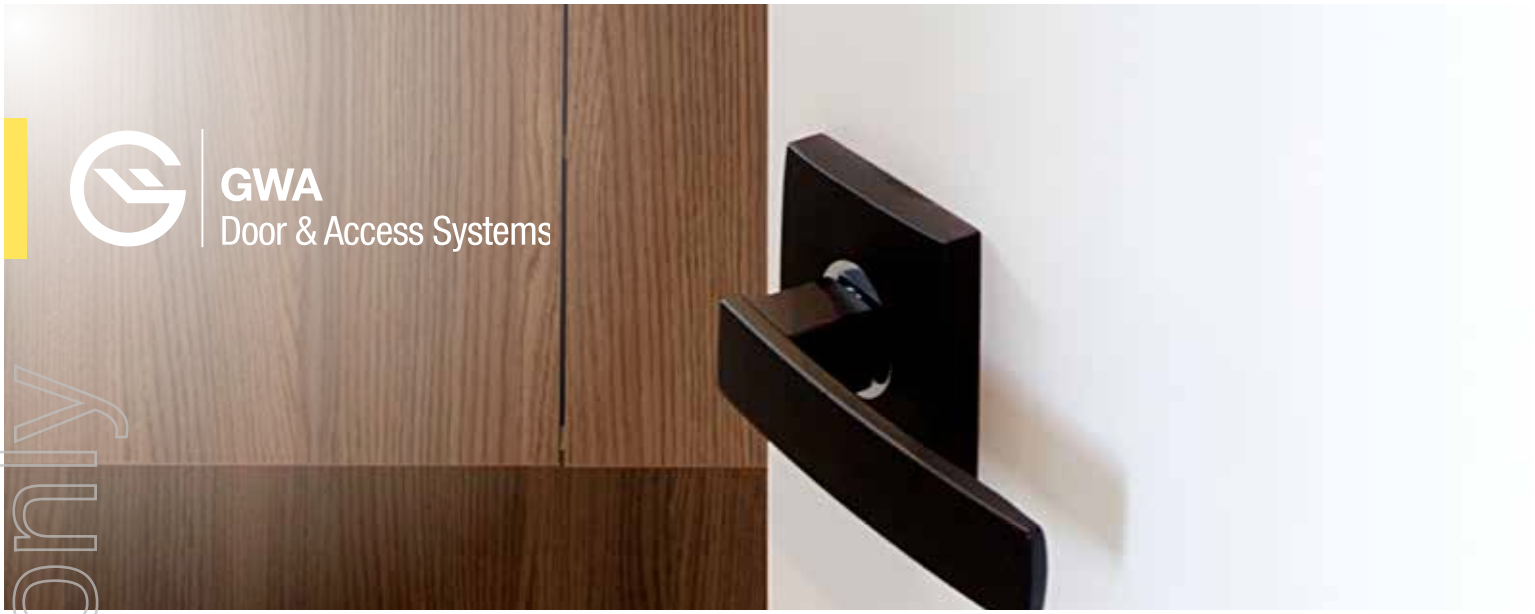
HEAD OFFICE LOCATION

GWA BATHROOMS & KITCHENS

Caroma Industries Limited
Level 1, 7-9 Irvine Place
Bella Vista NSW 2153
AUSTRALIA

Telephone 61 2 8825 4400
Facsimile 61 2 8825 4567

www.caroma.com.au
www.caroma.co.nz
specify.caroma.com.au
www.dorf.com.au
www.stylus.com.au
www.clark.com.au
www.fowler.com.au



GWA Door & Access Systems

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SEGMENT PERFORMANCE

Continuing Operations A$M	FY16	FY17	% Change
Revenue	97.7	95.9	(1.8%)
EBITDA	8.7	7.7	(11.5%)
EBIT	7.3	6.3	(13.7%)
EBIT Margin %	7.5%	6.6%	(0.9pp)
Return on Funds Employed %	13.7%	12.3%	(1.4pp)

BUSINESS DESCRIPTION

GWA Door & Access Systems is a leading Australian designer, manufacturer, importer and distributor of a comprehensive range of access and security systems and door hardware for use in residential and commercial premises. The division comprises two business units including the following:

- Gainsborough Hardware has achieved a superlative position in the Australian market for more than 40 years, supplying first class door furniture and developing a succession of innovative products. Gainsborough Hardware is a leading Australian designer, manufacturer, importer and distributor of a comprehensive range of residential and commercial door hardware and fittings, including security products and electronic access solutions
- API has long been Australia's pre-eminent national locksmith providing installation and service of electronic and mechanical locking systems to major corporations, governments, educational and infrastructure facilities. They have recently made significant inroads in the architectural hardware supply segment focusing on multi residential and commercial developments and in the electronic home services segments

MAIN PRODUCTS AND SERVICES

- A comprehensive range of door hardware and access systems comprising door handles (knobs and levers), door closers, hinges and other door accessories
- Commercial locksmithing services for security systems and safes
- Supply and installation of electronic access control systems and associated products including CCTV, alarms and intercoms

MAJOR BRANDS

Owned: Gainsborough, Trilock, TradePro, Austral Lock, API Locksmiths

Distributed: Salto, Lorient, Eco Schulte

OPERATING LOCATIONS

Australia, export markets

MAJOR MARKETS

- Residential new home builders
- Renovation and replacement
- Commercial and multi-residential developments
- Commercial locksmithing services

STRATEGIC DIRECTION

GWA Door & Access Systems' strategic direction encompasses the development of new and innovative door hardware and access system solutions to suit residential buildings and commercial projects. GWA Door & Access Systems will continue to focus on its key customer relationships through the supply of market leading product innovation and design, and high levels of customer service. Its key strategic growth drivers include specific innovation in electronic access products for the residential and commercial markets as well as a continued push into project opportunities in commercial building and multi-residential developments.

HEAD OFFICE LOCATIONS

GWA DOOR & ACCESS SYSTEMS

Gainsborough Hardware Industries Limited

31-33 Alfred Street
Blackburn VIC 3130
AUSTRALIA

Telephone 61 3 9877 1555
Facsimile 61 3 9894 1599

www.gainsboroughhardware.com.au
www.ausloc.com

API Services and Solutions Pty Limited

248 Normanby Road
South Melbourne VIC 3205
AUSTRALIA

Telephone 131KEY(539)
Facsimile 61 3 9644 5882

www.apisec.com.au



BOARD OF DIRECTORS

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DARRYL McDONOUGH BBUS (ACTY), LLB (HONS), SJD, FCPA, FAICD

INDEPENDENT CHAIRMAN AND NON-EXECUTIVE DIRECTOR

- Expertise: Experienced public company director and corporate lawyer
- Special Responsibilities: Chairman of Board and member of Nomination and Remuneration and Audit and Risk Committees

Mr McDonough was appointed Deputy Chairman and Non-Executive Director of GWA Group Limited in 2009 and Chairman effective 31 October 2013. He has over 30 years of corporate experience as a director and corporate lawyer. He has served as a director of a number of public companies in the past, including Bank of Queensland Limited and Super Retail Group Limited, is currently Chairman of unlisted QInsure Limited and independent chair of WICET companies being Wiggins Island Coal Export Terminal Pty Ltd and WICET Holdings Pty Ltd. He is a Past-President of The Australian Institute of Company Directors, Queensland Division.

JOHN MULCAHY PHD (CIVIL ENGINEERING), FIE AUST

INDEPENDENT DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

- Expertise: Engineer, banker and experienced public company director
- Special Responsibilities: Deputy Chairman of Board and Chairman of Nomination and Remuneration Committee

Mr Mulcahy was appointed a Non-Executive Director of GWA Group Limited in 2010 and Deputy Chairman effective 1 November 2013. He is a Fellow of the Institute of Engineers and is Chairman of Mirvac Group Limited and a Non-Executive Director of ALS Limited, Zurich Australian Insurance Limited and Zurich Financial Services Australia Limited. He is the former Managing Director and Chief Executive Officer of Suncorp Group Limited ("Suncorp"). Prior to joining Suncorp, he held a number of senior executive roles at the Commonwealth Bank and Lend Lease Corporation.

During the past three years, Mr Mulcahy has served as a director of the following other listed companies, and the period in which the directorships have been held:

- Mirvac Group Limited since 2009*
- ALS Limited since 2012*
- Coffey International Limited 2009 to 2016

*denotes current directorship

BILL BARTLETT FCA, CPA, FCMA, CA (SA), FAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Expertise: Chartered Accountant, actuarial, insurance and financial services
- Special Responsibilities: Chairman of Audit and Risk Committee and member of Nomination and Remuneration Committee

Mr Bartlett was appointed a Non-Executive Director of GWA Group Limited in 2007 and Chairman of the Audit and Risk Committee in October 2009. He is a Fellow of the Institute of Chartered Accountants and was a partner at Ernst & Young in Australia for 23 years, retiring on 30 June 2003. He is Chairman of the Cerebral Palsy Council of Governors and a former director and honorary treasurer of the Bradman Museum and Foundation.

During the past three years, Mr Bartlett has served as a director of the following other listed companies, and the period in which the directorships have been held:

- Suncorp Group Limited since 2003*
- Reinsurance Group of America Inc (NYSE) since 2004*
- Abacus Property Group since 2007*

*denotes current directorship

PETER BIRTLES BSC, ACA

INDEPENDENT NON-EXECUTIVE DIRECTOR

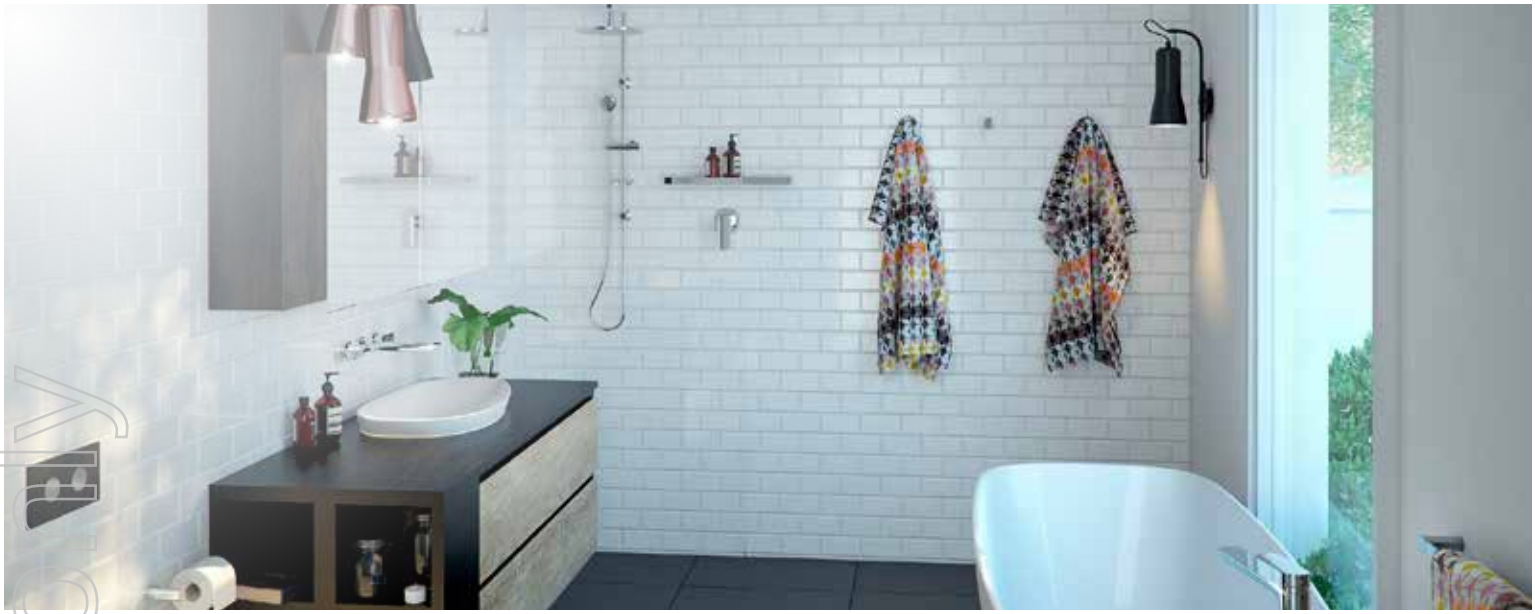
- Expertise: Chartered Accountant, retail, financial and operational
- Special Responsibilities: Member of Audit and Risk Committee

Mr Birtles was appointed a Non-Executive Director of GWA Group Limited in November 2010. He is a Chartered Accountant and is the current Managing Director and Chief Executive Officer of Super Retail Group Limited ("Super Retail"). He was formerly the Chief Financial Officer of Super Retail. Prior to joining Super Retail, he held a variety of finance, operational and information technology roles with The Boots Company in the United Kingdom and Australia and worked for Coopers & Lybrand.

During the past three years, Mr Birtles has served as a director of the following other listed company, and the period in which the directorship has been held:

- Super Retail Group Limited since 2006*

*denotes current directorship



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TIM SALT BSC

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

- Expertise: Extensive global experience in managing market leading branded portfolios

Mr Salt was appointed Managing Director and Chief Executive Officer of GWA Group Limited on 1 July 2016. He was appointed Executive General Manager of GWA Bathrooms & Kitchens in September 2015 and Chief Executive Officer of GWA Group Limited on 1 January 2016.

Originally from the UK, Mr Salt was appointed Managing Director at Diageo Australasia in July 2008. As Managing Director for Diageo Australasia, he was responsible for all aspects of Diageo's business in Australia, New Zealand and the South Pacific Islands, including product supply, marketing, sales, innovation and company reputation.

After commencing at Unilever, Mr Salt spent much of his career in beverage companies including Tetley Tea in the UK, Pepsi in Australia and USA, and brewer Lion Nathan in Australia. In March 2004 he joined Campbell Arnott's and was General Manager Arnott's Australasia prior to his move to Diageo in 2008.

RICHARD THORNTON CA, BCOM, LLB (HONS), LLM

EXECUTIVE DIRECTOR AND COMPANY SECRETARY

- Expertise: Chartered Accountant, taxation and finance

Mr Thornton was appointed an Executive Director of GWA Group Limited in May 2009. He joined GWA Group Limited in 2002 as Group Taxation Manager and Treasurer and was appointed Company Secretary in 2003. He is a Chartered Accountant and is experienced in accounting, taxation and finance through positions at Coopers & Lybrand, Citibank and Ernst & Young in Australia and overseas. Mr Thornton continued in his role as Company Secretary following his appointment as an Executive Director in 2009. He is a Non-Executive Director of Great Western Corporation Pty Ltd.

JANE McKELLAR BA, MA (HONS), GAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms McKellar was appointed a Non-Executive Director of GWA Group Limited on 28 October 2016. She is an experienced Non-Executive Director in both public and private companies in Australia and the USA, with key contributions in customer-focused business transformation, harnessing digital technology, and brand and marketing strategies to enhance business performance. Her executive experience includes senior roles with Unilever, NineMSN, Microsoft, Elizabeth Arden and Stila Corp. She is presently a Non-Executive Director at ASX listed McPherson's Limited and Automotive Holdings Group Limited, and is also on the Board of Terry White Chemmart.

During the past three years, Ms McKellar has served as a director of the following other listed companies, and the period in which the directorships have been held:

- Automotive Holdings Group Limited since 2015*
- McPherson's Limited since 2015*

*denotes current directorship

STEPHEN GODDARD BSC (HONS), MSC

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Goddard was appointed a Non-Executive Director of GWA Group Limited on 28 October 2016. He has more than 30 years' retail experience having held senior executive positions with some of Australia's major retailers. His executive experience includes Finance Director and Operations Director for David Jones, founding Managing Director of Officeworks, and various senior management roles with Myer. He is a Non-Executive Director of JB Hi-Fi Limited. Stephen is a former Non-Executive Director and Chairman of the Audit and Risk Committees of Pacific Brands Limited and Surfstitch Group Limited.

During the past three years, Mr Goddard has served as a director of the following other listed companies, and the period in which the directorships have been held:

- JB Hi-Fi Limited since 2016*
- Pacific Brands Limited 2013 to 2016
- Surfstitch Group Limited 2014 to 2016

*denotes current directorship



DIRECTORS' REPORT

AS AT 30 JUNE 2017

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Your directors present their report on the consolidated entity of GWA Group Limited (the Group) and the entities it controlled during FY17.

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

T R Salt, Managing Director and Chief Executive Officer (appointed 1 July 2016)

W J Bartlett, Non-Executive Director

P A Birtles, Non-Executive Director

R J Thornton, Executive Director

J M McKellar, Non-Executive Director (appointed 28 October 2016)

S T Goddard, Non-Executive Director (appointed 28 October 2016)

R M Anderson, Non-Executive Director (retired 28 October 2016)

On 14 July 2016, the Chairman announced the retirement of W J Bartlett from the Board at the 2017 Annual General Meeting on 27 October 2017.

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 FY17, 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	130,000
J F Mulcahy	40,950
T R Salt*	29,760
W J Bartlett	30,207
P A Birtles	13,650
R J Thornton*	100,102
J M McKellar	-
S T Goddard	10,000
Total**	**354,669**

Notes:

* The executive directors, Mr T R Salt and Mr R J Thornton, are holders of Performance Rights under the GWA Group Limited Long Term Incentive Plan. For details of the Performance Rights held, please refer to section 5.2.1 of the Remuneration Report.

** Section 5.3.3 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 359,669 shares (2016: 16,732,241 shares).

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DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of Committees of directors) held during FY17 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	9	9	4	4	3	3
J F Mulcahy	9	9	–	–	3	3
T R Salt	9	9	–	–	–	–
W J Bartlett	9	9	4	3	3	3
P A Birtles	9	9	4	4	–	–
R J Thornton[1]	9	9	–	–	–	–
J M McKellar[2]	5	5	–	–	–	–
S T Goddard[2]	5	5	–	–	–	–
R M Anderson[3]	4	4	–	–	–	–

Notes:

A – Number of meetings held during the time the director held office during the year

B – Number of meetings attended

(1) R J Thornton attends Committee meetings as Company Secretary

(2) J M McKellar and S T Goddard were appointed Non-Executive Directors on 28 October 2016

(3) R M Anderson retired as Non-Executive Director on 28 October 2016

PRINCIPAL ACTIVITIES

The principal activities during the year of the consolidated entity were the research, design, manufacture, 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. 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 the financial year ended 30 June 2017 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 FY17

Dividends	Cents per share	Total Amount $'000	Franked	Date of Payment
Final 2015/16 Ordinary	8.0	21,116	Fully Franked	16 September 2016
Special 2015/16	1.0	2,639	Fully Franked	16 September 2016
Interim 2016/17 Ordinary	7.5	19,796	Fully Franked	7 March 2017

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

DECLARED AFTER END OF FY17

After the balance date the following dividend was approved by the directors. The dividend has not been provided and there are no income tax consequences at 30 June 2017.

Dividend	Cents per share	Total Amount $'000	Franked	Date of Payment
Final 2016/17 Ordinary	9.0	23,755	Fully Franked	5 September 2017

The financial effect of the final dividend has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial reports.

The record date for the final dividend is 25 August 2017 and the dividend payment date is 5 September 2017. The Dividend Reinvestment Plan will not be offered to shareholders for the final dividend.

EVENTS SUBSEQUENT TO REPORTING DATE

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 REGULATION

ENVIRONMENTAL LICENSES

The consolidated entity holds licenses issued by environmental protection and water authorities that specify limits for discharges to the environment, which arise from the operations of entities that it controls. These licenses regulate the management of discharge to air, storm water run-off, removal and transport of waste associated with the manufacturing operations in Australia. Where appropriate, an independent review of the consolidated entity's compliance with license conditions is made by external advisers.

The consolidated entity, in conjunction with external advisers, monitors storage and treatment of hazardous materials within particular operations. Prior to any discharge to sewers, effluent is treated and monitored to ensure strict observance with license conditions. The directors are not aware of any breaches of the consolidated entity's license conditions during FY17.

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 results 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, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor 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 by the auditor 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 FY17.

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 – AUDITED

INTRODUCTION

This report covers the following matters for FY17:

1. Board role in setting remuneration strategy and principles;
2. Relationship between remuneration policy and Group performance;
3. Description of non-executive director remuneration;
4. Description of executive remuneration;
5. Details of director and executive remuneration; and
6. Key terms of employment contracts.

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1. BOARD ROLE IN SETTING REMUNERATION STRATEGY AND PRINCIPLES

The Board reviews, approves and monitors GWA's remuneration strategy. The strategy is designed to provide remuneration that is fair and which is designed to attract and retain management and directors with the experience, knowledge, skills and judgement required for success.

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

The Board delegates some aspects of the review and monitoring process to the Nomination and Remuneration Committee. The Committee's role and responsibilities include:

- Review of Board size and composition;
- Assessment of the necessary and desirable skills and competencies of Board members;
- Review of Board, Managing Director and other executive succession plans;
- Evaluation of the performance and contributions of Board members;
- Recommendations for the appointment and removal of directors;
- Review of the remuneration framework for non-executive directors;
- Review of the Group's executive remuneration and incentive policies and schemes;
- Review of Managing Director and other executives remuneration packages;
- Review of Managing Director and other executives performance objectives;
- Evaluation of Managing Director performance against objectives;
- Review of Managing Director and other executive development plans;
- Review of the Group's recruitment, retention and termination policies and procedures;
- Review of the Group's superannuation arrangements;
- Review of the Group's overall remuneration budget;
- Review of the annual Remuneration Report for inclusion in the Directors' Report;
- Approval of engagement of external remuneration consultants;
- Review of Diversity Policy and assessing progress against measurable objectives; and
- Reporting to the Board on the Committee's role and responsibilities covering all the functions in its charter.

The charter for the Nomination and Remuneration Committee is available on the Company's website at www.gwagroup.com.au under Corporate Governance Policies.

During the reporting period, the Nomination and Remuneration Committee obtained market data from Guerdon Associates for the FY18 executive remuneration review. Guerdon Associates does not provide other services to the Group and is otherwise independent. No remuneration recommendations as defined under Division 1, Part 1.2.98 (1) of the *Corporations Act 2001*, were made by Guerdon Associates.

1.1 MANAGING DIRECTOR SUCCESSION

Mr Tim Salt joined the Group on 7 September 2015 as Executive General Manager of GWA's Bathrooms & Kitchens business and transitioned to the roles of Chief Executive Officer and Managing Director from 1 January 2016 and 1 July 2016 respectively.

The remuneration arrangements for Mr Salt as Chief Executive Officer were determined by the Nomination and Remuneration Committee in FY16 following the provision of market data from Guerdon Associates. Based on the benchmark data, Mr Salt's total remuneration was aligned with the market median in relation to a group of 16 companies of comparable operational scope and size to GWA. The remuneration arrangements for Mr Salt were advised to the market on 27 November 2015 and did not change following the appointment of Mr Salt as Managing Director from 1 July 2016.

The following is a summary of Mr Salt's remuneration package:

- 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 40% of TFR based on Mr Salt meeting Board approved Key Performance Indicator (KPI) objectives, with provision for a maximum 50% of TFR for outperformance against these KPIs.
- Participation in GWA's Long Term Incentive (LTI) Plan:
  - LTI opportunity of 60% of TFR over a three year performance period and subject to achievement of performance hurdles in respect of growth in Return on Funds Employed (ROFE) and Total Shareholder Return (TSR).

For the FY18 executive remuneration review, the benchmark data and analysis provided by Guerdon Associates confirmed that the Managing Director's remuneration remains aligned with peer company CEO remuneration levels and market practice.

1.2 FY17 AND FY18 DIRECTOR AND EXECUTIVE REMUNERATION

As outlined in the 2016 Remuneration Report, the Board determined that the fixed remuneration for the Managing Director and other executives was to be frozen for FY17. This is the second consecutive year that fixed remuneration for the Managing Director and other executives has been frozen. See section 4.2 for further details. This position is reflected in the Remuneration Tables included in the 2017 Remuneration Report. The Board has also determined that the fixed remuneration for the Managing Director and other executives will remain frozen for FY18 with the exception of one executive who received a 4% increase in fixed remuneration.

Following the Board's approval of a 16% reduction in non-executive director remuneration in FY16, non-executive director remuneration remained frozen in FY17. See section 3.1 for further details. This position is reflected in the Remuneration Tables included in the 2017 Remuneration Report. The Board has also determined that non-executive director remuneration will remain frozen for FY18.

1.3 LONG TERM INCENTIVE PLAN – FY18 CHANGES

The Board has approved important changes to the LTI Plan for FY18 which will apply to any grant of Performance Rights to the Managing Director and other executives. The changes relate to the Return on Funds Employed (ROFE) hurdle, which is the second performance measure under the LTI Plan. The performance requirements under the ROFE hurdle have been increased to require a higher level of performance over the three year performance period before vesting will occur and at all vesting thresholds.

The Board has changed the ROFE performance requirements for FY18 after taking into consideration the following:

- the Company's strong ROFE performance in FY16 and FY17 of 19.3% and 20.2% respectively;
- the need to sustain an appropriate level of performance through the market cycle which is forecast to decline over the next 3 years;
- the increasing investment required to support the Group's strategic growth initiatives in marketing, research and development, customer delivery and information technology; and
- shareholder feedback in relation to the ROFE hurdle.

The changes are reflected in the ROFE table in section 4.4.3.1.

There are no changes to the Total Shareholder Return (TSR) hurdle under the LTI Plan.

For the FY18 LTI grant the disposal restriction period for ordinary shares issued under the LTI Plan upon the achievement of performance hurdles will be reduced to seven years from the grant date as the previous disposal restriction period of fifteen years was considered excessive. The reduction in the disposal restriction period will still ensure that executives retain the ordinary shares for a reasonable period.

2. RELATIONSHIP BETWEEN REMUNERATION POLICY AND GROUP PERFORMANCE

Remuneration is linked to performance by:

- Applying challenging financial and non-financial measures to assess performance; and
- Ensuring that these measures focus management on operational and strategic business objectives that create shareholder value.

GWA measures performance on the following key corporate measures:

- Earnings before interest and tax (EBIT);
- Return on funds employed (ROFE); and
- Total shareholder return (TSR).

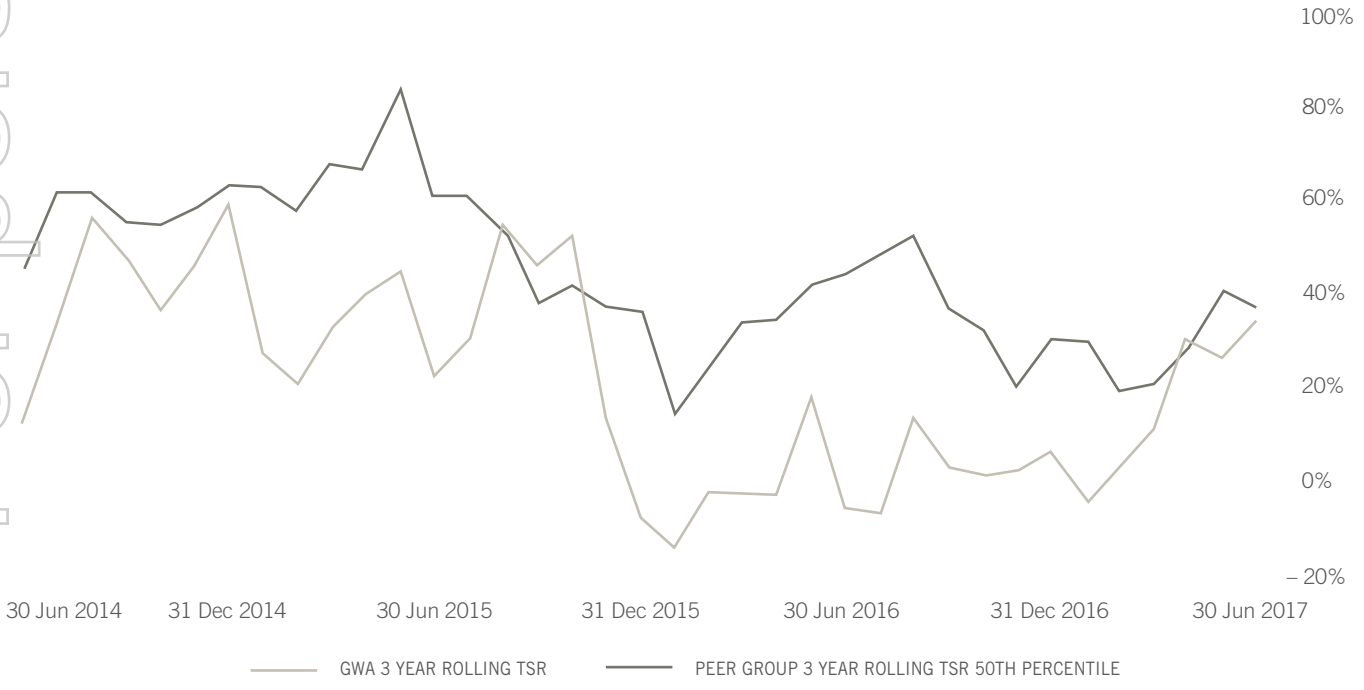
The Board has the discretion to normalise the EBIT and ROFE measures where they are unduly distorted by significant or abnormal events, and in order to ensure that the measures reflect underlying trading performance. Examples include the impact of restructuring costs or other non-recurring expenses to 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. There were no adjustments to normalise the EBIT and ROFE measures for FY17.

Remuneration for all executives varies with performance on these key measures together with achievement of KPI objectives, which underpin delivery of the financial outcomes, and are linked to the consolidated entity's performance review process.

The following graph shows the Group's relative performance over a rolling 3 year period to 30 June 2017 compared to the peer group companies used for the FY17 grant of Performance Rights to executives, being James Hardie Industries PLC, Fletcher Building Ltd, Boral Ltd, Adelaide Brighton Ltd, DuluxGroup 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, Villa World Ltd, Decmil Group Ltd, Simonds Group Ltd, Hills Ltd and Fleetwood Corp Ltd.

3 Year Rolling Total Shareholder Returns (TSR)*



(*) Assuming 36 months in each rolling year

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

Financial Year	Normalised EBIT[a] ($m)	Normalised EPS[a] (cents)	Total DPS (cents)[f]	Capital Return[e] (cents)	Share Price (30 June) ($)	Market Capitalisation (30 June) ($m)
2012/13[d]	66.8	12.9	12.0	–	2.40	735.7
2013/14[c]	64.5	12.4	5.5	–	2.63	806.2
2014/15[b]	72.8	14.8	6.0	22.8	2.28	636.0
2015/16[b]	78.3	19.0	16.0	–	2.09	551.7
2016/17	80.6	20.3	16.5	–	3.15	831.4

Notes:

(a) excludes significant items

(b) excludes the discontinued operations of Gliderol, Dux and Brivis

(c) FY14 performance has been re-presented to exclude the discontinued operations in FY15 and FY16

(d) FY13 performance has not been re-presented and includes the discontinued operations in FY15 and FY16

(e) a capital return of 22.8 cents per share and a special dividend of 6 cents per share from the Brivis and Dux net sale proceeds was paid to shareholders on 15 June 2015

(f) includes ordinary and special dividends

The remuneration and incentive framework focuses executives on sustaining short term operating performance coupled with moderate long term strategic growth.

The Group delivered another improved profit performance in FY17 driven by sales growth in the core Bathrooms & Kitchens business exceeding market growth for the period. This enabled the Board to increase dividend payments to shareholders for FY17 with the dividend pay-out ratio towards the high end of the Group's dividend policy. The improved performance for FY17 was reflected in the higher GWA share price and resulted in higher shareholder returns.

The Group has continued its progress against the strategic objectives in FY17 to enhance the operating performance of the business and to maximise returns to shareholders over time. The progress against the strategic objectives is outlined in the Managing Director's Review of Operations. The successful execution of the Group's strategic objectives were included as performance goals and reflected in the financial performance targets for the executives under the STI Plan for FY17; refer Section 4.3 Short Term Incentive.

The remuneration and incentive framework has allowed the Group to respond to the high levels of dwelling construction activity in FY17. STI payments related to performance improvement and strategy execution has encouraged management to respond quickly and make long term decisions to sustain competitiveness and improve profitability. This has enabled the Group to take advantage of the upswing in market activity over recent years while ensuring that the Group is well placed to maximise returns through the market cycle.

3. 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 non-executive directors maintain their independence.

At the 2004 Annual General Meeting, shareholders approved non-executive director fees up to an annual maximum aggregate amount of $1.095 million including statutory superannuation. The actual fees paid to the non-executive directors are outlined in the Remuneration Tables in section 5.1.

Non-executive director remuneration consists of base fees and statutory superannuation, plus an additional fee for chairing a Board committee. 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.

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.

GWA does not require its non-executive directors to hold GWA shares, however the holding of shares is actively encouraged.

3.1 NON-EXECUTIVE DIRECTOR REMUNERATION CHANGES

The Board approved a reduction in non-executive director remuneration effective from FY16 as follows:

- The Chairman's remuneration was reduced to $280,000 (including statutory superannuation);
- For all other non-executive directors, remuneration was reduced to $120,000 (including statutory superannuation); and
- Committee membership fees are no longer paid apart from a fee of $10,000 for the Chair of a Committee.

The changes brought non-executive director remuneration in line with the peer group median based on the market benchmarking data provided by Guerdon Associates for the FY16 remuneration review.

Following the changes, total non-executive director remuneration for FY16 reduced by 16% from the prior year. Non-executive director remuneration has remained frozen in FY17 as reflected in the Remuneration Tables included in the 2017 Remuneration Report. The Board has also determined that non-executive director remuneration will remain frozen for FY18.

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4. DESCRIPTION OF EXECUTIVE REMUNERATION

4.1 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) which provides rewards for performance over a 1 year period, and a long term incentive (LTI) 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 the executives, including the Managing Director, recognises the short term challenges posed by operating in the cyclical Australian building industry, ability to sustain competitiveness, deliver value and growth in mature markets and maintain operating cash flows for dividends.

4.1.1 Managing Director remuneration structure

The FY17 incentives structure for the Managing Director is provided in the following table:

Managing Director	Maximum STI as % of fixed remuneration	Maximum LTI as % of fixed remuneration (grant date fair value)	Maximum total performance pay as % of fixed remuneration
FY17	50	60	**110**

The FY17 STI components for the Managing Director are provided in the following table:

Managing Director	Financial Targets as maximum % of fixed remuneration	Personal Goals as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY17	30	20	**50**

4.1.2 Other Executives' remuneration structure

The FY17 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
FY17	50	30	**80**

The FY17 STI components for the 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
FY17	30	20	**50**



4.1.3 Actual remuneration received by executives for FY17

The following table sets out the actual value of remuneration received by the executives for FY17, derived from the various components of their remuneration during FY17. This table differs from the more detailed statutory remuneration disclosures in the Remuneration Tables in section 5.1 due to the exclusion of LTI amounts not vested or reversal of accounting expenses associated with LTI grants.

Executives FY17	Fixed Remuneration $[a]	Short Term Incentive $[b]	Long Term Incentive (Earned) $[c]	Termination Benefits $	Total $
T Salt, Managing Director[d]	1,001,247	500,000	–	–	1,501,247
R Thornton, Executive Director	415,060	204,770	56,470	–	676,300
P Gibson, Group Chief Financial Officer	752,453	375,000	–	–	1,127,453
S Mitchell, Group General Manager – Supply Chain	399,808	173,040	–	–	572,848
S Ralphsmith, Executive General Manager – GWA Door & Access Systems	399,999	–	–	–	399,999
C Norwell, General Manager Sales – GWA Bathrooms & Kitchens	399,999	200,000	–	–	599,999
K Veitch, Group General Manager – People, Culture & Communications[e]	208,045	60,000	–	100,000	368,045
Total	**3,576,611**	**1,512,810**	**56,470**	**100,000**	**5,245,891**

(a) Fixed remuneration represents amounts actually paid to the executives during FY17 and includes base salary, non-monetary benefits and superannuation.

(b) Represents the STI payments awarded for FY17 inclusive of deferred amounts. These amounts, exclusive of the deferred amounts, will be paid in FY18.

(c) The performance hurdles for the 2014 LTI grant were tested in FY17 and partially achieved; refer section 5.2.1 Performance Rights. Excludes the value of any unvested LTI grants expensed or reversed during FY17.

(d) Mr Tim Salt was appointed Managing Director effective 1 July 2016. He was previously Executive General Manager of GWA's Bathrooms & Kitchens business from 7 September 2015 and Chief Executive Officer from 1 January 2016. For details of Mr Salt's remuneration arrangements as Managing Director refer to section 1.1.

(e) Ms Kay Veitch ceased employment on 31 December 2016.

4.2 FIXED REMUNERATION

Fixed remuneration is the sum of salary and the direct cost of providing employee benefits, including superannuation, motor vehicles, car parking and fringe benefits tax.

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; and
- 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.

Based on an independent survey by Guerdon Associates for the FY18 executive remuneration review, the fixed remuneration for the executive positions at GWA are close to or above market benchmark median levels for companies of comparable operational scope and size to GWA, having regard to market capitalisation, EBITDA, total assets and revenue. The 15 listed companies included in the survey provided reliable and robust statistical remuneration benchmarking and shared some common attributes with GWA, but few direct competitors and good position matches exist for precise remuneration positioning. The Nomination and Remuneration Committee therefore exercised 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. For FY16 and FY17, the Board froze the fixed remuneration for the Managing Director and other executives. This is reflected in the Remuneration Tables in section 5.1. The Board has also determined that fixed remuneration for the Managing Director and other executives will remain frozen for FY18 with the exception of one executive who received a 4% increase in fixed remuneration.

4.3 SHORT-TERM INCENTIVE (STI)

4.3.1 STI overview

The STI plan provides for an annual payment that varies with performance measured over the Group's financial year to 30 June 2017. The STI is aligned to shareholder interests as executives will only become entitled to the majority of payments if profitability improves (allowing for the building cycle), with maximum incentive payments above the reasonably achievable level linked directly to shareholder wealth creation. As noted in section 4.1, the maximum STI that can be earned is capped to minimise excessive risk taking.

The STI payment is made in cash after finalisation of the annual audited financial statements. As outlined in the Remuneration Tables in section 5.1, 50% of the financial target component of the STI is deferred for the executives that achieved their STI financial targets for FY17. 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 FY18 audited financial statements. If the Board is satisfied the deferred component will be paid to the executives in September 2018 together with interest at market rates. However, if the Board is not satisfied the deferred component will be subject to forfeiture.

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4.3.2 STI performance requirements

4.3.2.1 Financial Performance Targets

For FY17, STI financial performance targets are based on Earnings Before Interest and Tax (EBIT) and Return On Funds Employed (ROFE) targets as determined by the Nomination and Remuneration Committee. 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 a combination of EBIT and ROFE targets are an effective basis for STI targets as they are currently key metrics used in the business. The EBIT and ROFE targets are weighted equally and assessed separately and on an aggregated basis for divisional and corporate executives.

Under the STI framework, a divisional executive may receive an STI payment if divisional financial targets are achieved, although the overall corporate financial targets may not have been achieved, and vice versa. The 'reasonably achievable' and 'stretch' STI financial targets are determined by the Nomination and Remuneration Committee 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 'reasonably achievable' and 'stretch' levels is rewarded on a pro rata basis.

The Board retains the right to vary from policy in exceptional circumstances. However, any variation from policy and the reasons for it will be disclosed.

4.3.2.1.1 FY17 STI Financial Performance Outcomes

For FY17, Bathrooms & Kitchens achieved their EBIT and ROFE STI financial targets at the 'stretch' level reflecting the strong performance of the business and gains in market share during the period. GWA Corporate almost achieved their EBIT and ROFE STI financial targets at the 'stretch' level for FY17, however the Board exercised its discretion to award STI achievement for GWA Corporate executives at the 'stretch' level. This decision was aligned with shareholders interests as the Group's profit performance for FY17 was strong and above market expectations, generated higher returns to shareholders for the period both from the ability to pay higher dividends to shareholders and a significant improvement in GWA's share price.

Door & Access Systems did not achieve their STI financial targets for FY17. Accordingly, no STI payments were awarded to Door & Access Systems executives for FY17.

In accordance with the STI Plan rules, 50% of the STI incentive payment relating to financial targets has been deferred for GWA Corporate and Bathrooms & Kitchens' executives and will be subject to further testing and potential clawback in August 2018 under the STI Plan rules. The full amount of the STI cash bonuses (including the deferred component) is reflected in the Remuneration Tables in section 5.1.

The deferred component of the STI incentive payment for FY16 for GWA Corporate and Bathrooms & Kitchens' executives was tested by the Board in August 2017 to confirm the integrity of the achievement of the STI financial targets in FY16. Following satisfaction with the testing, the Board approved the payment of the deferred component to GWA Corporate and Bathrooms & Kitchens' executives together with interest at market rates.

4.3.2.2 Personal Goals

The personal goals set for each executive includes achievement of key milestones to improve or consolidate the Group or business unit's strategic position; the goals vary with the individual's role, risks and opportunities.

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. Examples may include achieving working capital reductions, sales/margin targets or cost reduction targets. The measurable business improvement goals are outcomes which drive 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, delivering a major project on time and budget, market share and productivity improvements or implementing a change or strategic initiative.

Assessment of the personal goals STI component for FY17 has been determined following a formal performance review process conducted for the executives. The performance reviews for the executives are conducted semi-annually by the Managing Director with the outcomes reviewed and approved by the Nomination and Remuneration Committee. The personal goals of the executives for FY18 were established at the performance reviews.

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 Nomination and Remuneration Committee. An assessment of the Managing Director's key performance goals subject to STI incentive payments for FY17 is provided in section 4.3.2.2.1. GWA Corporate and Bathrooms & Kitchens' executives were awarded STI payments for FY17 based on achievement of personal goals following their performance reviews. However, Door & Access Systems' executives did not achieve the minimum level of financial performance for FY17 to enable the payment of any personal goal STI component. This is reflected in the Remuneration Tables in section 5.1.

The inclusion of personal goals in the remuneration structure ensures that executives can be recognised for good business performance, including periods where troughs in the building industry cycle mean financial performance is consequently weaker. The Group operates in the cyclical building industry so fluctuations in profitability can occur through the cycle which is out of the control of the executives. 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.

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4.3.2.2.1 Managing Director's key performance goals and outcomes

An assessment of the Managing Director's key performance goals and financial targets subject to STI incentive payments for FY17 is provided in the following table.

FY17 Goals	Results	Assessment
Personal Objectives		
Achieve leading safety performance with the aim of an injury free workplace	Performance for FY17 is primarily assessed on 'leading' safety indicators that include proactive measures to improve safety, rather than 'lagging' indicators. Substantial progress was made to improve the Group's safety culture with a number of safety initiatives implemented, despite not achieving the Total Injury 'lag' target for FY17. Ownership and accountability for safety exists at all levels in the business with "Caring For Each Other" central to the newly developed cultural pillars.	●
Progress key FY17 strategic growth objectives and ensure resourced and prioritised	Substantial progress has been made with each of the strategic growth objectives in FY17 as outlined in the Managing Director's Review of Operations. Performance is assessed on the basis of the improvement in the Group's sales and profitability, principally driven by the strong performance of Bathrooms & Kitchens in FY17, which achieved 'stretch' targets, and through successful execution of growth initiatives in target market segments leading to gains in market share. Improvement plans have been implemented in Door & Access Systems during FY17 to lift returns and address the underperformance.	●
Build employee engagement and culture to deliver the strategy	The Group has undergone significant cultural transformation to enable delivery of the strategy. Cultural pillars and social contract have been established outlining the values and behaviours expected of employees in the business and to improve delivery and accountability for performance at all levels. Performance has been assessed via engagement surveys as well as other factors. Employee engagement has risen strongly with improved agility, customer and consumer focus, accountability and collaboration. This has assisted the improvement in Group financial performance during FY17.	●
Develop group growth strategy and formulate plans to deliver	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 extend and defend the core businesses, build emerging businesses and create growth options into the future as part of the transformation of the business in line with the strategy. A strategic planning cycle with management and the Board has been implemented in FY17 to speed up strategy development and execution, with work plans in place for each of the strategic growth initiatives.	●
Financial targets		
STI financial performance targets	For FY17, GWA Corporate and Bathrooms & Kitchens achieved their EBIT and ROFE financial performance targets at the 'stretch' level reflecting the strong trading performance and gains in market share during the period. Door & Access Systems did not achieve their STI financial performance targets for FY17, although the impact on the Group's financial results relative to 'stretch' levels was negligible. This is reflected in the Remuneration Tables in section 5.1.	●

● Fully achieved ● Partially achieved ● Not achieved

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4.4 LONG-TERM INCENTIVE (LTI)

4.4.1 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 working capital improvement 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 (or in limited cases to a cash payment), 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, ordinary shares will be issued to the participants at no cost. 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 Nomination and Remuneration Committee. The basis of the grants of Performance Rights to executives is as follows:

- 50% of the Performance Rights are subject to a Total Shareholder Return (TSR) hurdle (which is a relative performance requirement); and
- 50% of the Performance Rights are subject to a Return On Funds Employed (ROFE) hurdle (which is an absolute performance requirement).

Both TSR and ROFE are key measures on which the Group's strategic plan is focused. Therefore ensuring LTI rewards are contingent on these measures is consistent with the Board approved strategy.

The ROFE performance hurdle is calculated by reference to the Group's audited accounts. Threshold performance is required to be above the Group's Weighted Average Cost of Capital (WACC), which takes into account the minimum return required by investors given the perceived risk of the investment.

For the FY17 LTI grant, a participant may not dispose of the ordinary shares issued under the LTI until the fifteenth anniversary of the grant date and the shares are subject to a holding lock upon issue. This was to ensure that executives retain a suitable shareholding in the Group. There are limited circumstances where a participant may dispose of the shares before the end of the fifteen year period, including cessation of employment with the Group or where the Board grants approval. 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 executives Group shareholdings as a multiple of fixed remuneration, and such other factors as it considers relevant to the application.

In accordance with the rules of the LTI Plan, 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 in 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 FY17 LTI grant, the proportion of Performance Rights that can vest will be calculated and the shares will vest in August 2019 subject to achieving the performance hurdles. If the performance hurdles are not met the Performance Rights are cancelled.

All unvested rights will be forfeited if the Board determines that an executive has committed an act of fraud, defalcation or gross misconduct or in other circumstances specified by the Board.

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 2017 was 1,823,500 which represents 0.7% of the Group's total issued shares.

4.4.2 LTI performance requirements

For the FY17 LTI grant, the performance hurdles continue to provide for vesting scales graduated with performance and demanding performance hurdles.

4.4.2.1 TSR Hurdle

The performance hurdles and vesting proportions for the TSR performance measure that applied to the FY17 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%
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)

The group of comparator companies for the TSR hurdle includes 19 domestic ASX listed companies exposed to similar economic, market, and/or financial factors, including:

James Hardie Industries PLC, Fletcher Building Ltd, Boral Ltd, Adelaide Brighton Ltd, DuluxGroup 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, Villa World Ltd, Decmil Group Ltd, Simonds Group Ltd, Hills Ltd, Fleetwood Corp 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.

4.4.2.2 ROFE Hurdle

The performance hurdles and vesting proportions for the ROFE performance measure that applied to the FY17 LTI grant is outlined in the following table:

GWA Group Limited ROFE over three year performance period	Proportion of Performance Rights to Vest if ROFE hurdle is met
ROFE less than 15% per annum	0%
ROFE equal to 15% per annum	12.5%
ROFE between 15% and 18% per annum	Straight line vesting between 12.5% and 50%
ROFE equal to 18% or higher per annum	50% (i.e. 50% of total grant)

The ROFE hurdle is calculated as earnings before interest and tax (EBIT) divided by funds employed. Funds employed is calculated as net assets minus cash plus borrowings.

4.4.3 LTI performance requirements – FY18 changes

As outlined in section 1.3, the Board has approved important changes to the LTI Plan for FY18 which will apply to any grant of Performance Rights to the Managing Director and other executives. The changes relate to the ROFE hurdle which is the second performance measure under the LTI Plan. The performance requirements under the ROFE hurdle have been increased to require a higher level of performance over the three year performance period before vesting will occur and at all vesting thresholds.

The changes are reflected in the ROFE table in section 4.4.3.1. There are no changes to the TSR hurdle.

For the FY18 LTI grant the disposal restriction period for ordinary shares issued under the LTI Plan upon the achievement of performance hurdles will be reduced to seven years from the grant date as the previous disposal restriction period of fifteen years was considered excessive. The reduction in the disposal restriction period will still ensure that executives retain the ordinary shares for a reasonable period.

4.4.3.1 ROFE hurdle – FY18 changes

The performance hurdles and vesting proportions for the ROFE performance measure that will apply to the FY18 LTI grant to the Managing Director and other executives is outlined in the following table:

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

5. DETAILS OF DIRECTOR AND EXECUTIVE REMUNERATION

5.1 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 2017 are provided in the following Remuneration Tables.



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		Short-term			Long-term		Post-employment					
		Salary & Fees $[a]	STI Cash Bonus $[b]	Non-Monetary $[c]	Value of Share-Based Awards $[d]	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 %
Non-Executive Directors[i]												
D McDonough, Chairman	2017	260,423	–	–	–	–	19,615	–	280,038	–	–	–
	2016	254,800	–	–	–	–	25,199	–	279,999	–	–	–
J Mulcahy, Deputy Chairman	2017	117,649	–	–	–	–	12,350	–	129,999	–	–	–
	2016	117,649	–	–	–	–	12,350	–	129,999	–	–	–
W Bartlett, Non-Executive Director	2017	118,149	–	–	–	–	12,350	–	130,499	–	–	–
	2016	117,649	–	–	–	–	12,350	–	129,999	–	–	–
P Birtles, Non-Executive Director	2017	108,600	–	–	–	–	11,400	–	120,000	–	–	–
	2016	108,599	–	–	–	–	11,400	–	119,999	–	–	–
J McKellar, Non-Executive Director (Appointed 28 October 2016)	2017	81,450	–	–	–	–	8,550	–	90,000	–	–	–
	2016	–	–	–	–	–	–	–	–	–	–	–
S Goddard, Non-Executive Director (Appointed 28 October 2016)	2017	70,950	–	–	–	–	19,050	–	90,000	–	–	–
	2016	–	–	–	–	–	–	–	–	–	–	–
R Anderson, Non-Executive Director (Retired 28 October 2016)	2017	37,184	–	–	–	–	3,470	–	40,654	–	–	–
	2016	109,589	–	–	–	–	10,410	–	119,999	–	–	–
Total – Non-Executive Directors	**2017**	**794,405**	**–**	**–**	**–**	**–**	**86,785**	**–**	**881,190**			
	2016	**708,286**	**–**	**–**	**–**	**–**	**71,709**	**–**	**779,995**			
Executive Directors[i]												
T Salt, Managing Director (Appointed 1 July 2016)[e]	2017	976,330	500,000	1,248	257,070	–	35,000	–	1,769,648	42.8	100	–
	2016	1,062,845	100,000	–	135,760	–	16,089	–	1,314,694	17.9	50	50
R Thornton, Executive Director	2017	376,785	204,770	5,521	93,094	6,320	19,615	–	706,105	42.2	100	–
	2016	393,152	81,908	2,014	22,160	6,343	19,307	–	524,884	19.8	40	60
Total – Directors Remuneration	**2017**	**2,147,520**	**704,770**	**6,769**	**350,164**	**6,320**	**141,400**	**–**	**3,356,943**			
	2016	**2,164,283**	**181,908**	**2,014**	**157,920**	**6,343**	**107,105**	**–**	**2,619,573**			
Executives[i]												
P Gibson Group Chief Financial Officer	2017	729,423	375,000	2,454	107,189	–	34,999	–	1,249,065	38.6	100	–
	2016	738,076	150,000	–	61,662	–	34,999	–	984,737	21.5	40	60
S Mitchell, Group General Manager – Supply Chain[f]	2017	356,653	173,040	624	86,608	–	35,000	–	651,925	39.8	84	16
	2016	351,623	80,000	–	61,724	–	30,000	–	523,347	27.1	40	60
S Ralphsmith, Executive General Manager – GWA Door & Access Systems[g]	2017	382,223	–	–	86,608	–	30,000	–	498,831	17.4	–	100
	2016	375,928	16,000	–	61,724	–	38,000	–	491,652	15.8	12	88
C Norwell, General Manager Sales – GWA Bathrooms & Kitchens (Appointed 7 April 2016)	2017	368,461	200,000	–	57,529	–	30,000	–	655,990	39.3	100	–
	2016	92,400	88,235	–	32,645	–	7,500	–	220,779	54.8	100	–
K Veitch, Group General Manager – People, Culture & Communications (Ceased employment 31 December 2016)[h]	2017	185,596	60,000	1,872	30,862	–	17,500	100,000	395,830	23.0	60	40
	2016	349,161	76,000	–	61,724	–	34,000	–	520,886	26.4	38	62
Total – Executives Remuneration	**2017**	**2,022,356**	**808,040**	**4,950**	**368,796**	**–**	**147,499**	**100,000**	**3,451,641**			
	2016	**1,907,189**	**410,235**	**–**	**279,479**	**–**	**144,499**	**–**	**2,741,402**			
Total – Directors and Executives Remuneration[k]	**2017**	**4,169,876**	**1,512,810**	**11,719**	**718,960**	**6,320**	**288,899**	**100,000**	**6,808,584**			
	2016	**4,071,472**	**592,143**	**2,014**	**437,399**	**6,343**	**251,604**	**–**	**5,360,975**			

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Notes to the Remuneration Tables

(a) Salary and fees represents base salary and includes the movement in annual leave provision. The fixed remuneration for the Managing Director and other executives was frozen by the Board for FY16 and FY17; refer section 4.2.

(b) The Short Term Incentive (STI) Plan cash bonuses include the deferred component and relates to performance during FY17 based on the achievement of personal goals and financial performance targets. GWA Corporate and Bathrooms & Kitchens achieved their STI financial performance targets in FY17 and in accordance with the STI Plan rules, 50% of the amount has been deferred and will be subject to further testing in August 2018. Door & Access Systems did not achieve their STI financial performance targets in FY17. The FY17 STI cash bonuses for GWA Corporate and Bathrooms & Kitchens' executives will be paid in FY18, excluding the deferred component. The amounts have been determined following individual performance reviews and have been approved by the Nomination and Remuneration Committee.

(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 2017 were granted to executives in each of the years 30 June 2015, 2016 and 2017 (as applicable) and are subject to vesting conditions and the achievement of specified performance hurdles over the three year performance periods. During FY17, 50% of the Performance Rights in respect of the 2014 LTI grant lapsed as the TSR hurdle was not achieved and 50% of the Performance Rights vested as the EPS hurdle was fully achieved. The fair value of the Performance Rights granted in 30 June 2015, 2016 and 2017 were calculated using Black Scholes Model (ROFE and EPS hurdles) 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) Mr Tim Salt was appointed Managing Director effective 1 July 2016. He was previously Executive General Manager of GWA's Bathrooms & Kitchens business from 7 September 2015 and Chief Executive Officer from 1 January 2016. For details of Mr Salt's remuneration arrangements as Managing Director please refer to section 1.1 Managing Director Succession.

(f) Mr Sean Mitchell is ceasing employment on 31 August 2017. As part of his termination arrangements, Mr Mitchell will receive a payment equal to 3 months salary in lieu of providing notice in line with his employment agreement, 3 months severance payment and statutory entitlements ($206,000 excluding statutory entitlements). Mr Mitchell participated in the FY17 STI Plan subject to achieving the STI financial performance targets. For the outstanding Performance Rights held by Mr Mitchell under the LTI Plan, the rights will continue to be tested in the normal manner with any shares issued on a pro rata basis subject to achieving the LTI performance hurdles.

(g) Mr Sean Ralphsmith is ceasing employment on 31 August 2017. As part of his termination arrangements, Mr Ralphsmith will receive a payment equal to 3 months salary in lieu of providing notice in line with his employment agreement, 3 months severance payment and statutory entitlements ($200,000 excluding statutory entitlements). Mr Ralphsmith participated in the FY17 STI Plan subject to achieving the STI financial performance targets. For the outstanding Performance Rights held by Mr Ralphsmith under the LTI Plan, the rights will continue to be tested in the normal manner with any shares issued on a pro rata basis subject to achieving the LTI performance hurdles.

(h) Ms Kay Veitch ceased employment on 31 December 2016. As part of her termination arrangements, Ms Veitch received a payment equal to 3 months salary in lieu of providing notice in line with her employment agreement, and statutory entitlements. Ms Veitch continued to participate in the FY17 STI Plan on a pro rata basis subject to achieving the STI financial performance targets. For the outstanding Performance Rights held by Ms Veitch under the LTI Plan, the rights will continue to be tested in the normal manner with any shares issued on a pro rata basis subject to achieving the LTI performance hurdles.

(i) Non-executive director remuneration was frozen by the Board for FY17. The total non-executive director remuneration is within the annual aggregate maximum amount approved by shareholders. For details of non-executive director remuneration changes in FY16 please refer to section 3.1.

(j) The fixed remuneration for the Managing Director and other executives was frozen by the Board for FY16 and FY17; refer section 4.2. For the actual remuneration received by the executives for FY17 please refer to the table in section 4.1.3.

(k) Totals in FY17 are higher than FY16 mainly due to the higher STI payments for GWA Corporate and Bathrooms & Kitchens' executives following the strong trading performance for FY17. This is aligned with shareholders interests as the Group's profit performance for FY17 was above market expectations, generating higher returns to shareholders for the period both from the improvement in GWA's share price and higher dividend payments to shareholders.

5.2 SHARE BASED PAYMENTS

5.2.1 Performance Rights

The following table shows details of the Performance Rights granted to key management personnel during the year ended 30 June 2017 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 (Appointed 1 July 2016)	2017	214,500	24 February 2017	–	–	363,931	2.80
	2016	262,000	23 March 2016	–	–	407,279	2.29
	2015	–	–	–	–	–	–
	2014	–	–	–	–	–	–
R Thornton, Executive Director	2017	44,000	24 February 2017	–	–	74,653	2.80
	2016	65,000	23 March 2016	–	–	115,408	1.89
	2015	45,000	25 February 2015	–	–	89,222	2.72
	2014	40,000	24 February 2014	50	50	74,400	3.12
Executives							
P Gibson, Group Chief Financial Officer	2017	80,500	24 February 2017	–	–	136,580	2.80
	2016	119,000	23 March 2016	–	–	184,986	1.89
	2015	–	–	–	–	–	–
	2014	–	–	–	–	–	–
S Mitchell, Group General Manager – Supply Chain	2017	44,000	24 February 2017	–	–	74,653	2.80
	2016	63,000	23 March 2016	–	–	97,934	1.89
	2015	44,000	25 February 2015	–	–	87,239	2.72
	2014	–	–	–	–	–	–
S Ralphsmith, Executive General Manager – GWA Door & Access Systems	2017	44,000	24 February 2017	–	–	74,653	2.80
	2016	63,000	23 March 2016	–	–	97,934	1.89
	2015	44,000	25 February 2015	–	–	87,239	2.72
	2014	–	–	–	–	–	–
C Norwell, General Manager Sales – GWA Bathrooms & Kitchens (Appointed 7 April 2016)	2017	44,000	24 February 2017	–	–	74,653	2.80
	2016	63,000	23 March 2016	–	–	97,934	1.89
	2015	–	–	–	–	–	–
	2014	–	–	–	–	–	–
K Veitch, Group General Manager – People, Culture & Communications (Ceased employment 31 December 2016)	2017	–	–	–	–	–	–
	2016	63,000	23 March 2016	–	50	97,934	1.89
	2015	44,000	25 February 2015	–	17	87,239	2.72
	2014	–	–	–	–	–	–

Note:

* The issue price used to determine the number of Performance Rights offered to key management personnel during FY17 was $2.80 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 28 October 2016. 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 ROFE hurdle was $2.11 per right and TSR hurdle was $1.28 per right.

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All of the rights carry an exercise price of nil. The rights granted on 25 February 2015, 23 March 2016 and 24 February 2017 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 2017, 2018 and 2019 respectively, subject to the achievement of the performance hurdles. The rights granted to Mr Thornton were approved by shareholders at the 2014, 2015 and 2016 Annual General Meetings in accordance with ASX Listing Rule 10.14. The rights granted to Mr Salt in FY16 did not require shareholder approval as he was not a director of the Company at the time of the grant. The rights granted to Mr Salt in FY17 were approved by shareholders at the 2016 Annual General Meeting 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. For the rights granted to key management personnel on 24 February 2014, the Group did not achieve the TSR hurdle and fully achieved the EPS hurdle for the performance period of 1 July 2013 to 30 June 2016. The rights subject to the TSR hurdle lapsed in FY17 resulting in the forfeiture of 20,000 rights with a grant date fair value of $27,200 for current key management personnel. The rights subject to the EPS hurdle fully vested in FY17 resulting in the exercise of 18,200 shares (adjusted for the share consolidation effective on 9 June 2015) with a grant date fair value of $47,200 for current key management personnel.

The number of rights outstanding at 30 June 2017 represents the balance yet to be tested.

5.3 KEY MANAGEMENT PERSONNEL TRANSACTIONS

5.3.1 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 2017 (2016: nil).

5.3.2 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 2017 (2016: 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.

5.3.3 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 2016	Granted as compensation	Purchases	Sales	Held at 30 June 2017
Non-Executive Directors					
D McDonough	118,300	–	11,700	–	130,000
J Mulcahy	40,950	–	–	–	40,950
W Bartlett	30,207	–	–	–	30,207
P Birtles	13,650	–	–	–	13,650
J McKellar (Appointed 28 October 2016)	n/a	–	–	–	–
S Goddard (Appointed 28 October 2016)	n/a	–	10,000	–	10,000
R Anderson (Retired 28 October 2016)	16,435,332	–	–	–	n/a
Executive Directors					
T Salt (Appointed 1 July 2016)	11,900	–	17,860	–	29,760
R Thornton	81,902	18,200	–	–	100,102
Executives					
P Gibson	–	–	5,000	–	5,000
S Mitchell	–	–	–	–	–
S Ralphsmith	–	–	–	–	–
C Norwell (Appointed 7 April 2016)	–	–	–	–	–
K Veitch (Ceased employment 31 December 2016)	–	–	–	–	n/a

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	Held at 1 July 2015	Granted as compensation	Purchases	Sales	Held at 30 June 2016
Non-Executive Directors					
D McDonough	118,300	–	–	–	118,300
J Mulcahy	40,950	–	–	–	40,950
R Anderson	16,435,332	–	–	–	16,435,332
W Bartlett	30,207	–	–	–	30,207
P Birtles	13,650	–	–	–	13,650
Executive Directors					
T Salt (Appointed 1 July 2016)	n/a	–	11,900	–	11,900
R Thornton	65,975	15,927	–	–	81,902
P Crowley (Retired 31 December 2015)	459,550	84,532	–	–	n/a
Executives					
P Gibson	–	–	–	–	–
S Mitchell	–	–	–	–	–
S Ralphsmith	–	–	–	–	–
K Veitch	–	–	–	–	–
C Norwell (Appointed 7 April 2016)	n/a	–	–	–	–

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 2017 is listed in the Directors' Report under Directors' Interests.

During the FY17 reporting period, there were 18,200 shares granted to key management personnel as compensation (2016: 100,459). The aggregate number of shares held by key management personnel or their related parties at 30 June 2017 was 359,669 (2016: 16,732,241).

6. KEY TERMS OF EMPLOYMENT CONTRACTS

6.1 NOTICE AND TERMINATION PAYMENTS

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

The employment contract for Mr Salt provides that if either the Group or Mr Salt 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 Salt 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 Nomination and Remuneration Committee. Shareholder approval is required for termination payments in excess of twelve months salary.

Unless the Board determines otherwise, executives will not be eligible for an STI payment and Performance Rights held by executives under the LTI Plan will lapse upon cessation of employment with the Group.

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



Darryl D McDonough
Chairman



Tim R Salt
Managing Director

Sydney, 21 August 2017

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GWA GROUP LIMITED FINANCIAL REPORT

GWA GROUP LIMITED AND ITS CONTROLLED ENTITIES
ABN 15 055 964 380

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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For the period ended 30 June *In thousands of AUD*	Note	2017	2016
CONTINUING OPERATIONS			
Sales revenue	3a	446,332	439,666
Cost of sales	4a	(260,361)	(259,924)
Gross profit		185,971	179,742
Other income	3b	428	779
Selling expenses		(63,736)	(60,939)
Administrative expenses		(41,420)	(41,288)
Other expenses	4b	(649)	(29)
Operating profit		80,594	78,265
Finance income		575	500
Finance expenses		(5,913)	(7,008)
Net financing costs	4d	(5,338)	(6,508)
Profit before tax		75,256	71,757
Income tax expense	5	(21,585)	(19,837)
Profit from continuing operations		53,671	51,920
DISCONTINUED OPERATIONS			
Profit from discontinued operations, net of income tax	27	–	1,761
Profit for the period		53,671	53,681
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		79	78
Cashflow hedges, net of tax		2,146	(2,850)
Other comprehensive income / (loss), net of tax		2,225	(2,772)
Total comprehensive income for the period		55,896	50,909
EARNINGS PER SHARE (CENTS)			
Total			
– Basic	6	20.33	19.66
– Diluted	6	20.22	19.58
Continuing operations			
– Basic	6	20.33	19.02
– Diluted	6	20.22	18.94

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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As at 30 June *In thousands of AUD*	Note	2017	2016
CURRENT ASSETS			
Cash and cash equivalents	7a	36,360	35,696
Trade and other receivables	8	65,862	51,983
Inventories	9	72,319	76,361
Other		2,679	2,267
Total current assets		177,220	166,307
NON-CURRENT ASSETS			
Deferred tax assets	10	16,023	18,189
Property, plant and equipment	11	10,493	11,281
Intangible assets	12	314,242	314,894
Other		286	188
Total non-current assets		341,044	344,552
Total assets		518,264	510,859
CURRENT LIABILITIES			
Trade and other payables	13	50,783	40,510
Employee benefits	14	6,528	6,889
Income tax payable	5	7,346	1,851
Provisions	15	10,594	22,430
Total current liabilities		75,251	71,680
NON-CURRENT LIABILITIES			
Trade and other payables	13	827	432
Loans and borrowings	16	112,000	120,000
Employee benefits	14	7,316	8,447
Provisions	15	2,267	2,602
Total non-current liabilities		122,410	131,481
Total liabilities		197,661	203,161
Net assets		320,603	307,698
EQUITY			
Issued capital	17	307,838	307,877
Reserves	17	(334)	(3,356)
Retained earnings		13,099	3,177
Total equity		320,603	307,698

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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For the year ended 30 June *In thousands of AUD*	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	483,652	502,464
Payments to suppliers and employees	(406,387)	(421,842)
Cash generated from operations	77,265	80,622
Interest and facility fees paid	(5,881)	(6,662)
Interest received	575	500
Income taxes paid	(14,788)	(19,536)
Net cash from operating activities	57,171	54,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	370	70
Acquisition of property, plant and equipment	(3,681)	(2,708)
Acquisition of intangible assets	(1,600)	(920)
Proceeds from business disposals, net of transaction costs	–	3,570
Net cash (used in) / from investing activities	(4,911)	12
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	27,000	20,000
Repayment of borrowings	(35,000)	(25,000)
Dividends paid	(43,551)	(18,718)
Capital return to holders of LTI grants	(39)	(44)
Payment for on-market share buy-back	–	(30,029)
Net cash used in financing activities	(51,590)	(53,791)
Net increase in cash and cash equivalents	670	1,145
Cash and cash equivalents at the beginning of the year	35,696	33,043
Effect of exchange rate changes	(6)	181
Cash within assets held for sale	–	1,327
Cash and cash equivalents at 30 June	36,360	35,696

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

The cash flows of the Gliderol business are included in the consolidated statement of cash flows for the year ended 30 June 2016 only for the part of the year that they were owned by GWA Group Limited and its controlled entities. Accordingly, the consolidated statement of cash flows for the years ended 30 June 2017 and 30 June 2016 are not comparable (Refer Note 27).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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For the period ended 30 June 2017

In thousands of AUD	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	Retained earnings	Total
Balance as at 1 July 2016	307,877	(1,072)	(3,931)	1,647	3,177	307,698
Total comprehensive income for the period						
Profit for the year	–	–	–	–	53,671	53,671
Other comprehensive income						
Exchange differences on translation of foreign subsidiaries, net of tax	–	79	–	–	–	79
Cash flow hedges, net of tax	–	–	2,146	–	–	2,146
Total other comprehensive income	–	79	2,146	–	–	2,225
Total comprehensive income	–	79	2,146	–	53,671	55,896
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	(39)	–	–	797	(198)	560
Dividends paid	–	–	–	–	(43,551)	(43,551)
Total transactions with owners	(39)	–	–	797	(43,749)	(42,991)
Balance at 30 June 2017	307,838	(993)	(1,785)	2,444	13,099	320,603

For the period ended 30 June 2016

In thousands of AUD	Share capital	Translation reserve	Hedging reserve	Equity compensation reserve	(Accumulated losses) / retained earnings	Total
Balance at 1 July 2015	337,942	(1,150)	(1,081)	2,180	(31,997)	305,894
Total comprehensive income for the period						
Profit for the period	–	–	–	–	53,681	53,681
Other comprehensive income						
Exchange differences on translation of foreign subsidiaries, net of tax	–	78	–	–	–	78
Cash flow hedges, net of tax	–	–	(2,850)	–	–	(2,850)
Total other comprehensive income	–	78	(2,850)	–	–	(2,772)
Total comprehensive income	–	78	(2,850)	–	53,681	50,909
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	(44)	–	–	(533)	211	(366)
On-market share buy-back, net of tax	(30,021)	–	–	–	–	(30,021)
Dividends paid	–	–	–	–	(18,718)	(18,718)
Total transactions with owners	(30,065)	–	–	(533)	(18,507)	(49,105)
Balance at 30 June 2016	307,877	(1,072)	(3,931)	1,647	3,177	307,698

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2017 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The principal activities during the year of the consolidated entity were the research, design, manufacture, 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 21 August 2017.

(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 that are 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 off 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 12 – 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.

(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 2017:

- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 Presentation of Financial Statements*
- AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs*

The initial adoption of the above revisions have not had a material impact on the amounts reported or disclosed in the consolidated annual financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I: OVERVIEW CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

(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.

Standard / Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the period ending
AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017	30 June 2018
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows*	1 January 2017	30 June 2018
AASB 9 *Financial Instruments*[1]	1 January 2018	30 June 2019
AASB 15 *Revenue from Contracts with Customers*[2]	1 January 2018	30 June 2019
AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	1 January 2018	30 June 2019
AASB 16 *Leases*[3]	1 January 2019	30 June 2020
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019	30 June 2020

(1) AASB 9 will be first applicable for the year commencing 1 July 2018. Based on a preliminary assessment of financial instruments currently held, the impact of this standard is not expected to be material to the results and balances of the consolidated entity.

(2) AASB 15 will be first applicable for the year commencing 1 July 2018. Based on a preliminary assessment of current revenue streams and customer contracts, the impact of this standard is not expected to be material to the results and balances of the consolidated entity.

(3) AASB 16 will be first applicable for the year commencing 1 July 2019. Based on a preliminary assessment of current lease arrangements, the impact of this standard is expected to be material to the results and balances of the consolidated entity with the recognition of Right of Use Assets and Lease Liabilities, and corresponding depreciation and interest expense for the majority of operating leases. However, until a detailed review is undertaken, it is not practicable to provide a reasonable estimate of the effect of this standard.

These assessments will be updated by the consolidated entity closer to their adoption dates.

For all other Standards and Interpretations issued but not yet effective listed above, the consolidated entity is assessing the potential impact 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 the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. 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.

(iii) Transaction eliminated on consolidation

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I: OVERVIEW CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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 dates the fair value was determined.

(ii) Financial statements of foreign operations

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.

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.

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.

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.

(iii) Net investment in foreign operations

Foreign exchange differences arising from the retranslation of the net investment in foreign operations (including monetary items neither planned to be settled nor likely to be settled in the foreseeable future), and of related hedges are recognised in the FCTR to the extent that the hedge is effective. They are released into profit or loss as part of the gain or loss on disposal.

(f) Current vs non-current classifications

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.

All other liabilities are classified as non-current.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR

2. OPERATING SEGMENTS

The consolidated entity has two continuing reportable segments, as described below. The segments are managed separately because they operate in different markets and require different marketing strategies. For each segment the CEO reviews internal management reports on a monthly basis. The following describes the operations in each of the consolidated entity's reportable segments:

- Bathrooms & Kitchens – This segment includes the sale of vitreous china toilet suites, basins, plastic cisterns, tapware, baths, kitchen sinks, laundry tubs and bathroom accessories.
- Door & Access Systems – This segment includes the sale of door locks and levers and supply and maintenance of commercial door systems.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and income tax as included in the management reports that are reviewed by the CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate in these industries.

Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, loans and borrowings, treasury financial instruments and income tax assets and liabilities.

Discontinued operations in the prior period includes the sale of Gliderol Garage Doors. Refer to Note 27 for further information regarding discontinued operations.

	Bathrooms & Kitchens		Door & Access Systems		Discontinued		Total	
In thousands of AUD	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Sales revenue	350,437	341,953	95,895	97,713	–	4,798	446,332	444,464
Segment profit / (loss) before significant items and tax	87,603	84,582	6,293	7,318	–	(605)	93,896	91,295
Brivis product defect issues	–	–	–	–	–	2,805	–	2,805
Segment profit / (loss) before income tax	87,603	84,582	6,293	7,318	–	2,200	93,896	94,100
Depreciation	1,842	1,983	1,034	935	–	103	2,876	3,021
Amortisation	–	–	406	406	–	41	406	447
Capital expenditure	3,017	1,896	662	758	–	44	3,679	2,698
Reportable segment assets	400,532	389,947	60,153	61,157	–	–	460,685	451,104
Reportable segment liabilities	49,214	49,673	9,711	9,816	–	–	58,925	59,489

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

2. OPERATING SEGMENTS CONTINUED

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

In thousands of AUD	2017	2016
Revenues		
Total revenue for reportable segments	446,332	444,464
Elimination of discontinued operations	–	(4,798)
Consolidated revenue – continuing operations	446,332	439,666
Profit		
Total profit for reportable segments	93,896	94,100
Elimination of discontinued operations	–	(2,200)
Unallocated amounts: corporate expenses	(13,302)	(13,635)
Profit from operating activities	80,594	78,265
Net financing costs	(5,338)	(6,508)
Consolidated profit before tax – continuing operations	75,256	71,757
Assets		
Total assets for reportable segments	460,685	451,104
Unallocated amounts: corporate assets*	57,579	59,755
Consolidated total assets	518,264	510,859
Liabilities		
Total liabilities for reportable segments	58,925	59,489
Unallocated amounts: corporate liabilities**	138,736	143,672
Consolidated total liabilities	197,661	203,161
Reconciliations of other material items		
Depreciation		
Total depreciation for reportable segments	2,876	3,021
Elimination of discontinued operations	–	(103)
Unallocated amounts: depreciation on corporate assets	487	470
Consolidated depreciation – continuing operations	3,363	3,388
Amortisation		
Total amortisation for reportable segments	406	447
Elimination of discontinued operations	–	(41)
Unallocated amounts: amortisation on corporate assets	1,793	2,191
Consolidated amortisation – continuing operations	2,199	2,597
Capital expenditure		
Total capital expenditure for reportable segments	3,679	2,698
Elimination of discontinued operations	–	(44)
Unallocated amounts: corporate capital expenditure	1,602	930
Consolidated capital expenditure – continuing operations	5,281	3,584

* Corporate assets include cash and cash equivalents, tax assets and treasury financial instruments at fair value.

** Corporate liabilities include loans and borrowings, tax liabilities and treasury financial instruments at fair value.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

2. OPERATING SEGMENTS CONTINUED

Geographical Segments

The business segments are managed on a worldwide basis, but operate mainly in one geographical area being Australia. A sales office is also operated in New Zealand. Sales revenue from geographical areas outside Australia comprised only 6% of the consolidated entity's total sales revenue for the current year (2016: 6%).

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Australia		New Zealand		Consolidated	
In thousands of AUD	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
External sales revenue	421,443	415,336	24,889	24,330	446,332	439,666
Non-current assets*	319,784	321,107	5,237	5,256	325,021	326,363

* Non-current assets exclude financial instruments and deferred tax assets.

Major customers

The consolidated entity conducts business with 3 customers where the net revenue generated from each customer exceeds 10% of the consolidated entity's net revenue. Net revenue from these customers represent $72,682,000 (2016: $71,365,000), $65,065,000 (2016: $56,073,000) and $60,440,000 (2016: $63,426,000) respectively of the consolidated entity's total net revenues for the current year of $446,332,000 (2016: $439,666,000). The revenues from these customers are reported in the Bathrooms & Kitchens and Door & Access Systems segments.

3. REVENUE AND OTHER INCOME

(a) Sales revenue

In thousands of AUD	**2017**	**2016**
Sales revenue	446,332	439,666
	446,332	439,666

Sales revenue

Sales revenue is measured at the fair value of the consideration received or receivable, net of returns, discounts and rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer which is typically when goods are delivered to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(b) Other income

In thousands of AUD	**2017**	**2016**
Foreign currency gains	130	334
Other – scrap income, royalties	298	445
	428	779

4. EXPENSES

(a) Cost of sales

In thousands of AUD	**2017**	**2016**
Cost of sales	260,361	259,924
	260,361	259,924

Cost of sales

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

4. EXPENSES CONTINUED

(b) Other expenses

In thousands of AUD	2017	2016
Foreign currency losses	433	29
Other	216	–
	649	29

(c) Personnel expenses

In thousands of AUD	2017	2016
Wages and salaries – including superannuation contributions, annual leave and long service leave	85,105	87,851
Equity-settled share-based payment transactions	1,028	99
	86,133	87,950

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 $5,866,000 for the financial year ended 30 June 2017 (2016: $6,430,000).

(d) Net financing costs

In thousands of AUD	2017	2016
Finance income		
Interest income on call deposits	470	447
Other	105	53
	575	500
Finance expense		
Interest expense on financial liabilities	4,623	5,034
Interest expense on swaps	976	1,241
Fees on financial liabilities including amortisation	314	733
	5,913	7,008
Net financing costs	5,338	6,508

Net financing costs

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

5. INCOME TAX EXPENSES

Recognised in profit or loss

In thousands of AUD	2017	2016
Current tax expense		
Current year	21,431	15,497
Adjustments for prior years	(1,068)	(780)
	20,363	14,717
Deferred tax expense / (benefit)		
Origination and reversal of temporary differences	1,222	5,120
Tax expense from continuing operations	21,585	19,837
Tax expense / (benefit) from discontinued operations	–	439
Total tax expense	21,585	20,276

Numerical reconciliation between tax expense and pre-tax profit

In thousands of AUD		
Profit from continuing operations before tax	75,256	71,757
Profit from discontinued operations before tax	–	2,200
Profit before tax	75,256	73,957
Tax expense using the domestic rate of 30% (2016: 30%)	22,577	22,187
Tax expense / (benefit) due to:		
Non-deductible expenses	135	94
Non-assessable accounting gain on disposal of CGT assets	–	(629)
Rebateable research and development	(217)	(207)
Other items	158	(168)
	22,653	21,277
(Over) / under provided in prior years	(1,068)	(1,001)
Income tax expense on pre-tax profit	21,585	20,276

Deferred tax recognised directly in equity

In thousands of AUD		
Derivatives	919	(1,222)
Share buy-back and capital return costs	25	16
	944	(1,206)

Income tax payable

In thousands of AUD		
Current tax liability	7,346	1,851

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

5. INCOME TAX EXPENSES CONTINUED

Income tax

Tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates 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 judgement 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.

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 ATO 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 ATO are classified as operating cash flows.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

6. EARNINGS PER SHARE

In cents	2017	2016
Total		
– Basic	20.33	19.66
– Diluted	20.22	19.58
– Basic (excluding significant items)	20.33	18.94
– Diluted (excluding significant items)	20.22	18.86
Continuing operations		
– Basic	20.33	19.02
– Diluted	20.22	18.94
– Basic (excluding significant items)	20.33	19.02
– Diluted (excluding significant items)	20.22	18.94

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.

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

Profit attributable to ordinary shareholders – basic / diluted

In thousands of AUD	2017	2016
Continuing operations		
Profit before significant items	53,671	51,920
Net significant items	–	–
Profit for the year from continuing operations	53,671	51,920
Discontinued operations		
(Loss) / profit before significant items	–	(202)
Net significant items	–	1,963
Profit / (loss) for the year from discontinued operations	–	1,761
Profit / (loss) for the year	53,671	53,681

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	2017	2016
Issued ordinary shares at 1 July	263,948	278,948
Effect of on-market share buy-back*	–	(5,923)
Weighted average number of ordinary shares at 30 June	263,948	273,025

* On 16 November 2015, GWA announced an on-market share buy-back program as part of its ongoing capital management initiatives. The share buy-back was completed on 17 June 2016. As at 30 June 2016, 15,000,356 shares were purchased on-market and subsequently cancelled (refer to note 17 for further details). This reduction is reflected in the calculation of the weighted average number of ordinary shares at 30 June 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR CONTINUED

6. EARNINGS PER SHARE CONTINUED

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	2017	2016
Weighted average number of ordinary shares (basic)	263,948	273,025
Effect of performance rights on issue	1,512	1,162
Weighted average number of ordinary shares (diluted)	265,460	274,187

SECTION III: ASSETS AND LIABILITIES

7. CASH AND CASH EQUIVALENTS

(a) Balances

In thousands of AUD	2017	2016
Bank balances	12,872	21,150
Call deposits	23,488	14,546
Cash and cash equivalents in the statement of cash flows	36,360	35,696

Cash and cash equivalents comprise cash balances and call deposits with an original maturity date of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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	2017	2016
Profit / (loss) for the year	53,671	53,681
Adjustments for:		
Depreciation	3,363	3,491
Amortisation	2,199	2,638
Share-based payments – non cash component	587	(322)
Foreign exchange (gain) / loss – unrealised	65	(292)
(Gain) / loss on sale of PP&E and intangible assets	(142)	(58)
Write down of inventories	3,583	1,713
Other non cash movements	(474)	(23)
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	(13,879)	11,046
Decrease / (increase) in inventories	4,042	3,365
Decrease / (increase) in prepayments	(510)	369
(Decrease) / increase in trade payables and accrued expenses	10,668	(10,573)
(Decrease) / increase in taxes payable and deferred taxes	7,661	740
(Decrease) / increase in provisions and employee benefits	(13,663)	(10,851)
Net cash flows from / (used in) operating activities	57,171	54,924

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

8. TRADE AND OTHER RECEIVABLES

In thousands of AUD	2017	2016
Net trade receivables	65,124	50,502
Other	738	1,481
	65,862	51,983

Trade and other receivables are initially measured at fair value and subsequently at their amortised cost less impairment losses. For financial assets carried at amortised cost, the consolidated entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the consolidated entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

9. INVENTORIES

In thousands of AUD	2017	2016
Raw materials and consumables	3,655	4,078
Work in progress	357	149
Finished goods	68,307	72,134
	72,319	76,361

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, discontinued product lines and risk weightings applied by management with reference to their assessment of recovery rates.

10. 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	2017	2016	2017	2016	2017	2016
Property, plant and equipment	–	–	(15)	(741)	(15)	(741)
Intangible assets	1,582	1,710	(479)	(517)	1,103	1,193
Inventories	3,893	2,578	–	–	3,893	2,578
Employee benefits	4,152	4,599	–	–	4,152	4,599
Provisions	4,452	7,486	–	–	4,452	7,486
Other items	2,645	3,108	(207)	(34)	2,438	3,074
Tax assets / (liabilities)	16,724	19,481	(701)	(1,292)	16,023	18,189
Set off of tax	(701)	(1,292)	701	1,292	–	–
Net tax assets / (liabilities)	16,023	18,189	–	–	16,023	18,189

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

10. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

Movement in temporary differences during the year

In thousands of AUD	Balance 1 July 16	Recognised in income	Recognised in equity	Balance 30 June 17
Property, plant and equipment	(741)	726	–	(15)
Intangible assets	1,193	(90)	–	1,103
Inventories	2,578	1,315	–	3,893
Employee benefits	4,599	(447)	–	4,152
Provisions	7,486	(3,034)	–	4,452
Other items	3,074	308	(944)	2,438
	18,189	(1,222)	(944)	16,023

In thousands of AUD	Balance 1 July 15	Recognised in income	Recognised in equity	Balance 30 June 16
Property, plant and equipment	(632)	(109)	–	(741)
Intangible assets	1,043	150	–	1,193
Inventories	2,090	488	–	2,578
Employee benefits	4,834	(235)	–	4,599
Provisions	11,856	(4,370)	–	7,486
Other items	2,912	(1,044)	1,206	3,074
	22,103	(5,120)	1,206	18,189

Unrecognised deferred tax assets

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

In thousands of AUD	2017	2016
Capital losses	71,352	67,346
Revenue losses from foreign jurisdictions	104	212

The deductible capital losses accumulated at balance date do not expire under current tax legislation.

Refer to Note 5 for the consolidated entity's accounting policy on deferred tax.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

11. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Plant and equipment	Work in progress	Total
Cost			
Balance at 1 July 2016	71,817	2,408	74,225
Additions	3,804	62	3,866
Disposals transferred to restructuring provision	(27,168)	–	(27,168)
Disposals	(5,557)	–	(5,557)
Transfers	187	(187)	–
Exchange rate movements	(3)	(2)	(5)
Balance at 30 June 2017	43,080	2,281	45,361
Balance at 1 July 2015	127,472	804	128,276
Additions	1,386	1,781	3,167
Disposals of discontinued operations	(9,573)	(177)	(9,750)
Disposals transferred to restructuring provision	(1,540)	–	(1,540)
Other disposals	(46,002)	–	(46,002)
Exchange rate movements	74	–	74
Balance at 30 June 2016	71,817	2,408	74,225
Depreciation and impairment losses			
Balance at 1 July 2016	(62,944)	–	(62,944)
Depreciation	(3,363)	–	(3,363)
Depreciation charged to restructuring provision	(102)	–	(102)
Disposal transferred to restructuring provision	26,155	–	26,155
Disposals	5,383	–	5,383
Exchange rate movements	3	–	3
Balance at 30 June 2017	(34,868)	–	(34,868)
Balance at 1 July 2015	(114,162)	(177)	(114,339)
Depreciation	(3,491)	–	(3,491)
Depreciation charged to restructuring provision	(1,677)	–	(1,677)
Disposal of discontinued operations	9,573	177	9,750
Disposal transferred to restructuring provision	916	–	916
Other disposals	45,965	–	45,965
Exchange rate movements	(68)	–	(68)
Balance at 30 June 2016	(62,944)	–	(62,944)
Carrying amounts			
As at 30 June 2017	8,212	2,281	10,493
As at 30 June 2016	8,873	2,408	11,281

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

11. 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 on which they are located, and an appropriate proportion of production 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

12. INTANGIBLE ASSETS

In thousands of AUD	Software	Brand names	Trade names, designs, patents and customer relationships	Goodwill	Total
Cost					
Balance at 1 July 2016	28,337	302,800	5,580	6,006	342,723
Additions	1,600	–	–	–	1,600
Disposals	(295)	–	–	–	(295)
Exchange rate movements	–	–	–	–	–
Balance at 30 June 2017	29,642	302,800	5,580	6,006	344,028
Balance at 1 July 2015	35,099	302,767	12,897	30,080	380,843
Additions	909	–	–	–	909
Disposals of discontinued operations	(475)	–	(7,317)	(24,074)	(31,866)
Other disposals	(7,196)	–	–	–	(7,196)
Exchange rate movements	–	33	–	–	33
Balance at 30 June 2016	28,337	302,800	5,580	6,006	342,723
Amortisation and impairment losses					
Balance at 1 July 2016	(25,155)	–	(2,674)	–	(27,829)
Amortisation	(1,793)	–	(406)	–	(2,199)
Disposals	242	–	–	–	242
Balance at 30 June 2017	(26,706)	–	(3,080)	–	(29,786)
Balance at 1 July 2015	(30,635)	–	(9,585)	(24,074)	(64,294)
Amortisation	(2,201)	–	(437)	–	(2,638)
Disposal of discontinued operations	485	–	7,348	24,074	31,907
Other disposals	7,196	–	–	–	7,196
Balance at 30 June 2016	(25,155)	–	(2,674)	–	(27,829)
Carrying amounts					
As at 30 June 2017	2,936	302,800	2,500	6,006	314,242
As at 30 June 2016	3,182	302,800	2,906	6,006	314,894

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

12. INTANGIBLE ASSETS 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.

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 4 years
- trade names 10-20 years
- designs 15 years
- patents 3-19 years (based on patent term)
- customer relationships 8 years

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.

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 of 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 and segment

In thousands of AUD	2017	2016
Bathroom and Kitchens	284,198	284,198
Door & Access Systems	24,608	24,608
	308,806	308,806

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

12. INTANGIBLE ASSETS CONTINUED

Impairment testing for brand names and goodwill

The recoverable amounts of all brand names and goodwill were assessed as at 30 June 2017 based on internal value in use calculations and no impairment was identified for any cash generating units (2016: 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 or goodwill is attached and was based on the following assumptions:

- Cash flows were projected based on actual operating results and business plans of the units approved by the Board, 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 2.8% (2016: 2.5%) in calculating terminal values of the units, which does not exceed the long-term average growth rate for the industry.
- Pre-tax discount rates between 12.5% – 14.1% were used (2016: 12.5% – 13.0%).

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 Bathrooms & Kitchens and Door & Access Systems industries and are based on both external sources and internal sources (historical data).

The recoverable amount of the cash generating units exceeds their carrying values at 30 June 2017 and there are no reasonably possible changes in any of the key assumptions that would cause the cash generating units' carrying amounts to exceed their recoverable amount.

13. TRADE AND OTHER PAYABLES

In thousands of AUD	2017	2016
Current		
Trade payables and accrued expenses	48,232	34,861
Forward exchange contracts used for hedging (net)	2,188	3,944
Interest rate swaps used for hedging (net)	363	1,705
	50,783	40,510
Non-current		
Trade payables and accrued expenses	827	432

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.

Refer to Note 18 for details on forward exchange contracts and interest rate swaps.

14. EMPLOYEE BENEFITS

In thousands of AUD	2017	2016
Current		
Liability for annual leave	4,756	5,398
Liability for long service leave	1,772	1,491
	6,528	6,889
Non-current		
Liability for long service leave	7,316	8,447

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES CONTINUED

14. EMPLOYEE BENEFITS CONTINUED

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.

15. PROVISIONS

In thousands of AUD	Warranties	Restructuring	Site restoration	Other	Total
Balance at 1 July 2016	2,609	19,235	1,758	1,430	25,032
Additional provisions made	605	–	326	261	1,192
Provisions used	(616)	(12,242)	(100)	(405)	(13,363)
Balance at 30 June 2017	2,598	6,993	1,984	1,286	12,861
Current	2,554	6,912	444	684	10,594
Non-current	44	81	1,540	602	2,267
	2,598	6,993	1,984	1,286	12,861

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 expense 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 associated 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, see note 18.

Non-current liabilties

In thousands of AUD	2017	2016
Unsecured cash advance facilities	112,000	120,000
Financing facilities		
Facilities available		
Standby letters of credit	2,000	2,000
Bank guarantees	7,000	7,000
Unsecured cash advance facilities	225,000	225,000
	234,000	234,000
Facilities utilised at reporting date		
Standby letters of credit	–	–
Bank guarantees	4,116	4,116
Unsecured cash advance facilities	112,000	120,000
	116,116	124,116
Facilities not utilised at reporting date		
Standby letters of credit	2,000	2,000
Bank guarantees	2,884	2,884
Unsecured cash advance facilities	113,000	105,000
	117,884	109,884

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 with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Unsecured cash advance facility

On 19 October 2016, GWA successfully completed the extension of its syndicated banking facility. The facility comprises a single revolving facility of $225,000,000 which matures in October 2019.

Prior to 19 October 2016 and as at 30 June 2016, the facility matured in October 2018.

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.

Letter of credit

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

Bank guarantees

The bank guarantees are committed facilities available to be drawn down under the facility agreement. The limits are specified in the facility agreement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

17. CAPITAL AND RESERVES

Share capital

	Ordinary shares		AUD	
In thousands of AUD	**2017**	**2016**	**2017**	**2016**
On issue at 1 July – fully paid	263,948	278,948	307,877	337,942
On-market buy-back shares acquired and cancelled, net of tax	–	(15,000)	–	(30,021)
Capital return to holders of FY14 LTI grant	–	–	(39)	(44)
On issue at 30 June – fully paid	263,948	263,948	307,838	307,877

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 does not have 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.

On-market share buy-back

On 16 November 2015, GWA announced its intention to commence an on-market share buy-back program as part of its ongoing capital management initiatives. The share buy-back commenced on 1 December 2015 and completed on 17 June 2016. As at 30 June 2016, 15,000,356 shares, representing 5.4% of GWA's issued share capital, were purchased on-market and subsequently cancelled. The ordinary shares were bought back at an average price of $2.00 per share for a total cost of $30,021,000 (including $21,000 of associated transaction costs, net of income tax).

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.

Equity compensation reserve

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

17. 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
2017				
Interim 2017 ordinary	7.5	19,796	100%	7th March 2017
Final 2016 ordinary	8.0	21,116	100%	16th September 2016
Special 2016	1.0	2,639	100%	16th September 2016
Total amount	16.5	43,551		
2016				
Interim 2016 ordinary	7.0	18,718	100%	5th April 2016
Total amount	7.0	18,718		

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 approved by the directors. These will be paid out of the parent entity's current year profit at the time in accordance with the *Corporations Act 2001*. The dividends have not been provided for. The declaration and subsequent 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 2017 ordinary	9.0	23,755	100%	5th September 2017

The financial effect of these dividends has not been brought to account in the financial statements for the financial year ended 30 June 2017 and will be recognised in subsequent financial reports.

Dividend franking account

	The Company	
In thousands of AUD	**2017**	**2016**
30 per cent franking credits available to shareholders of GWA Group Limited for subsequent financial years	14,770	13,689

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.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Policies

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business. Derivative financial instruments are used to hedge exposure 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 Board 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

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 wealth by monitoring the performance of the consolidated entity by reference to the return on funds employed. The Board defines return on funds employed as trading earnings before interest and tax divided by net assets after adding back net debt.

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.

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 respective hedged items attributable to hedge risk, and whether the actual results of each hedge are within a range of 80-125 percent. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

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.

(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 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.

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 57% of the trade receivables carrying amount at 30 June 2017 (2016: 39%).

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	**2017**	**2016**
Cash and cash equivalents	36,360	35,696
Net trade receivables	65,124	50,502
Other receivables	738	1,481
	102,222	87,679

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

In thousands of AUD	**2017 Receivable**	**2017 Impairment**	**2016 Receivable**	**2016 Impairment**
Not yet due	55,206	–	51,357	–
Past due 0-30 days	26,065	–	15,193	–
Past due 31-60 days	611	(7)	678	(2)
Past due 61-120 days	40	(4)	164	(8)
Past due 120+ days	73	(9)	84	(75)
Less accrued rebates and credit claims	(16,851)	–	(16,889)	–
	65,144	(20)	50,587	(85)

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	**2017**	**2016**
Balance at 1 July	(85)	(223)
Impairment losses (recognised) / written back	(14)	109
Provisions used during the year	79	29
Balance at 30 June	(20)	(85)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**
2017							
Non-derivative financial liabilities							
Unsecured cash advance facilities	(112,000)	(121,942)	(2,169)	(2,169)	(4,338)	(113,266)	–
Trade and other payables	(51,610)	(52,114)	(51,061)	–	(117)	(351)	(585)
Derivative financial liabilities							
Interest rate swaps used for hedging (net)	(363)	(363)	(189)	(64)	(82)	(28)	–
Forward exchange contracts used for hedging (net)	(2,188)	(2,188)	(1,053)	(1,135)	–	–	–
Total at 30 June 2017	(166,161)	(176,607)	(54,472)	(3,368)	(4,537)	(113,645)	(585)
2016							
Non-derivatives financial liabilities							
Unsecured cash advance facilities	(120,000)	(129,391)	(2,012)	(2,012)	(4,025)	(121,342)	–
Trade and other payables	(35,293)	(35,293)	(34,861)	–	(96)	(144)	(192)
Derivative financial liabilities							
Interest rate swaps used for hedging (net)	(1,705)	(926)	(438)	(362)	(96)	(30)	–
Forward exchange contracts used for hedging (net)	(3,944)	(3,944)	(2,744)	(1,198)	(2)	–	–
Total at 30 June 2016	(160,942)	(169,554)	(40,055)	(3,572)	(4,219)	(121,516)	(192)

(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.

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, have been entered into to achieve an appropriate mix of fixed and floating rate exposure.

As at 30 June 2017, the consolidated entity had interest rate swaps in operation with a notional contract amount of $75,000,000 (2016: $75,000,000). These swaps have fixed rates ranging from 2.14% to 3.42% (2016: 3.11% to 3.49%) and mature over the next year. The consolidated entity also has replacement interest rate swaps effective in the following financial year with a notional contract amount of $50,000,000 (2016: $75,000.000). These swaps have fixed rates ranging from 2.20% to 2.30% and mature over the next two to three years.

The consolidated entity classifies interest rate swaps as cash flow hedges and states them at fair value. The net fair value of swaps as at 30 June 2017 of $363,000 was recognised as a fair value derivative liability (2016: $1,705,000).

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SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

(d) Market risk continued

Profile

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

In thousands of AUD	2017 Notional value	2017 Carrying amount	2016 Notional value	2016 Carrying amount
Variable rate financial instruments				
Unsecured cash advance facilities	(112,000)	(112,000)	(120,000)	(120,000)
Bank balances	12,872	12,872	21,150	21,150
Call deposits	23,488	23,488	14,546	14,546
	(75,640)	(75,640)	(84,304)	(84,304)
Fixed rate financial instruments				
Interest rate swap derivatives	125,000	(363)	150,000	(1,705)
Total	49,360	(76,003)	65,696	(86,009)

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.

In thousands of AUD - Higher/(Lower)	2017	2016
Increase of 100 basis points (2016: 100 basis points)		
Post Tax Profit	(340)	(356)
OCI (cash flow hedges, net of tax)	1,035	2,219
Decrease of 50 basis points (2016: 100 basis points)		
Post Tax Profit	170	881
OCI (cash flow hedges, net of tax)	(517)	(2,223)

(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 consolidated entity is also exposed to foreign currency risk on retranslation of the financial statements of foreign subsidiaries. The currencies giving rise to this risk are primarily USD, RMB and NZD.

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.

As at 30 June 2017, the consolidated entity had forward exchange contracts covering 82% of its expected USD net transaction exposure (2016: 86%), 80% of its expected RMB net transaction exposure (2016: 88%), and 80% of its expected NZD net transaction exposure (2016: 55%) for the 12 month period after the balance date.

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 2017 of $2,188,000 was recognised as a fair value derivative liability (2016: $3,944,000).

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SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT 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.

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 translation and monetary assets and liabilities not designated as cash flow hedges are not material.

In thousands of AUD - Higher/(Lower)	2017	2016
USD		
10% increase in USD:AUD – OCI (cash flow hedges, net of tax)	6,700	5,599
10% decrease in USD:AUD – OCI (cash flow hedges, net of tax)	(5,482)	(4,581)
RMB		
10% increase in RMB:AUD – OCI (cash flow hedges, net of tax)	1,581	1,417
10% decrease in RMB:AUD – OCI (cash flow hedges, net of tax)	(1,293)	(1,160)
NZD		
10% increase in NZD:AUD – OCI (cash flow hedges, net of tax)	(1,015)	(740)
10% decrease in NZD:AUD – OCI (cash flow hedges, net of tax)	835	605

(e) Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position is as follows:

In thousands of AUD	Carrying amount 2017	Fair value 2017	Carrying amount 2016	Fair value 2016
Cash and cash equivalents	36,360	36,360	35,696	35,696
Trade and other receivables	65,862	65,862	51,983	51,983
Interest rate swaps used for hedging	(363)	(363)	(1,705)	(1,705)
Forward contracts used for hedging	(2,188)	(2,188)	(3,944)	(3,944)
Unsecured cash advance facilities	(112,000)	(112,000)	(120,000)	(120,000)
Trade and other payables	(49,059)	(49,059)	(35,293)	(35,293)
	(61,388)	(61,388)	(73,263)	(73,263)

The fair value of financial instruments were estimated using the following methods and assumptions.

(i) Derivatives

Forward exchange contracts are marked to market by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps broker quotes are obtained. These quotes are back tested using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

(ii) Loans and borrowings

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

(iii) Trade and other receivables / payables

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

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SECTION IV. FUNDING AND RISK MANAGEMENT CONTINUED

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

(e) Fair values continued

(iv) Interest rates used for determining fair value

The consolidated entity uses the government yield curve as of 30 June 2017 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2017	2016
Derivatives	1.7% - 2.2%	1.8% - 2.0%
Loans and borrowings	3.2% - 3.7%	3.0% - 3.3%

(v) Fair value hierarchy

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

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

In thousands of AUD	Level 1	Level 2	Level 3	Total
30 June 2017	–	(2,188)	–	(2,188)
Forward contracts used for hedging	–	(363)	–	(363)
Interest rate swaps used for hedging	–	(2,551)	–	(2,551)
30 June 2016	–	(3,944)	–	(3,944)
Forward contracts used for hedging	–	(1,705)	–	(1,705)
Interest rate swaps used for hedging	–	(5,649)	–	(5,649)

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 executives in the 2016/17 year and 2015/16 year are subject to financial performance conditions which measure growth in Return on Funds Employed (ROFE) and 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 based on a 50% allocation of each grant to the two performance hurdles. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

19. SHARE-BASED PAYMENTS CONTINUED

For performance rights granted to executives in the 2016/17 year and 2015/16 year, the performance hurdles and vesting proportions for the ROFE performance measure and TSR performance measure 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 15% per annum	0%
ROFE equal to 15% per annum	12.5%
ROFE between 15% and 18% per annum	Straight line vesting between 12.5% and 50%
ROFE equal to 18% 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, 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 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.

Fair Value

During the year 581,500 performance rights were granted to employees (2016: 850,500) at a weighted average fair value of $1.28 (TSR) and $2.11 (ROFE) (2016: $1.33 (TSR) and $1.78 (ROFE)).

The fair value of the performance rights granted subject to the ROFE hurdle was determined by using a Black Scholes Model. 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 5.61%, the risk free rate was 1.96% and annualised share price volatility was 35% for the Company and its comparator companies listed for the TSR hurdle.

The amount recognised as personnel expenses (Note 4) in the current financial year was $1,028,000 (2016: $99,000).

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

In number of performance rights	Grant date	Expiry date	Balance at beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at end of the year
2017							
	24/02/2014	30/06/2016	340,000	–	(170,000)	(170,000)	–
	25/02/2015	30/06/2017	430,333	–	–	(7,333)	423,000
	23/03/2016	30/06/2018	850,500	–	–	(31,500)	819,000
	24/02/2017	30/06/2019	–	581,500	–	–	581,500
			1,620,833	581,500	(170,000)	(208,833)	1,823,500
2016							
	25/02/2013	30/06/2015	726,000	–	(195,476)	(530,524)	–
	24/02/2014	30/06/2016	340,000	–	–	–	340,000
	25/02/2015	30/06/2017	507,000	–	–	(76,667)	430,333
	23/03/2016	30/06/2018	–	850,500	–	–	850,500
			1,573,000	850,500	(195,476)	(607,191)	1,620,833

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

20. RELATED PARTIES

Key management personnel compensation

The key management personnel compensation included in personnel expenses (Note 4) are as follows:

In AUD	2017	2016
Short-term employee benefits	5,694,405	5,837,153
Post-employment benefits	288,899	276,604
Termination benefits	100,000	780,000
Share-based payments	718,960	236,017
Other long term employee benefits	6,320	(316,697)
	6,808,584	6,813,077

Individual directors and executives compensation disclosures

Information regarding individual and executives compensation is provided in the Remuneration Report section of the Directors' Report.

21. AUDITOR'S REMUNERATION

In AUD	2017	2016
Audit services		
Auditor of the Company	405,000	396,300
KPMG Australia:		
Audit and review of financial reports		
Other regulatory services	–	34,186
Overseas KPMG Firms:	17,000	16,000
Audit and review of financial reports		
	422,000	446,486
Other services		
Auditors of the Company		
KPMG Australia:		
Other services	61,592	–
Overseas KPMG Firms:		
Taxation services	34,576	52,112
	96,168	52,112

22. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2017	2016
Less than one year	14,884	14,089
Between one and five years	34,517	18,836
More than 5 years	22,728	441
	72,129	33,366

The consolidated entity leases various plant and equipment, property and motor vehicles under operating leases. These leases typically run for a period of 2 to 8 years, with an option to renew the lease after that date. None of these leases include contingent rentals.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense and spread over the lease term.

During the financial year ended 30 June 2017, $15,276,000 (2016: $16,189,000) was recognised as an expense in profit or loss in respect of operating leases.

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SECTION V. OTHER INFORMATION CONTINUED

23. CAPITAL COMMITMENTS

Capital expenditure commitments for plant and equipment purchases contracted but not provided for are payable as follows:

In thousands of AUD	2017	2016
Within one year	4,522	3,954
Between one and five years	–	1,688
	4,522	5,642

24. CONSOLIDATED ENTITIES

	Parties to cross guarantee	Country of incorporation	Ownership Interest 2017	Ownership Interest 2016
Parent entity				
GWA Group Limited	Y	Australia		
Subsidiaries				
API Services and Solutions Pty Limited	Y	Australia	100%	100%
Austral Lock Pty Ltd	Y	Australia	100%	100%
Canereb Pty Ltd	N	Australia	100%	100%
Caroma Holdings Limited	Y	Australia	100%	100%
Caroma Industries Limited	Y	Australia	100%	100%
Caroma Industries (NZ) Limited	N	New Zealand	100%	100%
Caroma International Pty Ltd	Y	Australia	100%	100%
Corille Limited	Y	Australia	100%	100%
Dorf Clark Industries	Y	Australia	100%	100%
Dorf Industries (NZ) Ltd	N	New Zealand	100%	100%
G Subs Pty Ltd	Y	Australia	100%	100%
Gainsborough Hardware Industries Limited	Y	Australia	100%	100%
GWA Finance Pty Limited	Y	Australia	100%	100%
GWA Group Holdings Limited	Y	Australia	100%	100%
GWAIL (NZ) Ltd	N	New Zealand	100%	100%
GWA Taps Manufacturing Limited	Y	Australia	100%	100%
GWA Trading (Shanghai) Co Ltd	N	China	100%	100%
Industrial Mowers (Australia) Limited	Y	Australia	100%	100%
McIlwraith Davey Pty Ltd	Y	Australia	100%	100%
Sebel Furniture Holdings Pty Ltd	Y	Australia	100%	100%
Starion Tapware Pty Ltd	Y	Australia	100%	100%
Stylus Pty Ltd	Y	Australia	100%	100%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

25. 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 24 are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

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

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2017, is set out in the table below.

Summarised statement of profit or loss and other comprehensive income and retained profits

In thousands of AUD	2017	2016
Sales revenue	425,783	420,169
Cost of sales	(246,185)	(250,235)
Gross profit	179,598	169,934
Operating expenses	(101,222)	(94,218)
Finance income	571	495
Finance expenses	(5,913)	(7,008)
Profit before tax	73,034	69,203
Tax expense	(20,959)	(19,130)
Profit from continuing operations	52,075	50,073
Profit / (loss) from discontinued operations, net of tax	–	1,761
Net profit / (loss)	52,075	51,834
Total comprehensive income / (loss), net of tax	52,075	51,834
(Accumulated losses) / retained earnings at beginning of the year	(3,161)	(36,488)
Dividends recognised during the year	(43,551)	(18,718)
Share-based payments, net of tax	(198)	211
Retained earnings / (accumulated losses) at end of the year	5,165	(3,161)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

25. DEED OF CROSS GUARANTEE CONTINUED

Statement of financial position

In thousands of AUD	2017	2016
Assets		
Cash and cash equivalents	33,437	33,225
Trade and other receivables	62,900	48,400
Inventories	69,238	74,116
Other	2,626	2,253
Total current assets	168,201	157,994
Investments	11,113	11,113
Deferred tax assets	15,846	18,004
Property, plant and equipment	9,993	10,763
Intangible assets	310,167	310,819
Other	286	188
Total non-current assets	347,405	350,887
Total assets	515,606	508,881
Liabilities		
Trade and other payables	48,997	39,300
Employee benefits	6,458	6,820
Income tax payable	7,222	1,862
Provisions	10,594	22,430
Total current liabilities	73,271	70,412
Trade and other payables	667	432
Intercompany payables	6,431	4,603
Loans and borrowings	112,000	120,000
Employee benefits	7,308	8,442
Provisions	2,267	2,602
Total non-current liabilities	128,673	136,079
Total liabilities	201,944	206,491
Net assets	313,662	302,390
Equity		
Issued capital	307,838	307,877
Reserves	659	(2,326)
Retained earnings / (accumulated losses)	5,165	(3,161)
Total equity	313,662	302,390

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

26. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2017 the parent company of the consolidated entity was GWA Group Limited.

	The Company	
In thousands of AUD	**2017**	**2016**
Results of the parent entity		
Profit for the year	82,292	19,038
Other comprehensive income	–	–
Total comprehensive income for the year	82,292	19,038
Financial position of the parent entity		
Current assets	–	–
Total assets	745,407	662,268
Current liabilities	137	19
Total liabilities	394,675	350,836
Equity of the parent entity		
Share Capital	307,838	307,877
Equity compensation reserve	2,444	1,647
Retained earnings	40,450	1,908
Total equity	350,732	311,432

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 (2016: $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 (2016: $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 24 and 25.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION CONTINUED

27. DISCONTINUED OPERATIONS

During the year ended 30 June 2016, the Gliderol business was sold with an effective date of 31 July 2015. The operating activities of the Gliderol business was classified as discontinued in the prior year.

(a) Results of discontinued operations

For the year ended 30 June	**2016**
In thousands of AUD	
Revenue	4,798
Expenses	(5,403)
(Loss) / profit from operating activities	(605)
Tax benefit / (expense) on operating activities	403
(Loss) / profit from operating activities, net of tax	(202)
Product defect issues settlement – Brivis	2,805
Tax expense on product defect issues settlement	(842)
Profit / (loss) for the year	1,761
Basic profit / (loss) per share (cents per share)	0.64
Diluted profit / (loss) per share (cents per share)	0.64

(b) Cash flows from discontinued operations

For the year ended 30 June	**2016**
In thousands of AUD	
Net cash (used in) / from operating activities	(682)
Net cash from investing activities	4,779
Net cash from discontinued operations	4,097

(c) Effect of disposal of Gliderol on the financial position of the consolidated entity

As at 30 June	**2016**
In thousands of AUD	
Trade and other receivables	(5,685)
Inventories	(5,095)
Net deferred tax assets	(982)
Other liabilities	12
Trade and other payables	4,239
Provisions	383
Employee benefits	1,718
Net assets and liabilities	(5,410)
Disposal costs	(1,360)
	(6,770)
Consideration proceeds	6,900
Cash and cash equivalents disposed of	(130)
Net cash inflow	6,770

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

28. SUBSEQUENT EVENTS

To the Directors' best knowledge, there are no events that have arisen subsequent to 30 June 2017 that will, or may, significantly affect the operation or results of the consolidated entity.

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DIRECTORS' DECLARATION

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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 2017 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 25 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 2017; 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 at Sydney on 21 August 2017.

Signed in accordance with a resolution of the directors:

Darryl D McDonough
Director

Tim R Salt
Director

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GWA GROUP LIMITED

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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 3 June 2017 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 2017;
- Consolidated Income Statement, Consolidated Statement of 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* (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 Matters** we identified are:

- Valuation of Inventory
- Valuation of Brand Names and Goodwill

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 $72M

Refer to Note 9 to the Financial Report

The key audit matter	**How the matter was addressed in our audit**
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 building industry cycles and changes in consumer preferences. This necessitated an additional focus on excess and discontinued inventory SKU's (stock keeping unit) and judgemental valuation assumptions. 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, excess or current range, as they attribute different values; • Evaluations of volume of inventory, as this may influence categorisation and therefore attribute different values. This included excess inventory volumes, determined by the Group with reference to inventory volumes greater than the last 12 months sales; • Expected selling prices, and judgements associated to the forward-looking estimation. This included assessing the impact of inventory sold in the current year below cost.	Our procedures included: • We tested the completeness and accuracy of inventory identified as discontinued or excess as follows: » We obtained sales data for the last 12 months by inventory SKU and compared this to the calculations performed by the Group to determine excess inventory volumes; and » We compared inventory SKU's approved to be discontinued to the discontinued inventory categorisation report used in calculating the recoverable value of inventory. • We independently developed an expected inventory valuation range by considering the following: » Inventory turnover rate by inventory SKU; » Recovery rates achieved historically when selling excess or discontinued inventory. We considered the historical quantum recovered compared to the original cost; and » Overall recoveries achieved for sales recorded below original cost. We performed a sensitivity analysis by flexing the forecasted expected selling prices applied to each category, and assessed the impact on the valuation of inventory. We compared our estimated inventory valuation range to that recorded by the Group.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GWA GROUP LIMITED
CONTINUED

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VALUATION OF BRAND NAMES AND GOODWILL $309M

Refer to Note 12 to the financial report

The key audit matter	How the matter was addressed in our audit
The valuation of Brand Names and Goodwill is a key audit matter due to the complexity in auditing, the inherent uncertainty associated with forecasting and discounting future cash flows (EBIT), especially where recent strategic initiatives have been implemented. The annual assessment of the carrying value of Brand Names and Goodwill requires the Group to apply significant judgements when determining the forecasted cash flows to be applied in the valuation models of each Cash Generating Unit ("CGU"). The judgements made include revenue growth based on forecast dwelling completions and new customer contracts, forecast earnings before interest and tax (EBIT), terminal growth rates, corporate cost allocations and discount rates.	Our procedures included: • We evaluated the Group's judgements applied in the valuation models. Our testing focused on the following assumptions: » Revenue growth – we compared this to external industry data, adjusted for specific Group initiatives and new customer contracts; » Forecast EBIT – we assessed this assumption against historical performance and consideration of the recent strategic initiatives (including new customer contracts) and their impact to future performance; » Discount rates – our valuation specialist independently developed an estimated range of each CGU's discount rate based on their industry knowledge, publicly available information for comparable entities and the risk in forecasted cash flows. We then compared this to the discount rate applied in the valuation model; » Corporate costs – we considered the reasonableness of the basis used to allocate corporate costs to each CGU with reference to the nature of the costs, their relevance to the cash flows generated by the CGUs and the criteria in the accounting standards. » Terminal growth rate – we compared the rate applied to external industry reports. • We considered the financial forecasting accuracy of the Group by comparing previous EBIT and revenue forecasts to actual results achieved. We considered the results of this procedure and the level of risk embedded in the underlying forecast cash flows in our consideration of the discount rate applied. • Performed sensitivity analysis in relation to the following assumptions, forecast EBIT, revenue and terminal growth rates, and the discount rate, and considered the impact of this on the valuation.

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.

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's ability to continue as a going concern. 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 or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GWA GROUP LIMITED
CONTINUED

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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 this 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: http://www.auasb.gov.au/auditors_files/2.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 2017, 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 Director's report for the year ended 30 June 2017.

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

KPMG

KPMG

Julie Cleary
Partner, Sydney

21 August 2017

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 2017 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

21 August 2017



Julie Cleary

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OTHER STATUTORY INFORMATION
AS AT 18 AUGUST 2017

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STATEMENT OF SHAREHOLDING

In accordance with the Australian Securities Exchange Listing Rules, the directors state that, as at 18 August 2017, the share capital in the Company was held as follows:

Range	Ordinary Shareholders	Ordinary Shares	%
1 – 1,000	1,539	673,172	0.26
1,001 – 5,000	3,410	9,343,839	3.54
5,001 – 10,000	1,386	10,058,885	3.81
10,001 – 100,000	994	20,891,450	7.91
100,001 and over	72	222,980,284	84.48
Total	**7,401**	**263,947,630**	**100.00**

The number of shareholders with less than a marketable parcel of 159 shares is 482.

VOTING RIGHTS

The voting rights attached to shares are as set out in clause 9.20 of the Company's Constitution. Subject to that clause, at General Meetings of the Company:

1. On a show of hands, every person present as a member, proxy, attorney or representative of a member has one vote; and
2. On a poll, every person present as a member, proxy, attorney or representative of a member, has one vote for each fully paid share.

SUBSTANTIAL SHAREHOLDERS

The following information is extracted from the Company's Register of Substantial Shareholders as at 18 August 2017:

Shareholder	Number of Shares	% Shares on Issue
Ellerston Capital Limited	15,737,943	5.96%
Investors Mutual Limited	19,201,100	7.27%

20 LARGEST SHAREHOLDERS AS AT 18 August 2017

Shareholder	Number of Shares	% Shares on Issue
HSBC Custody Nominees (Australia) Limited	53,949,454	20.44
J P Morgan Nominees Australia Limited	36,090,611	13.67
Citicorp Nominees Pty Limited	28,337,295	10.74
HGT Investments Pty Ltd	11,740,000	4.45
KFA Investments Pty Ltd	9,200,684	3.49
Erand Pty Ltd	9,007,389	3.41
JMB Investments Pty Ltd	7,334,655	2.78
Ashberg Pty Ltd	6,387,783	2.42
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	6,057,119	2.29
Theme (No 3) Pty Ltd	6,000,000	2.27
National Nominees Limited	5,994,849	2.27
Mr Peter Zinn <Carol Zinn Family No 2 A/C>	5,898,176	2.23
ITA Investments Pty Ltd	4,688,628	1.78
BNP Paribas Noms Pty Ltd <DRP>	3,525,963	1.34
Dabary Investments Pty Ltd	3,208,986	1.22
CJZ Investments Pty Ltd	2,841,565	1.08
Eidde Pty Ltd <Duncan Family A/C>	2,019,940	0.77
Mr Michael John McFadyen <Michael McFadyen A/C>	1,975,734	0.75
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,946,334	0.74
AMP Life Limited	1,609,037	0.61
Total	**207,814,202**	**78.73**

SHAREHOLDER INFORMATION

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Annual General Meeting

The Annual General Meeting of GWA Group Limited will be held on level 5, at the Hilton Hotel, 190 Elizabeth Street, Brisbane on Friday 27 October 2017 commencing at 10:30am (Brisbane time). Shareholders will be mailed their Notice of Annual General Meeting and Proxy Form during September 2017.

Shareholder Enquiries

Shareholders with enquiries about their shareholding or dividend payments should contact the Company's share registry, Computershare Investor Services Pty Limited, on 1300 850 505 or write to GPO Box 2975 Melbourne Victoria Australia 3001. Alternatively, you can view details of your holding or make changes to your personal information online at www.investorcentre.com.

Change of Address

Shareholders who have changed their address should immediately notify the Company's share registry in writing or update your details online at www.investorcentre.com. If you are a CHESS sponsored holder and wish to change your address, please contact your broker.

Consolidation of Shareholdings

Shareholders who wish to consolidate their separate shareholdings into one holding should complete a Request to Consolidate Holdings Form which can be downloaded at www.investorcentre.com. If you are a CHESS sponsored holder and wish to consolidate your holdings, please contact your broker.

Annual Reports

Annual Reports are made available to shareholders on the Company's website at www.gwagroup.com.au. Shareholders wishing to be mailed a copy of the Annual Report should notify the Company's share registry in writing or update your communication preferences online at www.investorcentre.com. Shareholders who have elected to receive the Notice of Annual General Meeting and Proxy Form via post will include details on accessing the online Annual Report.

Dividends

Dividends are determined by the Board having regard to the financial circumstances of the Company. Dividends are normally paid in March and September each year following the release of the Company's half and full year financial results to the market. The latest dividend details can be found on the Company's website at www.gwagroup.com.au.

Direct Credit of Dividends

To minimise cost and ensure fast and efficient payment of dividends to shareholders, the Company mandates direct credit for payment of dividends. Dividends may be paid directly to a bank, building society or credit union account in Australia. Payments are electronically credited on the dividend payment date and confirmed by an advice mailed to shareholders on that date, or emailed where shareholders have requested this form of communication. Direct credit application forms can be obtained by contacting the Company's share registry or can be updated online at www.investorcentre.com.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan was suspended by the Board in 2013. At the present time the Company has access to sufficient capital to meet its funding requirements. The Board keeps this position under review.

Securities Exchange Listing

The Company's shares are listed on the Australian Securities Exchange under the ASX code: GWA. Details of the trading activity of the Company's shares are published in most daily newspapers, generally under the abbreviation GWA Grp.

Shareholder Timetable 2017

30 June	Financial year end
21 August	FY17 full year results and final dividend announcement
24 August	Ex dividend date for final dividend
25 August	Record date for determining final dividend entitlement
5 September	Final dividend paid
22 September	Notice of Annual General Meeting and Proxy Form mailed to shareholders
25 October	Proxy returns close 10:30am Brisbane time
27 October	Annual General Meeting
31 December	Half year end

HEAD OFFICE LOCATIONS

GWA GROUP LIMITED

7 Eagleview Place
Eagle Farm QLD 4009
AUSTRALIA

Telephone 61 7 3109 6000
Facsimile 61 7 3852 2201

www.gwagroup.com.au

GWA BATHROOMS & KITCHENS

Caroma Industries Limited
Level 1, 7-9 Irvine Place
Bella Vista NSW 2153
AUSTRALIA

Telephone 61 2 8825 4400
Facsimile 61 2 8825 4567

www.caroma.com.au
www.caroma.co.nz
specify.caroma.com.au
www.dorf.com.au
www.stylus.com.au
www.clark.com.au
www.fowler.com.au

GWA DOOR & ACCESS SYSTEMS

Gainsborough Hardware Industries Limited
31-33 Alfred Street
Blackburn VIC 3130
AUSTRALIA

Telephone 61 3 9877 1555
Facsimile 61 3 9894 1599

www.gainsboroughhardware.com.au
www.ausloc.com

API Services and Solutions Pty Limited
248 Normanby Road
South Melbourne VIC 3205
AUSTRALIA

Telephone 131KEY(539)
Facsimile 61 3 9644 5882

www.apisec.com.au

CORPORATE DIRECTORY

Directors

D D McDonough, Chairman

J F Mulcahy, Deputy Chairman

T R Salt, Managing Director

W J Bartlett, Non-Executive Director

P A Birtles, Non-Executive Director

J M McKellar, Non-Executive Director

S T Goddard, Non-Executive Director

R J Thornton, Executive Director

Chief Financial Officer

P A Gibson, BA, FCMA, FAICD, FGIA

Company Secretary

R J Thornton, CA, BCom (Acc), LLB (Hons), LLM

Registered Office

7 Eagleview Place
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ASX code: GWA

Auditor

KPMG
Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000
AUSTRALIA

Telephone 61 2 9335 7000
Facsimile 61 2 9335 7001

Share Registry

Computershare Investor Services Pty Limited

117 Victoria Street
West End QLD 4101
AUSTRALIA

GPO Box 2975
Melbourne VIC 3001
AUSTRALIA

(within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000

www.computershare.com.au

Group Bankers

Commonwealth Bank of Australia
Australia and New Zealand Banking Group
HSBC Bank Australia

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