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ASX Release

FY22 Annual Report

Attached for release is GWA Group Limited's Annual Report for the 12 month period ended 30 June 2022.

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This document was authorised for release by GWA's Company Secretary and General Counsel, at the direction of the Board.

Yours faithfully

Ernie Lagis

E. Lagis
Company Secretary and General Counsel

GWA Group Limited

2022 ANNUAL REPORT






IN THIS REPORT

GWA delivered a very pleasing result for FY22 despite challenging economic conditions.

FY22 PERFORMANCE HIGHLIGHTS

The Company reported an improved performance in the second half of the year, consistent with our guidance provided at the first half. The increase in FY22 earnings resulted in an improved net profit and a corresponding lift in the full year dividend for shareholders.

During the year we improved our safety performance, implemented our new Enterprise Resource Planning system, following a strategic review exited the loss making China sales function, and successfully continued to address the challenges of ongoing supply chain disruptions and cost increases.

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

TOTAL SALES

$418.7 million
↑ 3.2%

REPORTED EBIT

$59.7 million
↑ 1.2%

REPORTED NPAT

$35.2 million
↑ 0.4%

FINAL DIVIDEND

8c per share, fully franked

NORMALISED[1] EBIT

$74.8 million
↑ 9.3%

NORMALISED NPAT

$47.3 million
↑ 11.7%

EBIT MARGIN

17.9%
FY21: 16.9%

FULL YEAR DIVIDEND

15c per share, fully franked
↑ 20%

› Improved our **safety performance**

› **Delivered underlying EBIT growth** for the full year with strong growth from H1 to H2

› **Rebuilt our management team** with five high calibre appointments to the Executive Leadership Team

› **Exited our loss-making China sales function** ($4.9 million in one-off closure costs)

› **Achieved considerable progress in our strategic initiatives**, providing a stronger platform for medium term growth and shareholder returns

1 Normalised results excludes certain project costs – 2022: $15.2m ($12.1m post tax) in relation to the Group's Enterprise Resource Planning/Customer Relationship Management (ERP/CRM) project, and closure of the China sales function. 2021: $9.5m ($7.3m post tax) in relation to Methven integration and the Group's ERP/CRM project.

FIVE YEAR FINANCIAL SUMMARY

CONTINUING OPERATIONS(1)	2017/18 $'000	2018/19[7] $'000	2019/20[7] $'000	2020/21[7] $'000	2021/22[7] $'000
Revenue from continuing operations	358,622	381,730	398,704	405,736	418,717
Earnings before interest, tax, depreciation, amortisation and significant items[2]	80,171	92,986	92,206	88,401	94,610
EBITDA margin (%)	22.4	24.4	23.1	21.8	22.6
Depreciation and amortisation	(3,929)	(14,869)	(20,366)	(19,919)	(19,761)
Earnings before interest, tax and significant items (EBIT)[2]	76,242	78,117	71,840	68,482	74,849
EBIT margin (%)	21.3	20.5	18.0	16.9	17.9
Interest (net)	(4,813)	(5,811)	(8,644)	(8,019)	(7,233)
Normalised profit before tax[2]	71,429	72,306	63,196	60,463	67,616
Normalised profit before tax (%)	19.9	18.9	15.9	14.9	16.1
Tax expense on normalised profit	(21,290)	(21,467)	(18,273)	(18,140)	(20,351)
Normalised effective tax rate (%)	29.8	29.7	28.9	30.0	30.1
Normalised profit after tax[2]	**50,139**	**50,839**	**44,923**	**42,323**	**47,265**
Significant items after tax	–	(7,597)	(1,037)	(7,267)	(12,086)
Net profit after tax from continuing operations	**50,139**	**43,242**	**43,886**	**35,056**	**35,179**
Profit from discontinued operations (net of income tax)	4,113	50,802	–	–	–
Net profit after tax for the period	**54,252**	**94,044**	**43,886**	**35,056**	**35,179**
Net cash from operating activities	39,158	67,630	60,952	78,298	13,988
Capital expenditure	12,475	4,326	12,317	5,147	2,408
Net debt[3]	97,729	141,930	144,841	104,804	138,248
Shareholders' equity	333,401	286,756	279,731	296,611	303,826
OTHER RATIOS AND STATISTICS					
Interest cover (times)[4]	19.6	23.5	13.6	15.5	18.3
Leverage ratio[4]	1.1	1.6	1.9	1.4	1.7
Gearing: net debt/(net debt + equity) (%)[8]	22.7	27.5	28.4	21.5	26.2
Return on shareholders' equity (%)	16.3	32.8	15.7	11.8	11.6
Dividend payout ratio – Group (%)[5]	87.4	51.9	69.2	94.6	113.1
Dividend payout ratio – Normalised Continuing (%)[5]	94.7	96.0	67.6	78.1	84.2
Dividend per share (cents)[6]	18.0	18.5	11.5	12.5	15.0
Franking (%)	100	100	100	100	100
Share price (30 June) ($)	3.40	3.42	2.77	2.77	1.97
Dividend yield at 30 June share price (%)	5.3	5.4	4.2	4.5	7.6
Number of employees	757	665	629	578	550
Basic earnings per share (cents) – Group	20.6	35.6	16.6	13.3	13.3
Basic earnings per share (cents) – Continuing	19.0	16.4	16.6	13.3	13.3
Normalised basic earnings per share (cents) – Continuing	19.0	19.3	17.0	16.0	17.8

1 The Door and Access Systems' business has been sold with an effective date of 3 July 2018. Accordingly, the operating activities Door and Access Systems were classified as discontinued in FY18, and presented separately from the results of continuing operations. Continuing operations includes the contribution from Methven from the effective date of acquisition, 10 April 2019.

2 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 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 relevant years' financial reports.

3 Net debt reflects the Group's borrowings and bank guarantees less cash (including cash classified within assets held for sale).

4 Interest cover (times) and Leverage ratio is calculated using EBITDA excluding non-recurring other significant items.

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

6 Dividend per share includes ordinary and special dividends.

7 AASB16 *Leases* and the May 2020 IFRS Interpretations Committee decision on 'Multiple Tax Consequences of Recovering an Asset' have been adopted from 1 July 2019 (FY20), with retrospective restatement of FY19 made. FY18 has not been restated.

8 Equity for the purposes of gearing excludes the retained earnings impact from the adoption of the May 2020 IFRS Interpretations Committee decision on 'Multiple Tax Consequences of Recovering an Asset'.

COMPANY PROFILE

GWA Group Limited (GWA) listed on the Australian Securities Exchange in May 1993. GWA is a leading innovator, designer and supplier of product solutions, services and intelligent technology focused on the delivery of sustainable water solutions for bathrooms, kitchens and laundries.

We own and distribute market-leading brands and state of the art product solutions across our ranges of sanitaryware, tapware, showers, basins, baths, kitchen sinks, laundry tubs, bathroom/kitchen accessories and valves. We have an intelligent bathroom system incorporating Internet of Things (IoT) smart water management solutions.

GWA operates a central-led business with corporate functions supporting our sustainable water solutions business. We have sale and distribution facilities across our primary end markets of Australia, New Zealand, the United Kingdom and Asia (noting that GWA ceased its China sales function as of 30 June 2022).

We are highly respected within the building industry for innovation, water efficiency and safety, product reliability and quality, technical expertise and superior service.

We maintain quality and cost efficient long-term supply agreements with selected, exclusive manufacturing partners across Asia and Europe. GWA has an experienced senior management team in design, research and development, brand building, customer engagement, supply and distribution.

GWA remains committed to growing shareholder value through our focus on making everyday water experiences extraordinary within our sustainable water solutions business which has strong market positions, market-leading brands and significant growth opportunities.

GWA is a member of the ASX 300 index of listed Australian companies.

OUR PURPOSE

Making everyday water experiences extraordinary – today, and for tomorrow.

OUR STRATEGY

To be the trusted and integrated solutions partner in the delivery of sustainable water solutions for bathrooms, kitchens and laundries.

OUR CULTURAL PILLARS

We are one team
We are customer focused
We care for each other

We make life better for all our stakeholders.

OUR BRANDS

CAROMA
METHVEN
CLARK
dorf
CAROMA SMART COMMAND
Deva by METHVEN
FLEXISPRAY
NEFA BY METHVEN

STRATEGY ON A PAGE

Making everyday
water experiences extraordinary —
today, and for tomorrow.

STRATEGY

To be the trusted and integrated solutions partner in the delivery of sustainable water solutions for bathrooms, kitchens and laundries.

FOCUS

1

WIN THE PLUMBER

Connect, deepen and leverage plumbing industry relationships.

2

INNOVATE THROUGH DESIGN & PARTNERSHIPS

Leverage in-house capability and global partnerships to fast-track value creation and portfolio modernisation.

3

GROW OUR AFTER-MARKET OFFERINGS

Build a comprehensive after-market capability.

4

FOCUS ON STRATEGIC GROWTH OPPORTUNITIES

Disciplined and targeted investment in local and international markets.

FOUNDATION

CUSTOMER EXPERIENCE Integrated customer experience with structured brands and category portfolios.

DIGITAL Investment in digital opportunities to deliver a superior customer experience.

ENVIRONMENTAL, SOCIAL, GOVERNANCE A sustainable business that drives value and fuels growth.

ALIGNED ORGANISATION The right people in the right roles, focused on the right outcomes.

OUR CULTURAL PILLARS

We are one team.

We are customer focused.

We care for each other.

CHAIRMAN'S REPORT

Despite ongoing challenges caused by significant supply chain disruption, input cost inflation and COVID-19, GWA delivered an improved and pleasing financial performance during the year.

The company continued to implement its strategy and as a result is well positioned to capitalise on market opportunities in FY23.

FY22 RESULTS

Group revenue increased by 3.2 per cent to $418.7 million, reflecting a solid performance in our Australian and UK businesses, partially offset by lower sales in New Zealand and the China business with both regions being impacted by COVID-19 restrictions and disruptions.

As part of the continual strategic review of operations, the company closed its sales function in China with effect from 30 June 2022.

Our continued focus on operational discipline and cost control helped to deliver a 9.3 per cent increase in Normalised Group EBIT to $74.8 million.

Normalised net profit after tax increased by 11.7 per cent to $47.3 million.

GWA reported a net profit after tax (including significant items) of $35.2 million for FY22 compared to $35.1 million in FY21.

SOLID BALANCE SHEET MAINTAINED AND FULL YEAR DIVIDEND UP 20 PER CENT ON THE PRIOR YEAR

In line with the Company's dividend policy, the Board declared a final dividend of 8 cents per share fully-franked, bringing the full-year dividend to 15 cents per share fully-franked; an increase of 20 per cent compared to the prior year. The full year dividend represents a normalised payout ratio of 84 per cent and reported dividend payout ratio of 113 per cent.

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

Net debt as at 30 June 2022 was $138.2 million which was $33.4 million above the prior year, primarily reflecting an increase in stock on hand of $38.8 million to ensure ongoing supply of product to our customers during a period of significant supply chain disruption.

Notwithstanding the above, credit metrics remain within target levels and the Group continues to maintain its strong financial position to support investment in future growth initiatives.

CONTINUED FOCUS ON SAFETY AND SUSTAINABILITY

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

We measure a range of balanced safety performance indicators which is part of our focus on identifying, implementing and monitoring activities to eliminate unsafe acts and practices.

Following a disappointing increase in our Total Injury Frequency Rate (TIFR) in FY21, we were pleased to see our continued focus on safety issues resulted in a decrease in the TIFR in FY22. This will remain an ongoing focus of management at our sites.

GWA is committed to promoting diversity and inclusion through the implementation of policies and initiatives to achieve a diverse workforce. Females comprised 42 per cent of GWA's overall workforce which is largely consistent with the 43 per cent for the prior year. GWA also has a fair remuneration and pay equity structure in place which we adhere to during the annual remuneration review cycle to ensure issues of inequity are addressed.

We remain focused on the areas of sustainability where we believe we can make the most impact. Our business operates in a sustainable manner by managing resources efficiently, effectively and in a socially responsible manner. GWA also provides innovative sustainable solutions for the built environment with a clear focus on sustainable water solutions.

GWA acknowledges that the supply, pumping, heating and treatment of water is carbon intensive and can have significant impacts on the environment. We believe that every effort should be taken to reduce water usage through water efficient fixtures, design and smart sensor connected systems.

We are committed to further understanding the greenhouse gas emission impact of water supply, pumping and heating and working with relevant partners to articulate the reduction in greenhouse gas emissions through lower water utilisation.

As part of this commitment GWA became a member of the Green Building Council of Australia in 2022.

GWA will publish its fourth Sustainability Report in September 2022, providing further details on its policies and initiatives in these areas.

EXECUTIVE REMUNERATION

The Board determined there should be a change in variable remuneration mix for FY22 with a greater weighting being placed on long-term incentives coupled with a continued focus on short-term financial targets and critical non-financial Key Performance Indicators (KPIs).

This change applied to all members of the Executive team for FY22 to better align executive remuneration outcomes and long-term shareholder wealth creation.

The FY22 STI plan continued to adopt EBIT as a single financial target. EBIT is an effective basis for STI financial targets as it is currently a key metric used in the business and aligns with the Group's strategy.

In FY22 the Board decided to retain relative Total Shareholder Return (TSR) as single performance measure under the LTI plan due to ongoing uncertainty caused by the continuing impact of COVID-19, resulting in difficulty in accurately forecasting business performance for the next three-year period.

BOARD CHANGES

The Board has commenced a formal review to consider Board renewal and appointments. This process has been assisted by external advisers, Hattonneale.

Peter Birtles retired from the Board on 30 June 2022. Peter was appointed a Non-Executive Director of GWA in 2010 and served on the Audit and Risk Committee. I want to acknowledge and thank Peter for his exceptional service and valuable contribution to GWA as a director and more specifically, as a member of the Audit and Risk Committee.

I would also like to acknowledge the outstanding commitment and contribution of Alison Barrass, who is retiring from the Board by rotation at GWA's annual general meeting later this year. Alison was appointed a Non-Executive Director of GWA in 2019, and joined the Board following the Group's acquisition of Methven.

Alison's and Peter's support and wise counsel has been greatly valued, and on behalf of the Board we wish them well with their future endeavours.

In addition, Richard Thornton transitioned from his role as Executive Director and Company Secretary of GWA to that of Non-Executive Director in June 2022. Richard's appointment as a Non-Executive Director will continue the family connection to the Anderson Brothers who were the founders of what is GWA today with the current Anderson Family members continuing as significant shareholders of GWA.

I want to thank Richard for his long service to GWA in an executive capacity and we look forward to his continuing contribution to the Board as a Non-Executive Director.

CONCLUSION

GWA successfully managed a challenging environment in FY22 to deliver a solid financial result.

While economic and market conditions remain uncertain the business continues to be supported by a solid balance sheet which enables the continued generation of returns to shareholders.

On behalf of the Board, I wish to acknowledge and thank Urs Meyerhans and the executive leadership team and all employees across the Group for their significant contribution over the year.

I also thank shareholders for their continuing support of GWA.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

OVERVIEW

GWA delivered a very pleasing result for FY22 considering ongoing COVID-19 disruptions and restrictions, particularly in New Zealand and Asia and the challenging economic environment, particularly in relation to input cost inflation and continued supply chain disruptions.

The Company reported an improved performance in the second half of the year, consistent with our guidance provided at the first half. The increase in FY22 earnings resulted in an improved net profit and a corresponding lift in the full year dividend for shareholders.

During the year we improved our safety performance, implemented our new Enterprise Resource Planning system, following a strategic review exited the loss-making China sales function, and successfully continued to address the challenges of ongoing supply chain disruptions and cost increases.

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

HEALTH & SAFETY

During FY22 the Company continued to manage its operations within the COVID-19 impacted environment with the health and safety of our people and customers remaining our first priority.

We continued to implement customised training strategies focused on reducing manual handling injuries at our sites, and introduced mental health and wellbeing programs.

I am pleased to report a reduction in the Lost Time Injury Frequency Rate (LTIFR) in FY22 to 1.9 from 4.3 in the prior year.

RESPONDING TO MARKET CHALLENGES

Global supply chains were severely disrupted during the year which impacted freight container availability and increased freight costs. GWA continued to implement a number of strategies to mitigate these impacts.

We continued to work with our supply partners on demand planning to ensure minimal disruption to our customers. GWA proactively increased inventory of core SKUs to ensure ongoing product availability for our merchant partners. This resulted in a planned increase in working capital, particularly in the second half which we expect to start to unwind in FY23.

Price increases of approximately three per cent and four per cent were implemented in Australia from July 2021 and December 2021 respectively, which partly mitigated the impact of increased input and freight costs during the year. However, cost escalation continued to impact the business following the Russia/Ukraine conflict and as a result, GWA implemented a further price increase of five per cent from July 2022.

GWA maintains a regionally diversified supplier base with long term supply agreements with our partners which enable the Company to continue to address these market challenges while supporting our customers in our key markets.

IMPLEMENTATION OF NEW ERP SYSTEM

The Company implemented its new Enterprise Resource Planning (ERP)/Customer Relationship Management (CRM) system in April 2022. The new system replaces a number of outdated legacy systems across Australia and New Zealand with a single integrated system.

Notwithstanding extensive pre-go-live testing and delayed launch of the new system from January to April 2022, we experienced some short term issues on implementation which resulted in stock delivery delays in May/June, not unexpected with an implementation of this scale. These issues have now largely been rectified. As we are moving into FY23 our focus will turn to extracting efficiencies using this single integrated system.

GROUP FINANCIAL RESULTS

NORMALISED — EXCLUDES SIGNIFICANT ITEMS

A$ million (Excludes Significant Items)	FY21	FY22	% change
Revenue	405.7	418.7	+3.2%
EBITDA	88.4	94.6	+7.0%
EBIT	**68.5**	**74.8**	**+9.3%**
EBIT Margin (%)	*16.9%*	*17.9%*	*+1.0pp*
NPAT	**42.3**	**47.3**	**+11.7%**

Group normalised results exclude significant items. In FY22 significant items were $15.2 million (pre tax) and included costs associated with the implementation of the ERP/CRM system and costs associated with the closure of the China sales function.

Group revenue increased by 3.2 per cent to $418.7 million, reflecting strong commercial refurbishment activity in Australia and continued sales momentum in our UK business, partially offset by the decline in sales in New Zealand and Asia as a result of COVID-19-related disruptions, including staff shortages.

Revenue in **Australia** improved by 6.5 per cent for the year with second half sales continuing to grow on the first half. Commercial sales strengthened during the year, primarily led by renovation and replacement projects within the Care and Medium Density segments. Shifts toward touchless products and refurbishments (vs New Build) were evident throughout the year, however traction with key developers on smart water solutions created a number of wins in New Build Office Projects, against the overall market trend.

GWA's commercial forward Order Bank remains strong and increased 16 per cent in value on the start of the year which creates a strong platform for future growth, especially with sustained growth in the Health and Aged Care, Offices and Medium Density Residential segments.

Sales to the Builder's segment increased again on the prior year, reflecting ongoing strength in residential detached housing activity, particularly in NSW, SA and QLD (although growth tempered in H2 with the floods).

Residential renovation and replacement remained strong with growth again on the back of high approvals, and we're expecting completions being 'stronger for longer' due to trade labour and material shortages. In fact, all states experienced restrictions to growth throughout the year with labour and material shortages evident in all segments.

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

Performance in **New Zealand** was disappointing with revenue declining by 16.6 per cent on the prior year. Sales in the first half were impacted by the government mandated five-week shutdown which resulted in no sales being recorded for that period.

While GWA experienced a partial recovery in sales in the second half in Australia as some restrictions were lifted, the ongoing impacts of COVID-19 causing staff absences impacted our ability in New Zealand to ship product to customers resulting in delayed sales.

Sales in **International** markets increased by 3.7 per cent, reflecting good growth in the UK business, offset by a decline in China sales. In June following a detailed strategic review, GWA closed its sales function in China. The China sales function was acquired by GWA as part of the Methven acquisition in April 2019.

Notwithstanding the challenges of COVID-19 in China, the sales function lacked sufficient scale to be profitable and as a result we made the decision to close this function. Closure costs of $4.9 million, ($3.4 million cash/$1.5 million non-cash) were incurred as significant items in the FY22 accounts.

This decision does not impact GWA's sourcing and supply operations in China which continue as normal.

Normalised Group EBIT increased by 9.3 per cent compared to the prior year. The improvement in earnings came despite the significant increase in freight and other input costs compared to the prior year which were only partially mitigated through pricing.

Normalised Group EBIT margin was 17.9 per cent compared to 16.9 per cent for the prior year demonstrating GWA's positive leverage to current market conditions.

Group Reported Results include significant items of $15.2 million (pre tax) outlined above.

Including significant items, Group Reported EBIT was $59.7 million compared to $59.0 million for the prior year.

Normalised net profit after tax increased by 11.7 per cent to $47.3 million.

GWA reported a net profit after tax of $35.2 million for FY22 compared to $35.1 million in FY21.

CASHFLOW FROM OPERATIONS

Given the ongoing supply chain disruption in global markets, GWA increased inventory of its core SKUs to ensure ongoing product availability for customers. This resulted in a planned increase in working capital, particularly in the second half which negatively impacted operating cashflow for the period.

Cashflow from operations was $49.6 million compared to $103.1 million for the prior year.

The cash conversion ratio (cashflow from operations/ normalised EBITDA) was 52 per cent.

Capital expenditure and other investing activities was $2.4 million in FY22. The Group's capital expenditure programme remains focused on growth initiatives to drive revenue enhancing opportunities and cost efficiencies.

FULL YEAR DIVIDEND OF 8.0 CENTS PER SHARE FULLY FRANKED; UP 20 PER CENT

The Board declared a final dividend of 8.0 cents per share, fully-franked, bringing the full-year dividend to 15.0 cents per share, fully-franked. This represents an increase of 20 per cent on the prior year.

The record date for entitlement to receive the final dividend will be 22 August 2022 with the payment date of 6 September 2022. The full-year dividend represents a payout ratio of normalised profit of 84 per cent and reported profit of 113 per cent.

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

GWA'S FINANCIAL METRICS REMAIN SOLID

Net debt as at 30 June 2022 was $138.2 million, which was higher than 30 June 2021 and reflected the planned increase in inventory relating to continued supply chain disruptions.

Notwithstanding this increase, GWA's credit metrics remain solid. The Company's gearing ratio (net debt/net debt plus equity) was 26.2 per cent compared to 21.5 per cent at 30 June 2021 and leverage ratio (net debt/EBITDA) was 1.7 times compared to 1.4 times at 30 June 2021.

GWA's interest cover ratio (EBITDA/net interest) was 18.3 times at 30 June 2022 compared to 15.5 times at 30 June 2021.

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

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

PROGRESSING GROWTH STRATEGY

During the year GWA continued to implement its strategy which is focused on being a trusted and integrated solutions partner in the delivery of sustainable water solutions for bathrooms, kitchens and laundries.

We made good progress on key focus areas of our strategy:

WIN THE PLUMBER

Plumbers are the single biggest opportunity for GWA to grow volume and share in Australia/New Zealand. We are implementing measures to connect, deepen and leverage our plumbing industry relationships with a focus on delivering trusted and valued, services and solutions to plumbers.

During FY22 we extended our reach with Australian plumbers from 4,500 to 10,000.

CUSTOMER EXPERIENCE

Our focus is to deliver an integrated customer experience with structured brands and category portfolios. To support this objective we redefined our brand strategy with a clear brand and customer value proposition.

We have also completed a brand and product category review and as a result we have identified approximately 20 per cent of SKU's to be deleted over the next one to two years.

DIGITAL

We continued our investment in digital opportunities to deliver a superior customer experience.

This included key projects to enhance our online platforms to offer virtual and augmented reality experiences, allowing purchasers to visualise their new bathroom, kitchen and laundry.

In December, we launched the Caroma Visualiser which enables a user to build and visualise their bathroom with a virtual "walk-through" experience using augmented reality.

Using the visualiser, the user specifies their bathroom dimensions, adds floor and wall tiles and can then customise the new bathroom with products (including basins, taps, showers, toilet suites). In addition, in May 2022 we launched the virtual tour of our flagship store in Alexandria, NSW. This will enable customers anywhere to experience our product offerings from the comfort of their home.

This project is consistent with GWA's strategy to improve the customer experience with our brands to build engagement with customers on the renovation and purchase journey.

OUTLOOK

GWA remains well positioned to capitalise on positive sentiment across key construction segments.

There is ongoing demand for care products in the Commercial segment and signs of recovery in the new build category, while there is continued momentum in the residential detached category.

Approvals in the residential and commercial renovation and replacement segments remain at historically elevated levels.

We maintain strong operational leverage to the market, underpinned by ongoing operational discipline including managing higher input cost through proactive pricing and managing inventory levels to meet customer demand.

Our cash flows for the current financial year were impacted primarily by significant items and a temporary increase in working capital. We expect cash flow in FY23 to return to normalised levels.

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

THE GWA TEAM

I am proud of what the GWA team achieved over the last 12 months considering ongoing COVID-19 disruptions and restrictions in some of our markets and the challenging economic environment in relation to input cost inflation and continuing supply chain disruptions. Our achievements wouldn't be possible without the contribution of the entire GWA team.

I would like to thank my executive team and everyone across GWA for their dedication, passion and contribution to the achievements delivered during FY22.

APPENDIX — RISK MATERIALITY TABLE

GWA's key risks to its future prospects, and measures to mitigate these risks, where possible, are outlined in the following table.

Risk	Monitoring and Mitigation
A significant deterioration in building activity impacting sales growth and margins.	GWA monitors building activity and this is factored into the company's monthly reporting, forecasting, annual budget and planning processes. Approximately 61 per cent of GWA's revenue is generated from the Renovation and Replacements segment in Australia which is the largest and most stable segment of the overall market. GWA's forward order book for commercial projects remains solid and is growing with several major projects secured. In addition, GWA's corporate strategy incorporates opportunities for GWA to expand beyond current segments, categories and markets
A significant movement in the Australian dollar impacting the price of imported products leading to changes in market pricing to maintain profitability.	GWA monitors foreign exchange rates closely and adopts appropriate mitigation strategies. Approximately 52 per cent of US dollar exposure is hedged at US$0.73 for FY23. GWA's contracts with major customers include provisions for pricing changes based on significant movements in the Australian dollar.
Unforeseen disruptions impacting product supply from offshore suppliers leading to reputational damage, lower sales and loss of market share.	GWA has exclusive long-term supply partnerships with experienced offshore suppliers. GWA's supply chain processes include dual-sourcing strategies and access to safety stock to mitigate the risk of supplier disruption. GWA has its own employees located in Asia working directly with its supply partners and is actively diversifying its regional supply base. The global supply chain landscape continues to evolve rapidly because of COVID-19 related events, which has been exacerbated by changing market conditions, escalating trade tensions, armed conflict and extreme weather events. GWA's business continuity plans are being updated frequently to deal with these issues.
Security risks around external threats to the digital network, IT systems and data could potentially result in adverse operational, financial and reputational impacts through possible system failures and security/cyber breaches.	GWA has established a formal IT security risk and governance framework to mitigate the risks being faced by GWA. In FY22, GWA implemented a new Enterprise Resource Planning and Customer Relationship Management systems across its operations in Australia and New Zealand, with enhanced security and protection technologies. In addition, GWA carries out disaster recovery and business continuity planning each year to test the effectiveness of its ability to respond to security and cyber risks. GWA has a cyber program that continually monitors the effectiveness of GWA's mitigation measures against evolving cyber threats.
Workplace health and safety risks could potentially result in physical injury to employees, contractors or others, or damage to the Company's reputation.	Aligned with its Cultural Pillar of 'We care for each other', GWA remains committed to continuous improvement in workplace health and safety performance. GWA has implemented comprehensive safety systems and processes, communications with and training of employees, and increased diligence in identifying and removing safety risks. GWA has also increased its focus on the management of mental health issues, given the impact of COVID-19 and the significant workplace changes which occurred because of the pandemic. All GWA managed sites are certified to ISO45001:2018 (occupational health and safety management system).
Major global event (e.g. war, pandemic) impacting GWA's ability to operate, including workforce, supply chain and customer service disruptions.	GWA has comprehensive crisis management and business continuity plans in place for dealing with major global and domestic events. These were activated to address recent global events such as the COVID-19 pandemic and conflict in Ukraine. The plans guide GWA's response to events outside of the control of GWA and are continually reviewed to ensure they remain effective.
Adverse impact of environmental or social risks on the GWA business.	GWA's approach to ESG is one of the foundations of the 2025 corporate strategy. GWA has established an ESG Steering Committee to oversee the progress and execution of GWA's ESG program. The physical risks of climate change on the GWA business are regularly assessed with risk mitigation and contingency plans in place. Notwithstanding that GWA is a low emissions intensity entity, as its business activities are less carbon intensive than other sectors, GWA's ESG program is designed to meet the long-term sustainability credentials that are expected by stakeholders. In December 2021, GWA's latest Modern Slavery Statement was lodged with the Australian Border Force. GWA has undertaken an analysis of its operations and supply chains to identify potential risks of modern slavery and believes the overall risk level to be low given the scope and location of GWA's operations, the maturity of its supply partner relationships and the diligence applied by GWA to identify and manage risks in the business. Refer to GWA's sustainability reports for further information.

BOARD OF DIRECTORS

DARRYL McDONOUGH

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

INDEPENDENT CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Expertise: Experienced Non-Executive Director

Special Responsibilities: Chairman of Board and member of People and Culture and Audit and Risk Committees

Mr McDonough was appointed Chairman on 31 October 2013. He has over 35 years of experience as a director and as a corporate lawyer. He has served as a director of a number of public companies and is a former President of The Australian Institute of Company Directors, Queensland Division.

JOHN MULCAHY

PHD (CIVIL ENGINEERING), FIE AUSTT

INDEPENDENT DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Expertise: Engineer, banker and experienced public company director

Special Responsibilities: Chairman of People and Culture 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. 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 listed companies for the time periods noted:

- ALS Limited since 2012*
- Mirvac Group Limited since 2009*

URS MEYERHANS

FCPA, MAICD

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Expertise: Experienced executive officer with extensive operational and finance experience

Mr Meyerhans was appointed Managing Director and Chief Executive Officer of GWA Group Limited on 1 July 2021. He was formerly the Acting Chief Executive Officer of GWA Group Limited from 1 March 2021.

Mr Meyerhans has international industry experience in manufacturing and distribution, professional services, mining, engineering and construction in Australia, Europe, USA and Asia Pacific. Mr Meyerhans served as President of Tetra Tech Asia Pacific and Chief Executive Officer of Coffey International Limited (Coffey) from 2017 to 2020.

Previous roles have included Chief Operating Officer and Finance Director of Coffey, Finance Director of Wattyl Limited as well as executive roles with United Group Limited and WMC Resources Limited.

Mr Meyerhans is a graduate of the School of Business Executive Program at Stanford University, and a member of the Australia Institute of Company Directors and Fellow of CPA Australia.

JANE McKELLAR

BA, MA (HONS), GAICD, CISL

INDEPENDENT NON-EXECUTIVE DIRECTOR

Expertise: International brand and consumer marketing and sales; public company Non-Executive Director

Special Responsibilities: Member of People and Culture Committee

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 Chief Marketing Officer and/or CEO roles with Unilever, NineMSN, Microsoft, Elizabeth Arden and Stila Corp. She is presently a Non-Executive Director at ASX listed Noumi Limited and McPherson's Limited, and is also on the Board of The NRMA.

During the past three years Ms McKellar has served as a director of the following listed companies for the time periods noted:

- Noumi Limited since May 2020*
- McPherson's Limited since 2015*

* denotes current directorship

ALISON BARRASS

BSC, DipMA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Expertise: Extensive experience in FMCG Sector, governance leadership and innovation

Ms Barrass was appointed a Non-Executive Director of GWA Group Limited on 24 May 2019. She is a highly experienced executive across private and publicly listed organisations and was most recently the Chair of Methven Ltd, a leading New Zealand-based business which was acquired by GWA in April 2019. Her career has included significant marketing and business transformation roles with major FMCG companies, including CEO roles with both Goodman Fielder New Zealand and Griffins Foods. She is currently a Non-Executive Director of Spark NZ, Zespri Limited, Rockit International and Chair of Tom and Luke Limited and Babich Wines Limited.

During the past three years Ms Barrass has served as a director of the following listed companies for the time periods noted:

- Spark NZ Limited since 2016*
- Methven Limited 2012 – 2019

STEPHEN GODDARD

BSC (HONS), MSC

INDEPENDENT NON-EXECUTIVE DIRECTOR

Expertise: Extensive finance, operational and governance experience

Special Responsibilities: Chairman of Audit and Risk Committee

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 Chairman of the Board and Remuneration and Nomination Committee of JB Hi-Fi Limited. He is also a Non-Executive Director and Chairman of the Audit and Risk Committee of both Accent Group Limited and Nick Scali Limited, and 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 listed companies for the time periods noted:

- Nick Scali Limited since March 2018*
- Accent Group Limited since November 2017*
- JB Hi-Fi Limited since August 2016*

RICHARD THORNTON

CA BCOM (ACC) LLB (HONS) LLM

NON-EXECUTIVE DIRECTOR

Expertise: Chartered Accountant with extensive governance, risk management and finance experience

Special Responsibilities: Member of the Audit and Risk Committee

Mr Thornton was appointed a Non-Executive Director of GWA Group Limited on 3 June 2022. He joined GWA Group Limited in 2002, and was the Company Secretary between 2003 and 2022 and an Executive Director between 2009 and 2022. 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. He has extensive leadership, governance and risk management experience as a longstanding GWA senior executive, having served over 20 years with the business until his appointment as a Non-Executive Director in June 2022.

He is a Director of HGT Investments Pty Ltd and Great Western Corporation, a diversified Australian private group.

* denotes current directorship

DIRECTORS' REPORT
AS AT 30 JUNE 2022

The directors present their report on the consolidated entity consisting of GWA Group Limited (the Company) and its controlled entities at the end of, or during, the financial year ended 30 June 2022 (together, the Group).

DIRECTORS

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

- Darryl McDonough, Chairman and Independent, Non-Executive Director
- John Mulcahy, Deputy Chairman and Independent, Non-Executive Director
- Urs Meyerhans, Managing Director and Chief Executive Officer
- Alison Barrass, Independent, Non-Executive Director
- Peter Birtles, Independent, Non-Executive Director (resigned 30 June 2022)
- Stephen Goddard, Independent, Non-Executive Director
- Jane McKellar, Independent, Non-Executive Director
- Richard Thornton, Executive Director and Company Secretary (resigned 3 June 2022)
- Richard Thornton, Non-Executive Director (appointed 3 June 2022)

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 FY22, and the period for which each directorship has been held, are outlined in the director profiles in the Annual Report.

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

COMPANY SECRETARY

ERNIE LAGIS

BBus LLB (Hons), LLM, CertGov&RiskMgt

Ernie Lagis was appointed the Company Secretary and General Counsel of the Company on 6 June 2022. Ernie has an extensive career in legal, governance and company secretariat. Ernie most recently led the company secretariat, legal and insurance functions for the Asia Pacific operations of Tetra Tech Inc, including Tetra Tech Coffey. He began his career as a lawyer with Ashurst (formerly Blake Dawson).

Richard Thornton was the Company Secretary of the Company until 3 June 2022.

DIRECTORS' INTERESTS

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

Director	Ordinary Shares[1]
Darryl McDonough	170,000
John Mulcahy	40,950
Urs Meyerhans[2]	65,217
Alison Barrass	0
Peter Birtles	38,650
Stephen Goddard	10,000
Jane McKellar	13,034
Richard Thornton[3]	299,561
Total[4]	**637,412**

Notes:

1 The number of shares held refers to shares held either directly or indirectly by the relevant director.

2 Urs Meyerhans also holds 541,516 Performance Rights. For details of the Performance Rights held, please refer to sections 7.2 and 7.3 of the Remuneration Report.

3 As at the date of this report, and as an executive director of the Company until 3 June 2022, Richard Thornton also holds 94,415 Performance Rights. For details of the Performance Rights held, please refer to sections 7.2 and 7.3 of the Remuneration Report.

4 Section 7.3.3 of the Remuneration Report sets out the number of shares held directly, indirectly or beneficially by key management personnel or their related entities at balance date as prescribed in Accounting Standard AASB 124, this being 789,941 shares (2021: 869,006 shares).

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of Committees of directors) held during FY22 and the number of meetings attended by each director is outlined in the following table:

Director	Board		Audit and Risk Committee		People and Culture Committee[2]	
	A	B	A	B	A	B
Darryl McDonough	10	10	4	4	6	6
John Mulcahy	10	10	–	–	6	6
Urs Meyerhans	10	10	–	–	–	–
Alison Barrass	10	10	–	–	–	–
Peter Birtles[1]	10	10	4	4	–	–
Stephen Goddard	10	10	4	4	–	–
Jane McKellar	10	10	–	–	6	6
Richard Thornton	10	10	–	–	–	–

Notes:

A Number of meetings held during the time the director held office during the year including meetings of the Non-Executive Directors only

B Number of meetings attended during the period the director was a member of the Board of Committee

1 Peter Birtles resigned as a Non-Executive Director of the Company on 30 June 2022.

2 Previously the Nomination and Remuneration Committee.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the research, design, import and marketing of building fixtures and fittings to residential and commercial premises, and the distribution of 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 financial year. It is noted that the Group ceased its distribution and sales function in China with effect from 30 June 2022, but maintains its sourcing and supply operations in that country.

STATE OF AFFAIRS

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

OPERATING AND FINANCIAL REVIEW

The Operating and Financial Review for the consolidated entity during FY22 is provided in the Managing Director's Review of Operations, and forms part of this Directors' Report.

DIVIDENDS

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

DECLARED AND PAID DURING FY22

Dividends	Cents per Share	Total Amount $'000	Franked Percentage	Date of Payment
Final 2020/21 Ordinary	6.5	17,238	100%	6 October 2021
Interim 2021/22 Ordinary	7.0	18,564	100%	4 March 2022

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

DETERMINED AFTER END OF FY22

After the balance date the following dividend was determined by the directors. The dividend has not been provided and there are no income tax consequences as at 30 June 2022.

Dividend	Cents per Share	Total Amount $'000	Franked Percentage	Date of Payment
Final 2021/22 Ordinary	8.0	21,216	100%	6 September 2022

The financial effect of the final dividend has not been brought to account in the financial statements for FY22 and will be recognised in subsequent financial reports.

The record date for the FY22 final dividend is 22 August 2022 and the dividend payment date is 6 September 2022. The Dividend Reinvestment Plan will not be offered to shareholders for the final dividend.

EVENTS SUBSEQUENT TO REPORTING DATE

Excepting the dividend declared after the end of FY22, as described above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

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

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

ENVIRONMENTAL REGULATIONS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS INDEMNIFICATION

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

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

INSURANCE PREMIUMS

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

NON-AUDIT SERVICES

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

The Board has considered the non-audit services provided by PwC, a UK subsidiary company auditor, during the year and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Details of the amounts paid to KPMG and PwC, and their 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 FY22.

PROCEEDINGS ON BEHALF OF THE COMPANY

No application has been made under section 237 of the *Corporations Act 2001* in respect of the Company, and there are no proceedings that a person has brought or intervened in on behalf of the Company under that section.

ROUNDING

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

REMUNERATION REPORT

INTRODUCTION

The directors of GWA Group Limited present this Remuneration Report for the period ended 30 June 2022. The Remuneration Report outlines the Group's remuneration strategy and principles, explains how the Group's FY22 performance has driven executive remuneration outcomes, and provides the details of specific remuneration arrangements that apply to Key Management Personnel (KMP) in accordance with section 300A of the *Corporations Act 2001* and applicable accounting standards.

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

The structure of the Remuneration Report is outlined below:

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

1. MESSAGE FROM THE PEOPLE & CULTURE COMMITTEE (P&CC)

The P&CC is pleased to present shareholders with the FY22 Remuneration Report. This report outlines GWA's approach to remuneration for its executives and in particular, the link between GWA's strategy and its remuneration framework and the link between performance and executive reward.

GWA's performance during FY22 reflected the Company's continued disciplined response to the impact of COVID-19 related challenges, particularly in New Zealand and China, supply chain disruption and inflationary pressures. GWA responded to these challenges with a focus on operational and cost discipline and made significant progress against its strategic objectives which have positioned the company well to capitalise on opportunities in FY23 and beyond.

The Company is in strong financial health. The incentive outcomes for the Managing Director and other Executive Leadership Team (ELT) members for FY22 reflected GWA's improved underlying financial performance compared to FY21 and progress with executing the Group's strategy. While market conditions were challenging, management continued to proactively respond to the unforeseen impacts of COVID-19 in ensuring the health, safety and wellbeing of staff and taking actions to control costs and create a strong growth platform by continuing to implement key initiatives supporting the strategic framework.

This report outlines how GWA's performance has driven the remuneration outcomes for executives. The P&CC had oversight of the performance and remuneration arrangements of the Managing Director and the other ELT members during FY22, together with the Group's remuneration framework and incentive plans. The P&CC ensures that the financial reward for executives is aligned with performance and shareholders' interests.

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

At the centre of our remuneration framework are:

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

As advised in the FY21 Remuneration Report, the remuneration arrangements for Mr Meyerhans, the Managing Director & Chief Executive Officer and the Executive team signaled a significant change in the variable remuneration mix for FY22 to a greater weighting to long-term incentives coupled with a lower weighted focus on short-term financial targets and critical non-financial KPIs (refer section 6).

2. KEY MANAGEMENT PERSONNEL (KMP)

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

Following the formal appointment of Urs Meyerhans as Managing Director and Chief Executive Officer on 1 July 2021, changes were made to the accountability of the Executive team including shared strategic influence as a collective. This triggered a change to the assessment of Key Management Personnel (KMP) at that time increasing the KMP to include all eight current Executives for the full FY22 year, together with each of the directors.

TABLE 1: KEY MANAGEMENT PERSONNEL (KMP)

Name	Position	Term as KMP
Non-Executive Directors		
D McDonough	Chairman and Non-Executive Director	Full year
J Mulcahy	Deputy Chairman and Non-Executive Director	Full year
A Barrass	Non-Executive Director	Full year
P Birtles	Non-Executive Director	Full year (retired 30 June 2022)
S Goddard	Non-Executive Director	Full year
J McKellar	Non-Executive Director	Full year
R Thornton[1]	Executive Director and Company Secretary (to 3 June 2022) Non-Executive Director (from 3 June 2022)	Full year
Executive Directors		
U Meyerhans	Managing Director and Chief Executive Officer	Full Year
Other Executive KMP		
P Gibson	Group Chief Financial Officer	to 28 January 2022
M Hayes	Group General Manager, Marketing	Full year
E Lagis	Company Secretary and General Counsel	from 6 June 2022
A Larson	Chief Information Officer	Full year
C Norwell	Group General Manager, Sales – Aust, UK & Asia	Full year
P Oliver	Group General Manager, People & Performance	Full year
C Scott	Group Chief Financial Officer	from 10 January 2022
C Sunaryo	Group General Manager, Supply Chain & Innovation	from 1 August 2021

Note:

1 Richard Thornton's remuneration for the period to 3 June 2022 reflected his role as Executive Director and Company Secretary and included performance-based remuneration. His remuneration from 3 June 2022 reflected his role as Non-Executive Director and does not include performance- based remuneration (refer Section 5 for details on Non-Executive Director remuneration structure).

3. BOARD ROLE IN SETTING REMUNERATION STRATEGY AND PRINCIPLES

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

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

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

3.1 GWA'S REMUNERATION GOVERNANCE FRAMEWORK

GWA BOARD

- Overall responsibility for the remuneration strategy and outcomes for the Group; and
- Reviews and, as appropriate, approves recommendations from the People and Culture Committee.

WITH ADVICE FROM:

PEOPLE AND CULTURE COMMITTEE

Review of the:

- Group's executive remuneration and incentive policies and schemes;
- Remuneration framework for Non-Executive Directors;
- MD and other executives' remuneration packages and performance objectives;
- Evaluation of MD performance;
- MD and other executives' development plans;
- Group's recruitment, retention and termination policies and procedures;
- Group's superannuation arrangements; and
- Diversity policy and assessing progress against objectives.

INDEPENDENT EXTERNAL ADVISERS

- Provide independent advice, information and recommendations relevant to remuneration decisions;
- The People and Culture Committee receives information from independent external advisers related to remuneration market benchmark data and analysis for the annual executive fixed remuneration review; and
- There were no remuneration recommendations received from the external adviser during the year.

BASED ON:

REMUNERATION PRINCIPLES

- Align and contribute to GWA's key strategic business objectives and desired business outcomes;
- Align executives' remuneration with the interests of securityholders;
- Assist GWA in attracting executives and retaining the best talent required to execute the business strategy;
- Support GWA's performance based culture against business plans and shareholder returns; and
- Be fair, equitable and easy to understand.

3.2 FY23 EXECUTIVE REMUNERATION CHANGES

For FY23 the Board approved two LTI performance hurdles, which will be relative TSR and absolute EPS growth (CAGR over three-year performance period). LTI performance rights granted will be split evenly between these two performance hurdles.

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

The proposed relative TSR peer group (20 in total) for the FY23 LTI grant is as follows (unchanged since FY22).

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

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

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

EPS (CAGR OVER 3-YEAR PERFORMANCE PERIOD)

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

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

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

3.2.1 FY22 Managing Director variable remuneration structure

The FY23 incentives structure for the Managing Director remains unchanged from FY22 and is provided in the following table:

Managing Director	Maximum STI as % of fixed remuneration	Maximum LTI[1] as % of fixed remuneration (grant date fair value)	Maximum total performance pay as % of fixed remuneration
FY23	50%	150%	**200%**

1 The Managing Director's LTI grant for FY23 will require shareholder approval at the Annual General Meeting in October 2022.

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

Managing Director	Financial Targets[2] as maximum % of fixed remuneration	Critical Non-Financial KPIs[3] as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY23	40%	10%	**50%**

Note:

2 Following the achievement of the STI financial targets, 25% of the financial component will be deferred until the Board approves the FY24 audited financial statements to verify the integrity of achieving the results.

3 Critical non-financial KPIs have been established for the Managing Director at the beginning of FY23 covering key areas such as health and safety, customer experience, employee engagement and strategy achievement.

3.2.2 FY22 Member of Executive team variable remuneration structure

The FY23 incentives structure for members of the executive team remains unchanged from FY22 is provided in the following table:

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

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

Other Executives	Financial Targets[1] as maximum % of fixed remuneration	Critical Non-Financial[2] KPIs as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY23	30%	10%	**40%**

Note:

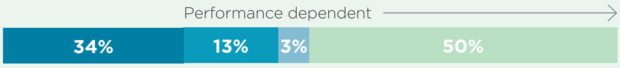
1 Following the achievement of the STI financial targets, 25 per cent of the financial component will be deferred and subject to further testing by the Board following finalisation of the FY24 audited financial statements.

2 Critical non-financial KPIs have been established for the other executives at the beginning of FY23 covering key areas such as health and safety, customer experience, employee engagement and strategy achievement.

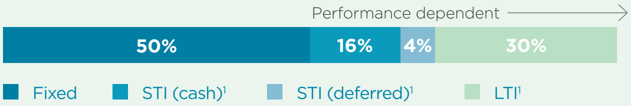
3.2.3 Managing Director and member of the Executive team remuneration mix for FY23

The components of remuneration for the Managing Director and other executives' for FY23 remains unchanged from FY22 and are provided in the following table.

FY23 Managing Director Remuneration Mix



FY23 Executives' Remuneration Mix[2]



Note:

1 STA and LTI are based on 100% vesting.

2 Includes the average remuneration Executives' excluding the Managing Director.

3.2.4 FY23 Short-Term Incentive Plan Targets

The Board has decided to maintain the Short-Term Incentive (STI) financial targets for FY23 under the STI plan of Earnings Before Interest and Tax (EBIT) as the single financial target. EBIT is an effective basis for STI financial targets as it is currently a key metric used in the business and aligned with the Group's strategy.

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

STI payments for non-financial KPI's will be at the Board discretion if the financial threshold is not met. 25 per cent of the payment applicable to achievement of the financial target to be deferred until the Board approves the FY24 audited financial statements to verify the integrity of achieving the results.

3.2.5 FY23 Long-Term Incentive Plan Targets

As outlined in section 6.4 Long-Term Incentive (LTI), for the FY22 LTI plan the Board maintained a single performance measure of relative Total Shareholder Return (TSR) due to the ongoing uncertainty caused by the impacts of the COVID-19 pandemic. The COVID-19 pandemic has weighed heavily on construction markets which has resulted in difficulty in accurately forecasting the business performance for the next three-year period.

For the FY23 LTI plan, the Board has re-introduced a second performance measure of Earnings Per Share (EPS) growth (CAGR over three-year performance period). The introduction of this second performance measure is in addition to retaining the relative TSR measure.

3.3 FY23 EXECUTIVE FIXED REMUNERATION

Executive fixed remunerations for FY23 remain unchanged from FY22 with one exception. Considering the strategic importance of the supply chain function and the increased responsibility taken on by Ms Caroline Sunaryo, her salary has been adjusted by 20 per cent.

4. RELATIONSHIP BETWEEN REMUNERATION POLICY AND GROUP PERFORMANCE

Remuneration is linked to performance by:

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

GWA measures performance on the following key corporate measures:

- Earnings before interest and tax (EBIT)
- Total shareholder return (TSR)
- Earnings per Share (EPS) growth (introduced for FY23)

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

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

In FY22, the EBIT measure under the STI plan was normalised to exclude $15.2 million in significant items (pre-tax) relating to costs associated with the Group's Enterprise Resource Planning/Customer Relationship Management project and the exit from the Asia sales operation.

For the FY20 LTI grant (performance period for the three years to 30 June 2022) to be tested in August 2022, the impact of the adoption of the May 2020 IFRS Interpretations Committee decision (refer Note 1c to the 30 June 2020 financial statements) will be excluded from ROFE i.e. the resulting deferred tax liability (DTL) will be added back to net assets. This ensures there is no unintended benefit for the executives with the testing of the ROFE hurdle.

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

GWA's Total Shareholder Return (TSR) has underperformed the ASX 300 Accumulation Index over the last two years. This led to the FY19 LTI grant TSR hurdle not being achieved in August 2021, and those performance rights lapsed.

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

Financial Year	EBIT[1] ($m)	EPS[1] (cents)	Total DPS (cents)[3]	Share Price (30 June) ($)	Market Capitalisation (30 June) ($m)
2017/18[2]	76.2	19.0	18.0	3.40	897.4
2018/19[2,3]	78.1	19.3	18.5	3.42	902.7
2019/20[3,4]	71.8	17.0	11.5	2.77	731.1
2020/21[3,4]	68.5	16.0	12.5	2.77	734.6
2021/22[3,4]	74.8	17.8	15.0	1.97	522.5

Notes:

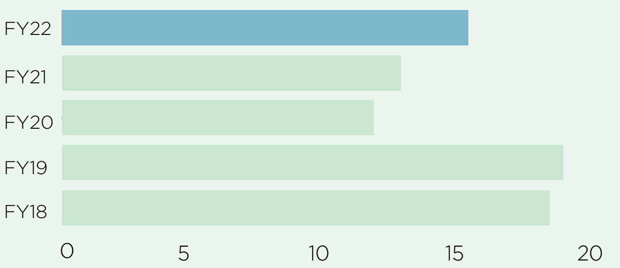
1 Excludes significant items.

2 FY18 and FY19 represent continuing operations and exclude the discontinued operations of the Door & Access Systems' business (including the gain on sale) which was sold on 3 July 2018.

3 FY19 to FY22 includes the results of Methven Limited from the date of acquisition (10 April 2019).

4 FY20 to FY22 performance was negatively impacted by COVID-19 resulting in business interruption from lockdown restrictions in various geographies and challenging market conditions.

Total dividend per share (cents)



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

Group Revenue for FY22 increased on the prior year reflecting sustained residential renovation activities and refurbishment led commercial growth in Australia and sales momentum in the UK business, partly offset by lower sales performance in New Zealand and China due to ongoing COVID-19 restrictions. The Group's Normalised[2] EBIT improved by 9.3 per cent year on year due to improved revenue and focused approach on operations, particularly supply chain, and cost discipline during FY22. During FY22 the Group introduced a new ERP/CRM system in Australia and New Zealand to mitigate old and legacy systems. The company continued to progress on core priority areas of the Group Strategy.

The Group is in a strong financial position. While the R&R segment in Residential/Commercial is expected to decline from historical highs, it is expected to remain above the long-term average. We expect continued momentum in residential detached completions and Commercial new builds showing early signs of recovery. The earnings performance for FY22 enabled the Board to pay an increased full year fully franked dividend of 15 cents per share for FY22 representing a dividend pay-out ratio of reported profit of 113 per cent and normalised profit of 84 per cent which is in line with the Company's dividend policy.

The Group has continued its progress in FY22 against its strategic objectives to enhance the operating performance of the business and to maximise returns to shareholders over time. The progress against the strategy is outlined in the Managing Director's Review of Operations.

The successful execution of the Group's strategy was included in executives' measurable personal goals and reflected in the financial performance targets under the STI and LTI plans for FY22; refer sections 6.3 Short-Term Incentive and 6.4 Long-Term Incentive.

The remuneration and incentive framework has focused executives on responding appropriately to the challenging market conditions in FY22 which included the ongoing impacts of COVID-19 and continuing supply chain issues. It has encouraged management to respond quickly and make medium term decisions to sustain competitiveness ensuring that the Group is well placed to maximise returns through the market cycle.

5. DESCRIPTION OF NON-EXECUTIVE DIRECTOR REMUNERATION

Fees for Non-Executive Directors are fixed and are not linked to the financial performance of the Group to ensure that Non-Executive Directors maintain their independence.

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

The actual fees paid to the Non-Executive Directors are outlined in the Remuneration Tables in section 7.1 and are based on the following:

- Board Chair $280,000 (including superannuation);
- Other Non-Executive Directors $120,000 (including superannuation); and
- Committee Chair $10,000 (including superannuation).

There have been no changes to these amounts since FY16.

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

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

Retirement benefits other than statutory superannuation are not available for Non-Executive Directors.

The Board does not require Non-Executive Directors to hold GWA shares, however the holding of shares is actively encouraged. For details of the Non-Executive Director shareholdings, please refer to section 7.3.3.

2 Normalised is before $15.2 million in significant items (pre-tax) relating to costs associated with the Enterprise Resource Planning/Customer Relationship Management system project and China sales operations closure.

6. DESCRIPTION OF EXECUTIVE REMUNERATION

6.1 EXECUTIVE REMUNERATION STRUCTURE

Executive remuneration has a fixed component and a component that varies with performance. The variable component comprises a short-term incentive (STI) plan which provides rewards for performance over a one-year period, and a long-term incentive (LTI) plan which provides rewards for performance over a three-year period.

No retention bonus is payable in respect of the whole amount if the participant resigns or their employment is terminated before 31 March 2022 or in respect of the second amount if the participant resigns or their employment is terminated before 30 September 2022. The amounts accrued (expense) are included in the Statutory Remuneration Table in section 7.1, and amounts paid are included in Actual Remuneration Table in section 7.1.1. The retention bonus scheme has not been incorporated into the tables in 3.2.2 and 3.2.3 or in 6.1.2 and 6.1.4 as it is considered to be neither fixed nor performance related remuneration.

Objective	Attract and retain best talent	Reward current year performance	Reward long-term performance
	Fixed	Variable (at risk)	
Remuneration Components	Fixed Remuneration	Short Term Incentive (STI)	Long Term Incentive (LTI)
Delivery	• Base Salary • Non-monetary benefits • Superannuation	• Annual cash payment subject to performance • Portion deferred for one year and paid in cash	• Annual grant of Performance Rights vesting after three years subject to performance
FY22 Approach	• Fixed remuneration targeted between median and 75th percentile of comparator group • Benchmark companies of similar size and operational scope.	STI performance measures: • Gateway: EBIT measure • Financial targets (30-40%) EBIT • Personal targets (10%): measureable personal KPIs.	LTI performance measures: • Three year performance period • Relative TSR Performance Hurdle

The maximum total remuneration that can be provided to an executive is capped, with incentive payments expressed as a percentage of total fixed remuneration. Total fixed remuneration for the purposes of incentives includes superannuation and non-monetary benefits.

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

6.1.1 GWA's Executive Remuneration Structure for FY22

In addition to the above structure, in FY21 the Board put in place a retention scheme for certain senior executives and key management to provide stability following the departure of the former CEO. The retention scheme provides for the payment of a retention bonus representing 25 per cent of fixed remuneration with 50 per cent of that amount to be paid on or about 31 March 2022 and the balance on or about 30 September 2022 subject to satisfactory performance as determined by the Board.

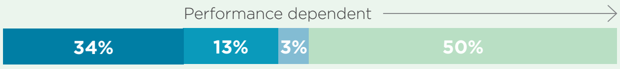
The Board is of the view that EBIT is an effective basis for STI financial targets as it is currently a key metric used in the business and aligned with the Group's strategy. Due to the market uncertainty from the COVID-19 pandemic, the Board conducted a review with an external remuneration advisor regarding the appropriate measures for the FY21 LTI grant to executives. Based on this review, a decision was made that the performance measure for the FY21 LTI grant would be solely based on relative TSR. This was a change from the FY20 LTI grant where the LTI performance measures were 50 per cent TSR and 50 per cent ROFE.

The Board continued with a single performance measure of relative TSR for the FY22 LTI grant. Please refer to section 3.2 FY23 Executive Remuneration Changes for details on the FY23 LTI grant.

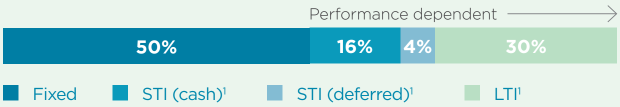
6.1.2 Managing Director and other executives' remuneration mix for FY22

The components of remuneration for the Managing Director and other executives' for FY22 are provided in the following table. Please note that the variable remuneration mix for the Managing Director and other executives' was changed for FY22 with a greater weighting to long-term incentives coupled with a lesser weighting on short-term financial and critical non-financial KPIs.

FY22 Managing Director Remuneration Mix



FY22 Other Executives' Remuneration Mix[2]



Note:
1 STA and LTI are based on 100 per cent vesting.
2 Includes the average remuneration Executives' excluding the Managing Director.

6.1.3 FY22 Managing Director variable remuneration structure

The FY22 incentives structure for the Managing Director is provided in the following table:

Managing Director	Maximum STI as % of fixed remuneration	Maximum LTI as % of fixed remuneration (grant date fair value)	Maximum total performance pay as % of fixed remuneration
FY22	50%	150%	**200%**

The FY22 STI components for the former Managing Director are provided in the following table:

Managing Director	Financial Targets as maximum % of fixed remuneration	Personal Goals as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY22	40%	10%	**50%**

6.1.4 FY22 Other Executives' variable remuneration structure

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

Other Executives	Maximum STI as % of fixed remuneration	Maximum LTI as % of fixed remuneration (grant date fair value)	Maximum total performance pay as % of fixed remuneration
FY22	40%	60%	**100%**

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

Other Executives	Financial Targets as maximum % of fixed remuneration	Personal Goals as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
FY22	30%	10%	**40%**

6.2 FIXED REMUNERATION

Fixed remuneration is the sum of base salary, non-monetary benefits and superannuation.

The level of fixed remuneration is set:

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

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

6.3 SHORT-TERM INCENTIVE (STI)

6.3.1 STI overview

The STI plan provides for an annual payment that varies with performance measured over the Group's financial year to 30 June 2022. The STI is aligned to shareholder interests as executives will only become entitled to the majority of payments if profitability improves year on year, with maximum incentive payments above the target level linked directly to shareholder value creation. As noted in section 6.1, the maximum STI that can be earned is capped.

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

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

6.3.2 STI performance requirements

6.3.2.1 Financial Performance Targets

For FY22, STI financial performance target is based on Earnings Before Interest and Tax (EBIT) as determined by the Board. The use of EBIT as the sole basis of STI financial targets is aimed at ensuring executives are accountable for delivering profit improvements. The Board is of the view that EBIT is an effective basis for STI financial targets as it is currently a key metric used in the business and aligned with the Group's strategy.

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

The budget performance levels are taken into consideration in setting the financial targets 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 'gateway' and 'maximum' levels is rewarded on a straight-line basis.

The Board retains the right to vary from policy. Any variation from policy and the reasons for it will be disclosed. There was no variation from policy in setting the STI financial performance targets for FY22.

6.3.2.1.1 FY22 STI Financial Performance Outcomes

Due to the disciplined response to everchanging market conditions throughout FY22 and successful execution of key business activities, the executives exceeded the gateway hurdles and were eligible for STI payments (both financial and personal goals).

The following table provides an overview of the STI metrics for FY22 and outcomes:

Financial Metric	Gateway	FY21 STI Outcomes
EBIT	Achieved	Financial target partially achieved at 97%

The STI performance outcomes for FY22 were aligned with shareholders' interests as profit performance was maximised and improved over FY21 in a challenging market enabling higher dividend payments to shareholders, with a stronger platform for future growth and shareholder wealth creation.

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

6.3.2.2 Personal Goals

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

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

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

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

The Managing Director's performance review is conducted semi-annually by the Chairman following input from the Board and with the outcomes reviewed and approved by the Board. An assessment of key performance goals subject to STI incentive payments for FY22 is provided in section 6.3.2.2.1.

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

6.3.2.2.1 Key performance goals and outcomes

An assessment of key performance goals and financial targets subject to STI incentive payments for FY22 is provided in the following table:

FY22 Goals	Performance	Assessment
Personal Objectives		
Achieve leading workplace health and safety (WHS) performance with the aim of an injury free workplace. Measures: • Safety culture and initiatives • Leading safety measures (safety interactions, hazards reported, site inspections, actions closed) • Lagging safety measures (MTIFR, LTIFR, TIFR) • COVID-19 response	Ownership and accountability for safety exists at all levels in the business with 'Caring For Each Other' central to the Group's cultural pillars. During FY22 the Group continued its progress on implementing the safety strategy. This strategy focuses on leadership and behavioural aspects of safety together with identifying and mitigating physical risks in our operations. The TIFR decreased from 4.3 in FY21 to 1.9 in FY22. The Group has continued to support the health, safety and psychological wellbeing of staff during the COVID-19 pandemic through its well-established programs and practices around flexible work, EAP support, Mental Health First Aid and other support and referral programs. The Group continued to maintain effective COVID-19 Safe Plans across all sites with strict adherence to safety protocols and standards. Warehouse staff continued to work on site as essential workers with COVID-19 safety protocols in place.	On target
Establishing a revised business strategy with clear ownership across the Executive team. The objective includes setting key milestones and delivering against a Board approved plans.	A five year strategy has been developed for the Group in order to accelerate growth and improve shareholder returns. The plans outline growth initiatives including 'Win the Plumber', 'Innovate through design and partnership', 'Aftermarket' and 'Strategic Growth Opportunities'. The above growth pillars are underpinned by four foundations, customer experience, digital, aligned organisation and ESG.	On target
Build employee engagement and culture and embed purpose and values to deliver the strategy. Measures: • Leadership and development • Mental health and well being	The Group surveyed the broader GWA team and introduced a number of engagement related actions to respond to feedback. The Group also surveyed team members throughout the year to understand sentiment in relation to impact of the pandemic and implemented a number of new initiatives including Mental Health First Aid Officers, Lunch & Learn sessions on Referral, Advocacy and Resilience and promoted the EAP and Well-Being resources available. All the above initiatives are underpinned and consistent with our cultural pillar 'we care for each other'. The Group continues to invest in the development of its people through leadership development and training programs which provide the knowledge, skills and support to enable staff to perform at their best in their current role and build competence and confidence for progression. The Group developed and deployed a Leading Hybrid Teams program to support leaders in the shift to remote leadership.	On target
Implement a new ERP/CRM system to replace outdated and legacy systems across ANZ	The Group implemented a new ERP/CRM solution for the Australian/New Zealand business in the context of ongoing COVID-19 restrictions. The solution is based on Microsoft Dynamics 365.	On target
Financial targets		
STI financial performance targets. Measures: • EBIT financial gateway	Due to the disciplined response to everchanging market conditions throughout FY22 and successful execution of key business activities, the Managing Director and other executives exceeded the gateway hurdles and were eligible for STI payments (both financial and personal goals) for FY22' (refer section 6.3.2.1.1). Profit performance was maximised in a challenging market enabling higher dividend payments to shareholders, with a stronger platform for future growth and shareholder wealth creation. This outcome is reflected in the Remuneration Tables in section 7.1.	Above target

On target Above target Below target

6.4 LONG-TERM INCENTIVE (LTI)

6.4.1 LTI overview

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

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

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

The performance hurdles for the LTI are selected by the Board. For the FY22 LTI grant, the basis of the grants of Performance Rights to executives is 100 per cent of the Performance Rights are subject to a single performance measure being Total Shareholder Return (TSR) which is a relative performance requirement. TSR is a key measure on which the Group's strategic plan is focused and ensures LTI rewards are contingent on this measure is consistent with the Board's approved strategy.

As outlined in Section 3.2.5 for the FY23 LTI plan, the Board has re-introduced a second performance measure of Earnings Per Share (EPS) growth (CAGR over three-year performance period).

The introduction of this second performance measure is in addition to retaining the relative TSR measure.

For the FY22 LTI grant, a participant may not dispose of the ordinary shares issued under the LTI until Board approval has been obtained and the shares are subject to a holding lock upon issue. This was to ensure that executives retain a suitable shareholding in the Group. In considering an application from a participant to dispose of the shares, the Board will consider whether the sale is in the best interests of the Group, relevant policies and regulations, the extent of the executive's Group shareholdings as a multiple of fixed remuneration, and such other factors as it considers relevant to the application. No applications from participants to dispose of the shares were received by the Board in FY22.

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

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

For the FY22 LTI grant, the proportion of Performance Rights that can vest will be calculated when the shares vest in August 2024 subject to achieving the performance hurdle. If the performance hurdle is not met the Performance Rights will be cancelled.

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

The maximum number of outstanding Performance Rights granted to executives must not exceed 5 per cent of the total number of shares on issue by the Group. The total number of outstanding Performance Rights granted to executives as at 30 June 2022 was 1,934,463 which represents 0.7 per cent of the Group's total issued shares.

6.4.2 LTI performance requirements

For the FY21 and FY22 LTI grant, the single performance measure provides for vesting scales graduated with performance and demanding performance requirements.

6.4.2.1 TSR hurdle

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

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

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

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

The proposed peer group (20 in total) for the FY23 LTI grant is as follows (unchanged since FY22):

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

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

6.4.2.2 ROFE hurdle

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

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

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

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

7. DETAILS OF DIRECTOR AND EXECUTIVE REMUNERATION

7.1 REMUNERATION TABLES

Details of the nature and amount of each element of remuneration for each director of the Group and other key management personnel (KMP) for the year ended 30 June 2022 are provided in the following Remuneration Tables.

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

		Short-term			Long-term			Post-employment					
		Salary & Fees $[a]	Non-Monetary $[c]	STI Cash Bonus $[b][h]	STI Cash Bonus – Deferred $[b]	Value of Share-Based Awards $[d]	Long Service Leave $[k]	Superannuation Benefits $	Termination Benefits $	Total $	Proportion of remuneration performance based %[i]	STI Cash Bonus vested in year %	STI Cash Bonus forfeited in year %
Non-Executive Directors[f]													
D McDonough, Chairman	2022	280,000	–	–	–	–	–	–	–	280,000	–	–	–
	2021	258,306	–	–	–	–	–	21,694	–	280,000	–	–	–
J Mulcahy, Deputy Chairman	2022	117,000	–	–	–	–	–	13,000	–	130,000	–	–	–
	2021	117,650	–	–	–	–	–	12,350	–	130,000	–	–	–
A Barrass, Non-Executive Director	2022	108,000	–	–	–	–	–	12,000	–	120,000	–	–	–
	2021	108,600	–	–	–	–	–	11,400	–	120,000	–	–	–
P Birtles, Non-Executive Director (retired 30 June 2022)	2022	108,000	–	–	–	–	–	12,000	–	120,000	–	–	–
	2021	108,600	–	–	–	–	–	11,400	–	120,000	–	–	–
S Goddard, Non-Executive Director	2022	117,000	–	–	–	–	–	13,000	–	130,000	–	–	–
	2021	117,650	–	–	–	–	–	12,350	–	130,000	–	–	–
J McKellar, Non-Executive Director	2022	108,000	–	–	–	–	–	12,000	–	120,000	–	–	–
	2021	108,600	–	–	–	–	–	11,400	–	120,000	–	–	–
R Thornton, Non-Executive Director[j]	2022	375,952	5,595	144,139	27,311	34,987	15,934	22,938	–	626,856	29	98	2
	2021	393,684	5,051	169,868	61,431	108,841	6,325	21,694	–	766,894	41	100	–
Total – Non-Executive Directors Remuneration	**2022**	**1,213,952**	**5,595**	**144,139**	**27,311**	**34,987**	**15,934**	**84,938**	**–**	**1,526,856**			
	2021	**1,213,090**	**5,051**	**169,868**	**61,431**	**108,841**	**6,325**	**102,288**	**–**	**1,666,894**			
Executive Directors													
U Meyerhans, Managing Director and Chief Executive Officer[e] (appointed 1 March 2021)	2022	1,018,653	2,238	391,000	97,000	241,877	–	27,500	–	1,778,268	41	98	2
	2021	342,333	434	150,000	–	–	–	16,499	–	509,266	29	100	–
Total — Directors Remuneration[l]	**2022**	**2,232,605**	**7,833**	**535,139**	**124,311**	**276,864**	**15,934**	**112,438**	–	**3,305,124**			
	2021	**1,555,423**	**5,485**	**319,868**	**61,431**	**108,841**	**6,325**	**118,787**	–	**2,176,160**			

		Short-term			Long-term			Post-employment					
		Salary & Fees $[a]	Non-Monetary $[c]	STI Cash Bonus $[b][h]	STI Cash Bonus – Deferred $[b]	Value of Share-Based Awards $[d]	Long Service Leave $[k]	Superannuation Benefits $	Termination Benefits $	Total $	Proportion of remuneration performance based %[i]	STI Cash Bonus vested in year %	STI Cash Bonus forfeited in year %
Executives[g]													
P Gibson, Group Chief Financial Officer (resigned 28 January 2022)	2022	406,086	7,685	(48,583)	–	(327,292)	(77,257)	16,042	–	(23,319)	–	–	–
	2021	733,654	8,918	311,083	112,500	199,653	12,498	25,000	–	1,403,306	41	100	–
M Hayes, Group General Manager – Marketing (KMP from 1 July 2021)	2022	369,344	1,335	127,300	29,100	38,701	–	27,500	–	593,280	33	98	2
	2021	–	–	–	–	–	–	–	–	–	–	–	–
E Lagis, Company Secretary and General Counsel (appointed 6 June 2022)	2022	29,288	217	–	–	–	–	1,964	–	31,469	–	–	–
	2021	–	–	–	–	–	–	–	–	–	–	–	–
A Larson, Chief Information Officer (KMP from 1 July 2021)	2022	393,461	2,797	193,494	29,100	65,747	–	25,000	–	709,599	31	98	2
	2021	–	–	–	–	–	–	–	–	–	–	–	–
C Norwell, Group General Manager – Sales (AU, UK and Asia) (KMP from 1 July 2021)	2022	437,500	1,263	224,937	33,829	54,650	7,751	27,500	–	787,430	30	98	2
	2021	–	–	–	–	–	–	–	–	–	–	–	–
P Oliver, Group General Manager – People & Performance (KMP from 1 July 2021)	2022	378,032	1,877	124,117	28,373	37,733	–	23,568	–	593,700	32	98	2
	2021	–	–	–	–	–	–	–	–	–	–	–	–
C Scott, Group Chief Financial Officer (appointed 10 January 2022)	2022	248,595	776	77,984	17,827	25,155	–	14,810	–	385,147	31	98	2
	2021	–	–	–	–	–	–	–	–	–	–	–	–
C Sunaryo, Group General Manager – Supply & Innovation (KMP from 1 August 2021)	2022	231,317	2,490	148,621	25,463	53,020	(38,688)	31,078	–	453,301	42	98	2
	2021	–	–	–	–	–	–	–	–	–	–	–	–
Total — Executives Remuneration[l]	**2022**	**2,493,623**	**18,440**	**847,870**	**163,692**	**(52,286)**	**(108,193)**	**167,462**	–	**3,530,608**			
	2021	**733,654**	**8,918**	**311,083**	**112,500**	**199,653**	**12,498**	**25,000**	–	**1,403,306**			
Total — Directors and Executives Remuneration[l]	**2022**	**4,726,228**	**26,273**	**1,383,009**	**288,003**	**224,578**	**(92,259)**	**279,900**	–	**6,835,732**			
	2021	**2,289,077**	**14,403**	**630,951**	**173,931**	**308,494**	**18,823**	**143,787**	–	**3,579,467**			

Notes to the Remuneration Tables:

(a) Salary and fees represent base salary and includes the movement in annual leave provision.

(b) Due to the disciplined response to everchanging market conditions throughout FY22 and successful execution of key business activities, the Managing Director and other executives met the gateway hurdles and were eligible for STI payments (both financial and personal goals). Refer to section 6.3.1 for details on the deferred STI component.

(c) The short-term non-monetary benefits include insurance and other minor benefits including any applicable fringe benefits tax.

(d) The Long-Term Incentive (LTI) plan was approved by shareholders at the 2008 Annual General Meeting. The outstanding Performance Rights as at 30 June 2022 were granted to executives in FY20, FY21 and FY22 (as applicable) and are subject to vesting conditions and the achievement of specified performance hurdles over the three year performance periods. The fair values of the Performance Rights granted in FY20, FY21 and FY22 were calculated using Black Scholes Model (ROFE hurdle) and Monte Carlo Simulation (TSR hurdle) valuation methodologies and allocated to each financial year evenly over the three year performance period. If the specified performance hurdles are not achieved, then no benefits will be received by the executives under the LTI plan and the Performance Rights are cancelled. During FY22, 0 per cent of the Performance Rights granted to executives in respect of the FY19 LTI grant vested, and the reversal is included in the table above where applicable.

(e) As advised to the market on 1 March 2021, the Acting Chief Executive Officer's, Mr Urs Meyerhans', remuneration arrangements comprise fixed remuneration of $1 million per annum and a bonus at the complete discretion of the Board based on Mr Meyerhans' performance. At the conclusion of FY21 the Board determined a bonus of $150,000 for Mr Meyerhans which was paid in July 2021. For details of Mr Urs Meyerhans' FY22 remuneration arrangements as Managing Director, please refer to section 8.1. The Managing Director's total remuneration for FY22 was aligned with the market median in relation to a group of 18 peer companies of comparable operational scope and size to GWA based on the market benchmark data provided by an independent expert adviser, Guerdon Associates.

(f) Non-Executive Director remuneration has remained frozen since FY16 (excluding the pay reduction of 20 per cent during Q4 FY20 to assist in managing costs during COVID-19). The total Non-Executive Director remuneration is within the annual aggregate maximum amount approved by shareholders. For details of Non-Executive Director remuneration, please refer to section 5.

(g) The fixed remuneration for most executives in FY22 was frozen with one exception to reflect additional responsibilities in the role undertaken. For the actual remuneration received by the executives for FY22, please refer to the table in section 7.1.1.

(h) Short term bonus is inclusive of the accounting accrual for the retention bonus scheme as disclosed in Section 6.1. for Mr Richard Thornton, Mr Patrick Gibson (reversal of FY21 accrual), Mr Alex Larson, Mr Craig Norwell and Ms Caroline Sunaryo.

(i) Performance based remuneration does not include the retention bonus scheme.

(j) Mr Richard Thornton's was Executive Director and Company Secretary to 3 June 2022, and Non-Executive Director from 3 June 2022. All performance based remuneration relates to the period to 3 June 2022. Refer to Note 1 to Table 1 of Section 2 for details.

(k) Long service leave remuneration is based on the movement in long service leave provision.

(l) Total Directors remuneration reported has increased largely due to the transition of the Managing Director and CEO from 1 March 2021, with the outgoing director not required to be disclosed in the FY22 Remuneration Report. Total Executive Remuneration reported has increased largely due to determination of additional KMP from 1 July 2021, with their comparative remuneration not required to be disclosed in the FY22 Remuneration Report.

7.1.1 Actual remuneration received by executives for FY22

The following table sets out the actual value of remuneration received by executives for FY22, derived from the various components of their remuneration during FY22.

This table differs from the more detailed statutory remuneration disclosures in the Remuneration Tables in section 7.1 due to the exclusion of LTI amounts not vested and the reversal of accounting expenses associated with LTI grants, accruals for the retention bonus scheme, and movements in leave entitlements, and is therefore unaudited.

FY22	Fixed Remuneration $[1]	Short Term Incentive $[2]	Long Term Incentive (Earned) $[3]	Total $
R Thornton, Non-Executive Director[4]	394,347	197,978	–	592,325
U Meyerhans, Managing Director and Chief Executive Officer[5]	1,002,238	488,000	–	1,490,238
P Gibson, Group Chief Financial Officer (resigned 28 January 2022)	442,300	–	–	442,300
M Hayes, Group General Manager – Marketing	393,002	156,400	–	549,402
E Lagis, Company Secretary and General Counsel (appointed 6 June 2022)	29,447	–	–	29,447
A Larson, Chief Information Officer	402,797	206,400	–	609,197
C Norwell, Group General Manager – Sales (AU, UK and Asia)	466,263	239,940	–	706,203
P Oliver, Group General Manager – People & Performance	384,377	152,490	–	536,867
C Scott, Group Chief Financial Officer (appointed 10 January 2022)	249,442	95,811	–	345,253
C Sunaryo, Group General Manager – Supply & Innovation (KMP from 1 August 2021)	323,323	164,975	–	488,298
Total	**4,087,536**	**1,701,995**	**–**	**5,789,531**

Notes:

1 Fixed remuneration represents amounts actually paid to executives during FY22 and includes base salary, non-monetary benefits and superannuation.

2 Due to the disciplined response to everchanging market conditions throughout FY22 and successful execution of key business activities, the Managing Director and other executives met the gateway hurdles and were eligible for STI payments (both financial and personal goals). Short term bonus is inclusive of the retention bonus scheme paid during FY22 as disclosed in section 6.1.1 for Mr Richard Thornton, Mr Alex Larson, Mr Craig Norwell and Ms Caroline Sunaryo.

3 The performance hurdles for the FY19 LTI grant were tested during FY22 and 0% vested; refer section 7.2.1 Performance Rights. Excludes the value of any unvested LTI grants expensed or reversed during FY22.

4 Mr Richard Thornton was Executive Director and Company Secretary to 3 June 2022, and Non-Executive Director from 3 June 2022. All performance based remuneration relates to the period to 3 June 2022. Refer to Note 1 to Table 1 of Section 2 for details.

5 For details of Mr Urs Meyerhans' remuneration arrangements as Managing Director from 1 July 2021 refer to section 8.1.

7.2 SHARE BASED PAYMENTS

7.2.1 Performance Rights

The following table shows details of the Performance Rights granted to key management personnel during the year ended 30 June 2022 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 $[1]	Issue price used to determine number of rights granted
Executive Directors							
U Meyerhans, Managing Director	2022	541,516	6 December 2021	–	–	725,631	2.77
R Thornton, Non-Executive Director (Executive Director to 3 June 2022)	2022	88,709	6 December 2021	–	69%	118,870	2.77
	2021	43,723	7 December 2020	–	36%	83,074	2.81
	2020	40,500	14 February 2020	–	3%	127,575	3.04
	2019	45,000	18 February 2019	–	100%	115,875	2.73
Executives							
P Gibson, Group Chief Financial Officer (resigned 28 January 2022)	2022	–	–	–	–	–	–
	2021	80,071	7 December 2020	–	100%	152,135	2.81
	2020	74,000	14 February 2020	–	100%	233,100	3.04
	2019	83,000	18 February 2019	–	100%	213,725	2.73
M Hayes, Group General Manager – Marketing	2022	86,643	6 December 2021	–	–	116,102	2.77
E Lagis, Company Secretary and General Counsel (appointed 6 June 2022)	2022	–	–	–	–	–	–
A Larson, Chief Information Officer	2022	86,643	6 December 2021	–	–	116,102	2.77
	2021	42,705	7 December 2020	–	–	81,140	2.81
C Norwell, Group General Manager – Sales (AU, UK and Asia)	2022	100,722	6 December 2021	–	–	134,967	2.77
	2021	49,644	7 December 2020	–	–	94,324	2.81
	2020	46,000	14 February 2020	–	–	144,900	3.04
	2019	48,000	18 February 2019	–	100%	123,600	2.73
P Oliver, Group General Manager – People & Performance	2022	84,477	6 December 2021	–	–	113,199	2.77
C Scott, Group Chief Financial Officer (appointed 10 January 2022)	2022	112,635	29 June 2022	–	–	150,931	2.77
C Sunaryo, Group General Manager – Supply & Innovation	2022	75,812	6 December 2021	–	–	101,588	2.77
	2021	12,011	7 December 2020	–	–	22,821	2.81
	2020	11,000	14 February 2020	–	–	34,650	3.04

Note:

1 The issue price used to determine the number of Performance Rights offered to key management personnel during FY22 was $2.77 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 29 October 2021. The grant dates and corresponding fair values per right in the table have been determined in accordance with Australian Accounting Standards. Fair values have been calculated using the Black Scholes Model valuation methodology for the ROFE hurdle and Monte Carlo simulation for the TSR hurdle. The fair value of rights issued during the year under the TSR hurdle was $1.34 per right.

All the rights carry an exercise price of nil. The rights granted on 17 February 2020, 7 December 2020 and 6 December 2021 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 2022, 2023 and 2024 respectively, subject to the achievement of the performance hurdles.

The rights granted to Mr Thornton and Mr Meyerhans were approved by shareholders at the 2019, 2020 and 2021 Annual General Meetings (as applicable) in accordance with ASX Listing Rule 10.14.

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

The number of rights outstanding as at 30 June 2022 represents the balance yet to be tested.

7.2.2 Status and key dates of LTI awards

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

Grant Date	Valuation Per Right[1]	Performance Testing Windows	Expiry Date (if hurdle not met)	Performance Status[2]
18 February 2019	Tranche A (TSR) $2.23	26 October 2018 to 16 August 2021 (Tranche A)	16 August 2021	Tranche A (TSR): Performance condition was below the 50th percentile resulting in 0% vesting of the grant.
	Tranche B (ROFE) $2.92	1 July 2018 to 30 June 2021 (Tranche B)		Tranche B (ROFE): Performance condition was below the 16% hurdle, resulting in 0% vesting of the grant.
14 February 2020	Tranche A (TSR) $2.71	25 October 2019 to August 2022 (Tranche A)	August 2022	Performance testing not yet commenced.
	Tranche B (ROFE) $3.54	1 July 2019 to 30 June 2022 (Tranche B)		
7 December 2020[3]	Tranche A (TSR) $1.90	30 October 2020 to August 2023 (Tranche A)	August 2023	Performance testing not yet commenced.
6 December 2021[3]	Tranche A (TSR) $1.34	29 October 2021 to August 2024 (Tranche A)	August 2024	Performance testing not yet commenced.

Notes:

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

2 To ensure an independent TSR measurement, GWA engages the services of an external organisation, Deloitte, to assist with determining performance under the TSR hurdle. In addition, GWA's external auditor, KPMG, is engaged to perform agreed upon procedures to assist with ROFE measurement and the accuracy of LTI vesting outcomes.

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

7.3 KEY MANAGEMENT PERSONNEL TRANSACTIONS

7.3.1 Loans to key management personnel and their related parties

No loans were made to key management personnel or their related parties during the year ended 30 June 2022 (2021: nil).

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

There were no other key management personnel transactions with the Group or its controlled entities during the year ended 30 June 2022 (2021: nil).

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

7.3.3 Movements in shares

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

	Held at 1 July 2021	Granted as compensation	Purchases	Sales	Held at 30 June 2022
Non-Executive Directors					
D McDonough	155,234	–	14,766	–	170,000
J Mulcahy	40,950	–	–	–	40,950
A Barrass	–	–	–	–	–
P Birtles (retired 30 June 2022)	38,650	–	–	–	38,650
S Goddard	10,000	–	–	–	10,000
J McKellar	10,977		2,057		13,034
R Thornton	272,311	–	27,250	–	299,561
Executive Directors					
U Meyerhans	–	–	65,217	–	65,217
Executives					
P Gibson (resigned 28 January 2022)	297,221	–	–	–	n/a
M Hayes	–	–	–	–	–
E Lagis (appointed 6 June 2022)	n/a	–	–	–	–
A Larson	–	–	–	–	–
C Norwell	150,663	–	–	–	150,663
P Oliver	–	–	–	–	–
C Scott (appointed 10 January 2022)	n/a	–	1,866	–	1,866
C Sunaryo	–	–	–	–	–

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

During FY22, nil shares vested to key management personnel as compensation (2021: 372,529). The aggregate number of shares held by key management personnel or their related parties as at 30 June 2022 was 789,941 (2021: 869,006).

7.3.4 Movements in performance rights

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

	Held at 1 July 2021	Granted during the year	Vested during the year	Forfeited during the year	Held at 30 June 2022
Directors					
R Thornton[1]	129,223	88,709	–	(123,517)	94,415
Executive Directors					
U Meyerhans	–	541,516	–	–	541,516
Executives					
P Gibson (resigned 28 January 2022)	237,071	–	–	(237,071)	n/a
M Hayes	–	86,643	–	–	86,643
E Lagis (appointed 6 June 2022)	n/a	–	–	–	–
A Larson	42,705	86,643	–	–	129,348
C Norwell	143,644	100,722		(48,000)	196,366
P Oliver	–	84,477	–	–	84,477
C Scott (appointed 10 January 2022)	n/a	112,635	–	–	112,635
C Sunaryo	23,011	75,812	–	–	98,823

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

8. KEY TERMS OF EMPLOYMENT CONTRACTS

8.1 MANAGING DIRECTOR REMUNERATION

The remuneration arrangements for Mr Urs Meyerhans as Managing Director and Chief Executive Officer were advised to the market on 29 June 2021[1]. The arrangements were determined by the Board following the provision of market data from an independent external adviser, Guerdon Associates. Based on the benchmark data, Mr Meyerhans' total remuneration was aligned with the market median in relation to a group of 18 peer companies of comparable operational scope and size to GWA. For details of Mr Meyerhans' remuneration arrangements as Acting Chief Executive Officer during FY21, refer note (e) to the Remuneration Tables in section 7.1.

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

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

8.2 NOTICE AND TERMINATION PAYMENTS

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

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

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

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

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

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

8.3 TREATMENT OF INCENTIVES ON TERMINATION

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

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

Notes:

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

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

Darryl D McDonough
Chairman

Urs B Meyerhans
Managing Director

15 August 2022

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 2022 there have been:

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

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

KPMG

Trent Duvall
Partner

Sydney, 15 August 2022

FINANCIAL REPORT

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

CONTENTS

NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June	Note	2022	2021
In thousands of AUD			
Profit or loss			
CONTINUING OPERATIONS			
Sales revenue	3(a)	418,717	405,736
Cost of sales	3(c)	(256,902)	(241,660)
Gross profit		161,815	164,076
Other income	3(b)	1,942	1,387
Selling expenses		(47,542)	(50,844)
Administrative expenses		(41,058)	(45,929)
Other expenses(i)	3(d)	(15,485)	(9,737)
Operating profit		59,672	58,953
Finance income	3(f)	22	21
Finance expenses	3(f)	(7,255)	(8,040)
Net financing costs		(7,233)	(8,019)
Profit before tax		52,439	50,934
Income tax expense	4	(17,260)	(15,878)
Profit from continuing operations		35,179	35,056
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		(510)	477
Net change in fair value of financial assets		100	-
Cashflow hedges, net of tax		8,499	2,705
Other comprehensive income, net of tax		8,089	3,182
Total comprehensive income for the period		43,268	38,238
EARNINGS PER SHARE (CENTS)			
Total			
– Basic	5	13.3	13.3
– Diluted	5	13.2	13.2

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

(i) Other expenses in the current year includes $15.2m (pre-tax) of project costs incurred in relation to the Group's Enterprise Resource Planning/Customer Relationship Management (ERP/CRM) project, and closure of the Asia sales operation. In the prior year, $9.5m (pre-tax) of costs was incurred in relation to Methven integration and the Group's ERP / CRM project. Refer to Note 3(d).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	Note	30 June 2022	30 June 2021[i]
In thousands of AUD			
CURRENT ASSETS			
Cash and cash equivalents	6	31,440	42,634
Trade and other receivables	7	70,394	56,425
Inventories	8	108,845	70,019
Derivative financial instruments	18	4,785	686
Other		2,951	2,922
Total current assets		218,415	172,686
NON-CURRENT ASSETS			
Deferred tax assets	9	2,455	3,039
Property, plant and equipment	10	16,978	21,534
Intangible assets	11	418,430	420,619
Right-of-use assets	12	49,969	57,118
Derivative financial instruments	18	6,846	–
Financial asset at fair value	18	2,935	2,835
Total non-current assets		497,613	505,145
Total assets		716,028	677,831
CURRENT LIABILITIES			
Trade and other payables	13	66,042	51,271
Loans and borrowings	16	20,000	25,000
Employee benefits	14	5,786	5,623
Income tax payable	4	1,615	3,859
Lease liabilities	12	11,161	11,813
Provisions	15	3,666	4,737
Derivative financial instruments	18	–	1,413
Total current liabilities		108,270	103,716
NON-CURRENT LIABILITIES			
Deferred tax liability	9	95,007	90,452
Trade and other payables	13	597	734
Loans and borrowings	16	148,328	121,106
Lease liabilities	12	49,808	54,685
Employee benefits	14	4,188	4,378
Provisions	15	6,004	6,149
Total non-current liabilities		303,932	277,504
Total liabilities		412,202	381,220
Net assets		303,826	296,611
EQUITY			
Issued capital	17	311,294	311,294
Reserves		5,489	(2,349)
Retained earnings		(12,957)	(12,334)
Total equity		303,826	296,611

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

(i) Refer to Note 9 regarding the re-presentation of certain comparative balances.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June			
In thousands of AUD	**Note**	**2022**	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		444,584	455,549
Payments to suppliers and employees		(405,376)	(358,317)
Cash generated from operations		39,208	97,232
Interest and facility fees paid		(4,883)	(4,780)
Lease interest paid	12	(2,426)	(2,739)
Interest received		22	21
Income taxes paid		(17,933)	(11,436)
Net cash from operating activities	6(b)	13,988	78,298
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		–	1
Acquisition of property, plant and equipment		(1,708)	(3,584)
Acquisition of intangible assets		(700)	(1,563)
Acquisition of financial assets		–	(2,835)
Net cash used in investing activities		(2,408)	(7,981)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing		92,000	37,747
Repayment of borrowings		(68,797)	(67,000)
Dividends paid		(35,802)	(21,585)
Repayment of lease liability	12	(9,950)	(8,695)
Net cash used in financing activities		(22,549)	(59,533)
Net (decrease)/increase in cash and cash equivalents		(10,969)	10,784
Cash and cash equivalents at the beginning of the year		42,634	32,359
Effect of exchange rate changes		(225)	(509)
Cash and cash equivalents at 30 June	6(a)	31,440	42,634

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

In thousands of AUD	Note	Share capital	Translation reserve	Hedging reserve	Asset revaluation reserve	Equity compensation reserve	Retained earnings	Total
Balance as at 1 July 2021		311,294	(3,662)	(266)	–	1,579	(12,334)	296,611
Total comprehensive income for the period								
Profit for the period		–	–	–		–	35,179	35,179
Other comprehensive income								
Exchange differences on translation of foreign subsidiaries, net of tax		–	(510)	–		–	–	(510)
Cash flow hedges, net of tax	17	–	–	8,499	–	–	–	8,499
Net change in fair value of financial assets		–	–	–	100	–	–	100
Total other comprehensive income		–	(510)	8,499	100	–	–	8,089
Total comprehensive income		–	(510)	8,499	100	–	35,179	43,268
Transaction with owners, recorded directly in equity								
Share-based payments, net of tax		–	–	–	–	(251)	–	(251)
Dividends paid		–	–	–	–	–	(35,802)	(35,802)
Total transactions with owners		–	–	–		(251)	(35,802)	(36,053)
Balance at 30 June 2022		311,294	(4,172)	8,233	100	1,328	(12,957)	303,826

For the year ended 30 June 2021

In thousands of AUD		Share capital	Translation reserve	Hedging reserve	Asset revaluation reserve	Equity compensation reserve	Retained earnings	Total
Balance as at 1 July 2020		307,790	(4,139)	(2,971)	–	1,352	(22,301)	279,731
Total comprehensive income for the period								
Profit for the period		–	–	–	–	–	35,056	35,056
Other comprehensive income								
Exchange differences on translation of foreign subsidiaries, net of tax		–	477	–	–	–	–	477
Cash flow hedges, net of tax	17	–	–	2,705	–	–	–	2,705
Total other comprehensive income		–	477	2,705	–	–	–	3,182
Total comprehensive income		–	477	2,705	–	–	35,056	38,238
Transaction with owners, recorded directly in equity								
Share-based payments, net of tax		–	–	–	–	227	–	227
Dividends paid and issue of shares under the Dividend Reinvestment Plan		3,504	–	–	–	–	(25,089)	(21,585)
Total transactions with owners		3,504	–	–	–	227	(25,089)	(21,358)
Balance at 30 June 2021		311,294	(3,662)	(266)	–	1,579	(12,334)	296,611

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, limited by shares, which are publicly traded on the Australian Securities Exchange ('ASX') under the ASX code 'GWA'. The consolidated financial report of the Company for the financial year ended 30 June 2022 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

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

The financial report was authorised for issue by the directors on 15 August 2022.

(a) Statement of compliance

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

(b) Basis of preparation

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

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

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

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

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

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

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

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

(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 2022:

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

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

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.

	Effective for the annual reporting period beginning on	Expected to be initially applied in the period ending
AASB 2020-3 – Narrow Scope amendments to AASB 16, AASB 137 and AASB 3. Annual improvements to AASB 16, AASB 1, AASB 9 and AASB 141	1 January 2022	30 June 2023
AASB 2020-1 Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023	30 June 2024
AASB 2021-2 Disclosure of accounting policies and definition of accounting estimates	1 January 2023	30 June 2024
AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	30 June 2024

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

(d) Basis of consolidation

(i) Business combinations

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

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

(e) Foreign currency

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. Foreign exchange differences arising on retranslation at balance date are recognised in other comprehensive income, and presented in the foreign currency translation reserve (FCTR) in equity. Hedge instrument movements of a hedge of a net investment in a foreign operation is also recognised in the FCTR to the extent the hedge is effective.

When a foreign operation is disposed such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I: OVERVIEW (CONTINUED)

1. Significant accounting policies (continued)

(f) Current vs non-current classification

The consolidated entity presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

SECTION II: RESULTS FOR THE YEAR

2. Operating segments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR (CONTINUED)

2. Operating segments (continued)

In thousands of AUD	Water Solutions	
For the year ended 30 June	**2022**	**2021**
Sales revenue	418,717	405,736
Segment EBIT	74,849	68,482
Depreciation (property, plant and equipment)	6,202	5,960
Depreciation (right of use assets)	11,784	11,901
Amortisation	2,042	2,540
Capital expenditure	2,408	5,147
Reconciliation of profit		
Total EBIT for reportable segment	74,849	68,482
Project costs[i]	(15,177)	(9,529)
Operating profit from continuing operations	59,672	58,953
Project costs[i]		
In thousands of AUD		
ERP/CRM project costs	10,284	4,732
Closure of Asia sales operation	4,893	–
Methven integration costs	–	4,797
Total project costs, pre-tax	15,177	9,529
Income tax benefit	(3,091)	(2,262)
Total project costs, net of tax	12,086	7,267
As at 30 June		
Reportable segment assets	716,028	677,831
Reportable segment liabilities	412,202	381,220

Geographical information

In thousands of AUD	Australia		New Zealand		Other		Consolidated	
For the year ended 30 June	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
External sales revenue	340,625	319,831	45,173	54,186	32,919	31,719	418,717	405,736
Non-current assets	448,989	452,609	24,311	26,773	24,313	25,763	497,613	505,145

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR (CONTINUED)

2. Operating segments (continued)

Major customers

The consolidated entity conducts business with four customers (2021: three) where the net revenue generated from each customer exceeds 10% of the consolidated entity's net revenue. Net revenue from these customers was:

In thousands of AUD	**2022**	**2021**
For the year ended 30 June		
Customer 1	95,401	88,842
Customer 2	64,026	65,618
Customer 3	50,113	52,354
Customer 4	43,029	32,294

3. Income and Expenses

(a) Sales revenue

In thousands of AUD	**2022**	**2021**
Sales revenue	418,717	405,736

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

Refer to Note 2 geographical information for disaggregated revenue information.

(b) Other income

In thousands of AUD	**2022**	**2021**
Foreign currency gains	48	370
Government grant income	929	607
Other — scrap income, royalties	965	410
	1,942	1,387

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

(c) Cost of sales

In thousands of AUD	**2022**	**2021**
Cost of sales	256,902	241,660

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

The amount of inventories recognised as an expense (within cost of sales) during the period was $205,599,000 (2021: $193,287,000).

(d) Other expenses

In thousands of AUD	**Note**	**2022**	**2021**
Project costs	2	15,177	9,529
Foreign currency losses		305	208
Other		3	-
		15,485	9,737

SECTION II: RESULTS FOR THE YEAR (CONTINUED)

3. Income and Expenses (continued)

(e) Personnel expenses

In thousands of AUD	2022	2021
Wages and salaries — including superannuation contributions, annual leave and long service leave	73,831	74,844
Equity-settled share-based payment transactions	(252)	1,381
	73,579	76,225

Defined contribution superannuation funds

The consolidated entity makes contributions to defined contribution superannuation funds. A defined contribution superannuation fund is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an employee benefit expense in profit or loss in the periods during which the services are rendered by employees. The amount recognised as an expense was $4,076,000 for the financial year ended 30 June 2022 (2021: $4,084,000) for continuing operations.

(f) Net financing costs

In thousands of AUD	2022	2021
Finance income	22	21
Finance expense		
Interest expense on financial liabilities	3,601	3,691
Interest expense on swaps	852	1,224
Fees on financial liabilities including amortisation	376	386
Interest on lease liabilities	2,426	2,739
	7,255	8,040
Net financing costs	7,233	8,019

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR (CONTINUED)

4. Income tax expenses

Recognised in profit or loss

For the year ended 30 June

In thousands of AUD	**2022**	**2021**
Current tax expense		
Current year	15,771	16,233
Adjustments for prior years	(31)	29
	15,740	16,262
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	1,520	(384)
Total tax expense for the consolidated entity	17,260	15,878

Numerical reconciliation between tax expense and pre-tax profit

Profit before tax for the consolidated entity	52,439	50,934
Tax expense using the domestic rate of 30%	15,732	15,280
Tax expense/(benefit) due to:		
Non-deductible expenses	103	75
Effect of tax rate in foreign jurisdictions	64	(180)
Non-deductible project costs	1,075	595
Rebateable research and development	(180)	(165)
Other items	497	244
	17,291	15,849
(Over)/under provided in prior years	(31)	29
Income tax expense on pre-tax profit for the consolidated entity	17,260	15,878

Deferred tax recognised directly in equity

In thousands of AUD	**2022**	**2021**
Cash flow hedges	3,619	941
	3,619	941

Current tax liability

In thousands of AUD	**2022**	**2021**
Current tax liability	1,615	3,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR (CONTINUED)

4. 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 they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

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

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

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

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

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

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

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

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

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

Goods and Services Tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION II: RESULTS FOR THE YEAR (CONTINUED)

5. Earnings per share

In cents	2022	2021
Total		
– Basic	13.3	13.3
– Diluted	13.2	13.2
Continuing operations excluding project costs		
– Basic	17.8	16.0
– Diluted	17.7	15.9

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

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

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

Profit attributable to ordinary shareholders — basic and diluted

In thousands of AUD	2022	2021
Continuing operations		
Profit before project costs	47,265	42,323
Project costs, net of tax (**Note 2**)	(12,086)	(7,267)
Profit for the year	35,179	35,056

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	2022	2021
Issued ordinary shares at 1 July	265,205	263,948
Effect of new shares issued under the DRP	–	374
Weighted average number of ordinary shares	265,205	264,322

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	2022	2021
Weighted average number of ordinary shares (basic)	265,205	264,322
Effect of new shares issued under the DRP	–	374
Effect of performance rights on issue	1,619	1,227
Weighted average number of ordinary shares (diluted)	266,824	265,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES

6. Cash and cash equivalents

(a) Balances

In thousands of AUD	2022	2021
Bank balances	31,440	42,634
Cash and cash equivalents	31,440	42,634

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

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

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

In thousands of AUD	2022	2021
Profit for the year	35,179	35,056
Adjustments for:		
Depreciation	17,986	17,861
Amortisation	2,042	2,540
Net share-based payments	251	133
Unrealised foreign exchange (gain)/loss	165	37
Loss/(gain) on sale of PP&E and intangible assets	(5)	(32)
Deferred tax recognised directly in equity	(3,619)	(941)
Other non-cash movements	(1,610)	1,052
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(13,969)	203
(Increase)/decrease in inventories	(38,826)	8,763
(Increase)/decrease in prepayments	(29)	850
Increase/(decrease) in trade payables and accrued expenses	14,771	7,610
Increase/(decrease) in deferred taxes and in taxes payable	2,895	4,279
(Decrease)/increase in provisions and employee benefits	(1,243)	887
Net cash flows from operating activities	13,988	78,298

7. Trade and other receivables

In thousands of AUD	2022	2021
Net trade receivables	69,285	55,399
Other	1,109	1,026
	70,394	56,425

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES (CONTINUED)

8. Inventories

In thousands of AUD	2022	2021
Raw materials and consumables	184	822
Work in progress	140	134
Finished goods	108,521	69,063
	108,845	70,019

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

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

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

During the year $132,000 of inventories was scrapped, and a $95,000 net reduction in the provision for inventories was recognised.

9. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2022	2021	2022	2021	2022	2021
Property, plant & equipment	616	889	(1,707)	(1,668)	(1,091)	(779)
Non-indefinite life intangibles	675	648	(958)	(1,123)	(283)	(475)
Indefinite life intangibles	–	–	(102,667)	(102,760)	(102,667)	(102,760)
Inventories	4,051	5,000	–	–	4,051	5,000
Employee benefits	2,936	2,947	–	–	2,936	2,947
Provisions	2,454	3,019	–	–	2,454	3,019
Leases	2,753	2,225	–	–	2,753	2,225
Other items	2,922	4,188	(3,627)	(778)	(705)	3,410
Tax assets/(liabilities)	16,407	18,916	(108,959)	(106,329)	(92,552)	(87,413)
Set off of tax	(13,952)	(15,877)	13,952	15,877	–	–
Net tax assets/(liabilities)	2,455	3,039	(95,007)	(90,452)	(92,552)	(87,413)

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

SECTION III: ASSETS AND LIABILITIES (CONTINUED)

9. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

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

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

Unrecognised deferred tax assets

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

In thousands of AUD	2022	2021
Capital losses	15,203	15,203
Revenue losses from foreign jurisdictions	1,312	–

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

Refer to Note 4 for the consolidated entity's accounting policy on deferred tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES (CONTINUED)

10. Property, plant and equipment

In thousands of AUD	Plant and equipment	Work in progress	Total
Cost			
Balance at 1 July 2021	50,881	2,005	52,886
Additions	1,644	108	1,752
Disposals	(1,024)	–	(1,024)
Transfers	938	(938)	–
Exchange rate movements	(161)	–	(161)
Balance at 30 June 2022	52,278	1,175	53,453
Balance at 1 July 2020	48,866	1,867	50,733
Additions	1,919	1,930	3,849
Disposals	(1,679)	–	(1,679)
Transfers	1,792	(1,792)	–
Exchange rate movements	(17)	–	(17)
Balance at 30 June 2021	50,881	2,005	52,886
Accumulated depreciation			
Balance at 1 July 2021	(31,352)	–	(31,352)
Depreciation	(6,202)	–	(6,202)
Disposals	993	–	993
Exchange rate movements	86	–	86
Balance at 30 June 2022	(36,475)	–	(36,475)
Balance at 1 July 2020	(25,903)	–	(25,903)
Depreciation	(5,960)	–	(5,960)
Disposals	507	–	507
Exchange rate movements	4	–	4
Balance at 30 June 2021	(31,352)	–	(31,352)
Carrying amounts			
As at 30 June 2022	15,803	1,175	16,978
As at 30 June 2021	19,529	2,005	21,534

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES (CONTINUED)

10. Property, plant and equipment (continued)

Recognition and measurement

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

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

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

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

Depreciation

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

- plant and equipment 3-15 years

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

Impairment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES (CONTINUED)

11. Intangible assets

In thousands of AUD	Software	Brand names	Trade names, designs and patents	Goodwill	Total
Cost					
Balance at 1 July 2021	33,110	347,175	6,024	67,125	453,434
Additions	618	–	144	–	762
Disposals	–	–	(78)	–	(78)
Exchange rate movements	(29)	(501)	(137)	(310)	(977)
Balance at 30 June 2022	33,699	346,674	5,953	66,815	453,141
Balance at 1 July 2020	33,045	346,855	5,027	66,936	451,863
Additions	433	–	1,144	–	1,577
Disposals	(373)	–	(135)	–	(508)
Exchange rate movements	5	320	(12)	189	502
Balance at 30 June 2021	33,110	347,175	6,024	67,125	453,434
Accumulated amortisation					
Balance at 1 July 2021	(31,734)	–	(1,081)	–	(32,815)
Amortisation	(1,103)	–	(939)	–	(2,042)
Disposals	–	–	72	–	72
Exchange rate movements	42	–	32	–	74
Balance at 30 June 2022	(32,795)	–	(1,916)	–	(34,711)
Balance at 1 July 2020	(30,117)	–	(520)	–	(30,637)
Amortisation	(1,835)	–	(705)	–	(2,540)
Disposals	223	–	135	–	358
Exchange rate movements	(5)	–	9	–	4
Balance at 30 June 2021	(31,734)	–	(1,081)	–	(32,815)
Carrying amounts					
As at 30 June 2022	904	346,674	4,037	66,815	418,430
As at 30 June 2021	1,376	347,175	4,943	67,125	420,619

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.

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.

SECTION III: ASSETS AND LIABILITIES (CONTINUED)

11. Intangible assets (continued)

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

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

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

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

Brand names are not amortised as the directors believe that they have an indefinite useful life.

Impairment
Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

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

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

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

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

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

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

In thousands of AUD	**2022**	**2021**
Water Solutions	413,489	414,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES (CONTINUED)

11. Intangible assets (continued)

Impairment testing for brand names and goodwill

The recoverable amounts of Water Solutions' brand names and goodwill were assessed as at 30 June 2022 based on internal value in use calculations and no impairment was identified (2021: nil).

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

- Cash flows were projected based on actual operating results and business plans of the business unit, with projected cash flows to five years before a terminal value was calculated.
- Management used a constant growth rate of 2.2% (2021: 2.3%) in calculating the terminal value, which does not exceed the long-term average growth rate for the industry.
- A pre-tax discount rate of 9.9% was used (2021: 8.8%).

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

The recoverable amount of the CGU exceeds its carrying value as at 30 June 2022 and there are no reasonably possible changes in any of the key assumptions that would cause the CGU's recoverable amount to be less than its carrying amount.

12. Right-of-use assets and lease liabilities

For the year ended 30 June	2022	2021
In thousands of AUD		
Right of use assets		
Balance as at 1 July	57,118	67,833
Additions to right-of-use assets	4,755	1,600
Modification of right-of-use assets	–	(473)
Depreciation for the period	(11,784)	(11,901)
Exchange rate movements	(120)	59
Balance as at 30 June	49,969	57,118
Lease liabilities		
Balance as at 1 July	(66,498)	(74,596)
Additions to lease liabilities	(4,730)	(1,015)
Modification of lease liabilities	–	491
Accretion of interest	(2,426)	(2,739)
Payments made	12,376	11,434
Exchange rate movements	309	(73)
Balance as at 30 June	(60,969)	(66,498)
Current lease liabilities	(11,161)	(11,813)
Non-current lease liabilities	(49,808)	(54,685)
	(60,969)	(66,498)

SECTION III: ASSETS AND LIABILITIES (CONTINUED)

12. Right-of-use assets and lease liabilities (continued)

The following table sets out the maturity analysis of lease payments showing the undiscounted lease payments to be made after the reporting date (and therefore differs from the carrying amount of lease liabilities).

In thousands of AUD	**2022**	**2021**
Less than one year	13,316	14,246
One to two years	12,170	12,948
Two to five years	30,349	33,318
More than five years	13,574	22,498
Total	69,409	83,010

Recognition and Measurement

The consolidated entity enters into non-cancellable lease contracts, largely for the use of office and warehouse facilities. The leases typically run for a period of three to ten years.

The consolidated entity recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate for site restoration, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the consolidated entity by the end of the lease term or the cost of the right-of-use asset reflects that the consolidated entity will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset. The right-of-use asset is also adjusted for certain remeasurements of the lease liability, and for any impairment losses recognised.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the consolidated entity's incremental borrowing rate (adjusted to reflect the lease terms, for example, the lease period). The consolidated entity assesses whether it is reasonably certain to exercise the extension options (contracts typically have 3 to 6 years extension options), and if so, includes the option period into the calculation of the lease liability.

The lease liability is remeasured when there is a change in future payments arising from a change in an index or rate, or if there is a changed assessment as to whether it will exercise an extension option.

The consolidated entity has elected not to recognise right-of-use assets and lease liabilities for leases of low value and/or those that are short term.

The principal component of leased payments forms part of financing cash flows, and the interest component forms part of operating cash flows in the statement of cash flows.

In thousands of AUD	**2022**	**2021**
For the year ended 30 June		
Amounts recognised in the profit or loss statement		
Interest on lease liabilities	2,426	2,739
Depreciation of right-of-use assets	11,784	11,901
Payments made for low value leases	882	889
	15,092	15,529
Amounts recognised in the statement of cash flows		
Payments of lease liability principal	(9,950)	(8,695)
Payments of lease liability interest	(2,426)	(2,739)
	(12,376)	(11,434)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES (CONTINUED)

13. Trade and other payables

In thousands of AUD	2022	2021
Current		
Trade payables and accrued expenses	66,042	51,271
Non-current		
Trade payables and accrued expenses	597	734

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

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

14. Employee benefits

In thousands of AUD	2022	2021
Current		
Liability for annual leave	4,739	4,528
Liability for long service leave	1,047	1,095
	5,786	5,623
Non-current		
Liability for long service leave	4,188	4,378

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 2021	4,590	1,384	4,480	432	10,886
Additional provisions made/(written back)	(353)	–	71	–	(282)
Provisions used	–	(702)	(123)	(13)	(838)
Exchange rate differences	(44)	(20)	(32)	–	(96)
Balance at 30 June 2022	4,193	662	4,396	419	9,670
Current	2,949	662	–	55	3,666
Non-current	1,244	–	4,396	364	6,004
	4,193	662	4,396	419	9,670

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION III: ASSETS AND LIABILITIES (CONTINUED)

15. Provisions (continued)

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

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

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

SECTION IV: FUNDING AND RISK MANAGEMENT

16. Loans and borrowings

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

In thousands of AUD	**2022**	**2021**
Current — unsecured bilateral loan facilities	20,000	25,000
Non-current — unsecured syndicated loan facilities	148,328	121,106
	168,328	146,106
Facilities available		
Unsecured loan facilities	220,000	266,670
Bank guarantees and standby letters of credit	7,317	7,258
	227,317	273,928
Facilities utilised at reporting date		
Unsecured loan facilities	168,328	146,106
Bank guarantees and standby letters of credit	1,360	1,332
	169.688	147,438
Facilities not utilised at reporting date		
Unsecured loan facilities	51,672	120,564
Bank guarantees and standby letters of credit	5,957	5,926
	57,629	126,490

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

Unsecured loan facility

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV: FUNDING AND RISK MANAGEMENT (CONTINUED)

16. Loans and borrowings (continued)

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

The consolidated entity has unsecured bank loans of $168,328,000 drawn as at 30 June 2022 (30 June 2021: $146,106,000). The notional amount of the interest-bearing loans is deemed to reflect the fair value. The facilities were drawn in the following currencies:

In thousands of AUD	2022	2021
AUD	145,000	110,000
NZD	20,000	30,000
GBP	3,000	3,000
USD	–	2,000

The loan bears interest at market rates and interest is typically payable every 30 to 90 days. The consolidated entity partially hedges its exposure to variable interest rates through interest rate swap transactions (refer Note 18(d)).

Bank guarantee and standby letter of credit facilities

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

17. Share capital and reserves

Share capital

	Ordinary shares			
	Number of shares		AUD	
In thousands	2022	2021	2022	2021
On issue at 1 July — fully paid	265,205	263,948	311,294	307,790
FY20 Final Dividend — DRP*	–	248	–	648
FY21 Interim Dividend — DRP*	–	1,009	–	2,856
On issue at 30 June — fully paid	265,205	265,205	311,294	311,294

* Dividend Reinvestment Plan

Ordinary Shares

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

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

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

Translation reserve

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

Hedging reserve

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

In thousands of AUD – Net of tax	2022	2021
Opening balance at 1 July	(266)	(2,971)
Reclassed to P&L	938	1,650
Change in fair value	7,561	1,055
Closing balance at 30 June	8,233	(266)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV: FUNDING AND RISK MANAGEMENT (CONTINUED)

17. Share capital and reserves (continued)

Equity compensation reserve

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

Dividends

Dividends recognised in the current year are:

	Costs per share (In cents)	Total amount (In thousands of AUD)	Franked	Date of Payment
2022				
Interim 2022 ordinary	7.0	18,564	100%	4th March 2022
Final 2021 ordinary	6.5	17,238	100%	6th October 2021
Total amount	13.5	35,802		
2021				
Interim 2021 ordinary	6.0	15,851	100%	20th April 2021
Final 2020 ordinary	3.5	9,238	100%	16th October 2020
Total amount	9.5	25,089		

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

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

	Costs per share (In cents)	Total amount (In thousands of AUD)	Franked	Date of Payment
Final 2022 ordinary	8.0	21,216	100%	6th September 2022

The financial effect of these dividends has not been brought to account in the financial statements for the financial year ended 30 June 2022 and will be recognised in subsequent financial reports.

Dividend franking account

	The Company	
In thousands of AUD	**2022**	**2021**
30 per cent franking credits available to shareholders of GWA Group Limited for subsequent financial years (i.e. prior to payment of final 2022 ordinary dividend.)	13,181	11,229

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV: FUNDING AND RISK MANAGEMENT (CONTINUED)

18. Financial instruments and financial risk management

(a) Policies

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

Risk management policy

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Finance Risk Committee, which is responsible for developing and monitoring risk management policies. The Finance Risk Committee is required to report regularly to the Audit and Risk Committee on its activities.

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

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

Capital management policy

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

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

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

Derivative financial instruments

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

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

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

Hedging

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV: FUNDING AND RISK MANAGEMENT (CONTINUED)

18. Financial instruments and financial risk management (continued)

(a) Policies (continued)

Derivative financial instruments (continued)

Hedging (continued)

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

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

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

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

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

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

(b) Credit risk

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

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

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

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

The consolidated entity has three major customers which comprise 57% of the trade receivables carrying amount as at 30 June 2022 (2021: three customers comprising 61% of trade receivables).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV: FUNDING AND RISK MANAGEMENT (CONTINUED)

18. Financial instruments and financial risk management (continued)

(b) Credit risk (continued)

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	**2022**	**2021**
Cash and cash equivalents	31,440	42,634
Net trade receivables	69,285	55,399
Other receivables	1,109	1,026
	101,834	99,059

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

In thousands of AUD	**2022**	**2021**
Not yet due	64,592	53,926
Past due 0-30 days	23,036	18,144
Past due 31-60 days	2,242	735
Past due 61-120 days	473	163
Past due 120+ days	593	47
Less accrued rebates	(21,608)	(17,582)
	69,328	55,433

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	**2022**	**2021**
Balance at 1 July	(34)	(27)
Impairment losses written back/(recognised)	(13)	(12)
Provisions used during the year	4	5
Balance at 30 June	(43)	(34)

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**
2022							
Non-derivative financial liabilities							
Unsecured cash advance facilities	(168,328)	(184,023)	(23,304)	(3,304)	(6,609)	(150,806)	–
Trade and other payables	(66,639)	(67,143)	(66,367)	–	(425)	(351)	–
Lease liabilities	(60,969)	(69,409)	(6,658)	(6,658)	(12,170)	(30,349)	(13,574)
Derivative financial instruments							
Interest rate swaps used for hedging (net)	6,846	6,998	1,300	1,295	2,385	2,018	–
Forward exchange contracts used for hedging (net)	4,785	4,785	4,067	718	–	–	–
Total at 30 June 2022	(284,305)	(308,792)	(90,962)	(7,949)	(16,819)	(179,488)	(13,574)
2021							
Non-derivatives financial liabilities							
Unsecured cash advance facilities	(146,106)	(154,902)	(26,852)	(1,852)	(3,703)	(122,495)	–
Trade and other payables	(52,005)	(52,509)	(51,535)	–	(506)	(351)	(117)
Lease liabilities	(66,498)	(83,010)	(7,123)	(7,123)	(12,948)	(33,318)	(22,498)
Derivative financial instruments							
Interest rate swaps used for hedging (net)	(1,413)	(1,413)	(365)	(365)	(532)	(151)	–
Forward exchange contracts used for hedging (net)	686	686	583	103	–	–	–
Total at 30 June 2021	(265,336)	(291,148)	(85,292)	(9,237)	(17,689)	(156,315)	(22,615)

(d) Market risk

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

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

(i) Interest rate risk

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

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

As at 30 June 2022, the consolidated entity had interest rate swaps in operation with a notional contract amount of $118,038,000 (2021: $118,613,000). These swaps have fixed rates ranging from 0.43% to 1.45% (2021: 0.43% to 1.56%) and mature over the next four years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV: FUNDING AND RISK MANAGEMENT (CONTINUED)

18. Financial instruments and financial risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

The consolidated entity also has a replacement interest rate swap effective in the following financial year with a notional contract amount of $25,000,000. This swap has a fixed rate of 1.02% and matures over the next four 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 2022 of $6,846,000 was recognised as a fair value derivative asset (2021: $1,413,000 liability). No hedge ineffectiveness was recognised, and therefore the full movement in the value of the hedging instrument was recognised in Other Comprehensive Income.

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

In thousands of AUD	2022 Notional value	2022 Carrying amount	2021 Notional value	2021 Carrying amount
Variable rate financial instruments				
Unsecured cash advance facilities	(168,328)	(168,328)	(146,106)	(146,106)
Cash	31,440	31,440	42,634	42,634
	(136,888)	(136,888)	(103,472)	(103,472)
Fixed rate financial instruments				
Interest rate swap derivatives	143,038	6,846	118,613	(1,413)
Total	6,150	(130,042)	15,141	(104,885)

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)	2022 Post Tax Profit	2022 OCI(i)	2021 Post Tax Profit	2021 OCI(i)
AUD denominated loans				
+75 basis points (2021: +25 basis points)	(37)	1,405	(65)	348
-25 basis points (2021: -10 basis points)	12	(468)	26	(139)
NZD denominated loans				
+75 basis points (2021: +25 basis points)	(47)	160	(16)	90
-25 basis points (2021: -25 basis points)	16	(54)	16	(90)
GBP denominated loans				
+75 basis points (2021: +25 basis points)	(28)	–	(10)	–
-25 basis points (2021: -10 basis points)	9	–	4	–

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

SECTION IV: FUNDING AND RISK MANAGEMENT (CONTINUED)

18. Financial instruments and financial risk management (continued)

(d) Market risk (continued)

(ii) Foreign currency risk

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

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

Forward exposure for the 12 months after the balance date covered by forward exchange contracts	2022	2021
AUD:USD	51%	36%
AUD:RMB	57%	40%
GBP:USD	41%	70%
NZD:AUD	53%	70%

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 2022 of $4,785,000 was recognised as a fair value derivative asset (2021: $686,000 asset). No hedge ineffectiveness was recognised, and therefore the full movement in the value of the hedging instrument was recognised in Other Comprehensive Income.

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

Sensitivity analysis

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION IV: FUNDING AND RISK MANAGEMENT (CONTINUED)

18. Financial instruments and financial risk management (continued)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

In thousands of AUD – Higher/(Lower)	2022	2021
USD		
15% increase in USD:AUD – OCI (cash flow hedges, net of tax) (2021: 10% increase in USD:AUD)	5,890	1,861
15% decrease in USD:AUD – OCI (cash flow hedges, net of tax) (2021: 10% decrease in USD:AUD)	(4,353)	(1,523)
15% increase in USD:GBP – OCI (cash flow hedges, net of tax) (2021: 10% increase in USD:GBP)	828	749
15% decrease in USD:GBP – OCI (cash flow hedges, net of tax) (2021: 10% decrease in USD:GBP)	(612)	(915)
RMB		
15% increase in RMB:AUD – OCI (cash flow hedges, net of tax) (2021: 10% increase in RMB:AUD)	5,399	1,639
15% decrease in RMB:AUD – OCI (cash flow hedges, net of tax) (2021: 10% decrease in RMB:AUD)	(3,991)	(1,341)
NZD		
15% increase in NZD:AUD – OCI (cash flow hedges, net of tax) (2021: 10% increase in NZD:AUD)	(1,501)	(1,662)
15% decrease in NZD:AUD – OCI (cash flow hedges, net of tax) (2021: 10% decrease in NZD:AUD)	1,110	1,359
15% increase in NZD:AUD – OCI (net investment hedge, net of tax) (2021: 10% increase in NZD:AUD)	(2,228)	(2,172)
15% decrease in NZD:AUD – OCI (net investment hedge, net of tax) (2021: 10% decrease in NZD:AUD)	1,647	1,777
GBP		
15% increase in GBP:AUD – OCI (net investment hedge, net of tax) (2021: 10% increase in GBP:AUD)	(411)	(430)
15% decrease in GBP:AUD – OCI (net investment hedge, net of tax) (2021: 10% decrease in GBP:AUD)	337	352

(e) Fair values

The carrying value of financial assets and liabilities as at 30 June 2022 equalled fair value (30 June 2021: equalled fair value). The fair values of financial instruments were estimated using the following methods and assumptions.

(i) Derivatives

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

(ii) Loans and borrowings

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

(iii) Trade and other receivables/payables

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

(iv) Financial asset at fair value

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

SECTION IV: FUNDING AND RISK MANAGEMENT(CONTINUED)

18. Financial instruments and financial risk management (continued)

(e) Fair values (continued)

(v) Interest rates used for determining fair value

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

	2022	2021
Derivatives	1.8% - 3.9%	0.1% - 1.0%
Loans and borrowings denominated in AUD	3.2% - 3.4%	1.8% - 2.0%
Loans and borrowings denominated in NZD	3.4% - 3.6%	2.1% - 2.3%
Loans and borrowings denominated in GBP	2.6% - 3.4%	1.9% - 2.0%

(vi) Fair value hierarchy

The consolidated entity recognises the fair value of its financial instruments and financial asset at fair value using the level 2 and level 3 valuation methods respectively. The different levels have been defined as follows:

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

In thousands of AUD	Level 1	Level 2	Level 3	Total
30 June 2022				
Forward contracts used for hedging	–	4,785	–	4,785
Interest rate swaps used for hedging	–	6,846	–	6,846
Investment in unlisted entity	–	–	2,935	2,935
	–	11,631	2,935	14,566
30 June 2021				
Forward contracts used for hedging	–	686	–	686
Interest rate swaps used for hedging	–	(1,413)	–	(1,413)
Investment in unlisted entity	–	–	2,835	2,835
	–	(727)	2,835	2,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION

19. Share-based payments

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

The performance hurdles in relation to performance rights granted to the 2022, 2021 and 2020 financial years are subject to financial performance conditions which measure growth in Return on Funds Employed (ROFE) and/or Total Shareholder Return (TSR) compared to a peer group of companies. The performance hurdles are challenging but achievable and focus executives on sustained long term growth consistent with shareholder wealth creation.

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

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

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

For the performance rights granted to executives for the 2020 financial year, the performance hurdles and vesting conditions for the ROFE and TSR performance measures are outlined in the tables below.

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

TSR of GWA Group Limited relative to TSRs of Comparator Companies	Proportion of Performance Rights to Vest if TSR hurdle is met
Less than the 50th percentile	0%
50th percentile	12.5%
Between the 50th percentile and 75th percentile	Straight line vesting between 12.5% and 50%
75th percentile or higher	50% (i.e. 50% of total grant)

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

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

SECTION V. OTHER INFORMATION (CONTINUED)

19. Share-based payments (continued)

Fair Value

During the year 1,250,933 performance rights were granted to employees (2021: 827,073) at a weighted average fair value of $1.34 (TSR) (2021: $1.90 (TSR)).

The fair value of the performance rights granted subject to the TSR hurdle for vesting was determined by using a Monte Carlo simulation. When determining the fair values it was assumed the Company would have a dividend yield of 4.90%, the risk free rate was 0.79% and annualised share price volatility was 38% for the Company and its comparator companies listed for the TSR hurdle.

The amount recognised as personnel expenses (Note 3(e)) in the current financial year was a $251,649 credit (2021: $1,381,000 expense).

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
2022							
	18/02/2019	30/06/2021	507,556	–	–	(507,556)	–
	14/02/2020	30/06/2022	526,278	–	–	(142,458)	383,820
	7/12/2020	30/06/2023	544,985	–	–	(183,672)	361,313
	6/12/2021	30/06/2024	–	1,250,933	–	(61,603)	1,189,330
			1,578,818	1,250,933	–	(895,289)	1,934,463
2021							
	19/02/2018	30/06/2020	537,000	–	(498,873)	(38,127)	–
	18/02/2019	30/06/2021	532,000	–	–	(24,444)	507,556
	14/02/2020	30/06/2022	672,500	–	–	(146,222)	526,278
	7/12/2020	30/06/2023	–	827,073	–	(282,088)	544,985
			1,741,580	827,073	(498,873)	(490,882)	1,578,818

20. Related parties

Key management personnel compensation

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

In AUD	2022	2021
Short-term employee benefits	6,423,513	5,447,396
Post-employment benefits	279,900	185,452
Termination benefits	–	1,000,000
Share-based payments	224,578	1,001,525
Other long term employee benefits	(92,259)	126,812
	6,835,732	7,761,185

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION (CONTINUED)

21. Auditor's remuneration

In AUD	2022	2021
The auditor of GWA Group Limited is KPMG Australia.		
Audit services		
KPMG Australia:		
Audit and review of financial reports	359,000	269,400
Other assurance services	16,000	58,000
Overseas KPMG Firms:		
Audit of financial reports	39,200	30,000
	414,200	357,400
Overseas non-KPMG audit firms:		
PwC — audit of financial reports	83,000	79,000
	83,000	79,000
Total audit services	497,200	436,400
Other services		
Network firm of overseas non-KPMG audit firms:		
PwC — internal audit services	203,000	161,000
PwC — other services	44,000	21,000
Total other services	247,000	182,000

22. Commitments

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

In thousands of AUD	2022	2021
Less than one year	2,519	6,669
	2,519	6,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION (CONTINUED)

23. Consolidated entities

	Parties to cross guarantee	Country of incorporation	Ownership Interest 2022	Ownership Interest 2021
Parent entity				
GWA Group Limited	Y	Australia		
Subsidiaries				
Caroma Holdings Limited	Y	Australia	100%	100%
Caroma Industries Limited	Y	Australia	100%	100%
Caroma International Pty Ltd	N	Australia	100%	100%
Caroma Middle East FZCO	N	UAE	100%	100%
Caroma Singapore Pte Ltd	N	Singapore	100%	100%
Deva Tap Company Ltd	N	United Kingdom	100%	100%
GWA Finance Pty Limited	Y	Australia	100%	100%
GWA Group Holdings Limited	Y	Australia	100%	100%
GWA Group Holdings (NZ) Limited	N	New Zealand	100%	100%
GWA Group (NZ) Limited	N	New Zealand	100%	100%
GWA Trading (Shanghai) Co Ltd	N	China	100%	100%
Methven Australia Pty Limited	Y	Australia	100%	100%
Methven ROI Limited (incorporated 30/09/2021)	N	Ireland	100%	–
Methven UK Limited	N	United Kingdom	100%	100%
Sebel Furniture Holdings Pty Ltd	N	Australia	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION (CONTINUED)

24. Deed of cross guarantee

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

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

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, as at 30 June 2022, is set out in the table below.

Summarised statement of profit or loss and other comprehensive income

In thousands of AUD for the year ended 30 June	**2022**	**2021**
Sales revenue	340,625	319,831
Cost of sales	(202,078)	(186,855)
Gross profit	138,547	132,976
Operating expenses	(80,610)	(100,029)
Finance income	1,047	1,074
Finance expenses	(4,950)	(7,736)
Profit before tax	54,034	26,285
Tax expense	(16,436)	(8,200)
Profit from continuing operations, net of tax	37,598	18,085
Net profit	37,598	18,085
Other comprehensive income, net of tax	8,223	2,931
Total comprehensive income, net of tax	45,821	21,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION (CONTINUED)

24. Deed of cross guarantee (continued)

Statement of financial position

In thousands of AUD for the year ended 30 June	2022	2021
Assets		
Cash and cash equivalents	23,591	29,090
Trade and other receivables	57,706	45,419
Inventories	84,369	54,395
Derivative financial instruments	11,196	–
Other	2,411	2,374
Total current assets	179,273	131,278
Investments	466,895	465,632
Intercompany receivable	37,361	36,515
Property, plant and equipment	13,815	17,573
Intangible assets	385,031	385,717
Right-of-use assets	44,027	50,460
Total non-current assets	947,129	955,897
Total assets	1,126,402	1,087,175
Liabilities		
Trade and other payables	49,553	37,697
Loans and borrowings	20,000	25,000
Employee benefits	4,082	4,671
Income tax payable	1,498	4,659
Lease liabilities	11,860	11,175
Provisions	2,550	2,748
Derivative financial instruments	–	1,413
Total current liabilities	89,543	87,363
Deferred tax liabilities	92,859	87,803
Loans and borrowings	148,328	121,106
Lease liabilities	42,988	48,469
Employee benefits	4,883	4,266
Provisions	4,788	4,922
Total non-current liabilities	293,846	266,566
Total liabilities	383,389	353,929
Net assets	743,013	733,246
Equity		
Issued capital	311,294	311,294
Reserves	9,165	1,194
Retained earnings	422,554	420,758
Total equity	743,013	733,246
Retained earnings at beginning of the year	420,758	427,762
Net profit	37,598	18,085
Dividends received during the year	–	–
Dividends paid during the year	(35,802)	(25,089)
Retained earnings at end of the year	422,554	420,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION V. OTHER INFORMATION (CONTINUED)

25. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2022 the parent company of the consolidated entity was GWA Group Limited.

	The Company	
In thousands of AUD	**2022**	**2021**
Results of the parent entity		
Profit for the year	119,540	(1,192)
Other comprehensive income	–	–
Total comprehensive income for the year	119,540	(1,192)
Financial position of the parent entity		
Current assets	648	300
Total assets	946,721	862,661
Current liabilities	575	–
Total liabilities	419,733	419,162
Equity of the parent entity		
Share Capital	311,294	311,294
Equity compensation reserve	1,328	1,578
Retained earnings	214,366	130,628
Total equity	526,988	443,500

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 (2021: $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 (2021: $nil).

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

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

26. Subsequent events

To the Directors' best knowledge, there are no events that have arisen subsequent to 30 June 2022 that will, or may, significantly affect the operation or results of the consolidated entity.

DIRECTORS' DECLARATION

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

1. The consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001* including:
   a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2022 and of its performance for the year ended on that date; and
   b) complying with Australian Accounting Standards and the *Corporations Regulations 200*1;
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
3. There are reasonable grounds to believe that the Company and the group entities identified in Note 23 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418;
4. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2022; and
5. The directors draw attention to Note 1(a) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards (IFRS).

Dated on 15 August 2022.

Signed in accordance with a resolution of the directors:

Darryl D McDonough
Director

Urs B Meyerhans
Director

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

Report on the audit of the Financial Report

OPINION

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

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

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2022 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 2022;
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

BASIS FOR OPINION

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

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

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

KEY AUDIT MATTERS

The ***Key Audit Matters*** we identified are:

- Valuation of finished goods inventory.
- Changes to Enterprise Resource Planning System.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GWA GROUP LIMITED (CONTINUED)

KPMG

VALUATION OF FINISHED GOODS INVENTORY ($108.5M)

Refer to Note 8 to the Financial Report

The key audit matter

The valuation of finished goods inventory is a key audit matter given it is a significant asset in the financial report and the net realisable value is impacted by the building industry cycles and changes in consumer preferences. This necessitated an additional audit focus on excess and discontinued inventory SKUs (stock keeping unit). The most significant areas of judgement we focused on was in assessing the Group's:

- Expected forecast demand which is based on previous sales, as the criteria for categorisation of inventory SKUs by risk (ageing analysis), such as discontinued or excess as the Group attributes different values due to the differing provision policy rates;
- The Group's assessment of SKU recovery rates based on the expected selling price of inventory; and
- Provision percentages (risk weightings) by inventory category.

Such judgements may have a significant impact on the Group's provision and therefore the overall carrying value of finished good inventories, necessitating additional audit effort.

How the matter was addressed in our audit

Our procedures included:

- Obtaining an understanding of the Group's key processes for the valuation of finished goods inventory (net realisable value) and the Group's determination of discontinued inventory;
- Assessing the Group's policies for the valuation of finished goods inventory against the requirements of the accounting standards and our understanding of the business;
- Attending stocktakes in significant locations and observing the Group's processes;
- Assessing the accuracy of Group sales forecasts by inventory SKU by comparing forecast demand to actual sales for each inventory SKU in the period. This informed our evaluation of sales forecasts incorporated in the inventory provision at 30 June 2022;
- Testing the completeness of inventory SKUs identified as discontinued or excess as follows:
  - » Assessing the Group's identification of excess inventory by independently developing an expectation based on actual sales data and comparing to the Group's results; and
  - » Checking a sample of inventory SKUs to be discontinued in the inventory provision to sales management approval;
- Comparing the inventory write off history for the last 3 years against the inventory provision to assess the adequacy of the inventory provision;
- Comparing the estimated selling or disposal expenses to actual selling or disposal expenses;
- Challenging the Group's assumptions, such as the Group's assessment of recovery rates and provision percentages by product category by:
  - » Using our understanding of the Group's business;
  - » Independently developing an expected inventory valuation range by considering the following:
    - Inventory turnover rate by inventory SKU;
    - Recovery rates achieved historically when selling discontinued inventory. We considered the historical quantum recovered compared to the original cost; and
    - Overall recoveries achieved for a sample of sales recorded below original cost;
  - » Comparing the independently developed expected inventory valuation range to the inventory value recorded by the Group; and
- Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GWA GROUP LIMITED (CONTINUED)

CHANGES TO ENTERPRISE RESOURCE PLANNING SYSTEM

The key audit matter	How the matter was addressed in our audit

The Group has implemented a new Enterprise Resource Planning (ERP) system during the year.
 	
This is a key audit matter due to:
 	
• The significant impact of the ERP on the Group's financial reporting process. This required us to understand the extent of changes, and the associated impact on our audit.
• During the implementation phase of the new ERP, the Group established temporary processes, which included manual elements, to govern the implementation of new systems and to record certain transactions. Manual processes and controls generally result in a higher risk of error and increase the audit effort to test extended samples of the underlying transactions which are checked to source documentation, such as invoices, proof of delivery documents and bank statements.
	Our procedures included:
	
	• Working with our IT Audit specialists, we tested the general IT controls operating in the ERP system that underpins the Group's financial reporting.
	• Obtaining an understanding of the Group's processes revised during the year and evaluating the updated controls and control environment as they relate to financial reporting processes, to further inform our related audit approach.
	• Assessed migration of data transferred from the decommissioned system to the new system to check the accuracy of the data transferred.
	• On a sample basis, we assessed the transactions that were subject to manual processes and controls recorded in the financial statements by:
	  » Checking the integrity of manual calculations;
	  » Comparing amounts in the Group's financial records to the financial statements; and
	  » Checking amounts to source documentation.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

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

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

KPMG

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objective is:

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

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

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

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

REPORT ON THE REMUNERATION REPORT

Opinion

In our opinion, the Remuneration Report of GWA Group Limited for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited Sections 2 to 8 (excluding Section 7.1.1) of the Remuneration Report included in pages 16 to 37 of the Directors' Report for the year ended 30 June 2022.

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

KPMG

KPMG

Trent Duvall
Partner

Sydney, 15 August 2022

OTHER STATUTORY INFORMATION AS AT 15 AUGUST 2022

STATEMENT OF SHAREHOLDING

In accordance with the Australian Securities Exchange Listing Rules, the directors state that, as at 15 August 2022, the share capital in the Company was held as follows:

Range	Ordinary Shareholders	Ordinary Shares	%
1 – 1,000	1,857	837,507	0.32
1,001 – 5,000	3,329	9,245,471	3.49
5,001 – 10,000	1,475	11,101,618	4.19
10,001 – 100,000	1,227	27,811,868	10.48
100,001 and over	74	216,208,649	81.52
Total	**7,962**	**265,205,113**	**100.00**

The number of shareholders with less than a marketable parcel of 230 shares is 667.

VOTING RIGHTS

The voting rights attached to shares are as set out in rule 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 15 August 2022:

Shareholder	Number of Shares	% Shares on Issue
Perpetual Limited	26,370,277	9.94%
Mitsubishi UFJ Financial Group, Inc	16,068,873	6.06%
Franklin Resources, Inc	15,804,194	5.99%

20 LARGEST SHAREHOLDERS AS AT 15 August 2022

Shareholder	Number of Shares	% Shares on Issue
HSBC Custody Nominees (Australia) Limited	61,507,097	23.19
Citicorp Nominees Pty LimiteD	45,616,741	17.20
J P Morgan Nominees Australia Pty Limited	20,799,483	7.84
HGT Investments Pty Ltd	10,000,000	3.77
KFA Investments Pty Ltd	9,200,684	3.47
National Nominees Limited	7,927,861	2.99
JMB Investments Pty Ltd	6,884,655	2.60
Mr Peter Zinn <Carol Zinn Family No2 A/C>	5,898,176	2.22
Ashberg Pty Ltd	5,887,783	2.22
Theme (No 3) Pty Ltd	5,100,000	1.92
ITA Investments Pty Ltd	4,688,628	1.77
BNP Paribas Noms Pty Ltd <Drp>	3,235,765	1.22
Dabary Investments Pty Ltd	3,178,986	1.20
CJZ Investments Pty Ltd	2,841,565	1.07
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,405,616	0.91
Eidde Pty Ltd <Duncan Family A/C>	2,019,940	0.76
Mr Michael John Mcfadyen <Michael Mcfadyen A/C>	1,975,734	0.74
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <Drp A/C>	1,305,631	0.49
HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	1,226,702	0.46
UBS Nominees Pty Ltd	996,375	0.38
Total	**202,697,422**	**76.43**

CORPORATE GOVERNANCE STATEMENT

A copy of the Corporate Governance Statement can be found on the Company's website at https://www.gwagroup.com.au/corporate-governance/.

SHAREHOLDER INFORMATION

Annual General Meeting

The Annual General Meeting of GWA Group Limited will be held at the Victoria Room of the Hilton Hotel, 190 Elizabeth Street, Brisbane QLD on Friday, 28 October 2022, commencing at 10:30 am (Brisbane time). Shareholders will be mailed their Notice of Annual General Meeting and Proxy Form during September 2022.

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 receive 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 twice annually 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 August 2021. 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 2022

30 June	Financial year end
15 August	FY22 full year results and final dividend announcement
19 August	Ex dividend date for final dividend
22 August	Record date for determining final dividend entitlement
6 September	Final dividend paid
26 September	Notice of Annual General Meeting and Proxy Form mailed to shareholders
26 October	Proxy returns close 10:30am (Brisbane time)
28 October	Annual General Meeting, 10.30am (Brisbane time)
31 December	Half year end

HEAD OFFICE LOCATIONS

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CORPORATE DIRECTORY

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

Chief Financial Officer
C L Scott, BCompt (Hons), CA (SA)

Company Secretary
E Lagis
BBus LLB (Hons), LLM, CertGov&RiskMgt

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