GWA
Group Limited

2015 ANNUAL REPORT

FY15 PERFORMANCE HIGHLIGHTS

EARNINGS

$72.8 million

Normalised earnings before interest and tax (EBIT) from continuing operations **13% to $72.8 million**

- Bathrooms & Kitchens EBIT **14%**
- Door & Access Systems EBIT **14%**

SUCCESSFUL DIVESTMENT
of non-core businesses (Dux, Brivis, Gliderol) and exit from vitreous china manufacturing

FINANCIAL POSITION
continues to strengthen:

- Continuing operations' cashflow from operations **up 62%**
- Net debt **down 37%** on prior year

NET PROFIT

$45.2 million

Normalised net profit from continuing operations **19% to $45.2 million**

SUCCESSFUL EXECUTION OF STRATEGY
to focus on core Bathrooms & Kitchens and Door & Access Systems to capitalise on improving construction activity

REPORTED NET LOSS
of $16.2 million includes loss on sale/ impairments related to divested businesses and restructuring costs primarily due to exit of manufacturing

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FIVE YEAR FINANCIAL SUMMARY

Continuing operations	2010/11[1] $'000	2011/12[1] $'000	2012/13[1] $'000	2013/14[1] $'000	2014/15[1] $'000
Revenue from continuing operations	726,367	602,128	565,365	399,394	426,218
Earnings before interest, tax, depreciation, amortisation (EBITDA) and significant items[3]	125,243	94,228	87,168	76,819	81,734
EBITDA margin (%)	17.2	15.6	15.4	19.2	19.2
Depreciation and amortisation	(18,087)	(18,864)	(20,398)	(12,328)	(8,970)
Earnings before interest, tax (EBIT) and significant items[3]	107,156	75,364	66,770	64,491	72,764
EBIT margin (%)	14.8	12.5	11.8	16.1	17.1
Interest expense (net)	(15,175)	(14,247)	(13,324)	(11,201)	(7,329)
Normalised profit before tax[3]	91,981	61,117	53,446	53,290	65,435
(%)	12.7	10.2	9.5	13.3	15.4
Tax expense	(28,622)	(15,565)	(14,115)	(15,452)	(20,278)
Effective tax rate (%)	31.1	25.5	26.4	29.0	31.0
Normalised profit after tax[3]	**63,359**	**45,552**	**39,331**	**37,838**	**45,157**
Significant items after tax	–	621	(6,941)	(6,664)	(34,796)
Net profit after tax from continuing operations	**63,359**	**46,173**	**32,390**	**31,174**	**10,361**
Basic earnings per share (cents)	21.0	15.3	10.6	10.2	3.4
Normalised earnings per share (cents)[2]	21.0	15.1	12.9	12.4	14.8

Group (continuing and discontinued operations)					
Net profit after tax from continuing operations	**63,359**	**46,173**	**32,390**	**31,174**	**10,361**
Loss from discontinued operations (net of tax)	–	(6,518)	–	(12,578)	(26,544)
Net profit / (loss) after tax for the period	**63,359**	**39,655**	**32,390**	**18,596**	**(16,183)**
Net cash from operating activities	88,558	60,499	63,349	33,898	43,505
Capital expenditure	24,727	25,798	14,703	5,570	5,062
Net debt	198,083	174,472	162,243	149,385	94,763[4]
Shareholders' equity	439,995	426,984	426,742	425,989	305,894
Interest cover (times)	8.3	6.6	6.5	8.5	12.8
Gearing (net debt / (net debt + equity) (%)[4]	31.0	29.0	27.5	26.1	23.7[4]
Return on shareholders' equity (%)	14.4	9.3	7.6	4.4	(5.3)
Dividend payout ratio (%)	85.7	136.4	113.2	90.3	–
Dividend per share (cents)	18.0	18.0	12.0	5.5	6.0[5]
Franking (%)	100.0	100.0	100.0	100.0	76.7
Capital return (cents)[5]	–	–	–	–	22.8[5]
Share price (30 June) ($)	2.75	2.10	2.40	2.63	2.28
Dividend yield at 30 June share price (%)	6.5	8.6	5.0	2.1	2.6
Number of employees	2,150	1,788	1,680	1,681	1,183

(1) The Dux Hot Water (Dux) and Brivis Heating and Cooling (Brivis) businesses were sold during FY15. Additionally, GWA entered into an agreement to sell Gliderol Garage Doors (Gliderol) in FY15 and the sale was completed on 31 July 2015. Accordingly, the operating activities of Dux, Brivis and Gliderol were classified as discontinued operations in FY15 and presented separately from the results of the continuing operations. The FY14 results have been re-presented to be comparable with FY15. FY11 to FY13 have not been re-presented and include the operating activities of Dux, Brivis and Gliderol (from 31 January 2011) as part of continuing operations. In addition, the results of the Sebel Furniture and Caroma North America businesses are included in FY11 as part of continuing operations. Sebel Furniture and Caroma North America were divested during FY12 and were disclosed as discontinued operations in FY12.

(2) Excludes significant items.

(3) Normalised profit before significant items is a non-IFRS financial measure reported to provide a greater understanding of the underlying business performance of the Group. The disclosures are extracted or derived from the financial report for the year ended 30 June 2015 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 Note 6 of the financial report.

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

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

COMPANY PROFILE

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

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

GWA Group Limited

GWA Bathrooms & Kitchens

GWA Door & Access Systems

GWA Bathrooms & Kitchens is Australia's foremost designer, manufacturer, importer and distributor of residential and commercial bathroom and kitchen products. The product range is distributed under Australian brands including Caroma, Dorf, Fowler, Stylus, Clark and international brands including Hansa, Schell, Virtu, EMCO and Sanitron.

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

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

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

WHAT WE WILL DO

- We will be efficient and easy to deal with.
- We recognise that time is precious to both our external and internal customers and is a source of value and sustainable competitive advantage.
- We recognise markets are changing and will deliver products and solutions that save time for tradesmen, builders and across commercial projects.
- We will refocus our business units on their target market segments to ensure they have unmatched understanding of customer needs, able to reach and influence the key decision makers in these segments.
- We will free up our business units to focus on their markets by leveraging corporate functions which will enable:
  - Increased innovation and market insights;
  - Closer customer engagement and information via group information systems;
  - Supply chain efficiencies and responsiveness;
  - A supportive culture and pipeline of appropriately skilled management; and
  - Unmatchable scale.
- We will pursue acquisitions which leverage our existing market relationships and scale.

OUR MISSION

To be Australia's leading supplier of products and solutions to the residential and commercial building markets

CHAIRMAN'S REVIEW

FY15 was a transformative year for GWA as the company implemented its strategy to focus on the core Bathrooms & Kitchens and Door & Access Systems businesses.

The strategy has resulted in the phased exit of manufacturing of vitreous china and plastic sanitaryware products, the divestment of non-core businesses, together with a successful return of capital and special dividend to GWA shareholders.

Your Board believes GWA is well positioned to capitalise on our strong, market-leading presence in our core markets to deliver improved value for shareholders over the medium term.

FINANCIAL OVERVIEW

Normalised EBIT from Continuing Operations[1] in FY15 was $72.8 million, an increase of 13 per cent on the prior year.

Net sales revenue from Continuing Operations increased by 7 per cent to $426.2 million from FY14.

The increase in earnings and revenue was predominantly driven by ongoing improvements in the Bathrooms & Kitchens business where normalised EBIT increased by 14 per cent to $83.3 million.

GWA's normalised net profit after tax from Continuing Operations (before significant items) increased by 19 per cent to $45.2 million.

The company incurred one-off restructuring costs and costs relating to plant closures which were classified as Significant Items.

As a result, net profit after tax from Continuing Operations (including the impact of Significant Items) was $10.4 million compared to $31.2 million in FY14.

On a reported basis, including Continuing and Discontinued Operations after Significant Items, GWA reported an after tax loss of $16.2 million compared to net profit of $18.6 million in the prior year.

STRATEGY

Following a detailed review of GWA's operations last year, the company successfully implemented a number of initiatives to refocus the group on the core Bathrooms & Kitchens and Door & Access Systems businesses where we have strong, profitable and market-leading positions. These initiatives included:

- The sale of the Brivis Climate Systems business;
- The sale of the Dux Hot Water business;
- The sale of the Gliderol Garage Doors business; and
- The phased exit from manufacturing of vitreous china and plastic sanitaryware products at the Wetherill Park and Norwood factories and the subsequent sale of the Wetherill Park site.

The final aspect of the implementation of this strategy is the current restructuring of group operations to drive greater focus and accountability across the divisions and to ensure our cost base is realigned to adjust for the business structure going forward.

GWA now has a much clearer focus on the core Bathrooms & Kitchens and Door & Access Systems businesses where we believe shareholder returns will be maximised.

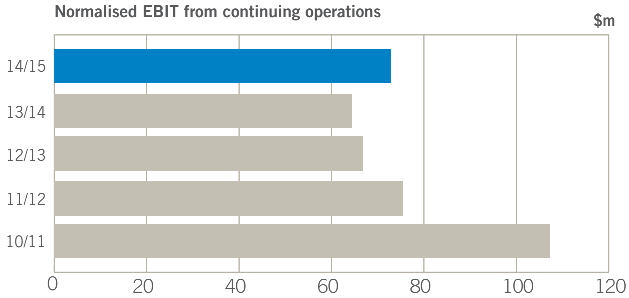
This focus also enables the company to invest in product innovation and to selectively invest in organic and other value accretive opportunities across the core businesses.

DIVIDENDS AND CAPITAL MANAGEMENT

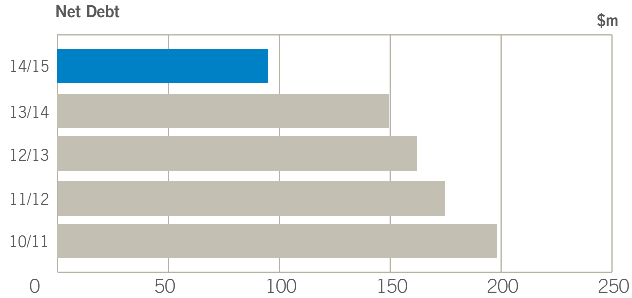
Following the sale of the non-core businesses, the Board was pleased to be able to return 28.8 cents per share to shareholders through a return of capital of 22.8 cents per share and a partially-franked special dividend of 6 cents per share paid on 15 June 2015.

GWA's financial position remains strong with net debt at 30 June 2015 of $95 million compared to $149 million in the previous year. Our financial metrics comprising leverage, gearing, and interest cover ratios continue to strengthen and remain consistent with investment grade. The company successfully refinanced its syndicated bank facility during the year which provides additional financial flexibility for the group.

[1] Continuing Operations exclude the Brivis Climate Systems and Dux Hot Water businesses which were divested during the year and the Gliderol Garage Doors business which was divested on 31 July 2015 and is classified as an asset held for sale in the FY15 financial report.



Normalised EBIT from continuing operations of $72.8 million in FY15 represents an increase of 13% on the prior year following the strong trading performance of the Bathrooms & Kitchens division.



The Group's financial metrics remain strong with net debt at the end of June 2015 of $94.8 million, a reduction of 37% from June 2014.

The financial position of the Group is supported by our strong cash flow generation; during FY16 the Board will continue to consider available capital management initiatives with a view to maximising shareholder returns. Separately, the Board expects to resume ordinary dividends from the interim dividend for FY16, subject of course to prevailing market and trading conditions.

CEO SUCCESSION

Having successfully implemented the group's strategy review, Peter Crowley announced his intention to retire as Managing Director from 30 June 2016.

For the past 12 years, Peter has provided strong and dedicated leadership to GWA and on behalf of the Board, I personally acknowledge Peter's significant contribution to the company.

The Board was pleased to announce the appointment of Tim Salt to succeed Peter as Managing Director. Tim will join the company in September 2015, initially as Executive General Manager of the Bathrooms & Kitchens business and will work with Peter on an orderly transition to the role of Managing Director.

Tim has a long and successful track record in building high performance and results-oriented cultures, most recently as the Managing Director of Diageo in Australia and New Zealand and we look forward to his contribution to GWA.

DIVERSITY

The Board acknowledges the significant benefits that arise from a diverse workforce and has a Diversity Policy which is available on the Group's website at www.gwagroup.com.au. A number of measurable objectives have been approved by the Board to promote and encourage diversity, particularly the improvement of female representation within the workforce. We are pleased with the increase in the overall percentage of female employees in the Group in FY15 including an increase of females in management roles. The Board is also mindful of the need to increase diversity of the Board.

The Board supports the recommendations of the ASX Corporate Governance Council on diversity and has provided the required diversity disclosures in its Corporate Governance Statement. The Group lodged its Workplace Gender Equality Report with the Workplace Gender Equality Agency in May 2015 and the report is available on the Group's website at www.gwagroup.com.au under Gender Equality Reporting.

EXECUTIVE REMUNERATION

GWA's remuneration policies continue to be assessed with the independent advice of Guerdon Associates who were engaged by the Board for the FY16 executive remuneration review. We aim to provide remuneration to executives which is fair and sufficient to attract and retain a high quality management team with the requisite experience, knowledge, skills and judgement required for the business.

In order to achieve this objective, the key principle is that fixed remuneration for executives varies between the median and third quartiles relative to companies of comparable size and scope.

The fixed remuneration for Managing Director, Peter Crowley has been frozen since 2011 and remains frozen. In addition, Mr Crowley did not receive any short term incentive (STI) payments for FY15 due to the Group's net loss position. The Bathrooms & Kitchens division achieved their STI financial targets for FY15 reflecting their strong trading performance and no other divisional or corporate STI financial targets were achieved in FY15.

SAFETY

I am pleased to report continuing progress in the company's safety performance resulting in a further 11 per cent reduction in the total injury frequency rate in FY15. This represents the tenth consecutive year of improvement reflecting our ongoing commitment to creating an injury free work environment.

On behalf of the Board, I acknowledge and thank Peter, his executive team and all members of the GWA team for their contribution over the past year. It has been a significant year of transformation for the group and as a result, I believe we now have the right focus and organisational and capital structure to capitalise on improving dwelling construction activity to build our competitive position and deliver improved returns to shareholders.

MANAGING DIRECTOR'S
REVIEW OF OPERATIONS

Management focus during FY15 was to implement our strategy to divest non-core businesses, exit manufacturing of specific product categories and refocus on servicing our target market segments in our core businesses in Bathrooms & Kitchens and Door & Access Systems.

As a result, GWA's portfolio has now been streamlined and our focus for FY16 remains on ensuring the core businesses can build on the progress achieved in FY15 to capitalise on an expected increase in construction activity to deliver improved financial results.

MARKET ACTIVITY

Residential construction activity in Australia increased throughout the year, however the multi-residential segment continues to grow at a faster rate than other segments.

Total new dwelling commencements are forecast to have increased by 16 per cent on a moving annual total (MAT) basis to the end of June 2015[1]. However, this was driven by the medium and high density dwelling segment which increased by 25 per cent compared to detached houses which increased by 10 per cent.

Dwelling completions, which typically lag commencements by six to nine months, also increased during the year but were also skewed towards the medium and high density segment where completions increased by 31 per cent compared to detached housing completions which are forecast to have increased by 14 per cent on a MAT basis to the end of June 2015.

GWA's products are typically sold at the completions stage of the building cycle and we therefore remain encouraged by the continued increase in dwelling commencements over the past year which are expected to flow through to completions in FY16.

Market activity for home alterations and additions, which represents the key renovation market segment for GWA, is forecast to have increased by 3 per cent to June 2015.

Meanwhile, non-residential building activity is estimated to have remained relatively flat in FY15.

FINANCIAL RESULTS – CONTINUING OPERATIONS

A$ million	FY14	FY15	% change
Sales Revenue	399.4	**426.2**	+7%
Normalised EBIT	64.5	**72.8**	+13%
Normalised EBIT Margin	16.1%	**17.1%**	
Normalised NPAT (pre Sig. Items)	37.8	**45.2**	+19%
NPAT (after Sig. Items)	31.2	**10.4**	(67%)

During a year of significant restructuring for the company, GWA's Continuing Operations[2] (before Significant Items) delivered an improved financial result.

Revenue from Continuing Operations increased by 7 per cent to $426.2 million, reflecting an improvement in Bathrooms & Kitchens' sales of 8 per cent and an increase in sales from Door & Access Systems of 4 per cent compared to the prior year.

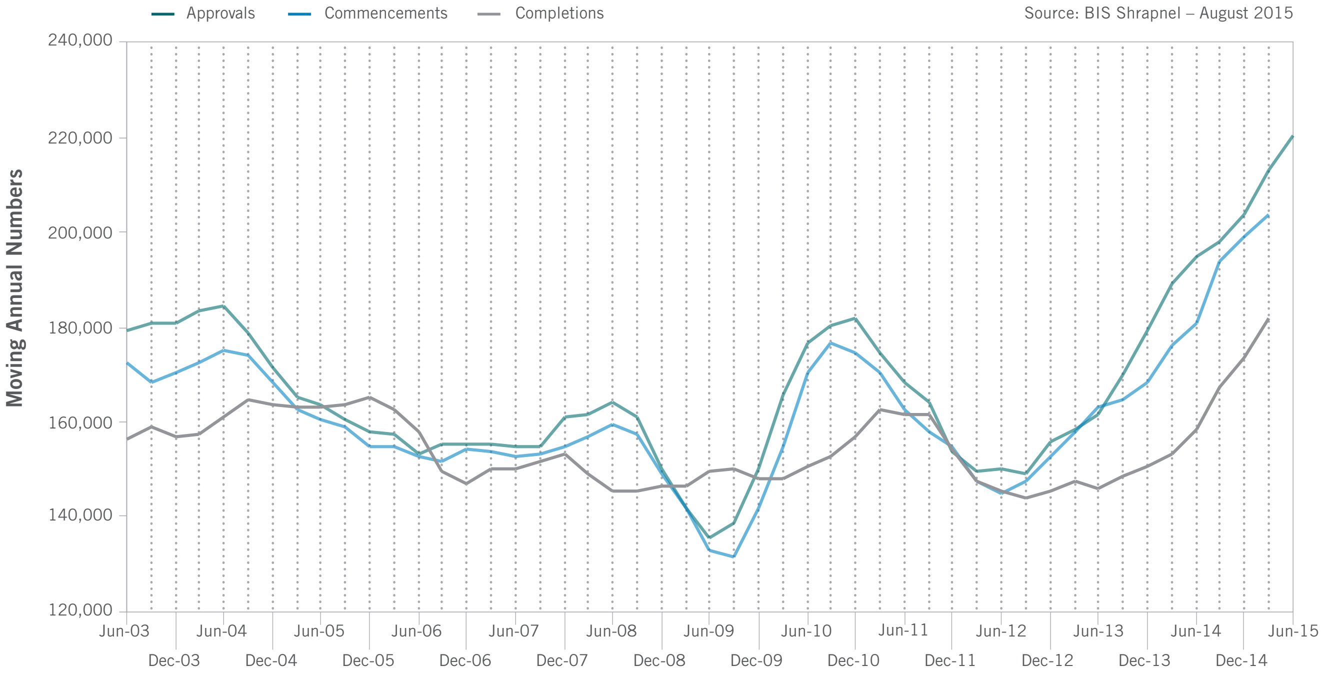
Normalised EBIT from Continuing Operations (before Significant Items) increased by 13 per cent to $72.8 million, driven by a 14 per cent increase in EBIT from Bathrooms & Kitchens, partially offset by a decline in earnings from Door & Access Systems of 14 per cent compared to the previous year.

Further information on segment earnings is provided on page 8.

[1] Source for Dwelling Commencements, Completions, Alterations and Additions and Non-residential Building Activity is BIS Shrapnel.

[2] Continuing Operations exclude the Brivis Climate Systems and Dux Hot Water businesses which were divested during the year and the Gliderol Garage Doors business which was divested on 31 July 2015 and is classified as an asset held for sale in the FY15 financial report.

Chart 1 – New Dwelling Activity (2003-2015)



Normalised net profit after tax from Continuing Operations (before Significant Items) increased by 19 per cent to $45.2 million due to higher EBIT and also a 35 per cent reduction in net interest expense as a result of the company's lower debt position.

Operating cashflow from Continuing Operations improved by 62 per cent on the prior year to $81.7 million, due to higher EBITDA and also from more efficient working capital utilisation compared to the prior year. FY14 included an increase in inventory levels in the Gainsborough business and Bathrooms & Kitchens which was restored to more sustainable levels in FY15 driving the working capital improvement.

The company's strategy to exit manufacturing in Bathrooms & Kitchens resulted in a one-off restructuring charge of $39.3 million which was treated as a Significant Item in Continuing Operations. In the second half of the year, the company commenced a restructure of group operations to realign the company's cost base to adjust for divested businesses and to drive greater focus and accountability across the group which resulted in a restructuring charge of $10 million being recorded as a Significant Item.

Total Significant Items from Continuing Operations after tax were $34.8 million.

As a result, net profit after tax from Continuing Operations after Significant Items was $10.4 million compared to $31.2 million in the prior year.

FINANCIAL RESULTS – CONTINUING AND DISCONTINUED OPERATIONS

A$ million	FY14	FY15	% change
Sales Revenue	578.0	**547.8**	(5%)
Normalised EBIT	72.3	**74.3**	+3%
Normalised EBIT Margin	12.5%	**13.6%**	
Normalised NPAT (pre Sig. Items)	43.7	**46.2**	+6%
Reported NPAT (after Sig. Items)	18.6	**(16.2)**	n/m

n/m – not meaningful

The divestment of non-core businesses to support the company's strategy to focus on the core Bathrooms & Kitchens and Door & Access Systems businesses resulted in the company incurring Significant Items after tax from Discontinued Operations of $27.6 million including the loss on sale on divested businesses and the non-cash impairment charge against the Gliderol business of $24 million.

On a reported basis, (including Continuing and Discontinued Operations after Significant Items), GWA reported an after tax loss of $16.2 million compared to net profit of $18.6 million in the prior year.

GWA returned 28.8 cents per share to shareholders; that return was effected through a return of capital of 22.8 cents per share and a partially-franked special dividend of 6 cents per share paid on 15 June 2015.

No final dividend will be paid due to the lack of retained earnings at 30 June 2015.

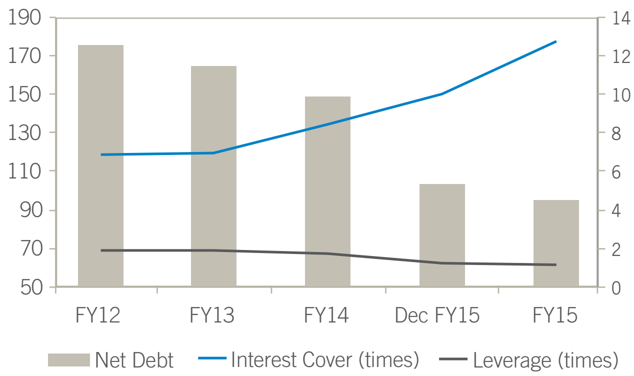
FINANCIAL POSITION AND CAPITAL MANAGEMENT

GWA remains in a strong financial position with net debt of $95 million at 30 June 2015 compared to $149 million in the prior year. The reduction in net debt reflects increased EBITDA, the proceeds received from divested businesses and the sale of the Wetherill Park site, partially offset by the successful return of capital and special dividend paid to shareholders in FY15.

Credit metrics have continued to improve with the company's gearing ratio (net debt/net debt plus equity) of 23.7 per cent compared to 26.1 per cent in the previous year and leverage ratio (net debt/EBITDA) of 1.1 times compared to 1.7 times previously. The company's lower debt and improved earnings is reflected in the improved interest cover ratio (EBITDA/net interest) which at 30 June 2015 was 12.8 times compared to 8.5 times last year.

GWA also successfully refinanced its syndicated banking facility to a three year revolving $225 million facility which matures in October 2017.

Financial Position and Capital Management



SEGMENT RESULTS – CONTINUING OPERATIONS

Bathrooms & Kitchens

A$ million	FY14	FY15	% change
Sales Revenue	306.6	**330.0**	+8%
Normalised EBIT	73.0	**83.3**	+14%
Normalised EBIT Margin	23.8%	**25.2%**	

The Bathrooms & Kitchens division delivered improved revenue and earnings during a year of significant strategic restructuring which included the divestment of the Dux Hot Water business and the full exit of manufacturing at Wetherill Park and phased exit from Norwood.

Revenue increased by 8 per cent to $330 million reflecting increased volumes in most product categories and price increases to mitigate the impact of the lower Australian dollar.

FY15 Bathrooms & Kitchens Volume and Net Sales

% change	Sanitaryware	Tapware	Kitchens & Laundry	Baths & Spas
Volume	0.3%	3.0%	6.6%	(2.2%)
Net Sales	5.6%	7.6%	10.0%	8.6%

Normalised EBIT of $83.3 million increased by 14 per cent on the prior year driven predominantly by improved volume and pricing across most product categories, partially offset by increased costs.

The company remains focused on improving volume growth across all categories with a specific focus on tapware where we have implemented new pricing strategies, warranties and incentives, supported by new display and point of sale solutions to improve performance in this segment. New product releases, including Epic, Viridian and Kip received stronger traction in the market towards the end of the year, providing a stronger platform for FY16.

Door & Access Systems

A$ million	FY14	FY15	% change
Sales Revenue	92.8	**96.2**	+4%
Normalised EBIT	8.4	**7.2**	(14%)
Normalised EBIT Margin	9.1%	**7.5%**	

Revenue in the Door & Access Systems division increased by 4 per cent to $96.2 million on the prior year.

Earnings were impacted by flat volume and mix in the Gainsborough business and higher foreign exchange charges for product purchases from the lower Australian dollar, resulting in normalised EBIT of $7.2 million compared to $8.4 million last year.

Earnings were also impacted by a one-off increase in Gainsborough stock provisions compared to the prior year, partially offset by an improvement in earnings in the API business.

STRATEGY

The company announced in July 2014 that following a detailed strategic review, GWA would focus on the core target market segments of Bathrooms & Kitchens and Door & Access Systems where it has strong market positions and identified future opportunities to deliver improved shareholder returns.

Accordingly, the company identified the Dux Hot Water and Brivis Climate Systems businesses as non-core and successfully completed the divestment of these businesses during the year.

The company also announced that it would proceed with the sale of the Gliderol Garage Doors business which was successfully completed on 31 July 2015.

In order to enhance our competitiveness in the cost effective supply of value added products to our customers, GWA further announced that it would cease manufacturing of vitreous china and plastic sanitaryware products at the Wetherill Park and Norwood factories and transition to sourcing from established overseas suppliers.

The result of these strategic initiatives is that GWA now has a much more simplified structure to concentrate our focus and resources on the key segments of the market where we already have market-leading positions, strong brands and therefore greater opportunities to increase returns and shareholder value.

This is complemented by the company's ongoing strong financial position which enables GWA to continue our investment in systems and product innovation in these core segments.

To support that strategy we are now realigning the cost base to ensure the company is fit for purpose.

Specifically, that requires a more efficient cost base to reflect the simplified business but also a structure that fosters greater accountability and faster decision making to ensure we are meeting customers' needs and can reach and influence key decision makers in our core markets.

Management was required to make difficult decisions in implementing this strategy which has resulted in a number of people leaving the business.

Our team across GWA has responded to these challenges and I want to acknowledge and thank them for their efforts.

SUSTAINABILITY AND CARBON REDUCTION

GWA remains committed to reducing energy, carbon emissions, water and waste across the Group operations. GWA reports its Group carbon emissions annually under the Federal Government's NGER Scheme and the reports can be accessed on GWA's website at www.gwagroup.com.au under Carbon Reporting. The FY15 total carbon emissions from GWA's controlled facilities is expected to be significantly lower than the previous financial year due to a combination of site closures, the divestments of Dux and Brivis and carbon reduction initiatives.

HEALTH AND SAFETY

The company maintained its strong focus on improving the health and safety of our people which was reflected in improved performance for FY15.

The company's Total Injury Frequency Rate (TIFR) reduced by 11 per cent to 5.54 for the year driven by a significant improvement in the Door & Access Systems division.

The company's Injury Severity Rate (ISR) improved slightly on the prior year and is now at its lowest level since FY10.

While we welcome the improvement in these lag indicators, our focus will continue to be on preventing incidents before they happen, consistent with our goal to remove risks and create an injury free work environment.

FUTURE PROSPECTS AND RISKS

The increase in dwelling commencements during FY15 is expected to flow through to increased dwelling completions in FY16 which, together with renovations activity, is a key driver of demand for GWA's products.

GWA's strategy is to ensure its core businesses in Bathrooms & Kitchens and Door & Access Systems are well positioned to capitalise on improving market trends for dwelling commencements and build their competitive position to deliver increased financial returns.

In the meantime, the organisational restructure is designed to deliver a more effective operational model through overhead and supply chain efficiencies to fund investment in selected organic growth opportunities.

The company's financial position remains robust with the ability to generate strong operating cashflow across the business. As a result, the company will continue to consider available capital management initiatives with a view to maximising shareholder returns. Separately, the Board expects to resume ordinary dividends from the interim dividend for FY16, subject of course to prevailing market and trading conditions.

While external market conditions are expected to assist in improved financial performance in FY16, the risks to this outlook include a delay in dwelling commencements flowing through to completions, a significant reduction in the Australian dollar impacting price of imported products not able to be recovered through price increases and unforeseen disruptions impacting product supply from offshore suppliers leading to lower sales and loss of market share.

GWA expects to provide an update on market conditions at the company's Annual General Meeting in October 2015.

HEALTH AND SAFETY

GWA continues to ensure that it provides a safe workplace for its employees, contractors, visitors and customers in an efficient and compliant manner.

To highlight the importance placed by GWA on the proactive management of workplace health and safety (WHS), the Group Risk Manager prepares a monthly Group Risk Report for the Board and attends the May and November Audit and Risk Committee meetings to present the Operational Risk Report. The reporting includes Group WHS performance, improvement plans and compliance to regulations. An audit plan, consistent with the Group's WHS objectives, is presented annually for approval by the Audit and Risk Committee for the new financial year.

The major project for FY15 has been planning for the introduction of an integrated GWA WHS management system called SafetyOne. SafetyOne integrates 10 key elements of WHS and will be implemented in FY16. Consistent with an integrated WHS management system, the management structure of Group WHS will transition from the business units to a GWA central-led structure with a National WHS Manager.

WORK HEALTH AND SAFETY PERFORMANCE

GWA measures a range of balanced safety performance indicators. Proactive indicators such as number of hazards identified, risk assessments undertaken and actions issued and completed on time are recorded for each GWA site.

Three key measures of safety outcomes are:

1. Lost Time Injury Frequency Rate (LTIFR) which measures lost time (injury that results in an inability to work for at least one full shift)
2. Medical Treatment Injury Frequency Rate (MTIFR) which measures the number of doctor treated injuries per million hours worked
3. Injury Severity Rate which measures the number of hours for a lost time injury per million hours worked.

The collective sum of MTIFR plus LTIFR results in the Total Injury Frequency Rate (TIFR) for GWA.

At the start of FY15 the GWA executive team set a target of 5.5% year on year improvement for TIFR versus the FY14 actual results. The actual improvement in TIFR performance in FY15 was 11% which was significantly better than the target. This was an excellent outcome and represents the 10th consecutive year that GWA has improved TIFR performance, demonstrating the Group's ongoing commitment to an injury free workplace.

Highlights within the GWA divisions during FY15 include:

- The Group Injury Severity Rate (ISR) reduced for the 3rd consecutive year. This is the best result since 2011 however the reduction in FY15 was less than 1% compared to the prior year and the target of 2,600 was not met; and
- GWA Door & Access Systems achieved a 42% improvement in TIFR in FY15 than their target result.

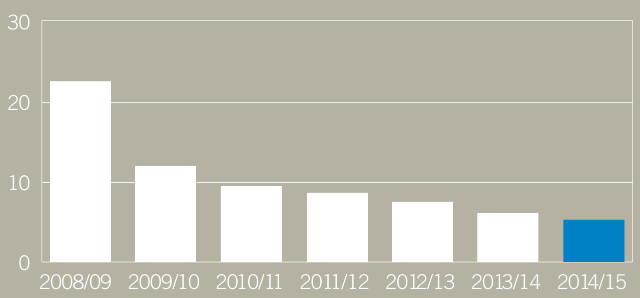
FY16 WHS improvement objectives and projects are planned to be met through continuation of the FY15 initiatives including:

- The implementation in FY16 of an integrated GWA WHS management system and an integrated GWA national WHS team managed at Group level rather than business unit level. This should further drive efficiency and improved safety performance; and
- FY16 TIFR target of a further 3% reduction versus FY15 results by continuing to focus on hazard identification, regular audits and SafetyOne implementation.

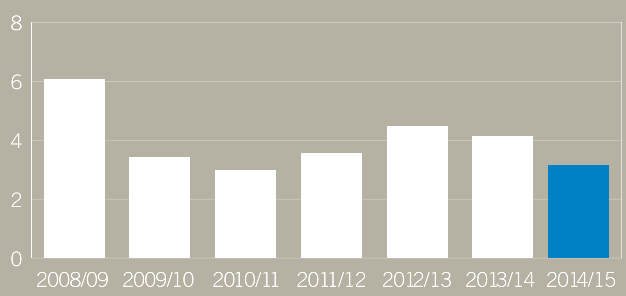
SafetyOne

SafetyOne integrates 10 key elements of workplace health and safety and will be implemented in FY16.

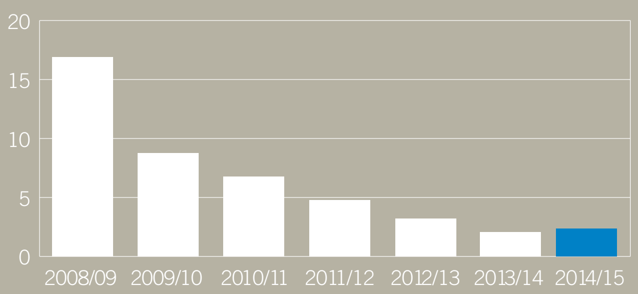
GWA Group Total Injury Frequency Rate (TIFR)



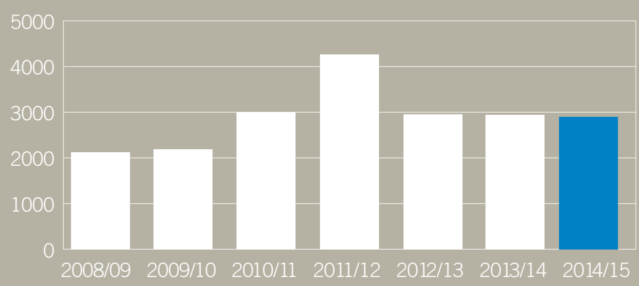
GWA Group Lost Time Injury Frequency Rate (LTIFR)



GWA Group Medical Treatment Injury Frequency Rate (MTIFR)



GWA Group Injury Severity Rate (ISR)



SEGMENT PERFORMANCE

Continuing Operations A$M	FY14	FY15	% Change
Sales Revenue	306.6	**330.0**	+8%
Normalised EBIT*	73.0	**83.3**	+14%
EBIT Margin %	23.8%	**25.2%**	
Return on Funds Employed %	18.5%	**22.5%**	

* excludes significant items

BUSINESS DESCRIPTION

GWA Bathrooms & Kitchens is Australia's foremost designer, manufacturer, importer and distributor of residential and commercial bathroom and kitchen products. Through its portfolio of well known bathroom and kitchen brands, GWA Bathrooms & Kitchens aims to create environmentally friendly innovative product solutions for every Australian and New Zealand bathroom and kitchen. GWA Bathrooms & Kitchens is at the forefront of product innovation incorporating water saving technology and is the market leader in water efficient sanitaryware and tapware.

MAIN PRODUCTS AND SERVICES

Vitreous china toilet suites, urinals, basins, plastic cisterns, bathroom accessories and fittings. Acrylic and pressed steel baths and shower trays. Tapware, showers and accessories, stainless steel sinks and laundry tubs.

MAJOR BRANDS

Owned: Caroma, Dorf, Fowler, Stylus, Clark

Distributed: Hansa, Schell, EMCO, Virtu, Sanitron

OPERATING LOCATIONS

Australia, New Zealand, export markets

MAJOR MARKETS

New residential dwellings, renovation, replacement and commercial markets in Australia, New Zealand and selected international markets.

STRATEGIC DIRECTION

GWA Bathrooms & Kitchens will maintain leadership in the domestic market by creating value for its customers through the development of innovative products with appealing design and advanced water saving technology, and providing a superior level of customer service. GWA Bathrooms & Kitchens will continue to invest in its iconic brands to reinforce its brand values. GWA Bathrooms & Kitchens are committed to continuous process improvement in its Australian supply chain operations.

HEAD OFFICE LOCATION

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

Telephone: 61 2 8825 4400
Facsimile: 61 2 8825 4567

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

GWA Door & Access Systems

SEGMENT PERFORMANCE

Continuing Operations A$M	FY14	FY15	% Change
Sales Revenue	92.8	**96.2**	+4%
Normalised EBIT*	8.4	**7.2**	(14%)
EBIT Margin %	9.1%	**7.5%**	
Return on Funds Employed %	15.6%	**13.2%**	

*excludes significant items

BUSINESS DESCRIPTION

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

- Gainsborough Hardware which is a leading Australian designer, manufacturer, importer and distributor of a comprehensive range of residential and commercial door hardware and fittings, including security products.
- API Locksmiths which is a national supplier of security and access control systems and locksmithing services to major commercial enterprises.

MAIN PRODUCTS AND SERVICES

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

MAJOR BRANDS

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

Distributed: Salto, Hillaldam, Eco Schulte

OPERATING LOCATIONS

Australia, export markets

MAJOR MARKETS

Residential home builders, DIY and renovation projects, commercial buildings and multi-dwelling developments, after sales servicing.

STRATEGIC DIRECTION

GWA Door & Access Systems strategic direction encompasses the development of new and innovative door hardware and access system technologies to suit residential buildings and commercial projects. GWA Door & Access Systems will continue to focus on its key customer relationships through the supply of market leading product innovation and design, and high levels of customer service.

HEAD OFFICE LOCATION

GWA Door & Access Systems

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

Telephone: 61 3 9877 1555
Facsimile: 61 3 9894 1599
www.gainsboroughhardware.com.au
www.ausloc.com

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

Telephone: 131KEY(539)
Facsimile: 61 3 9644 5887
www.apisec.com.au

BOARD OF DIRECTORS

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

Independent Chairman and Non-Executive Director

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

Mr McDonough who is currently transitioning to full-time non executive director roles was appointed Deputy Chairman and Non-Executive Director of GWA Group Limited in 2009 and was appointed Chairman in October 2013. He has over 25 years of corporate experience as a director and lawyer. He has served as a director of a number of public companies in the past, including Bank of Queensland Limited and Super Retail Group Limited and is a Past-President of The Australian Institute of Company Directors, Queensland Division.

JOHN MULCAHY PHD (CIVIL ENGINEERING), FIE AUST

Independent Deputy Chairman and Non-Executive Director

- Expertise: Civil Engineer and experienced public company director
- Special Responsibilities: Member of Remuneration and Nomination Committees

Mr Mulcahy was appointed a Non-Executive Director of GWA Group Limited in 2010 and Deputy Chairman in October 2013. He is a Fellow of the Institute of Engineers and is a Non-Executive Director of Mirvac Group Limited, Coffey International Limited and 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 other listed companies, and the period in which the directorships have been held:

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

*denotes current directorship

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

Independent Non-Executive Director

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

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

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

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

*denotes current directorship

ROBERT ANDERSON
Independent Non-Executive Director

- Expertise: Property investment and transport logistics

Mr Anderson was appointed a Non-Executive Director of GWA Group Limited in 1992. He was appointed a director of the former public company, GWA Limited in 1979 after joining the Group in 1955 where he gained wide experience in management, investment and property matters.

PETER BIRTLES BSC, ACA
Independent Non-Executive Director

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

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

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

- Super Retail Group Limited since 2006*

*denotes current directorship

PETER CROWLEY BA BECON FAICD
Managing Director

- Expertise: Broad manufacturing experience in Australia and overseas

2003 Managing Director of GWA Group Limited;

2001 Managing Director and Chief Executive, Austrim Nylex Limited, a diversified industrial company;

1999 Executive Director, Cement and Lime, The Rugby Group PLC, a UK Public Company with extensive international cement operations. During this period, also served as a director of Adelaide Brighton Limited;

1997 Chief Executive, Cockburn Cement Limited (a subsidiary of The Rugby Group PLC), Western Australia's largest cement producer and Australia's largest lime producer;

1982 Various roles with Queensland Cement Limited and its parent company Holderbank culminating in General Management responsibilities within Australia and South-East Asia.

RICHARD THORNTON CA BCOM (ACC) LLB (HONS) LLM
Executive Director and Company Secretary

- Expertise: Chartered Accountant, taxation and finance

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

DIRECTORS' REPORT
AS AT 30 JUNE 2015

Your directors present their report on the consolidated entity of GWA Group Limited (the Group) and the entities it controlled during FY15.

DIRECTORS

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

D D McDonough, Chairman and Non-Executive Director

J F Mulcahy, Deputy Chairman and Non-Executive Director

P C Crowley, Managing Director

R M Anderson, Non-Executive Director

W J Bartlett, Non-Executive Director

P A Birtles, Non-Executive Director

R J Thornton, Executive Director

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 FY15, and the period for which each directorship has been held, are outlined in the director profiles in the Annual Report.

COMPANY SECRETARY

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

DIRECTORS' INTERESTS

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

Director	Ordinary Shares
D D McDonough	118,300
J F Mulcahy	40,950
P C Crowley*	459,550
R M Anderson	7,387,783
W J Bartlett	30,207
P A Birtles	13,650
R J Thornton*	65,975
Total**	**8,116,415**

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

** Section 5.3.3 of the Remuneration Report sets out the number of shares held directly, indirectly or beneficially by directors or their related entities at balance date as prescribed in Accounting Standard AASB 124, this being 17,234,489 shares (last year 18,878,094 shares). Please note that the balances at 30 June 2015 have been adjusted for the share consolidation approved by shareholders at a General Meeting on 29 May 2015.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of Committees of directors) held during FY15 and the number of meetings attended by each director is outlined in the table on the following page.

Director	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
D D McDonough	16	16	4	4	2	2	1	1
J F Mulcahy	16	16	–	–	2	2	1	1
P C Crowley(1)	16	16	–	–	–	–	–	–
R M Anderson	16	16	–	–	–	–	–	–
W J Bartlett	16	16	4	4	2	2	1	1
P A Birtles	16	15	4	4	–	–	–	–
R J Thornton(2)	16	16	–	–	–	–	–	–

Note:
A Number of meetings held during the time the director held office during the year
B Number of meetings attended
(1) P C Crowley attends Committee meetings by invitation of the Board
(2) R J Thornton attends Committee meetings as Company Secretary

PRINCIPAL ACTIVITIES

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

The consolidated entity completed the divestment of non-core businesses in FY15 through the sale of Dux Manufacturing Limited and related entity in December 2014 and Brivis Climate Systems Pty Ltd in February 2015. A contract was entered into for the sale of Gliderol International Pty Ltd on 29 June 2015 which successfully completed on 31 July 2015; refer Events Subsequent to Reporting Date. There have been no other significant changes in the nature of the activities of the consolidated entity during the year.

OPERATING AND FINANCIAL REVIEW

The Operating and Financial Review for the consolidated entity during the financial year ended 30 June 2015 is provided in the Managing Director's Review of Operations, and forms part of this Directors' Report.

DIVIDENDS

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

Declared and paid during FY15

Dividends	Cents per share	Total Amount $'000	Franked	Date of Payment
Final 2013/14 Ordinary	5.5	16,859	Fully Franked	8 October 2014
Special 2014/15	6.0	18,392	Partly Franked	15 June 2015

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

The directors have not declared a final dividend for FY15.

EVENTS SUBSEQUENT TO REPORTING DATE

On 31 July 2015, the consolidated entity completed the divestment of Gliderol International Pty Ltd to Reliance Doors Pty Ltd for $7 million, subject to a working capital adjustment. An impairment charge against the Gliderol business of $24.2 million is recorded as a significant item in the FY15 financial statements.

Other than the matter discussed 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 Group, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

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

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

ENVIRONMENTAL REGULATION

Environmental Licenses

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

The consolidated entity, in conjunction with external advisers, monitors storage and treatment of hazardous materials within particular operations. Prior to any discharge to sewers, effluent is treated and monitored to ensure strict observance with license conditions. The directors are not aware of any breaches of the consolidated entity's license conditions during FY15.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

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

Insurance Premiums

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

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

NON-AUDIT SERVICES

During the year KPMG, the consolidated entity's auditor, has performed certain other services in addition to the audit and review of the financial statements.

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

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

Details of the amounts paid to the auditor of the consolidated entity, KPMG, and its network firms for audit and non-audit services provided during the year are outlined in Note 8 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 FY15.

Rounding

The Group is of a kind referred to in Class Order 98/100 issued by the Australian Securities Investment Commission relating to the rounding of amounts in the Directors' Report.

Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT – AUDITED

Introduction

The report covers the following matters for FY15:

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

1. BOARD ROLE IN SETTING REMUNERATION STRATEGY AND PRINCIPLES

GWA's remuneration strategy is designed to provide remuneration that is fair and able to attract and retain management and directors with the experience, knowledge, skills and judgement required for success.

The key principle is that remuneration varies between the median and third quartiles or higher if warranted by superior performance relative to companies of comparable size and operational scope to GWA.

The Board engages with shareholders, management and other stakeholders to continuously refine and improve executive and director remuneration policies and practices.

The Board's Nomination Committee is responsible for determining the remuneration arrangements for the non-executive directors, with the annual maximum aggregate amount approved by shareholders. The Board's Remuneration Committee deals with remuneration matters for executives.

Both the Nomination Committee and the Remuneration Committee have the authority to engage external professional advisers without the approval of the Board or management.

During the reporting period, the Remuneration Committee obtained market data for the FY16 executive remuneration review and non-executive director remuneration and advice and analysis regarding performance measures from Guerdon Associates. Guerdon Associates does not provide other services to the Group and is otherwise independent. No remuneration recommendations as defined under Division 1, Part 1.2.98 (1) of the *Corporations Act 2001*, were made by Guerdon Associates.

In response to feedback from shareholders and following receipt of advice from Guerdon Associates, important changes have been implemented to remuneration in FY15 which are consistent with the overall Group remuneration strategy. The changes are outlined in section 1.1.

1.1 Executive remuneration – FY15 changes

The performance requirements under the Group's long term incentive plan (LTI) have been changed for grants of Performance Rights to executives during FY15. The key concerns raised by shareholders were that the performance requirements under the EPS hurdle were not sufficiently challenging for executives compared to market expectations of the Group's future EPS growth and that a significant proportion of Performance Rights will vest at average performance levels.

The changes that have been made are outlined in section 4.4 and apply to grants of Performance Rights to executives in the FY15 year. In essence the changes are that:

- EPS growth is assessed relative to growth in dwelling completions obtained from the Australian Bureau of Statistics as it is believed that growth in dwelling completions is a valid proxy for overall growth of the market for the Group's products. A strong historical correlation exists between the Group's EPS performance and dwelling completions. It is also considered that assessing EPS growth against dwelling completions growth will permit a fairer assessment of the performance of management relative to market opportunity; and
- Return on Funds Employed (ROFE) replaced relative TSR as the second LTI performance measure. As a measure of capital efficiency, the use of ROFE, together with the modified EPS growth hurdle will permit a more complete assessment of management performance.

The Board is satisfied that measuring EPS growth relative to market growth as reflected in dwelling completions provides a more robust benchmark for assessing relative performance than the relative TSR hurdle used in previous LTI grants. The relative TSR peer group was comprised of companies exposed to different business cycles, with no prospect that enough ASX-listed competitors could be included to validly assess management performance. EPS growth more directly focuses on factors management can influence, so that results will be less likely to fluctuate with general market sentiment.

1.2 Managing Director Retirement

During June 2015, the Group announced the retirement of the Managing Director, Mr Peter Crowley, on 30 June 2016. Mr Tim Salt will join the Group on 7 September 2015 as Executive General Manager of Bathrooms & Kitchens and will transition to the role of Managing Director from 1 July 2016. Details of Mr Salt's remuneration arrangements as Managing Director have yet to be determined and will be advised to the market on his appointment. The Board will seek market data from an external remuneration adviser in determining Mr Salt's remuneration arrangements as Managing Director.

Mr Crowley will continue to maintain his full remuneration package and benefits until his retirement on 30 June 2016.

1.3 FY16 Remuneration

The Board has approved a reduction in non-executive director remuneration effective from 1 July 2015. The changes are within the annual aggregate maximum amount approved by shareholders and ensure non-executive director remuneration is in line with peer companies. The changes are outlined in further detail in section 3.1.

The Board has also determined that the fixed remuneration for the Managing Director and other executives will be frozen for FY16.

2. RELATIONSHIP BETWEEN REMUNERATION POLICY AND GROUP PERFORMANCE

Remuneration is linked to performance by:

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

GWA measures performance on the following key corporate measures:

- Normalised earnings before interest and tax (EBIT);
- Return on funds employed (ROFE); and
- Earnings Per Share (EPS) growth relative to growth in dwelling completions.

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

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

Continuing Operations	Normalised EBIT[a] ($m)	Normalised EPS[a] (cents)	Total DPS (cents)	Capital Return[c] (cents)	Share Price ($)
2010/11[b]	107.2	21.0	18.0	–	2.75
2011/12[b]	75.4	15.1	18.0	–	2.10
2012/13[b]	66.8	12.9	12.0	–	2.40
2013/14[b]	64.5	12.4	5.5	–	2.63
2014/15[b]	**72.8**	**14.8**	**6.0**	**22.8**	**2.28**

Notes:

(a) excludes significant items.
(b) FY14 performance has been re-presented to exclude the discontinued operations in FY15. FY11 to FY13 have not been re-presented. Please refer to the Five Year Financial Summary on page 1 for further details.
(c) a capital return of 22.8 cents per share from the Brivis and Dux net sale proceeds was paid to shareholders on 15 June 2015.

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

During FY15, the Group implemented the strategic review announced in 2014 in order to improve long term shareholder returns. This resulted in changes to the organisational structure and the refocus on the Group's core operations, Bathrooms & Kitchens and Door & Access Systems, and divestment of non-core operations, Brivis, Dux and Gliderol. The successful divestments of Dux and Brivis enabled the Group to return $88.3 million ($0.288 per share) to shareholders in June 2015 from the sale proceeds as outlined in the table.

The Group incurred significant restructuring costs in FY15 from the closure of the vitreous china factory at Wetherill Park, phased exit of the plastics factory at Norwood and initiatives to adjust the Group's cost base for the divested businesses and capture supply chain efficiencies. These initiatives supported the implementation of the strategic review and were essential for the Group to reduce cost and improve competitiveness.

DIRECTORS' REPORT (CONT.)
AS AT 30 JUNE 2015

The successful execution of the Group's strategy were included as performance objectives of the Managing Director and executives under the STI plan; refer to the Managing Director's key performance goals and outcomes in section 2.1.

The Group's core Bathrooms & Kitchens business performed strongly in FY15 through focus on its target customer segments and the improvement in market activity leading to increased demand for its products. Lead indicators suggest continued growth in market activity in FY16 and together with the benefits from the FY15 strategy implementation and restructuring, are expected to assist with improved financial performance in FY16.

The remuneration and incentive framework has allowed the Group to respond to cyclical dwelling construction activity. STI payments related to performance improvement, strategy implementation and restructuring has encouraged management to respond quickly and make long term decisions to sustain competitiveness and improve profitability. This has placed the Group in a strong position to take advantage of the current upswing in market activity.

2.1 Managing Director's key performance goals and outcomes

An assessment of the Managing Director's key performance goals and financial targets subject to STI incentive payments for FY15 is provided in the following table. Although the Group achieved strong normalised EBIT growth from continuing operations in FY15, given the net loss position recorded by the Group, the Board following a recommendation from the Remuneration Committee has determined that the Managing Director will not receive any STI payments relating to the achievement of performance goals in FY15. In addition, the Managing Director has not received any STI payments relating to the achievement of financial targets in FY15; refer to the Managing Director's remuneration structure in section 4.1.1.

The Managing Director has achieved a number of the performance goals in FY15 as outlined in the following table.

FY15 Goals	Results	Assessment
Operational goals		
Achieve leading safety performance to work towards an injury free workplace.	The total injury frequency rate (TIFR) of 5.5 in FY15 was an improvement on the targeted TIFR of 5.8 and represents an 11% improvement on the prior year. The outcome continues the Group's strong safety performance and demonstrates the commitment to an injury free workplace.	
Improved working capital management to maximise operating cash flow.	A strong cash flow performance was achieved in FY15 through the focus on working capital management. Plans have been successfully implemented to reduce the higher stock levels from FY14 and through improved debtor collections and claims management processes.	
Develop plans to adjust the Group cost base for the divested businesses and new Group strategy.	To further support the new Group strategy, plans were developed in FY15 to re-align the cost base to adjust for the divested non-core businesses and further capture supply chain efficiencies. The Group incurred $11.6 million in restructuring costs in FY15 for this initiative to ensure alignment of the cost base with the new Group strategy and business configuration.	
Strategy and growth goals		
Complete the organisational structure to support the new Group strategy including recruitment for key GWA executive roles.	The appointment of key GWA executive roles was completed in FY15 to improve capability and support the new Group strategy approved by the Board in 2014. The Group and divisional strategies have been finalised, the non-core businesses have been divested, a cultural change program has been implemented and a new Board reporting process has been established to reflect the new Group strategy.	
Progress the divestments of the non-core businesses and assets identified in the strategic review.	The sale of the non-core Dux and Brivis businesses successfully completed in FY15, and the sale of Gliderol completed on 31 July 2015. The net proceeds of Dux and Brivis of $88.3 million were returned to shareholders in June 2015. Following the sale of Gliderol an impairment charge of $24.2 million was taken against the Gliderol business in FY15. The value of Gliderol was impacted by its continued underperformance. The sale of the Wetherill Park property completed in FY15 following the closure of the factory.	
Develop detailed plans for the closure of Wetherill Park and Norwood factories.	In October 2014 the Group announced the closure of the vitreous china factory at Wetherill Park and phased exit of manufacturing at the plastics factory at Norwood with transition of product supply to established overseas suppliers. The Wetherill Park factory was closed in December 2014 and the phased exit of the Norwood factory remains on track for closure by 2017. Product supply has been transitioned to offshore suppliers with risk mitigation plans in place to address any issues.	

FY15 Goals	Results	Assessment
Business Development goals		
Develop business growth plans for Bathrooms & Kitchens and Door & Access Systems businesses.	Bathrooms & Kitchens achieved a strong trading performance in FY15 through focus on its target customer segments and improvement in market activity. B&K continues to develop innovative products and solutions to maintain market leadership. The performance of Door & Access Systems was disappointing in FY15 due to the underperformance of Gainsborough and Gliderol (now divested). Plans are in place to improve Gainsborough's performance in FY16.	
Financial targets		
STI financial performance targets.	For FY15 the 'stretch' normalised EBIT and ROFE financial performance targets for Bathrooms & Kitchens have been achieved reflecting the division's strong trading performance. No other STI financial performance targets have been achieved by corporate and divisional executives in FY15 as outlined in the Remuneration Tables in section 5.1.	

= Fully achieved = Partially achieved = Not achieved

3. DESCRIPTION OF NON-EXECUTIVE DIRECTOR REMUNERATION

There has been no change to non-executive director fees since the prior reporting period.

Fees for non-executive directors are fixed and are not linked to the financial performance of the Group to ensure non-executive directors maintain their independence.

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

Non-executive director remuneration consists of base fees and statutory superannuation, plus an additional fee for each Board committee on which a director sits. The payment of committee fees recognises the additional time commitment required by directors who serve on one or more committees. Non-executive directors are not able to participate in the executive incentive schemes.

The Nomination 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. The benchmarking survey from Guerdon Associates in July 2015 sampled the same companies used for executive remuneration benchmarking and found the base Board fees received by the non-executive directors are positioned at the 59th percentile.

Retirement benefits other than statutory superannuation are not available for non-executive directors.

3.1 FY16 Remuneration

The Board has approved a reduction in non-executive director remuneration effective from 1 July 2015 as follows:

- The Chairman's remuneration will reduce to $280,000 (including statutory superannuation);
- For all other non-executive directors, remuneration will reduce to $120,000 (including statutory superannuation);
- Committee membership fees will no longer be paid apart from an extra fee of $10,000 for the Chairman of a Committee; and
- The Nomination and Remuneration Committees will be combined.

The proposed changes bring the non-executive director remuneration in line with the peer group median based on the market benchmarking data provided by Guerdon Associates for the FY16 remuneration review. Following the changes, total non-executive director remuneration will reduce to $780,000 (including statutory superannuation) for FY16 representing a 16% reduction from the prior year; please refer to the Remuneration Tables in section 5.1 for FY15 non-executive director remuneration.

4. DESCRIPTION OF EXECUTIVE REMUNERATION

4.1 Executive remuneration structure

Executive remuneration has a fixed component and a component that varies with performance. The variable component comprises a short term incentive (STI) which provides rewards for performance over a 1 year period and a long term incentive (LTI) which provides rewards for performance over a 3 year period. The maximum total remuneration that can be provided to an executive is capped, with incentive payments expressed as a percentage of total fixed remuneration. Total fixed remuneration for the purposes of incentives includes superannuation and non-monetary benefits.

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

4.1.1 Managing Director remuneration structure

The FY15 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
2014/15	80	40	**120**

The FY15 STI components for the Managing Director are provided in the following table:

Managing Director	Personal Goals as maximum % of fixed remuneration	Financial Targets as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
2014/15	40	40	**80**

STI payments for the Managing Director for FY15 were subject to first passing an acceptable net profit after tax gateway.

The FY15 total performance pay outcomes for the Managing Director, as reflected in the Remuneration Tables, are provided in the following table:

Managing Director	Achievement of STI and LTI as % of fixed remuneration	Forfeiture of STI and LTI as % of fixed remuneration	Total potential performance pay as % of fixed remuneration
STI*	–	80	80
LTI**	–	20	20
Total	**–**	**100**	**100**

* Due to the Group's net loss position for FY15 the Managing Director will not receive any STI payments relating to the achievement of personal goals and financial targets in FY15; see Managing Director's key personal goals and outcomes in section 2.1

** 50% of the Performance Rights for the 2012 LTI grant were forfeited in FY14

4.1.2 Other Executives remuneration structure

The FY15 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
2014/15	50	30	**80**

The FY15 STI components for the other executives are provided in the following table:

Other Executives	Personal Goals as maximum % of fixed remuneration	Financial Targets as maximum % of fixed remuneration	Maximum STI as % of fixed remuneration
2014/15	20	30	**50**

4.1.3 Actual remuneration received by executives for FY15

The table on the opposite page sets out the actual value of remuneration received by the executives for FY15, derived from the various components of their remuneration during FY15.

This table differs from the more detailed remuneration disclosures in the Remuneration Tables in section 5.1 due to the exclusion of LTI amounts not vested or reversal of accounting expenses associated with any LTI grants.

4.2 Fixed remuneration

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

The level of fixed remuneration is set:

- to retain proven performers with difficult to source experience;
- to attract external recruits with depth and breadth of expertise usually acquired while working with larger companies; and
- in recognition of the short term challenges posed by cyclical factors and the focus on conserving market leadership, cash flow and dividends where opportunities for outperformance and subsequent incentive payments are more limited.

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

Based on an independent survey by Guerdon Associates for the FY16 executive remuneration review, the fixed remuneration for most executive positions at GWA are above market benchmark levels for companies of comparable operational scope and size to GWA. The 20 listed companies included in the survey provided reliable and robust statistical remuneration benchmarking and shared some common attributes with GWA, but few direct competitors and good position matches exist for precise remuneration positioning. Judgement was therefore exercised by the Remuneration Committee in determining appropriate remuneration levels, having regard to the background and experience of the individuals.

While market levels of remuneration are monitored on a regular basis, there is no contractual requirement that pay will be adjusted each year. Where these levels are above the 75th percentile, fixed remuneration will either be frozen or increases will be below market levels. Consistent with this approach, the Managing Director's fixed remuneration has been frozen since 2011 and remains frozen. For FY16, the Board has determined that the fixed remuneration for the Managing Director and other executives will be frozen.

4.2.1 Managing Director's fixed remuneration

Based on an independent survey by Guerdon Associates for the FY16 executive remuneration review, the fixed remuneration of the Managing Director is positioned at the 84th percentile for companies of comparable size and operational scope to GWA. The percentile positioning has reduced in recent years following the freeze on the Managing Director's fixed remuneration that was implemented in 2011 and remains in place. No STI payment will be received by the Managing Director for FY15 due to the Group's net loss position; refer to the Remuneration Tables in section 5.1.

Mr Peter Crowley will retire as Managing Director on 30 June 2016. During his 12 years of service, the Managing Director has been

Actual remuneration received by executives for FY15

Executives FY15	Fixed Remuneration $[a]	Short Term Incentive $[b]	Long Term Incentive (Earned) $[c]	Termination Benefits $	Total $
P Crowley	1,593,475	–	–	–	1,593,475
R Thornton	409,376	77,813	–	–	487,189
P Gibson	136,537	–	–	–	136,537
S Mitchell	145,640	60,000	–	–	205,640
S Ralphsmith	257,947	106,666	–	–	364,613
K Veitch	383,076	80,000	–	–	463,076
I Brannan[d]	426,567	–	–	–	426,567
L Patterson[d]	519,342	260,483	–	–	779,825
C Camillo[d]	464,433	–	–	–	464,433
Total	**4,336,393**	**584,962**	**–**	**–**	**4,921,355**

Notes:

(a) Fixed remuneration includes base salary, non-monetary benefits and superannuation.
(b) Represents the STI payments awarded for FY15 inclusive of deferred amounts. These amounts, exclusive of the deferred amounts, will be paid in FY16.
(c) There were no vesting of LTI grants in FY15 due to non-achievement of performance hurdles; refer section 5.2.1 Performance Rights. Excludes the value of any unvested LTI grants expensed or reversed during FY15.
(d) Mr Ian Brannan and Mr Celeste Camillo ceased employment during FY15. Mr Les Patterson ceased employment in FY16.

instrumental in the restructuring of the Group to compete in the cyclical Australian building industry with the high Australian dollar reducing the competitiveness of local manufacturing and increasing import competition. To provide a sound legacy for his successor, the Managing Director has successfully implemented the major strategic review announced in 2014 with significant changes to the organisational structure and refocus on the core operations, Bathrooms & Kitchens and Door & Access Systems, and divestment of non-core operations, Brivis, Dux and Gliderol.

4.3 Short-term incentive ('STI')

4.3.1 STI overview

The STI plan provides for an annual payment that varies with performance measured over the Group's financial year to 30 June 2015. The STI is aligned to shareholder interests as executives will only become entitled to the majority of payments if profitability improves (allowing for the building cycle), with maximum incentive payments above the reasonably achievable level linked directly to shareholder wealth creation. As noted in section 4.1, the maximum STI that can be earned is capped to minimise excessive risk taking.

The STI payment is made in cash after finalisation of the annual audited financial statements. As outlined in the Remuneration Tables, 50% of the financial target component of the STI has been deferred for the executives that achieved their STI financial targets for FY15. The deferred component will be subject to further testing by the Board to confirm the integrity of the achievement of the STI financial targets following finalisation of the FY16 audited financial statements. If the Board is satisfied then the deferred component will be paid to the executives in September 2016 together with interest at market rates. However, if the Board is not satisfied then the STI payment will be subject to forfeiture.

4.3.2 STI performance requirements

4.3.2.1 Personal Goals

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

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

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

Assessment of the personal goals STI component for FY15 has been determined following a formal performance review process conducted for the executives. The performance reviews for the executives are conducted semi-annually by the Managing Director with the outcomes approved by the Remuneration Committee. The Managing Director's performance review is conducted semi-annually by the Chairman following input from the Board and with the outcomes approved by the Remuneration Committee. The personal goals of the executives for FY16 were established at the performance reviews.

The inclusion of personal goals in the remuneration structure ensures that executives can be recognised for good business performance, including periods where troughs in the building industry cycle mean financial performance is consequently weaker. The Group operates in the cyclical building industry so fluctuations in profitability can occur through the cycle which is out of the control of the executives. The reward for achievement of personal goals provides specific focus on responding to changes in the economic cycle, as well as on continuous performance improvement. Hence the personal goals are a key part of the Group's performance management process.

4.3.2.2 Financial Performance Targets

For FY15, STI financial performance targets are based on normalised Earnings Before Interest and Tax (EBIT) and Return On Funds Employed (ROFE) targets as determined by the Remuneration Committee. The use of normalised EBIT and ROFE as the basis of STI financial targets is aimed at ensuring executives are accountable for delivering both profit and working capital improvements.

The Board is of the view that a combination of normalised EBIT and ROFE targets are an effective basis for STI targets as they are currently key metrics used in the business.

The normalised EBIT and ROFE targets are weighted equally and assessed separately and on an aggregated basis for divisional and corporate executives. Normalised is before significant items and ensures the STI targets are reflective of underlying trading performance.

Under the STI framework, a divisional executive may receive an STI payment if divisional financial targets are achieved, although the overall corporate financial targets may not have been achieved, and vice versa. The 'reasonably achievable' and 'stretch' STI financial targets are determined by the Remuneration Committee at the beginning of the financial year following approval of the divisional and corporate budgets by the Board.

The budget performance levels are taken into consideration in setting the financial targets but different targets may be set (either higher or lower than budget) that ensure management is motivated while reflecting the degree of difficulty in achieving the budget. Performance between the 'reasonably achievable' and 'stretch' levels is rewarded on a pro rata basis.

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

There were no variations from policy during FY15.

For FY15, Bathrooms & Kitchens achieved their normalised EBIT and ROFE STI financial targets at the 'stretch' level reflecting the strong performance of the business. No other divisional or corporate STI financial targets were achieved by the executives. 50% of the STI incentive payment has been deferred for Bathrooms & Kitchens executives and will be subject to further testing and potential clawback under the STI plan rules. This is reflected in the STI cash bonus amounts in the Remuneration Tables in section 5.1.

The deferred component of the STI incentive payment for FY14 for Bathrooms & Kitchens executives was tested by the Board in August 2015 to confirm the integrity of the achievement of the STI financial targets in FY14. Following satisfaction with the testing, the Board approved the payment of the deferred component to Bathrooms & Kitchens executives together with interest at market rates.

4.4 Long-term incentive ('LTI')

4.4.1 LTI overview

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

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

If the vesting conditions and performance hurdles are achieved, ordinary shares will be issued to the participants at no cost. Until that time, the participants have no right to dividends or voting rights on unvested Performance Rights. If the performance hurdles are not met then the Performance Rights are cancelled. The LTI 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 Remuneration Committee. The basis of the grants of Performance Rights to executives is as follows:

- 50% of the Performance Rights are subject to an Earnings Per Share (EPS) growth hurdle relative to dwelling completions growth (which is a relative performance requirement); and
- 50% of the Performance Rights are subject to a Return On Funds Employed (ROFE) hurdle (which is an absolute performance requirement).

The EPS performance hurdle is calculated as net profit after tax as set out in the Group's annual audited financial statements divided by the weighted average of ordinary shares on issue. The Board has discretion to make reasonable adjustments to base year EPS where it is unduly distorted by significant or abnormal events. Any such adjustments and the reasons for it will be disclosed. Dwelling completions growth is sourced independently from BIS Shrapnel. Threshold performance is required to be above dwellings completions growth, ensuring management has to do better than market growth through the business cycles.

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

A participant may not dispose of the ordinary shares issued under the LTI until the seventh anniversary of the grant date (for the FY15 LTI grant) and the shares are subject to a holding lock upon issue. This ensures that executives retain a suitable shareholding in the Group. There are limited circumstances where a participant may dispose of the shares before the end of the seven year period, including cessation of employment with the Group or where the Board grants approval. In considering an application from a participant to dispose of the shares, the Board will consider whether the sale is in the best interests of the Group, relevant policies and regulations, the extent of the executives Group shareholdings as a multiple of fixed remuneration and other factors.

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

In the event of a change of control, the Board will determine in its discretion the extent to which outstanding Performance Rights granted to executives will vest and be exercised into ordinary shares. In exercising its discretion the Board will consider whether the vesting conditions are unlikely to be satisfied and the outstanding Performance Rights should lapse. 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 lapse.

For the FY15 LTI grant, the proportion of Performance Rights that can vest will be calculated and the shares will vest in August 2017 subject to achieving the performance hurdles. If the performance hurdles are not met then the Performance Rights are cancelled.

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

The maximum number of outstanding Performance Rights granted to executives must not exceed 5% of the total number of shares on issue by the Group. The total number of outstanding Performance Rights granted to executives at 30 June 2015 was 1,573,000 which represent 0.6% of the Group's total issued shares.

4.4.2 LTI performance requirements

For the FY15 LTI grant, the performance hurdles continue to provide for vesting scales graduated with performance and demanding performance hurdles.

4.4.2.1 EPS Hurdle

The performance hurdles and vesting proportions for the EPS performance measure that applied to the FY15 LTI grant is outlined in the following table:

GWA Group Limited EPS compound annual growth rate (CAGR) relative to dwelling completions growth over three year performance period	Proportion of Performance Rights to Vest if EPS growth hurdle is met
EPS CAGR less than dwelling completions CAGR	0%
EPS CAGR exceeding dwelling completions CAGR	12.5%
EPS CAGR exceeding dwelling completions CAGR up to 6%	Straight line vesting between 12.5% and 50%
EPS CAGR equal to dwelling completions CAGR plus 6% or higher	50% (i.e. 50% of total grant)

For the FY15 LTI grant, EPS growth is measured over the three years from 1 July 2014 to 30 June 2017. The EPS hurdle is calculated as net profit after tax, as set out in the Group's annual audited financial statements, divided by the weighted average number of ordinary shares on issue. The base year EPS for the FY15 LTI grant was 14.3 cents per share.

The Board exercised its discretion to adjust the base year EPS by excluding the significant items in FY14. This adjustment made the performance hurdle more demanding as it increased the base year EPS from 6.1 cents to 14.3 cents to ensure the hurdle was reflective of underlying trading performance.

The dwelling completions number is obtained from BIS Shrapnel, is based on Australian Bureau of Statistics (ABS) data, and represents national moving annual total dwelling completions including conversions. The base year dwelling completions number for the year ended 31 March 2014 for the purposes of the FY15 LTI grant is 153,011. Note that the EPS growth over this period will be measured on a lag basis against ABS dwelling completions statistics from 1 April 2014 to 31 March 2017. Research indicates that earnings growth correlations with dwelling completions on a lag basis is a robust method for fair performance assessment.

4.4.2.2 ROFE Hurdle

The performance hurdles and vesting proportions for the ROFE performance measure that applied to the FY15 LTI grant is outlined in the following table:

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

The ROFE hurdle is calculated as earnings before interest and tax (EBIT) divided by funds employed. Funds employed is calculated as net assets minus cash plus borrowings. The Board has discretion to make reasonable adjustments to the EBIT figure where it is unduly distorted by significant or abnormal events. The use of any discretion and the reasons for it will be disclosed.

5. DETAILS OF DIRECTOR AND EXECUTIVE REMUNERATION

5.1 Remuneration Tables

Details of the nature and amount of each element of remuneration for each director of the Group and other key management personnel (KMP) for the year ended 30 June 2015 are provided in the Remuneration Tables on the opposite page.

Notes to the Remuneration Tables

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

(b) The Short Term Incentive (STI) cash bonus is for the performance during the financial year ended 30 June 2015 based on the achievement of personal goals and financial performance targets. Bathrooms & Kitchens achieved their 'stretch' STI financial performance targets in FY15 and in accordance with the STI plan rules, 50% of the amount has been deferred and will be subject to further testing in FY16 as outlined in the Remuneration Report. The STI cash bonuses are paid annually following the end of the preceding financial year. The amounts have been determined following individual performance reviews and have been approved by the Remuneration Committee.

(c) The short term non-monetary benefits include the provision of motor vehicles, salary continuance and life insurance and any applicable fringe benefits tax thereon.

(d) The Long Term Incentive (LTI) Plan was approved by shareholders at the 2008 Annual General Meeting. The outstanding Performance Rights at 30 June 2015 were granted to executives in each of the years 30 June 2013, 2014 and 2015 and are subject to vesting conditions and the achievement of specified performance hurdles over the three year performance periods. During FY15, 50% of the Performance Rights in respect of the 2012 LTI grant lapsed as the TSR hurdle was not achieved. 50% of the Performance Rights in respect of the 2012 LTI grant lapsed in FY14 as the EPS hurdle was not achieved. The fair value of the Performance Rights granted in 30 June 2013 and 2014 were calculated using Binomial option pricing model (EPS hurdle) and Monte Carlo simulation (TSR hurdle) valuation methodologies and allocated to each financial year evenly over the three year performance period. The fair value of the Performance Rights granted in 30 June 2015 was calculated using Black Scholes model valuation methodology for the EPS and ROFE hurdles and allocated to each financial year evenly over the three year performance period. If the specified performance hurdles are not achieved, then no benefits will be received by the executives under the LTI plan and the Performance Rights are cancelled.

(e) Mr Darryl McDonough was appointed Chairman of GWA Group Limited on 30 October 2013 following the retirement of the former Chairman, Mr Geoff McGrath. Mr John Mulcahy was appointed Deputy Chairman of GWA Group Limited on that date.

(f) The Managing Director, Mr Peter Crowley's fixed remuneration has been frozen since 2011 and remains frozen; refer Section 4.2.1 for further details. Due to the Group's net loss position in FY15 the Managing Director will not receive any STI payment relating to the achievement of personal goals in FY15; refer Section 2.1 for further details including Mr Crowley's key performance goals and outcomes. The STI corporate financial performance targets for FY15 were not achieved and no amount is included in Mr Crowley's remuneration in respect of the achievement of STI financial performance targets.

(g) Mr Celeste Camillo ceased employment on 2 February 2015 following the completion of the sale of Brivis Climate Systems Pty Ltd.

(h) Mr Les Patterson ceased employment on 1 July 2015. As part of the termination arrangements, Mr Patterson received $647,121 representing 12 months salary on termination of employment and the Performance Rights held by Mr Patterson in respect of the 2013 LTI grant will test on 18 August 2015 in accordance with the terms of the grant and LTI plan rules. The remaining Performance Rights held by Mr Patterson lapsed in FY15 on cessation of employment; refer section 5.2.1 Performance Rights. Mr Patterson received an STI cash bonus for achieving personal goals and for Bathrooms & Kitchens achieving their 'stretch' STI financial performance targets in FY15.

(i) Mr Sean Mitchell commenced employment on 16 February 2015 and as part of his employment arrangements, Mr Mitchell is entitled to a guaranteed STI cash bonus of $60,000 for FY15.

(j) Mr Sean Ralphsmith commenced employment on 5 November 2014 and as part of his employment arrangements, Mr Ralphsmith is entitled to a guaranteed STI cash bonus of $106,666 for FY15.

(k) Totals in FY15 are higher than FY14 due to a combination of factors, including a higher number of KMP in FY15, changes in LTI accounting treatments and a re-organisation in FY15 to align with the new Group strategy approved by the Board. The changes resulted in new executive KMP positions and incumbents with greater responsibility, with higher market rates than executive positions and their incumbents in the prior structure. For the actual remuneration received by executives for FY15 please refer to the table in Section 4.1.3.

		Short-term			Long-term		Post-employment					
		Salary & Fees $(a)	STI Cash Bonus $(b)	Non-Monetary $(c)	Value of Share-Based Awards $(d)	Long Service Leave $	Super-annuation Benefits $	Termination Benefits $	Total $	Proportion of remuneration performance based %	STI Cash Bonus vested in year %	STI Cash Bonus forfeited in year %
Non-Executive Directors												
D McDonough Chairman (Appointed 30 October 2013)(e)	2015	319,221	–	–	–	–	35,000	–	354,221	–	–	–
	2014	253,947	–	–	–	–	34,999	–	288,946	–	–	–
J Mulcahy Deputy Chairman (Appointed 30 October 2013)(e)	2015	150,010	–	–	–	–	15,746	–	165,756	–	–	–
	2014	138,225	–	–	–	–	14,089	–	152,314	–	–	–
R Anderson Non-Executive Director	2015	107,829	–	–	–	–	10,243	–	118,072	–	–	–
	2014	83,563	–	–	–	–	34,509	–	118,072	–	–	–
W Bartlett Non-Executive Director	2015	142,918	–	–	–	–	15,002	–	157,920	–	–	–
	2014	143,313	–	–	–	–	14,607	–	157,920	–	–	–
P Birtles Non-Executive Director	2015	123,500	–	–	–	–	12,964	–	136,464	–	–	–
	2014	123,841	–	–	–	–	12,623	–	136,464	–	–	–
Total – Non-Executive Directors	**2015**	**843,478**	**–**	**–**	**–**	**–**	**88,955**	**–**	**932,433**			
	2014	**742,889**	**–**	**–**	**–**	**–**	**110,827**	**–**	**853,716**			
Executive Directors												
P Crowley Managing Director (f)	2015	1,389,031	–	130,334	501,407	26,114	50,000	–	2,096,886	23.9	0	100
	2014	1,397,179	313,420	119,418	235,433	27,349	50,000	–	2,142,799	25.6	25	75
R Thornton Executive Director	2015	387,059	77,813	1,825	97,007	8,746	18,783	–	591,233	29.6	38	62
	2014	367,264	79,522	1,364	47,542	9,780	17,774	–	523,246	24.3	40	60
Total – Directors Remuneration	**2015**	**2,619,568**	**77,813**	**132,159**	**598,414**	**34,860**	**157,738**	**–**	**3,620,552**			
	2014	**2,507,332**	**392,942**	**120,782**	**282,975**	**37,129**	**178,601**	**–**	**3,519,761**			
Executives												
P Gibson, Group Chief Financial Officer (Appointed 27 April 2015)	2015	142,426	–	–	–	–	4,226	–	146,652	–	–	–
	2014	–	–	–	–	–	–	–	–	–	–	–
S Mitchell, Group General Manager – Supply Chain (Appointed 16 February 2015)(i)	2015	145,474	60,000	–	29,080	–	11,461	–	246,015	36.2	100	0
	2014	–	–	–	–	–	–	–	–	–	–	–
S Ralphsmith, Executive General Manager – GWA Door & Access Systems (Appointed 5 November 2014)(j)	2015	245,437	106,666	–	29,080	–	24,797	–	405,980	33.4	100	0
	2014	–	–	–	–	–	–	–	–	–	–	–
K Veitch, Group General Manager – People, Culture & Communications (Appointed 1 July 2014)	2015	365,746	80,000	–	29,080	–	18,783	–	493,609	22.1	40	60
	2014	–	–	–	–	–	–	–	–	–	–	–
I Brannan, Chief Financial Officer (Ceased employment 13 March 2015)	2015	389,038	–	2,368	(159,540)	–	21,153	–	253,019	–	–	–
	2014	522,440	91,677	1,856	96,820	–	24,600	–	737,393	25.6	32	68
L Patterson, Chief Executive – GWA Bathrooms & Kitchens (Ceased employment 1 July 2015)(h)	2015	497,369	260,483	3,804	27,800	(34,836)	30,000	–	784,620	36.7	96	4
	2014	517,872	146,522	2,905	65,692	12,114	24,999	–	770,104	27.6	54	46
C Camillo, General Manager – Brivis (Ceased employment 2 February 2015)(g)	2015	424,239	–	6,232	15,373	(127,337)	20,416	–	338,923	4.5	–	–
	2014	278,449	94,500	13,681	52,573	11,183	24,999	–	475,385	30.9	60	40
Total – Executives Remuneration	**2015**	**2,209,729**	**507,149**	**12,404**	**(29,127)**	**(162,173)**	**130,836**	**–**	**2,668,818**			
	2014	**1,318,761**	**332,699**	**18,442**	**215,085**	**23,297**	**74,598**	**–**	**1,982,882**			
Total – Directors and Executives Remuneration (k)	**2015**	**4,829,297**	**584,962**	**144,563**	**569,287**	**(127,313)**	**288,574**	**–**	**6,289,370**			
	2014	**3,826,093**	**725,641**	**139,224**	**498,060**	**60,426**	**253,199**	**–**	**5,502,643**			

DIRECTORS' REPORT (CONT.)
AS AT 30 JUNE 2015

5.2 Share based payments

5.2.1 Performance Rights

The following table shows details of the Performance Rights granted to key management personnel during the year ended 30 June 2015 and in prior years that affects compensation in this or future reporting periods.

		Number of rights granted	Grant date*	% vested in year	% forfeited in year	Fair value of rights at grant date $*	Issue price used to determine number of rights granted
Executive Directors							
P Crowley Managing Director	2015	230,000	25 February 2015	–	–	456,021	2.72
	2014	200,000	24 February 2014	–	–	372,000	3.12
	2013	345,000	25 February 2013	–	–	676,200	1.70
	2012	260,000	17 February 2012	–	50	375,700	2.35
R Thornton Executive Director	2015	45,000	25 February 2015	–	–	89,222	2.72
	2014	40,000	24 February 2014	–	–	74,400	3.12
	2013	65,000	25 February 2013	–	–	127,400	1.70
	2012	45,000	17 February 2012	–	50	65,025	2.35
Executives							
P Gibson Group Chief Financial Officer (Appointed 27 April 2015)	2015	–	–	–	–	–	–
	2014	–	–	–	–	–	–
	2013	–	–	–	–	–	–
	2012	–	–	–	–	–	–
S Mitchell, Group General Manager – Supply Chain (Appointed 16 February 2015)	2015	44,000	25 February 2015	–	–	87,239	2.72
	2014	–	–	–	–	–	–
	2013	–	–	–	–	–	–
	2012	–	–	–	–	–	–
S Ralphsmith, Executive General Manager – GWA Door & Access Systems (Appointed 5 November 2014)	2015	44,000	25 February 2015	–	–	87,239	2.72
	2014	–	–	–	–	–	–
	2013	–	–	–	–	–	–
	2012	–	–	–	–	–	–
K Veitch, Group General Manager – People, Culture & Communications (Appointed 1 July 2014)	2015	44,000	25 February 2015	–	–	87,239	2.72
	2014	–	–	–	–	–	–
	2013	–	–	–	–	–	–
	2012	–	–	–	–	–	–
I Brannan, Group Chief Financial Officer (Ceased employment 13 March 2015)	2015	–	–	–	–	–	–
	2014	55,000	24 February 2014	–	100	102,300	3.12
	2013	96,000	25 February 2013	–	100	188,160	1.70
	2012	–	–	–	–	–	–
L Patterson, Chief Executive – GWA Bathrooms & Kitchens (Ceased employment 1 July 2015)	2015	–	–	–	–	–	–
	2014	50,000	24 February 2014	–	100	93,000	3.12
	2013	90,000	25 February 2013	–	–	176,400	1.70
	2012	55,000	17 February 2012	–	50	79,475	2.35
C Camillo General Manager – Brivis (Ceased employment 2 February 2015)	2015	–	–	–	–	–	–
	2014	30,000	24 February 2014	–	100	55,800	3.12
	2013	52,000	25 February 2013	–	–	101,920	1.70
	2012	–	–	–	–	–	–

* The issue price used to determine the number of rights offered to all participants during the year, including Mr Crowley and other key management personnel, was $2.72 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 24 October 2014. 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 EPS and ROFE hurdles. The fair value of rights issued during the year under the EPS hurdle was $1.98 per right and the ROFE hurdle was $1.98 per right.

All of the rights carry an exercise price of nil. The rights granted on 25 February 2013, 24 February 2014 and 25 February 2015 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 2015, 2016 and 2017 respectively, subject to the achievement of the performance hurdles. The rights granted to Mr Crowley and Mr Thornton were approved by shareholders at the 2012, 2013 and 2014 Annual General Meetings in accordance with ASX Listing Rule 10.14.

Rights were forfeited where an employee ceased employment with the Group during the year in accordance with the rules of the LTI Plan. For the rights granted to key management personnel on 17 February 2012, the Group did not achieve the EPS and TSR hurdles for the performance period of 1 July 2011 to 30 June 2014. The rights subject to the EPS hurdle lapsed in FY14 resulting in the forfeiture of 292,500 rights with a value of $538,200. The rights subject to the TSR hurdle lapsed in FY15 resulting in the forfeiture of 292,500 rights with a value of $307,125. The number of rights outstanding at 30 June 2015 also represents the balance yet to vest.

5.3 Key management personnel transactions

5.3.1 Loans to key management personnel and their related parties

No loans were made to key management personnel or their related parties during the year ended 30 June 2015 (2014: nil).

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

The consolidated entity incurred legal fees of $1,924,342 (2014: $712,246) from Clayton Utz, a legal firm of which Mr Darryl McDonough is an equity partner. Mr McDonough is currently transitioning to full-time non-executive director roles having notified of his retirement as a partner of Clayton Utz in accordance with that firm's requirements. Mr McDonough has not been involved in providing any of the legal services to the Group, nor has he influenced the selection of legal adviser by the Group as that is a matter for management. The Group also uses other legal providers. The amounts were billed by Clayton Utz based on normal market rates for such services and were due and payable under normal payment terms.

For further details of the legal services provided by Clayton Utz, please refer to the disclosures in the Group's Corporate Governance Statement under Independence of Directors.

The consolidated entity purchased components and tooling of $46,326 (2014: $67,905) from Great Western Corporation Pty Ltd, a company of which Mr Richard Thornton is a non-executive director. Mr Thornton had no involvement with the purchasing of the components and tooling from Great Western Corporation Pty Ltd and amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

Amounts receivable from and payable to key management personnel or to their related parties at reporting date arising from these transactions were as follows:

In AUD	2015	2014
Trade creditors	351,174	116,391

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.

DIRECTORS' REPORT (CONT.)
AS AT 30 JUNE 2015

5.3.3 Movements in shares

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

	Held at 1 July 2014	Granted as compensation	Purchases	Sales	Share Consolidation[(a)]	Held at 30 June 2015
Directors: non-executive						
D McDonough	107,905	–	22,095	–	(11,700)	118,300
J Mulcahy	45,000	–	–	–	(4,050)	40,950
R Anderson	18,060,801	–	–	–	(1,625,469)	16,435,332
W Bartlett	33,194	–	–	–	(2,987)	30,207
P Birtles	15,000	–	–	–	(1,350)	13,650
Executive directors						
P Crowley	480,000	–	25,000	–	(45,450)	459,550
R Thornton	58,694	–	13,806	–	(6,525)	65,975
Executives						
P Gibson (Appointed 27 April 2015)	n/a	–	–	–	–	–
S Mitchell (Appointed 16 February 2015)	n/a	–	–	–	–	–
S Ralphsmith (Appointed 5 November 2014)	n/a	–	–	–	–	–
K Veitch (Appointed 1 July 2014)	n/a	–	–	–	–	–
I Brannan (Ceased employment 13 March 2015)	–	–	–	–	–	n/a
L Patterson (ceased employment 1 July 2015)	77,500	–	–	–	(6,975)	70,525
C Camillo (Ceased employment 2 February 2015)	–	–	–	–	–	n/a

Note:

(a) The balances at 30 June 2015 have been adjusted for the share consolidation approved by shareholders at a General Meeting on 29 May 2015. On the effective date of 9 June 2015, the share capital of the Company was consolidated through the conversion of every one fully paid ordinary share in the Company into 0.9100 fully paid ordinary shares in the Company.

	Held at 1 July 2013	Granted as compensation	Purchases	Sales	Held at 30 June 2014
Directors: non-executive					
D McDonough	107,905	–	–	–	107,905
J Mulcahy	45,000	–	–	–	45,000
R Anderson	18,404,803	–	–	344,002	18,060,801
W Bartlett	33,194	–	–	–	33,194
P Birtles	15,000	–	–	–	15,000
G McGrath (retired 30 October 2013)	150,000	–	–	–	n/a
Executive Directors					
P Crowley	330,000	150,000	–	-	480,000
R Thornton	43,694	15,000	–	-	58,694
Executives					
I Brannan	–	–	–	–	–
L Patterson	52,500	25,000			77,500
C Camillo	–	–	–	–	–
G Oliver (Ceased employment 11 October 2013)	244,175	25,000	–	–	n/a

The relevant interest of each director in the share capital of the Group as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the *Corporations Act 2001* as at 30 June 2015 is listed in the Directors' Report under Directors' Interests.

During the reporting period, there were no shares granted to key management personnel as compensation (2014: 215,000). The aggregate number of shares held by key management personnel or their related parties at 30 June 2015 was 17,234,489 (2014: 18,878,094).

6. KEY TERMS OF EMPLOYMENT CONTRACTS

6.1 Notice and termination payments

The specified executives in the Directors' Report are on open-ended contracts, except for the Managing Director, Mr Peter Crowley, whose employment contract specifies an initial term of twelve months with subsequent rolling terms of twelve months.

The employment contract for Mr Crowley provides that if either the Group or Mr Crowley wishes to terminate employment for any reason, three months notice of termination is required. The Group retains the right to terminate the employment contract of Mr Crowley immediately, by making payment equal to three months salary in lieu of providing notice. On termination by the Group, Mr Crowley will be entitled to receive payment of twelve months salary.

For the other specified executives, the Group is required to give reasonable notice of termination of up to six months. The Group retains the right to terminate the employment contracts of the executives immediately, by making payment equal to the relevant notice period (of up to six months) 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 Remuneration Committee. Shareholder approval is required for termination payments in excess of twelve months salary.

Performance Rights held by executives under the LTI plan will lapse upon the cessation of employment with the Group, unless the Board determines otherwise.

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

Darryl D McDonough

Chairman

Brisbane, 18 August 2015

Peter C Crowley

Managing Director

GWA GROUP LIMITED FINANCIAL REPORT

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

CONTENTS

NOTE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

For the year ended 30 June 2015

In thousands of AUD	Note	2015	2014 Restated*
Continuing operations			
Sales revenue	2	426,218	399,394
Cost of sales		(249,268)	(236,101)
Gross profit		176,950	163,293
Other income	4	5,065	933
Selling expenses		(59,560)	(55,988)
Administrative expenses		(43,572)	(41,324)
Other expenses	5	(57,649)	(11,774)
Operating profit		21,234	55,140
Finance income		935	683
Finance expenses		(8,264)	(11,884)
Net finance costs	9	(7,329)	(11,201)
Profit before tax		13,905	43,939
Tax expense	10	(3,544)	(12,765)
Profit from continuing operations		10,361	31,174
Discontinued operations			
Loss from discontinued operations, net of tax	3A	(26,544)	(12,578)
(Loss)/profit		(16,183)	18,596
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries, net of tax		(9)	844
Cash flow hedges, net of tax		827	(1,619)
Other comprehensive income/(loss), net of tax		818	(775)
Total comprehensive (loss)/income		(15,365)	17,821
Earnings Per Share (cents)			
Total			
Basic	11	(5.30)	6.09
Diluted	11	(5.30)	6.06
Continuing operations			
Basic	11	3.39	10.21
Diluted	11	3.38	10.16

*Refer to Note 3 Discontinued Operations and Note 11 Earnings Per Share.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

As at 30 June

In thousands of AUD	Note	2015	2014
Current assets			
Cash and cash equivalents	12	33,043	29,873
Trade and other receivables	13	63,885	83,015
Inventories	14	83,498	113,053
Other		2,502	2,068
Assets classified as held for sale	3D	15,339	–
Total current assets		198,267	228,009
Non-current assets			
Deferred tax assets	16	22,103	13,906
Property, plant and equipment	17	13,937	97,022
Intangible assets	18	316,549	368,690
Other		322	673
Total non-current assets		352,911	480,291
Total assets		551,178	708,300
Current liabilities			
Trade and other payables	19	47,599	61,265
Employee benefits	21	7,559	11,748
Income tax payable	15	8,857	3,471
Provisions	23	40,891	9,802
Liabilities associated with assets classified as held for sale	3D	6,023	–
Total current liabilities		110,929	86,286
Non-current liabilities			
Loans and borrowings	20	125,000	175,000
Employee benefits	21	9,337	13,241
Provisions	23	18	7,784
Total non-current liabilities		134,355	196,025
Total liabilities		245,284	282,311
Net assets		305,894	425,989
Equity			
Issued capital	24	337,942	408,100
Reserves	24	(51)	(1,241)
(Accumulated losses)/retained earnings		(31,997)	19,130
Total equity		305,894	425,989

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

The assets and liabilities of the Dux Hot Water (Dux) and Brivis Heating and Cooling (Brivis) businesses are excluded from the statement of financial position as at 30 June 2015. The assets and liabilities associated with the Gliderol business are classified as held for sale as at 30 June 2015. The 30 June 2014 statement of financial position includes the assets and liabilities of Dux, Brivis and Gliderol, which are summarised in Note 3 Discontinued Operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

For the year ended 30 June 2015

In thousands of AUD	Note	2015	2014
Cash flows from operating activities			
Receipts from customers		610,596	649,233
Payments to suppliers and employees		(548,445)	(595,099)
Cash generated from operations		62,151	54,134
Interest and facility fees paid		(8,319)	(11,319)
Interest received		935	683
Income taxes paid		(11,262)	(9,600)
Net cash from operating activities	32	43,505	33,898
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		33,059	6,738
Acquisition of property, plant and equipment		(3,344)	(4,270)
Acquisition of intangible assets		(1,718)	(1,300)
Proceeds from business disposals, net of transaction costs		88,599	–
Net cash from investing activities		116,596	1,168
Cash flows from financing activities			
Repayment of employee share loans		–	263
Proceeds from borrowings		105,000	15,000
Repayment of borrowings		(155,000)	(35,000)
Dividends paid		(35,251)	(18,392)
Capital return to shareholders		(70,273)	–
Net cash used in financing activities		(155,524)	(38,129)
Net increase/(decrease) in cash and cash equivalents		4,577	(3,063)
Cash and cash equivalents at beginning of the year		29,873	32,757
Effect of exchange rate changes		(80)	179
Cash within Assets Held for Sale on the Statement of Financial Position		(1,327)	–
Cash and cash equivalents at 30 June	12	33,043	29,873

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

The cash flows of the Dux Hot Water (Dux) and Brivis Heating and Cooling (Brivis) businesses are included in the consolidated statement of cash flows for the year ended 30 June 2015 only for the part of the year that they were owned by GWA Group Limited and its controlled entities. The 30 June 2014 consolidated statement of cash flows includes Dux and Brivis for the full year and has not been re-stated. Accordingly, the consolidated statement of cash flows for the years ended 30 June 2015 and 30 June 2014 are not comparable.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

For the year ended 30 June 2015

In thousands of AUD	**Share capital**	**Translation reserve**	**Hedging reserve**	**Equity compensation reserve**	**Retained earnings**	**Total**
Balance at 1 July 2014	408,100	(1,141)	(1,908)	1,808	19,130	425,989
Total comprehensive income for the year						
Loss for the year	–	–	–	–	(16,183)	(16,183)
Other comprehensive income						
Exchange differences on translation of foreign subsidiaries, net of tax	–	(9)	–	–	–	(9)
Cash flow hedges, net of tax	–	–	827	–	–	827
Total other comprehensive income	–	(9)	827	–	–	818
Total comprehensive loss	–	(9)	827	–	(16,183)	(15,365)
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	–	–	–	372	307	679
Dividends declared	–	–	–	–	(35,251)	(35,251)
Capital return to shareholders net of tax	(70,158)	–	–	–	–	(70,158)
Total transactions with owners	(70,158)	–	–	372	(34,944)	(104,730)
Balance as at 30 June 2015	337,942	(1,150)	(1,081)	2,180	(31,997)	305,894

For the year ended 30 June 2014

In thousands of AUD	**Share capital**	**Translation reserve**	**Hedging reserve**	**Equity compensation reserve**	**Retained earnings**	**Total**
Balance at 1 July 2013	408,100	(1,985)	(289)	1,866	19,050	426,742
Total comprehensive income for the year						
Profit for the year	–	–	–	–	18,596	18,596
Other comprehensive income						
Exchange differences on translation of foreign subsidiaries, net of tax	–	844	–	–	–	844
Cash flow hedges, net of tax	–	–	(1,619)	–	–	(1,619)
Total other comprehensive loss	–	844	(1,619)	–	–	(775)
Total comprehensive income	–	844	(1,619)	–	18,596	17,821
Transaction with owners, recorded directly in equity						
Share-based payments, net of tax	–	–	–	(58)	(124)	(182)
Dividends declared	–	–	–	–	(18,392)	(18,392)
Total transactions with owners	–	–	–	(58)	(18,516)	(18,574)
Balance as at 30 June 2014	408,100	(1,141)	(1,908)	1,808	19,130	425,989

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. SIGNIFICANT ACCOUNTING POLICIES

GWA Group Limited (the 'Company') is a for-profit company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2015 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, manufacture, import and marketing of building fixtures and fittings to households 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 18 August 2015.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') 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 ('IFRSs') adopted by the International Accounting Standards Board ('IASB').

(b) Basis of preparation

The financial report is presented in Australian dollars which is the Company's functional currency and the functional currency of the majority of the consolidated entity. The entity has elected not to early adopt any accounting standards or amendments.

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

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- note 18 – measurement of the recoverable amounts of intangible assets
- note 22 – fair value of share-based payments
- note 23 and 28 – provisions and contingencies
- note 25 – valuation of financial instruments

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by all entities in the consolidated entity.

(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 2015:

- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- Interpretation 21 *Levies*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-1 *Amendments to Australian Accounting Standards – Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles; Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119), and Part C: Materiality*
- AASB 1031 *Materiality (2013)*

The initial adoption of each of the above Standards, Interpretations and revisions has not had a material impact on the amounts reported in the consolidated annual financial report but may affect the accounting for future transactions or arrangements.

(ii) Standards and Interpretations issued but not yet adopted

At the date of authorisation of the consolidated financial statements, the following Standards and Interpretations were issued but not yet effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Standards and Interpretations issued but not yet adopted (continued)

Standard/Interpretation	**Effective for the annual reporting period beginning on**	**Expected to be initially applied in the financial year ending**
AASB 9 *Financial Instruments (December 2010)*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*, AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*, AASB 2014-1 *Amendments to Australian Accounting Standards*	1 January 2018 (Applies on a modified retrospective basis)	30 June 2019
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016	30 June 2017
AASB 15 *Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*	1 January 2017	30 June 2018
AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*	1 January 2016	30 June 2017
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*	1 January 2016	30 June 2017
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*	1 January 2016	30 June 2017
AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*	1 January 2015	30 June 2016

The consolidated entity is assessing the potential impact of the above Standards and Interpretations issued but not yet adopted on its consolidated financial statements however they are not expected to have a significant impact on the consolidated financial statements in future reporting periods.

(d) Basis of consolidation

(i) Business combinations

The consolidated entity accounts for business combinations using the acquisition method when control is transferred to the consolidated entity. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred.

(ii) Subsidiaries

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

(iii) Transaction eliminated on consolidation

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income, and presented in the foreign currency translation reserve (FCTR) in equity.

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

(iii) Net investment in foreign operations

Foreign exchange differences arising from the retranslation of the net investment in foreign operations (including monetary items neither planned to be settled or likely to be settled in the foreseeable future), and of related hedges are recognised in the FCTR to the extent that the hedge is effective. They are released into profit or loss as part of the gain or loss on disposal.

(f) 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 remeasurement 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 (see accounting policy (g)).

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.

(g) Hedging

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

On initial designation of the derivative as the hedging instrument, the consolidated entity formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The consolidated entity makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedge risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probably to occur and should present an exposure to variation in cash flows that could ultimately affect reported profit or loss.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Hedging (continued)

(i) Cash flow hedges

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.

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

Other non-trading derivatives
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.

(ii) Hedge of monetary assets and liabilities

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.

(iii) Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. The ineffective portion is recognised immediately in profit or loss.

(h) Property, plant and equipment

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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.

(i) Subsequent costs

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.

(ii) Depreciation

With the exception of freehold land, 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. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- buildings 40 years
- plant and equipment 3-15 years
- motor vehicles 4-8 years

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

(i) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss 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. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

(ii) Brand names

Acquired brand names are stated at cost. Expenditure incurred in developing, maintaining or enhancing brand names is recognised in profit or loss in the year in which it is incurred. The brand names are not amortised as the directors believe that the brand names have an indefinite useful life. The carrying values of brand names are tested each year to ensure that no impairment exists.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (continued)

(iii) Goodwill

Goodwill acquired in business combinations of the consolidated entity is measured at cost less accumulated impairment losses. Goodwill represents the excess of the cost of the acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business.

(iv) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are measured at cost less accumulated amortisation and impairment losses.

(v) Subsequent expenditure

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.

(vi) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance date. Other 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:

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

(j) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently at their amortised cost less impairment losses.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. 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.

(l) Cash and cash equivalents

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

(m) Impairment

(i) Non-derivative financial assets

Financial assets measured at amortised cost

The consolidated entity considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the consolidated entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested at least annually for impairment. 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 unit is the greater of its own value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets of CGU's. Subject to an operating segment ceiling test, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGU's that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit of 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 CGUs) 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.

(n) Share capital

(i) Ordinary shares

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

(ii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(iii) Transaction costs

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

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(p) Employee benefits

(i) 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.

(ii) Other 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.

(iii) Short-term 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.

(iv) Share-based payment transactions

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions

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.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) 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.

(iii) Site restoration

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

(r) Trade and other payables

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

(s) Revenue

(i) Goods sold

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

(t) Expenses

(i) Costs of goods sold

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

(ii) Operating lease payments

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

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in profit or loss. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

(u) Income tax

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GWA GROUP LIMITED AND ITS CONTROLLED ENTITIES
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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

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

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

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

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The consolidated entity does not distribute non-cash assets as dividends to its shareholders.

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.

(v) Goods and services tax

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

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

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

(w) Earnings Per Share

The consolidated entity presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic 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.

(x) Discontinued operations

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

(y) Segment reporting

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

2. OPERATING SEGMENTS

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

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

Discontinued operations include the water heaters (Dux Hot Water), ducted heating and climate control systems (Brivis Heating & Cooling) and garage doors and openers (Gliderol Garage Doors) businesses. The sale of water heaters was previously reported within the Bathrooms & Kitchens segment. Ducted heating and climate control systems was previously reported within the Heating & Cooling segment. The sale of garage doors and openers was previously reported within the Door & Access Systems segment. Refer to note 3 for further information regarding discontinued operations.

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

	Bathrooms & Kitchens		Door & Access Systems		Discontinued operations		Total	
In thousands of AUD	2015	2014 Restated	2015	2014 Restated	2015	2014	2015	2014
External sales revenue	330,015	306,560	96,203	92,834	121,564	178,600	547,782	577,994
Inter-segment revenue	–	–	635	260	–	349	635	609
Total sales revenue	330,015	306,560	96,838	93,094	121,564	178,949	548,417	578,603
Segment profit before significant items and tax	83,291	72,970	7,239	8,443	1,528	7,809	92,058	89,222
Impairment losses on non-financial assets	–	–	–	–	(24,204)	(17,000)	(24,204)	(17,000)
Supplier compensation payment	(525)	(2,542)	–	–	–	–	(525)	(2,542)
Loss on sale of discontinued operations	–	–	–	–	(3,634)	–	(3,634)	–
Restructuring income – gains on disposal of property	4,253	–	–	–	–	–	4,253	–
Restructuring costs	(40,764)	–	–	–	–	–	(40,764)	–
Other restructuring and significant items	(545)	(1,660)	96	(1,229)	(2,380)	(2,126)	(2,829)	(5,015)
Segment profit/(loss) before income tax	45,710	68,768	7,335	7,214	(28,690)	(11,317)	24,355	64,665
Depreciation	4,360	6,932	964	915	2,787	4,349	8,111	12,196
Amortisation	–	–	406	379	787	924	1,193	1,303
Capital expenditure	903	1,087	513	421	1,700	3,032	3,116	4,540
Reportable segment assets	408,294	435,715	63,555	67,275	10,490	151,110	482,339	654,100
Reportable segment liabilities	66,609	42,350	12,433	12,207	6,023	37,754	85,065	92,311

2. OPERATING SEGMENTS (CONTINUED)

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

In thousands of AUD	2015	2014
Revenues		
Total revenue for reportable segments	548,417	578,603
Elimination of inter-segment revenue	(635)	(609)
Elimination of discontinued operations	(121,564)	(178,600)
Consolidated revenue – continuing operations	426,218	399,394
Profit		
Total profit for reportable segments	24,355	64,665
Elimination of discontinued operations	28,690	11,317
Other significant items	(2,427)	(3,460)
Restructuring expenses: corporate	(11,619)	(503)
Unallocated amounts: corporate expenses	(17,765)	(16,879)
Profit from operating activities	21,234	55,140
Net financing costs	(7,329)	(11,201)
Consolidated profit before tax – continuing operations	13,905	43,939
Assets		
Total assets for reportable segments	482,339	654,100
Unallocated amounts: corporate assets*	68,839	54,200
Consolidated total assets	551,178	708,300
Liabilities		
Total liabilities for reportable segments	85,065	92,311
Unallocated amounts: corporate liabilities*	160,219	190,000
Consolidated total liabilities	245,284	282,311

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

Reconciliations of other material items

In thousands of AUD	2015	2014
Depreciation		
Total depreciation for reportable segments	8,111	12,196
Unallocated amounts: depreciation on corporate assets	509	619
Consolidated total depreciation	8,620	12,815
Amortisation		
Total amortisation for reportable segments	1,193	1,303
Unallocated amounts: amortisation on corporate assets	2,734	3,445
Consolidated total amortisation	3,927	4,748
Capital expenditure		
Total capital expenditure for reportable segments	3,116	4,540
Unallocated amounts: corporate capital expenditure	1,946	1,030
Consolidated total capital expenditure	5,062	5,570

2. OPERATING SEGMENTS (CONTINUED)

Geographical Segments

The business segments are managed on a worldwide basis, but operate mainly in one geographical area being Australia. A sales office is also operated in New Zealand. Sales revenue from geographical areas outside Australia comprised only 6% of the consolidated entity's total sales revenue for the current year (2014: 6%).

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

	Australia		New Zealand		Consolidated	
In thousands of AUD	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
External sales revenue	402,474	376,572	23,744	22,822	426,218	399,394
Non-current assets*	326,255	461,625	4,553	4,760	330,808	466,385

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

Major customers

The consolidated entity conducts business with 3 customers where the net revenue generated from each customer exceeds 10% of the consolidated entity's net revenue. Net revenue from these customers represent $68,519,000 (2014: $67,823,000), $63,265,000 (2014: $62,883,000) and $59,209,000 (2014: $54,979,000) respectively of the consolidated entity's total net revenues for the current year of $426,218,000 (2014: $399,394,000). The revenues from these customers are reported in the Bathrooms & Kitchens and Door & Access Systems segments.

3. DISCONTINUED OPERATIONS

During the year ended 30 June 2015, the Dux Hot Water business was sold with an effective date of 19 December 2014 and the Brivis Heating & Cooling business was sold with an effective date of 2 February 2015.

Additionally, the consolidated entity entered into an agreement to sell the Gliderol business on 29 June 2015. The sale of Gliderol was completed on 31 July 2015, refer to Note 34 Subsequent Events. The assets and liabilities associated with the Gliderol business are classified as held for sale as at 30 June 2015.

The operating activities of these businesses were not discontinued or classified as held for sale at 30 June 2014. The comparative statement of comprehensive income has therefore been re-presented to show the discontinued operations separately from continuing operations.

A. Results of discontinued operations

For the year ended 30 June

In thousands of AUD	**2015**	**2014**
Revenue	121,564	178,600
Expenses	(122,416)	(189,917)
Loss from operating activities	(852)	(11,317)
Tax benefit/(expense) on operating activities	112	(1,261)
Loss from operating activities, net of tax	(740)	(12,578)
Impairment loss recognised on the re-measurement to fair value less costs to sell – Gliderol	(24,204)	–
Tax benefit on impairment loss – Gliderol	2,034	–
Loss on sale of the discontinued operations	(3,634)	–
Loss for the year	(26,544)	(12,578)
Basic profit /(loss) per share (cents per share)	(8.69)	(4.12)
Diluted profit /(loss) per share (cents per share)	(8.69)	(4.12)

3. DISCONTINUED OPERATIONS (CONTINUED)

B. Cash flows from discontinued operations

For the year ended 30 June

In thousands of AUD	2015	2014
Net cash from operating activities	2,290	14,854
Net cash from investing activities	86,533	(3,136)
Net cash from discontinued operations	88,823	11,718

C. Effect of disposal of Dux Hot Water and Brivis on the financial position of the consolidated entity

As at 30 June 2015

In thousands of AUD	Total Dux & Brivis
Trade and other receivables	(17,452)
Inventories	(19,916)
Property, plant and equipment	(39,784)
Net deferred tax assets	(3,179)
Intangible assets	(35,761)
Other assets	(242)
Trade and other payables	12,309
Provisions	9,440
Employee benefits	5,570
Net assets and liabilities	(89,015)
Disposal costs	(9,813)
	(98,828)
Consideration proceeds	95,203
Cash and cash equivalents disposed of	(9)
Net cash inflow	95,194

D. Assets and liabilities of disposal group held for sale: Gliderol

As at 30 June

In thousands of AUD	2015
Cash	1,327
Trade and other receivables	5,492
Inventories	4,904
Income tax receivable	2,494
Other	1,122
Assets held for sale	15,339
Trade and other payables	(3,822)
Provisions	(479)
Employee benefits	(1,722)
Liabilities held for sale	(6,023)

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4. OTHER INCOME

In thousands of AUD	Note	2015	2014
Foreign currency gains – realised		5	39
Foreign currency gains – unrealised		–	373
Other – scrap income, royalties, bad debts recovered		807	521
Restructuring income – gains on disposal of property	6	4,253	–
		5,065	933

5. OTHER EXPENSES

In thousands of AUD	Note	2015	2014
Foreign currency losses – realised		1,132	1,928
Foreign currency losses – unrealised		734	–
Net loss on disposal of property, plant and equipment and intangible assets		–	495
Significant items – expenses	6	55,783	9,351
		57,649	11,774

6. SIGNIFICANT ITEMS

In thousands of AUD	Note	2015	2014
Restructuring costs	(i)	52,633	3,391
Restructuring income – gains on disposal of property	(i)	(4,253)	–
Supplier exit compensation	(ii)	723	2,941
Corporate transformation costs	(iii)	2,427	3,019
Total significant items before tax		51,530	9,351
Tax benefit		(16,734)	(2,687)
Net significant items after tax		34,796	6,664

(i) Restructuring costs

In October 2014 GWA announced its plans to restructure its manufacturing activities following a detailed review of its operations. This resulted in decisions to phase out the Norwood plastics operation in Adelaide over the next three years, and cease production in the Wetherill Park vitreous china manufacturing facility by the end of calendar 2014. The consolidated entity incurred costs associated with this of $41,000,000 (2014: $3,391,000).

In June 2015 GWA announced that it will be restructuring its group operations to drive greater focus across its businesses, realign the cost base to adjust for the divested businesses, and further capture supply chain efficiencies. An expense of $11,600,000 has been recognised in respect of the expected costs associated with the restructuring.

In April 2015, GWA announced the sale and leaseback of its Wetherill Park facility. A gain of $4,253,000 was recognised during the current year.

(ii) Supplier exit compensation

In prior reporting periods, the Bathrooms & Kitchens business conducted a supply chain review and determined it would exit arrangements with a number of overseas suppliers and focus on building strategic relationships with a few core suppliers. During the year ended 30 June 2014, a former China sanitaryware supplier threatened legal action for breach of contract. Although the consolidated entity denied liability, management determined a compensation payment to the supplier of $2,941,000 was in the best interests of the consolidated entity to settle the dispute and focus on the strategic supply relationships. During the year ended 30 June 2015, a further $723,000 of costs were incurred with respect to the settlement of this dispute.

(iii) Corporate transformation costs

In the prior year, the Board approved and completed a strategic review of the Group focus and structure. Opportunity for future growth and shareholder returns were identified in the target market segments of the Bathrooms & Kitchens and Door & Access Systems businesses. During the current year, costs of $2,427,000 were incurred in relation to the execution of this review (2014: $3,019,000).

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7. PERSONNEL EXPENSES

In thousands of AUD	2015	2014
Wages and salaries – including superannuation contributions, annual leave, long service leave and on-costs	99,931	112,689
Equity-settled share-based payment transactions	679	609
	100,610	113,298

8. AUDITOR'S REMUNERATION

In AUD	2015	2014
Auditor services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	457,233	455,000
Other regulatory services	–	3,500
Overseas KPMG Firms:		
Audit and review of financial reports	15,000	14,000
	472,233	472,500
Other services		
Auditors of the Company		
KPMG Australia:		
Taxation services	5,300	7,380
Overseas KPMG Firms:		
Taxation services	31,504	17,815
	36,804	25,195

9. NET FINANCING COSTS

In thousands of AUD	2015	2014
Finance income		
Interest income on call deposits	843	601
Other	92	82
	935	683
Finance expense		
Interest expense on financial liabilities	3,786	5,172
Interest expense on swaps	991	1,727
Facility fees on financial liabilities	2,809	4,261
Establishment fee amortisation	630	720
Other	48	4
	8,264	11,884
Net financing costs	7,329	11,201

10. INCOME TAX EXPENSES

Recognised in the statement of profit or loss and other comprehensive income

In thousands of AUD	2015	2014
Current tax expense		
Current year	12,759	12,611
Adjustments for prior years	978	(30)
	13,737	12,581
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	(10,193)	184
Tax expense from continuing operations	3,544	12,765
Tax (benefit)/expense from discontinued operations	(2,146)	1,261
Total expense in statement of profit or loss and other comprehensive income	1,398	14,026

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of AUD	2015	2014
Profit from continuing operations before tax	13,905	43,939
Loss from discontinued operations before tax	(28,690)	(11,317)
(Loss)/profit before tax	(14,785)	32,622
Tax (benefit)/expense using the domestic rate of 30% (2014: 30%)	(4,435)	9,787
Tax (benefit)/expense due to:		
Non-deductible expenses	384	97
Non-deductible impairment loss	5,227	5,100
Non-deductible/(deductible) net share-based payments	204	(17)
Effect of tax rate in foreign jurisdictions	(128)	(123)
Net accounting loss on disposal of capital gains tax assets not recognised	(237)	–
(Carried forward tax losses utilised)/tax losses not recognised	(86)	88
Building depreciation allowance	(15)	(16)
Rebateable research and development	(312)	(635)
	602	14,281
Under/(over) provided in prior years	796	(255)
Income tax expense on pre-tax net profit	1,398	14,026

Deferred tax recognised directly in equity

In thousands of AUD	2015	2014
Derivatives	354	(694)
Capital return costs	(92)	–
	262	(694)

11. EARNINGS PER SHARE

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

Profit attributable to ordinary shareholders – basic/diluted

In thousands of AUD	2015	2014
Continuing operations		
Profit before significant items	45,157	37,838
Net significant items	(34,796)	(6,664)
Profit for the year from continuing operations	10,361	31,174
Discontinued operations		
Profit before significant items	1,009	5,938
Net significant items	(27,553)	(18,516)
Loss for the year from discontinued operations	(26,544)	(12,578)
(Loss)/profit for the year	(16,183)	18,596

Basic Earnings Per Share

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	2015	2014
Issued ordinary shares at 1 July	306,534	306,534
Effect of share consolidation*	(1,209)	(1,209)
Weighted average number of ordinary shares at 30 June	305,325	305,325

Diluted Earnings Per Share

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	2015	2014
Weighted average number of ordinary shares (basic)	305,325	305,325
Effect of performance rights on issue	1,533	1,584
Weighted average number of ordinary shares (diluted)	306,858	306,909

At 30 June 2015, 1,573,000 shares were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

***Effect of share consolidation**

On 29 May 15, GWA shareholders approved a consolidation of the Company's share capital through the conversion of each fully paid ordinary share in GWA into 0.9100 fully paid ordinary shares. Upon the completion of the share consolidation, the number of the Company's shares on issue reduced from 306,533,770 to 278,947,986 (refer to note 24 for further details). This reduction is reflected in the calculation of the weighted average number of ordinary shares at 30 June 15. The weighted average number of ordinary shares at 30 June 14 has been re-calculated as if the share consolidation had occurred on the same date in the prior year in order to present earning per share on a consistent basis year-on-year.

11. EARNINGS PER SHARE (CONTINUED)

	2015 cents	2014 cents
Earnings Per Share		
Basic Earnings Per Share	(5.30)	6.09
Diluted Earnings Per Share	(5.30)	6.06
Basic Earnings Per Share (excluding significant items)	15.12	14.34
Diluted Earnings Per Share (excluding significant items)	15.04	14.26
Earnings Per Share from continuing operations		
Basic Earnings Per Share	3.39	10.21
Diluted Earnings Per Share	3.38	10.16
Basic Earnings Per Share (excluding significant items)	14.79	12.39
Diluted Earnings Per Share (excluding significant items)	14.72	12.33

12. CASH AND CASH EQUIVALENTS

In thousands of AUD	2015	2014
Bank balances	10,873	12,117
Call deposits	22,170	17,756
Cash and cash equivalents in the statement of cash flows	33,043	29,873

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25.

13. TRADE AND OTHER RECEIVABLES

In thousands of AUD	2015	2014
Net trade receivables	62,540	81,347
Forward exchange contracts used for hedging (net receivable)	328	–
Other	1,017	1,668
	63,885	83,015

The consolidated entity's exposure to credit and currency risk and impairment loss related to trade and other receivables are disclosed in note 25.

14. INVENTORIES

In thousands of AUD	2015	2014
Raw materials and consumables	3,617	21,188
Work in progress	173	1,210
Finished goods	79,708	90,655
	83,498	113,053

15. CURRENT TAX LIABILITIES

The current tax liability for the consolidated entity of $8,857,000 (2014: $3,471,000) represents the amount of income taxes payable in respect of the current period. In accordance with the 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.

16. 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	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Property, plant and equipment	1	268	(633)	(1,646)	(632)	(1,378)
Intangible assets	1,677	1,632	(634)	(5,111)	1,043	(3,479)
Inventories	2,090	2,214	–	–	2,090	2,214
Employee benefits	4,834	7,495	–	–	4,834	7,495
Provisions	11,856	6,164	–	–	11,856	6,164
Other items	3,019	3,047	(107)	(157)	2,912	2,890
Tax assets/(liabilities)	23,477	20,820	(1,374)	(6,914)	22,103	13,906
Set off of tax	(1,374)	(6,914)	1,374	6,914	–	–
Net tax assets	22,103	13,906	–	–	22,103	13,906

Unrecognised deferred tax assets

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

In thousands of AUD	**2015**	**2014**
Capital losses	20,771	6,541
Revenue losses from foreign jurisdictions	76	162

The deductible capital losses accumulated at balance date do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which to offset the tax benefit of these losses.

Movement in temporary differences during the year

In thousands of AUD	**Balance 1 July 14**	**Recognised in income**	**Recognised in equity**	**Reclassified to Assets/ Liabilities Held for Sale**	**Balance 30 June 15**
Property, plant and equipment	(1,378)	746	–	–	(632)
Intangible assets	(3,479)	4,522	–	–	1,043
Inventories	2,214	122	–	(246)	2,090
Employee benefits	7,495	(2,144)	–	(517)	4,834
Provisions	6,164	5,943	–	(251)	11,856
Other items	2,890	297	(262)	(13)	2,912
	13,906	9,486	(262)	(1,027)	22,103

In thousands of AUD	**Balance 1 July 13**	**Recognised in income**	**Recognised in equity**	**Balance 30 June 14**
Property, plant and equipment	(664)	(714)	–	(1,378)
Intangible assets	(4,395)	916	–	(3,479)
Inventories	3,093	(879)	–	2,214
Employee benefits	7,349	146	–	7,495
Provisions	6,348	(184)	–	6,164
Other items	3,333	(1,137)	694	2,890
	15,064	(1,852)	694	13,906

17. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Land and buildings	Plant and equipment	Motor Vehicles	Work in progress	Total
Cost					
Balance at 1 July 2014	57,635	173,887	729	1,723	233,974
Additions	263	3,028	–	53	3,344
Disposal of discontinued operations (Dux and Brivis)	(24,584)	(48,853)	(76)	(487)	(74,000)
Other disposals	(33,314)	(1,567)	(132)	–	(35,013)
Transfers	–	485	–	(485)	–
Effect of movements in exchange rates	–	(28)	(1)	–	(29)
Balance at 30 June 2015	–	126,952	520	804	128,276
Balance at 1 July 2013	57,498	176,625	1,051	1,763	236,937
Additions	199	3,464	54	553	4,270
Disposals	(62)	(6,918)	(379)	–	(7,359)
Transfers	–	593	–	(593)	–
Effect of movements in exchange rates	–	123	3	–	126
Balance at 30 June 2014	57,635	173,887	729	1,723	233,974
Depreciation and impairment losses					
Balance at 1 July 2014	(9,086)	(127,290)	(576)	–	(136,952)
Depreciation	(817)	(7,699)	(104)	–	(8,620)
Depreciation charged against restructuring provision	–	(1,542)	–	–	(1,542)
Disposal of discontinued operations (Dux and Brivis)	2,338	31,826	52	–	34,216
Other disposals	7,565	1,416	116	–	9,097
Impairment loss	–	(10,386)	(10)	(177)	(10,573)
Effect of movements in exchange rates	–	33	2	–	35
Balance at 30 June 2015	–	(113,642)	(520)	(177)	(114,339)
Balance at 1 July 2013	(7,974)	(120,735)	(604)	–	(129,313)
Depreciation	(1,158)	(11,411)	(246)	–	(12,815)
Disposals	46	4,958	277	–	5,281
Effect of movements in exchange rates	–	(102)	(3)	–	(105)
Balance at 30 June 2014	(9,086)	(127,290)	(576)	–	(136,952)
Carrying amounts					
At 30 June 2015	–	13,310	–	627	13,937
At 1 July 2014	48,549	46,597	153	1,723	97,022
At 30 June 2014	48,549	46,597	153	1,723	97,022
At 1 July 2013	49,524	55,890	447	1,763	107,624

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18. INTANGIBLE ASSETS

In thousands of AUD	Software	Brand names	Trade names, designs, patents and customer relationships	Goodwill	Total
Cost					
Balance at 1 July 2014	33,573	308,788	24,354	50,914	417,629
Additions	1,617	–	101	–	1,718
Disposal of discontinued operations (Dux and Brivis)	(91)	(6,000)	(11,558)	(20,834)	(38,483)
Effects of movements in exchange rates	–	(21)	–	–	(21)
Balance at 30 June 2015	35,099	302,767	12,897	30,080	380,843
Balance at 1 July 2013	32,677	308,746	23,947	50,914	416,284
Additions	896	–	404	–	1,300
Effect of movements in exchange rates	–	42	3	–	45
Balance at 30 June 2014	33,573	308,788	24,354	50,914	417,629
Amortisation and impairment losses					
Balance at 1 July 2014	(26,469)	–	(5,470)	(17,000)	(48,939)
Amortisation	(2,798)		(1,129)	–	(3,927)
Amortisation charged to restructuring provision	(55)	–	–	–	(55)
Disposal of discontinued operations (Dux and Brivis)	13	–	2,709	–	2,722
Impairment loss	(1,326)	–	(5,695)	(7,074)	(14,095)
Balance at 30 June 2015	(30,635)	–	(9,585)	(24,074)	(64,294)
		–			
Balance at 1 July 2013	(23,024)	–	(4,166)	–	(27,190)
Amortisation for the year	(3,445)	–	(1,303)	–	(4,748)
Impairment losses	–	–	–	(17,000)	(17,000)
Effect of movements in foreign exchange	–	–	(1)	–	(1)
Balance at 30 June 2014	(26,469)	–	(5,470)	(17,000)	(48,939)
Carrying amounts					
At 30 June 2015	4,464	302,767	3,312	6,006	316,549
At 1 July 2014	7,104	308,788	18,884	33,914	368,690
At 30 June 2014	7,104	308,788	18,884	33,914	368,690
At 1 July 2013	9,653	308,746	19,781	50,914	389,094

18. INTANGIBLE ASSETS (CONTINUED)

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

In thousands of AUD	**2015**	**2014**
CaromaDorf	284,168	284,188
Dux*	–	6,000
Bathrooms & Kitchens	284,168	290,188
API Locksmiths	4,556	4,556
Gainsborough	20,049	20,049
Gliderol*	–	7,075
Door & Access Systems	24,605	31,680
Heating & Cooling*	–	20,834
	308,773	342,702

* During the year ended 30 June 2015, the Dux Hot Water business and Brivis heating and cooling business were sold. The consolidated entity also entered into a binding agreement to sell the Gliderol business on 29 June 2015 and as a result the assets of the Gliderol business have been reclassified to Assets Held for Sale at 30 June 2015. Refer to Note 3 Discontinued Operations and Note 34 Subsequent Events for further information.

Impairment testing for brand names and goodwill

The recoverable amount of the Gliderol cash generating unit at 30 June 2015 was based on fair value less estimated costs of disposal. The fair value reflects the purchase price agreed with the buyer (subject to working capital adjustments).

For cash generating units other than Gliderol, the recoverable amounts of all brand names and goodwill assessed at 30 June 2015 based on internal value in use calculations and no impairment was identified (2014: $nil).

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

- Cash flows were projected based on actual operating results and business plans of the units approved by the Board, with projected cash flows to five years before a terminal value was calculated. Maintainable earnings were adjusted for an allocation of corporate overheads.
- Management used a constant growth rate of 2.5% (2014: 2.5%) in calculating terminal values of the units, which does not exceed the long-term average growth rate for the industry.
- Pre-tax discount rates between 14.4% – 14.5% were used (2014: 14.3% – 14.9%).

The key assumptions relate to dwelling completions, economic activity and market share. The values assigned to the key assumptions represent management's assessment of future trends in the Bathrooms & Kitchens and Door & Access Systems industries and are based on both external sources and internal sources (historical data). The recoverable amount of the cash generating units exceeds their carrying values at 30 June 2015 and there are no reasonably possible changes in any of the key assumptions that would cause the cash generating units' carrying amounts to exceed their recoverable amount.

19. TRADE AND OTHER PAYABLES

In thousands of AUD	**2015**	**2014**
Trade payables and accrued expenses	43,964	57,179
Forward exchange contracts used for hedging (net payable)	–	1,205
Interest rate swaps used for hedging	1,872	1,521
Non-trade payables and accrued expenses	1,763	1,360
	47,599	61,265

The consolidated entity's exposure to currency risk and liquidity risk related to trade and other payables are disclosed in note 25.

20. LOANS AND BORROWINGS

This note provides information about the contractual terms of the consolidated entity's loans and borrowings, which are measured at amortised cost. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 25.

Non-current liabilities

In thousands of AUD	**2015**	**2014**
Unsecured cash advance facilities	125,000	175,000

Terms and debt repayment schedule

In thousands of AUD	**Currency**	**Year of maturity**	**2015 Face value**	**2015 Carrying amount**	**2014 Face value**	**2014 Carrying amount**
Unsecured cash advance facilities	AUD	2016	–	–	175,000	175,000
Unsecured cash advance facilities	AUD	2017	125,000	125,000	–	–
			125,000	125,000	175,000	175,000

Financing facilities

In thousands of AUD	**2015**	**2014**
Standby letters of credit	2,000	2,000
Bank guarantees	7,044	7,196
Unsecured cash advance facility	225,000	275,000
	234,044	284,196
Facilities utilised at reporting date		
Standby letters of credit	–	–
Bank guarantees	4,133	4,258
Unsecured cash advance facility	125,000	175,000
	129,133	179,258
Facilities not utilised at reporting date		
Standby letters of credit	2,000	2,000
Bank guarantees	2,911	2,938
Unsecured cash advance facility	100,000	100,000
	104,911	104,938

Unsecured cash advance facility

On 17 October 2014, GWA Finance Pty Limited successfully completed the refinancing of its syndicated banking facility. The facility now comprises a single three year revolving facility of $225 million which matures in October 2017. The loan is denominated in Australian dollars, bears interest at market rates and interest is typically payable every 30 to 90 days. The consolidated entity hedges its exposure to variable interest rates through interest rate swap transactions.

Letter of credit

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

Bank guarantees

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

21. EMPLOYEE BENEFITS

Current

In thousands of AUD	**2015**	**2014**
Liability for annual leave	5,888	9,374
Liability for long-service leave	1,671	2,374
	7,559	11,748
Non-current		
Liability for long-service leave	9,337	13,241

Defined contribution superannuation funds

The consolidated entity makes contributions to defined contribution superannuation funds. Contributions are charged against income as they are made based on various percentages of each employee's gross salaries. The amount recognised as expense was $8,936,000 for the financial year ended 30 June 2015 (2014: $9,769,000).

22. 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 the 2014/15 year are subject to financial performance conditions which measure growth in Earnings Per Share (EPS) relative to dwelling completions growth and Return on Funds Employed (ROFE) (2013/14 year: performance hurdles were subject to financial performance conditions that measured Total Shareholder Returns (TSR) compared to a peer group of companies and growth in EPS). The performance hurdles are challenging but achievable and focus senior executives on sustained long term growth consistent with shareholder wealth creation. The Plan runs over a three year performance period and the rights will only vest if the performance hurdles are achieved based on a 50% allocation of each grant to the two performance hurdles. If the vesting conditions and performance hurdles are achieved, ordinary shares will be issued to the participants at no cost. If the performance hurdles are not met, then the rights are cancelled after three years.

For performance rights granted to executives in the 2014/15 year, the performance hurdles and vesting proportions for the EPS performance measure is outlined in the table below.

EPS Compound Annual Growth rate (CAGR) relative to dwelling completions growth over three year performance period	**Proportion of Performance Rights to Vest if EPS growth hurdle is met**
EPS CAGR less than dwelling completions CAGR	0%
EPS CAGR exceeding dwelling completions CAGR	12.5%
EPS CAGR exceeding dwelling completions CAGR up to 6%	Straight line vesting between 12.5% and 50%
EPS CAGR equal to dwelling completions CAGR plus 6% or higher	50% (i.e. 50% of total grant)

For performance rights granted to executives in the 2014/15 year, the performance hurdles and vesting proportions for the ROFE performance measure is outlined in the table below.

GWA Group Limited ROFE over three year performance period	**Proportion of Performance Rights to Vest if ROFE hurdle is met**
ROFE less than 15% per annum	0%
ROFE equal to 15% per annum	12.5%
ROFE between 15% and 18% per annum	Straight line vesting between 12.5% and 25%
ROFE equal to 18% of higher per annum	50% (i.e. 50% of total grant)

22. SHARE-BASED PAYMENTS (CONTINUED)

For performance rights granted to executives in the 2013/14 year, the performance hurdles and vesting proportions for the EPS performance measure is outlined in the table below.

Compound annual EPS Growth	Proportion of Performance Rights to Vest if EPS growth hurdle is met
Less than 3% per annum	0%
3% per annum	25%
Between 3% and 8% per annum	Straight line vesting between 25% and 50%
8% or higher per annum	50% (i.e. 50% of total grant)

For performance rights granted to executives in the 2013/14 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 50%
75th percentile or higher	50% (i.e. 50% of total grant)

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

Tranche	Grant date	Expiry date	Balance at beginning of the year	Granted during the year	Cancelled during the year	Vested during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	Number	Number
2015								
(i)	17/02/2012	30/06/2014	292,500	–	–	–	(292,500)	–
(ii)	25/02/2013	30/06/2015	892,000	–	(166,000)	–	–	726,000
(iii)	24/02/2014	30/06/2016	540,000	–	(200,000)	–	–	340,000
(iv)	25/02/2015	30/06/2017	–	507,000	–	–	–	507,000
			1,724,500	507,000	(366,000)	–	(292,500)	1,573,000
2014								
(i)	21/02/2011	30/06/2013	290,000	–	–	(290,000)	–	–
(ii)	17/02/2012	30/06/2014	585,000	–	–	–	(292,500)	292,500
(iii)	25/02/2013	30/06/2015	972,000	–	(80,000)	–	–	892,000
(iv)	24/02/2014	30/06/2016	–	540,000	–	–	–	540,000
			1,847,000	540,000	(80,000)	(290,000)	(292,500)	1,724,500

Fair value

During the current financial year 507,000 performance rights were granted to employees (2014: 540,000) at a weighted average fair value of $1.98 (2014: $1.86).

For the 30 June 2015 financial year, the fair value of the performance rights granted subject to the EPS and ROFE hurdles was determined by using a Black Scholes Model. When determining the fair values it was assumed the Company would have a dividend yield of 4.72%, the risk free rate was 1.87% and annualised share price volatility was 30.0% for the Company.

The fair value of the performance rights granted will be allocated to each financial year evenly over the specified three year performance period. The amount recognised as personnel expenses in the current financial year was $679,000 (2014: $609,000). Refer to the Remuneration Report section of the Directors' Report for further details.

23. PROVISIONS

In thousands of AUD	Warranties	Restructuring	Site restoration	Product liability	Other	Total
Balance at 1 July 2014	13,056	1,440	1,616	1,094	380	17,586
Provisions made during the year	3,007	50,617	–	1,546	8,979	64,149
Provisions used during the year	(3,723)	(19,788)	–	(814)	(6,582)	(30,907)
Disposal of discontinued operations	(9,440)	–	–	–	–	(9,440)
Transfers between provisions	–	284	(284)	–	–	–
Reclassification to assets held for Sale	(362)	(82)	–	–	(35)	(479)
Balance at 30 June 2015	2,538	32,471	1,332	1,826	2,742	40,909
Current	2,538	32,453	1,332	1,826	2,742	40,891
Non-current	–	18	–	–	–	18
	2,538	32,471	1,332	1,826	2,742	40,909

Warranties

The provision for warranties relates to future warranty expense on products sold during the current and previous financial years. Following the disposal of the Dux Hot Water and Brivis businesses, the major warranty expense relates to sanitaryware and tapware products. The provision is based on estimates made from historical warranty data associated with similar products and services. The consolidated entity expects to expend the majority of the provision in the next financial year.

Restructuring

The restructuring provision relates to the estimated costs of redundancies, site closures and product rationalisation related to business restructuring. The majority of the provision is expected to be utilised in the next financial year.

Product liability

The provision for product liability relates to the estimated costs arising from open product liability claims for Brivis product defect issues. Refer to note 28 for further details.

24. CAPITAL AND RESERVES

Share capital

	Ordinary shares		AUD	
In thousands	**2015**	**2014**	**2015**	**2014**
On issue at 1 July – fully paid	306,534	306,534	408,100	408,100
Capital return net of tax	–	–	(70,158)	–
Share consolidation	(27,586)	–	–	–
On issue at 30 June – fully paid	278,948	306,534	337,942	408,100

The Company does not have authorised capital or par value in respect of its issued shares.

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

24. CAPITAL AND RESERVES (CONTINUED)

Return of Funds to Shareholders and Share consolidation

On 15 June 2015, GWA completed a return of funds to shareholders of $88,282,000 ($0.288 per fully paid ordinary share) comprising a capital return of $69,890,000 ($0.228 per fully paid ordinary share) and a partly franked special dividend of $18,392,000 ($0.06 per fully paid ordinary share). The return of funds to shareholders was completed following the resolutions of shareholders passed at the General Meeting on 29 May 2015.

The capital return of $69,890,000 is reflected as a reduction in the value of the Company's issued share capital in the current year. The ATO confirmed by a class ruling in June 2015 that the return of capital did not constitute a dividend for Australian income tax purposes.

On 29 May 15, GWA shareholders also approved a consolidation of the Company's share capital through the conversion of each fully paid ordinary share in GWA into 0.9100 fully paid ordinary shares. The share consolidation occurred with effect from Tuesday 9 June 2015. Upon the completion of the share consolidation, the number of the Company's shares on issue reduced from 306,533,770 to 278,947,986.

Translation reserve

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

Hedging reserve

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

Equity compensation reserve

The equity compensation reserve represents the fair value of the cumulative net charges of the performance rights.

Dividends

Dividends recognised in the current year are:

	Costs per share *(In AUD cents)*	**Total amount** *(In thousands of AUD)*	**Franked**	**Date of Payment**
2015				
Special 2015	6.0	18,392	76.65%	15th June 2015
Final 2014 ordinary	5.5	16,859	100%	8th Oct 2014
Total amount	11.5	35,251		
2014				
Interim 2014 ordinary	–	–	–	–
Final 2013 ordinary	6.0	18,392	100%	4th Oct 2013
Total amount	6.0	18,392		

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

As noted above, the Company paid a dividend of $18.392 million on 15 June 2015. This was paid out of the parent entity's current year profit at the time in accordance with the *Corporations Act 2001*.

24. CAPITAL AND RESERVES (CONTINUED)

Dividend franking account

	The Company	
In thousands of AUD	**2015**	**2014**
30 per cent franking credits available to shareholders of GWA Group Limited for subsequent financial years	7,157	5,943

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.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Risk management policy

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

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

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

Capital management policy

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

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

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

Credit risk

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

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

The consolidated entity maintains an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

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

The consolidated entity has three major customers which comprise 45% of the trade receivables carrying amount at 30 June 2015 (2014: 44%). At balance date there were no material uninsured concentrations of credit risk.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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	2015	2014
Cash and cash equivalents	33,043	29,873
Net trade receivables	62,540	81,347
Other receivables	1,017	1,668
	96,600	112,888

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

In thousands	2015 Receivable	2015 Impairment	2014 Receivable	2014 Impairment
Not yet due	53,402	–	64,351	(100)
Past due 0-30 days	25,496	–	39,510	(86)
Past due 31-60 days	828	–	2,129	(20)
Past due 61-120 days	306	(43)	784	(51)
Past due 120+ days	233	(180)	1,632	(1,066)
Less accrued rebates and credit claims	(17,502)	–	(25,736)	–
	62,763	(223)	82,670	(1,323)

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	2015	2014
Balance at 1 July	(1,323)	(1,489)
Impairment loss written back/(recognised)	738	(268)
Provisions used during the year	48	436
Disposal of Brivis and Dux businesses	162	–
Reclassification Liabilities Held for Sale	175	–
Other transfer	(23)	–
Effect of movements in foreign exchange	–	(2)
Balance at 30 June	(223)	(1,323)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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	Less than 6 months	6-12 months	1-2 years	3-5 years	5+ years
2015							
Non-derivative financial liabilities							
Unsecured cash advance facilities	(125,000)	(136,469)	(2,458)	(2,458)	(4,915)	(126,638)	–
Trade and other payables	(45,727)	(45,727)	(45,727)	–	–	–	–
Derivative financial liabilities							
Interest rate swaps designated as hedges	(1,872)	(2,135)	(710)	(583)	(744)	(98)	–
Forward exchange contracts designated as hedges – net inflow	328	328	328				
Total at 30 June 2015	(172,271)	(184,003)	(48,567)	(3,041)	(5,659)	(126,736)	–
2014							
Non-derivative financial liabilities							
Unsecured cash advance facilities	(175,000)	(193,292)	(4,472)	(4,472)	(8,944)	(175,404)	–
Trade and other payables	(58,539)	(58,539)	(58,491)	(48)	–	–	–
Derivative financial liabilities							
Interest rate swaps designated as hedges	(1,521)	(1,899)	(509)	(435)	(646)	(309)	–
Forward exchange contracts designated as hedges – net outflow	(1,205)	(1,205)	(1,205)	–	–	–	–
Total at 30 June 2014	(236,265)	(254,935)	(64,677)	(4,955)	(9,590)	(175,713)	–

The unsecured cash advance facilities mature in October 2017 (2014: the unsecured cash advance facilities were split between three year and five year terms). The periods in which the cash flows associated with derivatives arise match the periods of profit and loss impact.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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 Committee.

(a) Interest rate risk

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

The consolidated entity adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is reduced. Interest rate swaps, denominated in Australian dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure. The swaps mature over the next 2 years and have fixed swap rates ranging from 3.11% to 3.50% (2014: 3.37% to 4.98%). At 30 June 2015, the consolidated entity had interest rate swaps in operation with a notional contract amount of $125,000,000 (2014: $125,000,000).

The consolidated entity classifies interest rate swaps as cash flow hedges and states them at fair value.

The net fair value of swaps at 30 June 2015 of $1,872,000 was recognised as a fair value derivative liability (2014: $1,521,000 fair value derivative liability).

(i) Profile

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

In thousands	2015 Notional value	2015 Carrying amount	2014 Notional value	2014 Carrying amount
Variable rate financial instruments				
Unsecured cash advance facilities	(125,000)	(125,000)	(175,000)	(175,000)
Bank balances	10,873	10,873	12,117	12,117
Call deposits	22,170	22,170	17,756	17,756
	(91,957)	(91,957)	(145,127)	(145,127)
Fixed rate financial instruments				
Interest rate swap derivatives	125,000	(1,872)	125,000	(1,521)
Total	33,043	(93,829)	(20,127)	(146,648)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

(a) Interest rate risk (continued)

(ii) Fair value sensitivity analysis for fixed rate instruments

The consolidated entity does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates at balance date would have affected the consolidated entity's equity and financial assets and liabilities as follows:

In thousands of AUD	2015	2014
Increase of 100 basis points		
Hedging reserve (increase)/decrease	(1,808)	(2,484)
Financial assets increase/(decrease)	(97)	963
Financial liabilities (increase)/decrease	1,905	1,521
	–	–
Decrease of 100 basis points		
Hedging reserve (increase)/decrease	1,921	2,334
Financial assets increase/(decrease)	–	–
Financial liabilities (increase)/decrease	(1,921)	(2,334)
	–	–

(iii) Cash flow sensitivity analysis for fixed and variable rate instruments

A change of 100 basis points in interest rates during the period would have affected the consolidated entity's profit or loss as follows:

In thousands of AUD	2015	2014
Increase of 100 basis points		
Unsecured cash advance facilities (AUD)	(1,509)	(2,000)
Bank balances	40	34
Interest rate swap derivatives	1,234	1,369
Call deposits variable rate	328	227
	93	(370)
Decrease of 100 basis points		
Unsecured cash advance facilities (AUD)	1,509	2,000
Bank balances	(40)	(34)
Interest rate swap deliverables	(1,234)	(1,369)
Call deposits variable rate	(328)	(227)
	(93)	370

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

(b) Foreign currency risk

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

The consolidated entity hedges its foreign currency exposure in respect of forecasted sales and purchases by entering into forward exchange contracts. The forward exchange contracts have maturities of less than six months after the balance date. The consolidated entity classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value. The estimated forecast sales and purchases in the tables below are for the six month period after the balance date.

(i) Exposure to currency risk

In thousands of AUD	**USD**	**NZD**	**EUR**	**RMB**
Currency transaction risk				
2015				
Trade payables	(4,747)	(1)	(641)	(465)
Cash	1,227	445	57	595
Net balance sheet exposure	(3,520)	444	(584)	130
Estimated forecast sales	–	13,875	–	
Estimated forecast purchases	(61,372)	(4,398)	(2,930)	(9,388)
Net forecast transaction exposure	(61,372)	9,477	(2,930)	(9,388)
Forward exchange contracts	31,250	(3,320)	–	4,931
Net exposure 30 June 2015	(33,642)	6,601	(3,514)	(4,327)
Foreign exchange rates at balance date	0.7680	1.1294	0.6866	4.7661
2014				
Trade payables	(2,350)	(1)	(318)	(90)
Cash	5	4	4	1
Net balance sheet exposure	(2,345)	3	(314)	(89)
Estimated forecast sales	–	11,802	–	–
Estimated forecast purchases	(47,219)	(5,491)	(3,212)	(6,123)
Net forecast transaction exposure	(47,219)	6,311	(3,212)	(6,123)
Forward exchange contracts	37,686	(3,485)	–	2,566
Net exposure 30 June 2014	(11,878)	2,829	(3,526)	(3,646)
Foreign exchange rates at balance date	0.9420	1.0761	0.6906	5.8466

Currency translation risk				
2015				
Net liabilities	–	(3,009)	–	(209)
2014				
Net assets/(liabilities)	–	2,524	–	(313)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

(b) Foreign currency risk (continued)

(ii) Sensitivity analysis

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 of exchange rate movements on equity and profit and loss is not material.

Fair values

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

In thousands of AUD	**Carrying amount 2015**	**Fair value 2015**	**Carrying amount 2014**	**Fair value 2014**
Cash and cash equivalents	33,043	33,043	29,873	29,873
Trade and other receivables	63,557	63,557	83,015	83,015
Interest rate swaps:				
Liabilities	(1,872)	(1,872)	(1,521)	(1,521)
Forward exchange contracts:				
Assets/(liabilities)	328	328	(1,205)	(1,205)
Unsecured cash advance facilities	(125,000)	(125,000)	(175,000)	(175,000)
Trade and other payables	(45,727)	(45,727)	(58,539)	(58,539)
	(75,671)	(75,671)	(123,377)	(123,377)

(c) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

(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

The notional amount of the interest-bearing loans is deemed to reflect the fair value. The interest-bearing loans have a three year term.

(iii) Trade and other receivables/payables

All receivables/payables are either repayable within twelve months or repayable on demand. Accordingly, the notional amount is deemed to reflect the fair value.

(iv) Interest rates used for determining fair value

The consolidated entity uses the government yield curve as of 30 June 2015 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2015	**2014**
Derivatives	2.10% – 2.75%	2.64% – 3.28%
Loans and borrowings	2.92% – 3.45%	4.50% – 4.85%

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25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values (continued)

(c) Estimation of fair values (continued)

(v) Fair value hierarchy

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

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

In thousands of AUD	Level 1	Level 2	Level 3	Total
30 June 2015				
Forward contracts used for hedging	–	328	–	328
Interest rate swaps used for hedging	–	(1,872)	–	(1,872)
	–	(1,544)	–	(1,544)
30 June 2014				
Forward contracts used for hedging	–	(1,205)	–	(1,205)
Interest rate swaps used for hedging	–	(1,521)	–	(1,521)
	–	(2,726)	–	(2,726)

26. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2015	2014
Less than one year	15,764	13,374
Between one and five years	27,914	23,255
More than five years	92	1,029
	43,770	37,658

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

During the financial year ended 30 June 2015, $15,419,000 (2014: $15,347,000) was recognised as an expense in profit or loss in respect of operating leases.

27. CAPITAL COMMITMENTS

In thousands of AUD	2015	2014
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for and payable:		
Within one year	2,009	2,114
Between one and five years	601	–
	2,610	2,114

28. CONTINGENCIES

Brivis Product Defect Issues

Following the sale of Brivis to Rinnai on 2 February 2015, GWA Group Limited (GWA) continues to remain responsible for the liability and management of the known Brivis product defect issues. These products were subject to recalls commenced by the former owner, Carrier, for Brivis evaporative coolers manufactured between August 2000 and November 2003 due to defective components. GWA has provided an indemnity to Rinnai in the sale agreement for these issues.

A dispute exists between GWA and Carrier for the recovery of costs and breach of warranty associated with the Brivis product defect issues under the Brivis purchase agreement dated March 2010. A progress claim in the amount of $2,876,000 (excluding GST) was submitted to Carrier in June 2015 under the Brivis purchase agreement. No payment has been received from Carrier to date and the matter remains under dispute. GWA has not recognised the progress claim against Carrier.

Provision has been made in respect of GWA's obligations that are known to exist and can be reliably measured at 30 June 2015. The provision is the current best estimate of the costs arising from open product liability claims. There are, however, a number of aspects relating to this matter which have not been finalised including the potential for future product liability claims and the resolution of the dispute with Carrier. At the date of this report, it is not possible to determine when all of these aspects will be finalised and potential outcomes.

29. 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 30 are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

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

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2015, is set out in the table below.

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

In thousands of AUD	**2015**	**2014 Restated**
Sales revenue	410,393	379,029
Cost of sales	(236,057)	(224,099)
Gross profit	174,336	154,930
Operating expenses	(153,906)	(100,464)
Finance income	933	681
Finance expenses	(8,251)	(11,883)
Profit before tax	13,112	43,264
Tax expense	(3,932)	(11,337)
Profit after tax from continuing operations	9,180	31,927
Loss after tax from discontinued operations (refer Note 3)	(26,072)	(12,355)
Net (loss)/profit	(16,892)	19,572
Total comprehensive (loss)/income, net of tax	(16,892)	19,572
Retained earnings at beginning of year	15,348	14,292
Dividends recognised during the year	(35,251)	(18,392)
Share-based payments, net of tax	307	(124)
(Accumulated losses)/retained earnings at end of the year	(36,488)	15,348

29. DEED OF CROSS GUARANTEE (CONTINUED)

Statement of financial position

In thousands of AUD	2015	2014
Assets		
Cash and cash equivalents	31,328	27,938
Trade and other receivables	60,599	123,629
Inventories	80,924	109,925
Other	2,486	2,054
Assets classified as held for sale	15,339	–
Total current assets	190,676	263,546
Intercompany receivables	–	36,023
Investments	11,113	11,113
Deferred tax assets	21,879	13,776
Property, plant and equipment	13,774	57,939
Intangible assets	312,507	364,625
Other	318	673
Total non-current assets	359,591	484,149
Total assets	550,267	747,695
Liabilities		
Trade and other payables	46,445	103,981
Income tax payable	9,496	2,859
Employee benefits	7,516	11,685
Provisions	40,891	9,802
Liabilities associated with assets classified as held for sale	6,023	–
Total current liabilities	110,371	128,327
Intercompany payables	2,993	–
Loans and borrowings	125,000	175,000
Employee benefits	9,334	13,236
Provisions	18	7,784
Total non-current liabilities	137,345	196,020
Total liabilities	247,716	324,347
Net assets	302,551	423,348
Equity		
Issued capital	337,942	408,100
Reserves	1,097	(100)
(Accumulated losses)/retained earnings	(36,488)	15,348
Total equity	302,551	423,348

30. CONSOLIDATED ENTITIES

	Parties to cross guarantee	Country of incorporation	Ownership interest	
			2015	2014
Parent entity				
GWA Group Limited	Y	Australia		
Subsidiaries				
API Services and Solutions Pty Limited	Y	Australia	100%	100%
Austral Lock Pty Ltd	Y	Australia	100%	100%
Brivis Climate Systems Pty Ltd*	N	Australia	–	100%
Canereb Pty Ltd	N	Australia	100%	100%
Caroma Holdings Limited	Y	Australia	100%	100%
Caroma Industries (NZ) Limited	N	New Zealand	100%	100%
Caroma International Pty Ltd	Y	Australia	100%	100%
Corille Limited	Y	Australia	100%	100%
Dorf Clark Industries	Y	Australia	100%	100%
Dorf Industries (NZ) Ltd	N	New Zealand	100%	100%
Dux Manufacturing Ltd*	N	Australia	–	100%
G Subs Pty Ltd	Y	Australia	100%	100%
Gainsborough Hardware Industries Limited	Y	Australia	100%	100%
Gliderol International Pty Limited*	Y	Australia	100%	100%
GWA Finance Pty Limited	Y	Australia	100%	100%
GWA Group Holdings Limited	Y	Australia	100%	100%
GWAIL (NZ) Ltd	N	New Zealand	100%	100%
GWA Taps Manufacturing Limited	Y	Australia	100%	100%
GWA Trading (Shanghai) Co Ltd	N	China	100%	100%
Industrial Mowers (Australia) Limited	Y	Australia	100%	100%
McIlwraith Davey Pty Ltd	Y	Australia	100%	100%
Sebel Furniture Holdings Pty Ltd	Y	Australia	100%	100%
Starion Tapware Pty Ltd	Y	Australia	100%	100%
Stylus Pty Ltd	Y	Australia	100%	100%
Warapave Pty Ltd*	N	Australia	–	100%

*These entities were sold or classified as held for sale during the year ended 30 June 2015, refer to Note 3. Dux Manufacturing Ltd and Brivis Climate Systems Pty Ltd were released from their obligations under the Deed by executing Notices of Disposal on 19 December 2014 and 2 February 2015 respectively.

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2015 the parent company of the consolidated entity was GWA Group Limited.

		Company
In thousands of AUD	**2015**	**2014**
Results of the parent entity		
Profit for the year	17,712	18,089
Other comprehensive income	–	–
Total comprehensive income for the year	17,712	18,089
Financial position of the parent entity		
Current assets	–	–
Total assets	643,089	627,810
Current liabilities	–	2,822
Total liabilities	301,590	199,294
Shareholders equity of the parent entity		
Share capital	337,942	408,100
Equity compensation reserve	2,180	1,807
Retained earnings	1,377	18,609
Total shareholders equity	341,499	428,516

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

Apart from the contingent liability referenced in note 28, the directors are not aware of any contingent liabilities of the parent entity as at reporting date (2014: $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 (2014: $nil).

Parent entity guarantees in respect of debts of 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. No deficiency in net assets exists in these companies at reporting date (2014: $nil). Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Notes 29 and 30.

32. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In thousands of AUD	2015	2014
Cash flows from operating activities		
(Loss)/profit for the year	(16,183)	18,596
Adjustments for:		
Depreciation	8,620	12,815
Amortisation	3,927	4,748
Share-based payments	679	(235)
Foreign exchange loss/(gains) unrealised	734	(373)
Net financing costs	7,329	11,201
Impairment loss	24,204	17,000
(Gain)/loss on sale of property, plant & equipment and intangible assets	(7,265)	635
Loss on sale of discontinued operations	3,634	–
Income tax expense	1,398	14,026
Operating profit before changes in working capital and provisions	27,077	78,413
Decrease in trade and other receivables	(4,627)	(1,007)
Decrease/(increase) in inventories	64	(32,717)
Increase in trade and other payables	2,418	8,515
Increase in provisions and employee benefits	37,219	930
	62,151	54,134
Net interest paid	(7,384)	(10,636)
Income taxes paid	(11,262)	(9,600)
Net cash from operating activities	43,505	33,898

33. RELATED PARTIES

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 7) are as follows:

In AUD	2015	2014
Short-term employee benefits	5,558,823	5,059,721
Post-employment benefits	288,574	294,123
Termination benefits	–	349,195
Share-based payments	569,287	421,685
Other long term employee benefits	(127,312)	(58,187)
	6,289,372	6,066,537

Individual directors and executives compensation disclosures

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

34. SUBSEQUENT EVENTS

Further to the announcement on 29 June 2015 regarding the sale of Gliderol, the sale was successfully completed on 31 July 2015.

Other than the matter noted above, to the directors' best knowledge, there are no events that have arisen subsequent to 30 June 2015 that will, or may, significantly affect the operation or results of the consolidated entity.

DIRECTORS' DECLARATION

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

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

(a) the consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

2 There are reasonable grounds to believe that the Company and the group entities identified in Note 29 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.

3 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2015.

4 The directors draw attention to Note 1(a) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Dated at Brisbane on 18 August 2015.

Signed in accordance with a resolution of the directors:

Darryl D McDonough
Director

Peter C Crowley
Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of GWA Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 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

KPMG
Sydney 18 August 2015

Greg Boydell
Partner

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

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

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of GWA Group Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, and 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 ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) The financial report of GWA Group Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) The financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 18 to 31 of the directors' report for the year ended 30 June 2015. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of GWA Group Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG
Sydney 18 August 2015

Greg Boydell
Partner

OTHER STATUTORY INFORMATION AS AT 17 AUGUST 2015

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

STATEMENT OF SHAREHOLDING

In accordance with the Australian Securities Exchange Listing Rules, the directors state that, as at 17 August 2015, the share capital in the Company was held as follows:

Range	Ordinary Shareholders	Ordinary Shares	%
1 – 1,000	1,638	750,429	0.27
1,001 – 5,000	4,131	11,424,071	4.10
5,001 – 10,000	1,825	13,247,648	4.75
10,001 – 100,000	1,317	27,733,438	9.94
100,001 and over	80	225,792,400	80.94
Total	**8,991**	**278,947,986**	**100.00**

The number of shareholders with less than a marketable parcel of 217 shares is 565.

VOTING RIGHTS

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

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

SUBSTANTIAL SHAREHOLDERS

The following information is extracted from the Company's Register of Substantial Shareholders as at 17 August 2015:

Shareholder	Number of Shares*	% Shares on Issue
Ellerston Capital Limited	40,097,992	14.37%
Investors Mutual Limited	20,490,910	7.35%
AMP Limited	14,299,586	5.13%

* The share balances have been adjusted for the share consolidation effective on 9 June 2015

20 LARGEST SHAREHOLDERS AS AT 17 AUGUST 2015

Shareholder	Number of Shares	% Shares on Issue
J P Morgan Nominees Australia Limited	41,152,158	14.75
HSBC Custody Nominees (Australia) Limited	26,365,142	9.45
RBC Investor Services Australia Nominees Pty Limited <BKCust A/C>	16,846,670	6.04
National Nominees Limited	15,943,269	5.72
HGT Investments Pty Ltd	12,740,000	4.57
KFA Investments Pty Ltd	10,200,684	3.66
Citicorp Nominees Pty Limited	9,784,670	3.51
Erand Pty Ltd	9,007,389	3.23
JMB Investments Pty Ltd	8,359,655	3.00
BNP Paribas Noms Pty Ltd <DRP>	8,034,941	2.88
AMP Life Limited	7,829,614	2.81
Ashberg Pty Ltd	7,387,783	2.65
Theme (No 3) Pty Ltd	7,217,197	2.59
Mr Peter Zinn <Carol Zinn Family No 2 A/C>	5,898,176	2.11
ITA Investments Pty Ltd	4,688,628	1.68
CJZ Investments Pty Ltd	3,841,565	1.38
Dabary Investments Pty Ltd	3,233,986	1.16
HSBC Custody Nominees (Australia) Limited – A/C 3	3,121,837	1.12
Mr Rodney John Turner + Mr Wayne Lindsay Turner <Duncan Family A/C>	2,019,940	0.72
Mr Michael John McFadyen <Michael McFadyen A/C>	1,975,734	0.71
Total	**205,649,038**	**73.72**

SHAREHOLDER INFORMATION

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

ANNUAL GENERAL MEETING

The Annual General Meeting of GWA Group Limited will be held in The Conference Room, Emporium Hotel, 1000 Ann Street, Fortitude Valley on Friday 30 October 2015 commencing at 10:30am (Brisbane time). Shareholders will be mailed their Notice of Annual General Meeting and Proxy Form during September 2015.

SHAREHOLDER ENQUIRIES

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

CHANGE OF ADDRESS

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

CONSOLIDATION OF SHAREHOLDINGS

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

ANNUAL REPORTS

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

DIVIDENDS

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

DIRECT CREDIT OF DIVIDENDS

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

DIVIDEND REINVESTMENT PLAN

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

SECURITIES EXCHANGE LISTING

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

SHAREHOLDER TIMETABLE 2015

30 June
Financial year end

18 August
Year end results announcement

25 September
Notice of Annual General Meeting and
Proxy Form mailed to shareholders

28 October
Proxy returns close 10:30am Brisbane time

30 October
Annual General Meeting

31 December
Half year end

HEAD OFFICE LOCATIONS

GWA Group Limited

Level 2, HQ South Tower
520 Wickham Street
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Facsimile: 61 2 8825 4567

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

GWA Door & Access Systems

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

Telephone: 61 3 9877 1555
Facsimile: 61 3 9894 1599

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

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

Telephone: 131KEY(539)
Facsimile: 61 3 9644 5887

www.apisec.com.au

CORPORATE DIRECTORY

Directors

D D McDonough, Chairman

J F Mulcahy, Deputy Chairman

P C Crowley, Managing Director

R M Anderson, Non-Executive Director

W J Bartlett, Non-Executive Director

P A Birtles, Non-Executive Director

R J Thornton, Executive Director

Chief Financial Officer

P A Gibson, BA, FCMA, FAICD, FGIA

Company Secretary

R J Thornton, CA B Com (Acc) LLB (Hons) LLM

Registered Office

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ASX code: GWA

Auditor

KPMG

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(outside Australia) 61 3 9415 4000

www.computershare.com.au

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