



GWA
Group Limited

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23 April 2015

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

GWA TO RETURN \$88.282 MILLION (28.8 CENTS PER SHARE) TO SHAREHOLDERS

Having completed the sale of Dux and Brivis, GWA Group Limited will, subject to shareholder approval, return funds to shareholders of \$0.288 per share comprised of:

1. a return of capital of \$0.228 per share (~ \$69.890m); and
2. a partly franked special dividend of \$0.060 per share, franked to 76.65% (~ \$18.392m)

The distributions will be the subject of a Class Ruling from the Australian Tax Office (ATO) on the tax treatment of the payments, and the return of capital is subject to approval by GWA shareholders at a General Meeting.

Provided the proposed capital return is approved by shareholders GWA intends to implement an equal and proportionate share consolidation, in a ratio of 0.9100 ordinary shares for every one GWA ordinary share currently held such that a holding of 100 shares will be consolidated to 91 shares. Where the consolidation calculation results in a fraction of an entitlement, fractions will be rounded up.

Shareholder Meeting

The proposed return of funds by way of the proposed capital return and proposed share consolidation is subject to shareholder approval.

A General Meeting of shareholders will be held on 29 May 2015 to obtain the necessary approvals.

A Notice of Meeting containing all necessary information will be sent to shareholders today and a copy is attached to this announcement.

Capital Return and Special Dividend

If shareholders approve the capital return and share consolidation, the capital return and special dividend will be paid on 15 June 2015.

The dividend reinvestment plan remains suspended and will not be offered to shareholders for the special dividend.

GWA has received a draft Class Ruling from the ATO in relation to the taxation treatment of the capital return for its shareholders. The ATO ruling is expected to be agreed 'in principle' with the ATO before the General Meeting, and finalised by the ATO after that meeting, such that it may be relied on by shareholders.

General explanations of the tax treatment of the capital return and special dividend are set out in the Explanatory Memorandum accompanying the Notice of Meeting.

Share Consolidation

If shareholders approve the proposed capital return, GWA also proposes to implement an equal and proportionate share consolidation of GWA's share capital. The share consolidation requires shareholder approval and will be considered at the same General Meeting as the capital return.

The conversion ratio of every one GWA ordinary share into 0.9100 GWA ordinary shares is based on the amount of the return of capital (\$0.228 per share) as a proportion of the volume weighted average share price over the 20 trading day period ending 27 March 2015 (\$2.53).

The combination of the capital return and the share consolidation is intended to provide an earnings per share outcome similar to a share buy-back, while ensuring that all shareholders receive an equal cash distribution per share. The share consolidation is also expected to neutralise any expected share price reduction relating to the return of capital.

If shareholders approve the proposed share consolidation the number of GWA ordinary shares on issue will be reduced from approximately 307 million shares to approximately 279 million shares.

Key Dates – Capital Return, Special Dividend and Share Consolidation

The timetable below assumes the return of capital and share consolidation are approved by shareholders at the General Meeting

11.00am (Brisbane time) Friday, 29 May 2015	General Meeting
Tuesday, 2 June 2015	Last day for trading on a pre-consolidated basis
Wednesday, 3 June 2015	GWA shares commence trading on an 'ex return of capital' and 'ex dividend' basis Trading in post-consolidation GWA shares commences on a deferred settlement basis
7.00pm (Brisbane time) Friday, 5 June 2015	Record date for determining entitlements to participate in the return of capital and special dividend (entitlements will be determined by reference to GWA's pre-consolidation capital) Last day for registration of transfers on a pre-consolidation basis
Tuesday, 9 June 2015	Effective Date for share consolidation Post-consolidation holdings entered into holders' security holdings
Monday, 15 June 2015	Payment date for capital return and special dividend Deferred settlement trading ends Holding notices issued confirming post-consolidation holdings
Tuesday, 16 June 2015	Normal trading resumes

For further information call:

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23 April 2015

Dear Shareholder

NOTICE OF GENERAL MEETING

A General Meeting of GWA Group Limited will be held in The Conference Room, Emporium Hotel, 1000 Ann Street, Fortitude Valley on Friday 29 May 2015 commencing at 11:00 am Brisbane time.

The primary reason for the meeting is for shareholders to approve a return of surplus capital. That approval will be subject to receiving an 'in-principle' final Class Ruling from the Australian Taxation Office (ATO) on the taxation treatment of the payment. The final Class Ruling will be issued by the ATO after the meeting and may be relied on by shareholders.

As a result of the recent sales of Dux Hot Water and Brivis Climate Systems, your directors consider that the Company has surplus capital, which they believe should be returned to shareholders.

Subject to a favourable ATO final ruling and receipt of shareholder approval, the Company is proposing to return to shareholders an amount of \$0.288 per share (a total of ~\$88.282m) comprised of:

1. a return of capital of \$0.228 per share (~\$69.890m); and
2. a special dividend of \$0.060 per share partly franked to 76.65% (~\$18.392m).

As a result of the capital return, shareholder approval will be sought for an equal and proportionate share consolidation.

The special dividend is conditional on shareholders approving the capital return and share consolidation.

Subject to receipt of shareholder approval to the capital return, the share consolidation will be undertaken through the conversion of one fully paid ordinary share into 0.9100 fully paid ordinary shares. The consolidation ratio was determined based on the amount of the return of capital (\$0.228 per share) as a proportion of the volume weighted average share price over the 20 trading day period ending 27 March 2015 (\$2.53).

The Notice of Meeting accompanying this letter provides further details on the resolutions and you should read the contents carefully.

Your directors unanimously recommend that shareholders vote in favour of both resolutions. Each director intends to vote in favour of all the resolutions proposed.

If you are unable to attend the meeting, a proxy form is enclosed for your use. You are now able to cast your proxy vote electronically at www.investorvote.com.au or scan the **QR Code** with your mobile device.

If you plan to attend the meeting, please bring the enclosed proxy form to facilitate your registration.

I look forward to seeing you at the meeting.

Yours faithfully

Darryl D McDonough
Chairman

Notice of General Meeting

A General Meeting of GWA Group Limited ABN 15 055 964 380 will be held in The Conference Room, Emporium Hotel, 1000 Ann Street, Fortitude Valley on Friday 29 May 2015 commencing at 11:00am (Brisbane time).

SPECIAL BUSINESS

RESOLUTION 1 – RETURN OF CAPITAL TO SHAREHOLDERS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

1. That, subject to and conditional upon the passing of Resolution 2 (Share Consolidation), for the purposes of Part 2J.1 of the *Corporations Act 2001* (Cth) and for all other purposes, approval is given for the share capital of the Company to be reduced by \$69.89 million, such reduction of capital to be effected by the Company paying to each registered holder of fully paid ordinary shares in the Company as at the record date of 7:00pm Brisbane time on Friday 5 June 2015 the amount of \$0.228 per fully paid ordinary share in the Company held by that holder as at that time.

RESOLUTION 2 – SHARE CONSOLIDATION

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

2. That, subject to and conditional upon the passing of Resolution 1 (Return of Capital to Shareholders), with effect on and from Tuesday 9 June 2015, the share capital of the Company will be consolidated through the conversion of every one fully paid ordinary share in the Company into 0.9100 fully paid ordinary shares in the Company, and that any resulting fractions of a share be rounded up to the next whole number of shares.

EXPLANATORY MEMORANDUM

Accompanying this notice is an Explanatory Memorandum that provides shareholders with background information and further details on the resolutions to be considered at the meeting. The information provided is intended to assist shareholders in understanding the reasons for and the effect of the resolutions, if passed. Information is also presented in accordance with the requirements of the *Corporations Act* and the ASX Listing Rules. Terms defined in the Explanatory Memorandum and used in this notice bear the same meaning as in the Explanatory Memorandum.

Voting Entitlements

The Board has determined that the entitlement of any person to vote at the meeting will be that person's entitlement as set out in the Company's Register of Members as at 7:00pm Brisbane time on Wednesday 27 May 2015.

Voting by Proxy

A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies. A proxy need not be a member of the Company. A shareholder may appoint an individual or body corporate to act as its proxy. If a body corporate is appointed as proxy, the body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the *Corporations Act* to exercise its powers as proxy at the meeting. If two proxies are appointed, the appointment may specify the proportion or number of votes that the proxy may exercise. Otherwise, each proxy may exercise half the votes.

A proxy form accompanies this notice of meeting.

To be valid, the proxy form (together with the original or a certified copy of any power of attorney under which the proxy form is signed) must be received at:

- The Company's share registry – Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Victoria 3001
- Facsimile – (Within Australia) 1800 783 447 / (Outside Australia) +61 3 9473 2555

Alternatively, you can submit your proxy online at www.investorvote.com.au quoting the 6 digit control number on the proxy form, or scan the **QR Code** with your mobile device located on the front of the proxy form. Intermediary online subscribers (Custodians) can lodge a proxy online by visiting www.intermediaryonline.com.

A proxy form must be received by 11:00am (Brisbane time) on Wednesday 27 May 2015, being not less than 48 hours before the time for holding the meeting.

By Order of the Board

R Thornton
Executive Director and Company Secretary

23 April 2015

Notice of General Meeting Cont.

EXPLANATORY MEMORANDUM

In this Explanatory Memorandum, the following terms have the following meanings:

“Company” means GWA Group Limited ABN 15 055 964 380

“director” means a director of the Company

“Constitution” means the constitution of the Company

“Corporations Act” means the *Corporations Act 2001* (Cth)

“ASX Listing Rules” means the Listing Rules of ASX Limited

Ordinary Resolutions

Each of Resolutions 1 and 2 are ordinary resolutions and will require the support of more than 50% of the votes cast at the meeting by members present and entitled to vote in order that they be passed.

The return of capital and the share consolidation the subject of Resolutions 1 and 2 are interdependent. Accordingly, approval of each item is conditional on approval of the other. Shareholders should therefore consider Resolutions 1 and 2 and the relevant disclosures together.

If either or both Resolutions are not passed, no funds will be paid to shareholders and the Board will consider alternative uses for those funds.

RESOLUTION 1 – RETURN OF CAPITAL TO SHAREHOLDERS

1. Proposed return of capital and special dividend

Return of capital – The Company proposes to make a cash payment to shareholders of \$0.228 per fully paid ordinary share (~\$69.890 million) as a return of capital.

The record date for determining entitlements to receive the return of capital is 7:00pm Brisbane time on Friday 5 June 2015.

Payment details – If the return of capital is approved by shareholders, payments to entitled shareholders who are registered holders of shares in the Company at the record date referred to above will be made by Mandatory Direct Credit in line with the Company’s dividend policy.

Any fraction of a cent payable to any shareholder in respect of the shareholder’s aggregate shareholding will be rounded to the nearest whole cent.

Shareholders who wish to can arrange to have the return of capital paid directly into a bank, building society or credit union account in Australia by contacting the Company’s share registry on 1300 381 650 (within Australia) or +61 3 9415 4131 (outside Australia) before the record date of 7.00pm (Brisbane time) on Friday 5 June 2015. Alternatively banking details can be updated online by visiting www.investorcentre.com/au and logging in using your shareholder information.

Tax treatment – Refer to section 6 below for information about the tax implications of the capital return for shareholders of the Company.

Partly franked special dividend – The Company proposes to pay a special dividend of \$0.060 per share franked to 76.65%, subject to the approval of the return of capital and the share consolidation by shareholders.

The directors have decided that declaration and payment of the partly franked dividend is conditional on shareholders passing Resolutions 1 and 2.

If both of these Resolutions are approved, it is proposed that the partly franked dividend will be paid on the same date as the return of capital, being Monday 15 June 2015 with a record date of 7:00pm (Brisbane time) on Friday 5 June 2015.

Dividend payments will be made by Mandatory Direct Credit in line with the Company’s usual dividend policy.

The dividend reinvestment plan will not be offered to shareholders for the special dividend and the dividend reinvestment plan will remain suspended.

Refer to section 6 below for information about the tax implications of the dividend for shareholders of the Company.

2. Reasons for the return of capital

General Rationale – As a result of the recent sales of Dux Hot Water and Bravis Climate Systems, your directors consider that the Company has surplus capital that should be returned to shareholders.

The directors believe that approximately \$69.890 million of capital can prudently be returned to shareholders by way of return of capital with an additional \$18.392 million dividend giving an aggregate return of funds to shareholders of approximately \$88.282 million.

By returning this amount the Company will be left appropriately capitalised taking account of the interests of all stakeholders.

3. Requirements for the return of capital

Equal reduction – The proposed return of capital constitutes an equal reduction of the Company’s share capital for the purposes of the *Corporations Act*.

This is because it relates only to ordinary shares, it applies to each holder of ordinary shares in proportion to the number of shares they hold, and the terms of the reduction are the same for each holder of ordinary shares.

Notice of General Meeting Cont.

Statutory requirements – The requirements of the *Corporations Act* for a company to reduce its share capital are set out below.

Requirement	How the requirement is satisfied
The reduction must be fair and reasonable to the Company's shareholders as a whole	The directors consider that the return of capital is fair and reasonable to the Company's shareholders as a whole. All shareholders will be treated in the same manner in terms of the proportion of the share capital of the Company being returned.
The reduction must not materially prejudice the Company's ability to pay its creditors	The directors have carefully reviewed the Company's assets, liabilities and expected cashflows, and are of the view that the return of capital will not materially prejudice the Company's ability to pay its creditors. The directors have also satisfied themselves as to the solvency of the Company following the return of capital.
The reduction must be approved by shareholders under section 256C of the <i>Corporations Act</i>	Shareholder approval is being sought at this meeting to satisfy this requirement. The proposed reduction must be approved by ordinary resolution of the Company's shareholders. In accordance with section 256C(5) of the <i>Corporations Act</i> , a copy of this Notice of General Meeting has been lodged with the Australian Securities and Investments Commission.

4. Effect of the return of capital on the Company

Effect on capital structure – After the return of capital, the Company's share capital will be reduced by approximately \$69.890 million.

No shares will be cancelled or redeemed in connection with the return of capital. Accordingly, the return of capital will not affect the control of the Company.

The return of capital is conditional on the passing of Resolution 2 for a proposed consolidation of share capital, which will affect the total number of ordinary shares of the Company on issue and the number of ordinary shares held by each shareholder (but will not affect control of the Company). Subject to rounding, this will not affect a shareholder's percentage shareholding in the Company. See section 13 below for further information. To avoid doubt, entitlements under the proposed return of capital and special dividend will be calculated based on the Company's pre-consolidated number of issued ordinary shares.

Impact on growth strategies – In view of the strong financial position of the Company, the operating profits of the Company's existing businesses, and the Company's capacity to raise additional finance if required, in the opinion of the Board the return of capital will not materially impact the Company's ability to fund new investment in its core businesses and other development and expansion initiatives.

The Board believes that the proposed return of capital and special dividend will leave the Company capitalised to grow its business while taking into account the interests of all stakeholders.

Impact of share consolidation – If the proposed capital return is implemented, the Company's shares may trade at a lower share price following the 'ex' date for the return of capital than they would have done had the capital return not occurred. This is due to the return of funds to shareholders and the consequent reduction in shareholders' funds.

The Company is therefore also proposing a consolidation of share capital through the conversion of every one fully paid ordinary share into 0.9100 ordinary shares. If approved, the share consolidation can be expected to result in a proportionate increase in the Company's share price proportional to the consolidation. See the information in relation to Resolution 2 for more details.

Impact on financial position of the Company – As a guide to assist shareholders, the Company has prepared the pro forma balance sheet set out on the following page.

Special Dividend – The amount of the special dividend is quantified by reference to the amount of the sale proceeds from Dux Hot Water and Brivis Climate Systems regarded by the Australian Taxation Office as profit for relevant purposes. The special dividend will be partly franked to the extent of 76.65%. The Company's franking credits will be reduced to the extent of the franking of the dividend, with the dividend being subject to the shareholders passing Resolutions 1 and 2.

The level of any future dividends paid by the Company is determined by the Board having regard to the financial circumstances of the Company.

The dividend reinvestment plan remains suspended and will not be offered to shareholders for the special dividend.

Tax implications for the Company – No adverse tax consequences are expected to arise for the Company as a consequence of the capital return.

5. Pro forma balance sheet

Basis of preparation – The pro forma balance sheet includes the financial information of the Company together with its controlled entities following the sale of Dux Hot Water and Brivis Climate Systems (Sale Transactions) and the payment of the proposed capital return and special dividend (Funds Return).

The pro forma balance sheet has been derived from the reviewed financial statements of the Company and its controlled entities for the half-year ended 31 December 2014, and reflects the position as if the Sale Transactions and the Funds Return were both completed on that date. The actual impact of the Sale Transactions may differ.

The Company's financial report for the half-year ended 31 December 2014 was reviewed in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* and the review statement issued to the members of the Company relating to the half-year financial report was unqualified.

The pro forma balance sheet has been prepared:

- based on the significant accounting policies disclosed in the annual financial report of the Company and its controlled entities for the year ended 30 June 2014; and
- by applying relevant pro forma adjustments described in this section to the historical consolidated balance sheet of the Company and its controlled entities as at 31 December 2014.

Notice of General Meeting Cont.

The pro forma balance sheet is presented in abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with Australian Accounting Standards and the *Corporations Act*.

Historical and pro forma historical balance sheet – The following table sets out the GWA Group historical and pro forma balance sheet as at 31 December 2014. For the purposes of presenting the GWA Group pro forma balance sheet, it has been assumed that the Sale Transactions and Funds Return described above were completed on 31 December 2014.

In thousands of AUD	Total GWA Group 31 Dec 2014	Sale Transactions & Repayment of Borrowings (1), (2)	Debt drawdown for Funds Return	Funds Return (3)	Share Consolidation (4)	Pro forma 31 Dec 2014
Current assets						
Cash and cash equivalents	68,443	(32,063)	60,000	(88,282)		8,098
Trade and other receivables	99,122					99,122
Inventories	88,607					88,607
Other	3,554					3,554
Assets held for sale	61,126	(61,126)				–
Total current assets	320,852	(93,189)	60,000	(88,282)	–	199,381
Non-current assets						
Deferred tax assets	21,329					21,329
Property, plant and equipment	46,089					46,089
Intangible assets	331,449					331,449
Other	833					833
Total non-current assets	399,700	–	–	–	–	399,700
Total assets	720,552	(93,189)	60,000	(88,282)	–	599,081
Current liabilities						
Trade and other payables	78,458					78,458
Employee benefits	9,061					9,061
Income tax payable	1,669					1,669
Provisions	35,363	(1,263)				34,100
Liabilities held for sale	15,745	(15,745)				–
Total current liabilities	140,296	(17,008)	–	–	–	123,288
Non-current liabilities						
Loans and borrowings	170,000	(80,000)	60,000			150,000
Employee benefits	10,266					10,266
Provisions	1,514					1,514
Total non-current liabilities	181,780	(80,000)	60,000	–	–	161,780
Total liabilities	322,076	(97,008)	60,000	–	–	285,068
Net assets/(liabilities)	398,476	3,819	–	(88,282)	–	314,013
Equity						
Issued capital	408,100			(69,890)		338,210
Reserves	566					566
Retained earnings/ (accumulated losses)	(10,190)	3,819		(18,392)		(24,763)
Total equity	398,476	3,819	–	(88,282)	–	314,013
Shares on issue (number '000)	306,534	–	–	–	(27,577)	278,957

Notice of General Meeting Cont.

Notes:

(1) Sale Transactions represent:

- the sale of Brivis Climate Systems to Rinnai Australia Pty Ltd completed on 2 February 2015 for \$49.2 million (subject to completion adjustments) on a debt and cash free basis, with net proceeds after tax and sale expenses expected to be approximately \$46.1 million. Retained earnings of \$3.819 million within Sale Transactions are offset by estimated disposal costs of (\$3.819 million) that were expensed in the actual results of the Group to 31 December 2014 such that there is no gain or loss on disposal included in pro forma balance sheet. The disposal costs of (\$3.819 million) represent management's best estimate of the expected costs as at 31 December 2014;
- payment of transaction costs of \$1.263 million of which \$3.628 million was accrued at 31 December 2014 relating to the sale of Dux Hot Water;
- the sale of Dux Hot Water to Noritz Australia Pty Ltd completed on 19 December 2014 for \$46.0 million (subject to completion adjustments) on a debt and cash free basis, with net proceeds after tax and sale expenses expected to be approximately \$42.3 million. The financial impact of this disposal was reflected in the Group's consolidated interim financial report as at and for the half year ended 31 December 2014.

(2) The repayment of \$80.0 million non-current borrowings out of the proceeds from the sale of Dux Hot Water for \$46.0 million and the proceeds of \$49.2 million from the sale of Brivis Climate Systems.

(3) The return of funds to the Company's shareholders of approximately \$88.282 million, paid by way of a capital return of approximately \$69.890 million and a special dividend of approximately \$18.392 million. The ability to pay a special dividend is determined by the financial results of the parent entity, GWA Group Limited, and its relevant subsidiaries, GWA Group Holdings Limited and Caroma Holdings Limited in accordance with the *Corporations Act*.

(4) Consolidation of one fully paid ordinary share in the Company into 0.9100 fully paid ordinary shares.

6. Tax implications for the Company's shareholders

NOTE: The summary in this section is general in nature. In addition, particular taxation implications will depend on the circumstances of each shareholder. Accordingly, shareholders should seek their own professional advice in relation to their tax position and circumstances. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising shareholders about the tax consequences for them from the proposed capital return and special dividend.

Capital return

Resident shareholders – The Company has received a draft Class Ruling from the Australian Taxation Office (ATO) confirming that:

- (1) for shareholders who are tax residents of Australia and hold their shares on capital account, no part of the proposed capital return will be treated as a dividend for income tax purposes;
- (2) for those shareholders, if the cost base (after adjustment, as may be relevant, for any indexation or any previous capital returns) of a share in the Company acquired after 19 September 1985 is less than the capital return amount (on a cents per share basis) then an immediate capital gain may arise for the difference;
- (3) otherwise for those shareholders, the cost base for each share in the Company acquired after 19 September 1985 will be reduced by the capital return amount (on a cents per share basis) for the purpose of calculating any capital gain or loss on the ultimate disposal of that share;

(4) for shareholders of the Company who are not tax residents of Australia and hold their shares on capital account, no Australian capital gain or loss should arise as a consequence of the capital return.

The draft Class Ruling may not be relied on by shareholders until it is issued in final form by the ATO. The final version of the Class Ruling will be published and notice will be included in the Gazette. The Company will display the final version of the Class Ruling on its website as soon as it becomes available.

Non-resident shareholders – Non-resident shareholders should seek specific advice in relation to the tax consequences arising from the return of capital under the laws of the country of their residence.

Partly franked special dividend

Resident shareholders – A resident shareholder's assessable income will include the amount of the special dividend, as well as the amount of franking credits attached to the special dividend – that is, partly franked to 76.65%. The shareholder will generally be entitled to a tax offset (rebate) corresponding to the amount of the franking credits.

Generally, to be eligible for the franking credit and tax offset, the shareholder must have held the share "at risk" for at least 45 days not including the date of acquisition or the date of disposal. This rule should not apply to an individual whose tax offset entitlement on all shares and interests in shares held does not exceed \$5,000 for the income year in which the dividend is paid. If a shareholder enters into put or call options or other derivatives in relation to shares, this may affect whether the shareholder holds the shares sufficiently "at risk" for the purposes of the franking rules, and specific advice should be sought.

For a shareholder who is an individual, compliant superannuation entity or a registered charity in certain circumstances, the shareholder will generally be entitled to a tax refund to the extent that the franking credits attached to the dividend for the income year exceeds the shareholder's tax liability for the income year.

For a shareholder that is a company, the dividend received will generally give rise to a franking credit in the company's franking account.

A shareholder that is a beneficiary of a trust or a partner in a partnership should obtain their own specific advice.

Non-resident shareholders – To the extent that the dividend is franked the dividend should generally not be assessable income nor subject to dividend withholding tax for non-resident shareholders.

7. Interdependency with Resolution 2

The Board has determined that Resolution 1 (Return of Capital to Shareholders) and Resolution 2 (Share Consolidation) are interdependent, such that approval of each item is conditional upon the approval of the other Resolution.

8. Directors' Recommendation

The Board unanimously recommends that shareholders vote in favour of the resolution for the proposed reduction of capital. Each director intends to vote all shares in the Company held or controlled by him in favour of the resolution for the proposed reduction of capital.

Notice of General Meeting Cont.

9. Directors' Interests

The number of shares and performance rights in which each director has an interest as at the date of this Notice of General Meeting is set out in the table below.

Director	Number of Shares	Performance Rights
Darryl D McDonough	130,000	Nil
John F Mulcahy	45,000	Nil
Peter C Crowley	505,000	775,000
Robert M Anderson	8,118,442	Nil
William J Bartlett	33,194	Nil
Peter A Birtles	15,000	Nil
Richard J Thornton	72,500	150,000

Performance rights – In relation to Performance Rights, a total of 1,623,000 Performance Rights have been issued by the Company as at the date of this notice. Performance Rights are granted to senior executives pursuant to the GWA Group Long Term Incentive Plan which was approved at the Company's AGM on 30 October 2008. The Performance Rights issued prior to the 2014 Company AGM are subject to combined earnings per share (**EPS**) and total shareholder return (**TSR**) hurdles. For the latest issue of Performance Rights to senior executives in February 2015, the performance requirements were changed to EPS growth relative to dwelling completions growth, and return on funds employed (**ROFE**) hurdles.

The return of capital and share consolidation (see section 17 below) will have implications for those senior executives who hold Performance Rights. Pursuant to the rules of the GWA Group Long Term Incentive Plan if, prior to the exercise of a Performance Right, the Company makes an equal return of capital to shareholders, and the Performance Right is not vested and exercised prior to the record date of that return of capital, the Performance Right holder, if and when the Performance Right is exercised, will be entitled to an additional cash payment or other distribution which would have been made to the Performance Right holder if the holder had exercised the Performance Right prior to the record date.

As such, if and when the hurdles for the relevant Performance Right are met and the Performance Right is exercised, the Performance Right holder will be entitled to receive a cash payment equal to the number of Performance Rights exercised multiplied by \$0.228 per right, or alternatively, the Company will purchase on-market (and distribute to the Performance Right holder) an equivalent number of GWA ordinary shares for and on behalf of the Performance Right holder in lieu of the cash payment. If the performance hurdles are not achieved then no Performance Rights will vest in the relevant senior executive and the Performance Rights will lapse.

10. No Other Material Information

Other than as set out in this document, and other than information previously disclosed to the Company's shareholders, there is no other information that is known to the directors which may reasonably be expected to be material to the making of a decision by shareholders of the Company whether or not to vote in favour of the capital reduction.

RESOLUTION 2 – SHARE CONSOLIDATION

11. Proposed share consolidation

General – The Company proposes to consolidate its share capital through the conversion of one fully paid ordinary share into 0.9100 fully paid ordinary shares.

Under section 254H of the *Corporations Act*, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.

The share consolidation is conditional upon the passing of Resolution 1 (Return of Capital to Shareholders) and therefore consideration of Resolution 2 should be made in conjunction with consideration of Resolution 1.

Timing – If the consolidation is approved it will take effect on and from Tuesday 9 June 2015. Deferred settlement trading will commence on Wednesday 3 June 2015 and cease on Monday 15 June 2015. Notices will be issued to shareholders on Monday 15 June 2015 confirming their post-consolidation holdings.

For the avoidance of doubt, entitlements under the proposed capital return and special dividend will be calculated based on the Company's pre-consolidation share capital.

Treatment of fractions – Where the consolidation of a shareholder's holding results in an entitlement to a fraction of a share, the fraction will be rounded up to the next whole number of shares.

If the Company is of the view that a shareholder has been a party to the division of a shareholding in an attempt to obtain an advantage from this treatment of fractions, the Company will take appropriate action, having regard to the terms of its Constitution and the ASX Listing Rules. In particular, the Company reserves the right to disregard the division of the shareholding for the purpose of dealing with fractions so as to round up any fraction to the nearest whole number of shares that would have been received but for the division.

12. Reasons for the consolidation

The share consolidation proposed is proportionate to the proposed capital return. The share consolidation will be undertaken through the conversion of one fully paid ordinary share into 0.9100 fully paid ordinary shares. The consolidation ratio was determined based on the amount of the return of capital (\$0.228 per share) as a proportion of the volume weighted average share price over the 20 trading day period ending 27 March 2015 (\$2.53).

Notice of General Meeting Cont.

The combination of the capital return and the share consolidation is intended to provide an EPS outcome similar to that of a share buy-back whilst ensuring that all shareholders receive an equal cash distribution per share. Also, the share consolidation will be implemented in a manner which ensures that each shareholder's proportionate interest in the Company remains unchanged post the capital return, subject to rounding of fractions. The share consolidation is expected to neutralise any expected share price reduction relating to the return of capital.

13. Effect of the consolidation

If approved by shareholders, the proposed share consolidation will reduce the number of ordinary shares on issue in the Company from 306,533,770 shares (as at the date of this notice) to approximately 278,956,741 shares.

As the share consolidation applies equally to all ordinary shareholders in the Company, individual shareholdings will be reduced in the same ratio as the total number of shares subject only to the rounding of fractions. It follows that the consolidation will have no material effect on the percentage interest of each individual shareholder in the Company.

Similarly, the aggregate value of each shareholder's holding and the Company's market capitalisation should not change – other than minor changes as a result of rounding – as a result of the share consolidation alone that is, assuming no other market movements or impacts occur. However, the price per share can be expected to increase to reflect the reduced number of ordinary shares on issue (refer to section 4).

Shareholders should note that the reduction of share capital, if approved, and the special dividend will also have an effect on the Company's share price.

14. Tax implications for shareholders of the Company

NOTE: The summary in this section is general in nature. In addition, particular taxation implications will depend on the circumstances of each shareholder. Accordingly, shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising shareholders about the tax consequences for them from the proposed share consolidation.

The share consolidation will be undertaken in accordance with section 254H of the *Corporations Act*. Subject only to rounding, there will be no change to the proportionate interests held by each ordinary shareholder in the Company as a result of the consolidation. The original shares are not cancelled or redeemed in terms of the *Corporations Act* nor is there any change in the total amount allocated to the share capital account of the Company.

No Australian capital gains tax (CGT) event will occur as a result of the share consolidation and therefore there will be no Australian taxation implications arising for shareholders of the Company who hold their shares on capital account.

15. Interdependency with Resolution 1

The Board has determined that Resolution 1 (Return of Capital to Shareholders) and Resolution 2 (Share Consolidation) are interdependent, such that approval of each item is conditional upon the approval of the other Resolution.

16. Directors' Recommendation

The Board unanimously recommends that shareholders vote in favour of the proposed resolution for the share consolidation. Each director intends to vote all shares in the Company held or controlled by him in favour of the proposed resolution for the share consolidation.

17. Directors' Interests

Refer to section 9 above for details of the shares in the Company in which each director holds an interest as at the date of this Notice of General Meeting.

Performance Rights – Currently, each eligible Performance Right carries a right to one fully paid ordinary share in the Company upon the specific performance hurdles being achieved and the Performance Right being exercised. If this resolution is passed by shareholders, there will be an adjustment made to this right to receive one fully paid ordinary share (on the exercise of the Performance Right). The adjustment is based on the share consolidation and conversion outlined above and made in accordance with the rules of the GWA Group Long Term Incentive Plan. Specifically, if and when the hurdles for the relevant Performance Right are met and the Performance Right is duly exercised, the number of fully paid ordinary shares which an eligible Performance Right holder is entitled to receive for each Performance Right will be adjusted to 0.9100 fully paid ordinary shares.

18. No Other Material Information

Other than as set out in this document, and other than information previously disclosed to the Company's shareholders, there is no other information that is known to the directors which may reasonably be expected to be material to the making of a decision by shareholders of the Company whether or not to vote in favour of the share consolidation.

Notice of General Meeting Cont.

19. Key Dates for Return of Capital, Special Dividend and Share Consolidation

The timetable below assumes the return of capital and share consolidation are both approved by shareholders at the General Meeting.

11.00am (Brisbane time) Friday 29 May 2015	General Meeting
Tuesday 2 June 2015	Last day for trading on a pre-consolidated basis.
Wednesday 3 June 2015	GWA shares commence trading on an “ex return of capital” and “ex dividend” basis. <i>(ASX is not able to disseminate corporate action messages in relation to the Capital Return).</i> Trading in post-consolidation GWA shares commences on a deferred settlement basis.
7.00pm (Brisbane time) Friday 5 June 2015	Record date for determining entitlements to participate in the return of capital and special dividend (entitlements will be determined by reference to the Company’s pre-consolidation capital). Last day to register transfers on a pre-consolidation basis.
Tuesday 9 June 2015	Effective Date for share consolidation. Post-consolidation shareholdings entered into holders’ security holdings.
Monday 15 June 2015	Payment date for return of capital and special dividend. Deferred settlement trading ends. Holding notices issued confirming post-consolidation holdings.
Tuesday 16 June 2015	Trading resumes on a normal settlement basis.



GWA
Group Limited

ABN 15 055 964 380

Lodge your vote:

Online:
www.investorvote.com.au

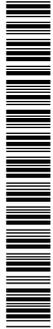
By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 381 650
(outside Australia) +61 3 9415 4131

┌ 000001 000 GWA
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Proxy Form



Vote and view the notice of meeting online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11:00am (Brisbane time) Wednesday 27 May 2015

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of GWA Group Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of GWA Group Limited to be held at The Conference Room, Emporium Hotel, 1000 Ann Street, Fortitude Valley on Friday, 29 May 2015 at 11:00am (Brisbane time) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Special Business

	For	Against	Abstain
1. Return of Capital to Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Share Consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / /

GWA

999999A

Computershare +