GUD Holdings Limited
A.B.N. 99 004 400 891

29 Taras Avenue,
Altona North, Vic 3025
Australia.

PO Box 62
Sunshine, Vic 3020
Australia.

Telephone: +61 3 9243 3311
Facsimile: +61 3 9243 3300
Email: gudhold@gud.com.au
Internet: www.gud.com.au

18 September 2018

Manager Company Announcements
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

In accordance with the Listing Rules, please find attached:

1. Chairman's Letter to Shareholders
2. Notice of Annual General Meeting and Explanatory Statement
3. Proxy Form
4. 2018 Annual Report to Shareholders – including Directors' Report, Financial Statements, Directors' Declaration, Audit Report and other information required under the Listing Rules.

The Package including the Annual Report will be forwarded to shareholders today.

Yours faithfully

Malcolm G Tyler
Company Secretary

Enc

GUD Holdings Limited
ABN 99 004 400 891

Dear Shareholder,

On behalf of the Board of Directors, it is my pleasure to invite you to attend the Annual General Meeting of Shareholders of GUD Holdings Limited to be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 25 October 2018 at 10.00am (AEDT).

If you are able to attend the meeting it will facilitate your registration if you bring this letter with you. Should you be unable to attend, you are encouraged to exercise your vote by proxy on the accompanying form. Proxies may be sent by facsimile or post as set out in the details attached to the Notice of Meeting. Alternatively, you may choose to avail yourself of the Investor Vote facility included on the Proxy Form.

At the conclusion of the Meeting, you will be able to join with the Directors and staff in light refreshments.

I look forward to welcoming you at GUD's Annual General Meeting.

Yours sincerely,

Mark G Smith

Mark Smith
Chairman

GUD Holdings Limited

ACN 004 400 891

NOTICE OF ANNUAL GENERAL MEETING

The 2018 Annual General Meeting of GUD Holdings Limited (the Company) will be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 25 October 2018 at 10:00am (AEDT) to transact the following business. Registration will commence at 9:30am.

1. Financial statements and reports

To receive and consider the Financial Report of the Company and its controlled entities and the Reports of the Directors and Auditor for the year ended 30 June 2018.

2. Re-election of Directors

To consider and, if thought fit, to pass the following resolutions, each as a separate ordinary resolution:

2.1 Re-election of David Robinson

"That Mr David Robinson, who retires by rotation in accordance with Rule 34(c) of the Company's Constitution, and, being eligible, offers himself for re-election, be re-elected."

2.2 Re-election of Anne Templeman-Jones

"That Ms Anne Templeman-Jones, who retires by rotation in accordance with Rule 34(c) of the Company's Constitution, and, being eligible, offers herself for re-election, be re-elected."

See the accompanying Explanatory Notes for information about the re-election of Directors.

3. Remuneration Report

To consider, and if thought fit, to pass the following as a non-binding ordinary resolution:

"That the Remuneration Report for the year ended 30 June 2018 (as set out in the Directors' Report on pages 22 to 33 of the 2018 Annual Report) be adopted."

A voting exclusion statement in relation to this resolution is set out below, in the "Information for Shareholders" section.

(Note: The vote on this resolution is advisory only)

4. Approval of LTI grant to Managing Director

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

"That approval is given for the grant of Performance Rights to the Company's Managing Director, Mr Graeme Whickman, under the Company's Long Term Incentive Equity Plan and on the terms summarised in the Explanatory Notes to this Notice of Annual General Meeting."

A voting exclusion statement in relation to this resolution is set out below, in the "Information for Shareholders" section.

Please note that, in accordance with current governance practices, it is intended that voting on all resolutions will be conducted by way of a poll.

By order of the Board

Malcolm G Tyler

Company Secretary

Melbourne

11 September 2018

Information for shareholders

Attendance at the meeting

If you are planning to attend the meeting, please bring the Chairman's letter and proxy form with you to facilitate registration.

Voting

For the purposes of voting at the meeting, the Directors have determined that persons holding shares in GUD Holdings Limited registered as at 7.00pm (AEDT) on Tuesday 23 October 2018 will be treated as shareholders of the Company.

Appointment of proxies and corporate representatives

A proxy form accompanies this Notice of Annual General Meeting.

A shareholder entitled to attend and vote is entitled to appoint up to two proxies. A proxy need not be a shareholder and may be either an individual or a body corporate.

If a shareholder is a corporation, it can attend and vote at the meeting by appointing an individual person to act as its corporate representative or by appointing a proxy to attend and vote on its behalf. A shareholder that is a body corporate, or a proxy who is a body corporate, will need to ensure that it appoints an individual as its corporate representative to exercise its powers at the meeting and provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

Where a shareholder wishes to appoint two proxies, an additional proxy form may be obtained by contacting Computershare Investor Services Pty Limited at the address listed below. A shareholder appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints two proxies but fails to specify the proportion or number of votes that each may exercise, each person appointed may exercise half the shareholder's votes. Fractions of votes are to be disregarded. If your proxy chooses to vote, they must vote in accordance with your directions. If you have directed your proxy to vote, and they choose not to vote on a poll, then the Chairman of the meeting will become your proxy by default and vote your proxies as directed by you (subject to applicable voting restrictions).

Subject to the voting restrictions set out below, if you do not direct your proxy to vote by marking the relevant box on the proxy form, your proxy may vote as they choose on that item of business.

If your proxy does not attend the meeting, the Chairman will become your proxy by default. The Chairman intends to vote all available proxies in accordance with the Board recommendations set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

Generally, the key management personnel (**KMP**) of the Company (which includes each of the Directors) and their closely related parties will not be able to vote your proxy on Items 3 and 4 unless you have directed them how to vote or you have appointed the Chairman as your proxy. The circumstances in which KMP will be excluded from voting on Items 3 and 4 are set out below under the heading 'Voting Exclusions'.

The term "closely related party" is defined in the Corporations Act and includes a KMP's spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.

Generally, the Managing Director and his associates will not be able to vote your proxy in favour of Item 4 unless you have directed them how to vote or you have appointed the Chairman as your proxy. The circumstances in which the Managing Director and his associates will be excluded from voting in favour of Item 4 are set out below under the heading 'Voting Exclusions'.

The term "associate" is defined in the ASX Listing Rules and, in relation to the Managing Director, includes a spouse, child, and certain other close family members, as well as any companies controlled by the Managing Director.

If you intend to appoint a member of the KMP as your proxy, please ensure that you direct them how to vote on Items 3 and 4. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him how to vote on Items 3 and 4 by marking the relevant boxes on the proxy form. However, if the Chairman of the meeting is your proxy (or becomes your proxy by default) and you do not mark any of the boxes opposite Items 3 and 4, by signing and returning the proxy form you will be deemed to have expressly authorised the Chairman to vote as he decides.

To be valid, the proxy form, and any authority under which the form is signed, must be received by the Company or the Company's Share Registry prior to 10.00am (AEDT) on Tuesday 23 October 2018.

Voting by attorney

A shareholder entitled to attend and vote may appoint an attorney to act on his or her behalf at the meeting. An attorney may, but need not, be a shareholder of the Company.

An attorney may not vote at the meeting unless the instrument appointing the attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by the Company in the same manner, and by the same time, as outlined above for proxy forms.

Vote online

www.investorvote.com.au

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

By hand:
Computershare Investor Services Pty Limited
452 Johnston Street, Abbotsford
Victoria 3067

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 enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Voting Exclusions

***Item 3* – Remuneration Report**

The Company will disregard any votes cast on Item 3:

- by or on behalf of a member of the KMP named in the Remuneration Report for the year ended 30 June 2018 or that KMP's closely related party (regardless of the capacity in which the vote is cast); or
- as a proxy by a member of the KMP at the date of the meeting or their closely related party,

unless the vote is cast as proxy for a person entitled to vote on Item 3:

- in accordance with a direction on the proxy form; or
- by the person chairing the meeting where they have been expressly authorised to exercise undirected proxies as they think fit (even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP of the Company).

***Item 4* – Approval of LTI grant to Managing Director**

The Company will disregard any votes on Item 4:

- cast in favour of the resolution by or on behalf of the Managing Director (being the only Director entitled to participate in the employee incentive scheme) or any of his associates (regardless of the capacity in which the vote is cast); or
- cast as a proxy by a member of the KMP of the Company at the date of the meeting or their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on Item 4:

- in accordance with a direction on the proxy form; or
- by the person chairing the meeting where they have been expressly authorised to exercise undirected proxies as they think fit (even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP of the Company).

Reviewing the Annual Report

A copy of the 2018 GUD Annual Report is available online at the Company's website www.gud.com.au.

Share Registry

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001 Australia
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067 Australia

Enquiries within Australia – 1300 850 505
Enquiries outside Australia - +61 3 9415 4000
Website – www.investorcentre.com

EXPLANATORY NOTES

These Explanatory Notes form part of the Notice of Annual General Meeting and provide shareholders with information to understand the items of business and to assess the merits of the proposed resolutions at the forthcoming Annual General Meeting.

Item 1 – Financial statements and reports

The financial statements of the Company and its controlled entities for the year ended 30 June 2018 and the Directors' Report and Auditor's Report are set out in the GUD Holdings Limited Annual Report 2018.

Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders to approve these statements or Reports.

This item is intended to provide an opportunity for shareholders to raise questions on the management of the Company, the Reports and on the performance of the Company generally. In addition, a reasonable opportunity will be given to shareholders at the meeting to ask the Company's Auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Shareholders can access a copy of the annual report on the Company's website (www.gud.com.au).

Item 2 – Re-election of Directors

2.1 Re-election of Mr David Robinson

David D Robinson ***BSc MSc***

Appointed Non-Executive Director on 20 December 2011, and Chair of the Remuneration Committee.

Mr Robinson spent the past 22 years prior to joining the Board with global automotive parts, general industrial and consumer products manufacturer and marketing company Robert Bosch GmbH.

In that time, he has worked in the USA, Germany and Australia and had responsibility for sales, marketing, engineering, manufacturing, accounting and personnel. He was President of Robert Bosch Australia and Robert Bosch New Zealand.

Mr Robinson's automotive experience has been invaluable given the Group's increased exposure to the automotive aftermarket.

More recently, David has assumed responsibility for chairing the Remuneration Committee.

The Board has undertaken a review of Mr Robinson's performance and the contribution he has made to the Board and to Board Committees. The Board has also considered the skills and expertise Mr Robinson brings to the Board.

The Board considers Mr Robinson to be independent. Prior to submitting himself for re-election, Mr Robinson confirmed that he would continue to have sufficient time to properly fulfil his duties as a Director of GUD.

Board Recommendation

The Board (excluding Mr Robinson because of his interest) unanimously recommends that shareholders vote in favour of the resolution to re-elect Mr Robinson as a Director.

2.2 Re-election of Ms Anne Templeman-Jones

Anne L Templeman-Jones ***BComm MRM EMBA CA FAICD***

Appointed Non-Executive Director on 1 August 2015, and Chair of the Risk and Compliance Committee.

Ms Templeman-Jones is currently a Non-Executive Director of Commonwealth Bank of Australia (appointed 5 March 2018), a Non-Executive Director of Worley Parsons Limited (appointed 1 November 2017) and a Non-Executive Director of The Citadel Group Limited (appointed 8 September 2017), where she is Chair of the Audit, Risk and Compliance Committee. Anne previously served as a Non-Executive Director of HT & E Limited (formerly APN News & Media Limited) (retired May 2018), Cuscal Limited (retired March 2018), Pioneer Credit Limited (retired November 2016), Notre Dame University (retired December 2016) and HBF Health Limited (retired October 2014).

Ms Templeman-Jones has considerable executive experience in institutional and commercial banking, wealth management and insurance, having previously held senior executive roles within Westpac and ANZ. Ms Templeman-Jones brings substantial experience in risk management. She has reviewed and enhanced the risk management practices within the GUD Group, and chairs the Risk and Compliance Committee.

The Board has undertaken a review of Ms Templeman-Jones' performance and the contribution she has made to the Board and to Board Committees. The Board has also considered the skills and expertise Ms Templeman-Jones brings to the Board.

The Board considers Ms Templeman-Jones to be independent. Prior to submitting herself for re-election, Mr Templeman-Jones confirmed that she would continue to have sufficient time to properly fulfil her duties as a Director of GUD.

Board Recommendation

The Board (excluding Ms Templeman-Jones because of her interest) unanimously recommends that shareholders vote in favour of the resolution to re-elect Ms Templeman-Jones as a Director.

Item 3 – Remuneration Report

The Corporations Act requires a non-binding resolution to be put to shareholders for the adoption of the Remuneration Report. The Remuneration Report is set out in the Directors' Report on pages 22 to 33 of the GUD Holdings Limited Annual Report for the year ended 30 June 2018 lodged with the ASX on 27 July 2018 and is also available from the Company's website (www.gud.com.au).

In accordance with the Corporations Act, the shareholder vote on this resolution is advisory only and does not bind the Directors of the Company. However, the Board will take the discussion on this resolution and the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Shareholders will be given a reasonable opportunity at the meeting to ask questions about, and make comments on, the Remuneration Report and the Company's remuneration arrangements.

The Board believes that the Company's remuneration arrangements, as set out in the 2018 Remuneration Report, are fair, reasonable and appropriate and support the strategic direction of the Company.

The voting exclusion statement for this resolution is set out on page 3 of this Notice of Annual General Meeting. Please refer to the Information for Shareholders in relation to important information relating to voting on this item.

Board Recommendation

The Board unanimously recommends that shareholders vote in favour of this resolution.

Item 4 - Approval of LTI grant to Managing Director

In accordance with ASX Listing Rule 10.14, shareholder approval is sought for the proposed grant of Performance Rights to the Managing Director, Mr Graeme Whickman under the Company's Long Term Incentive Equity Plan (Plan) and on the terms set out below.

Details of proposed grant

The proposed grant of Performance Rights to the Managing Director is his LTI opportunity for the 2018/2019 financial year. It is a proportionately smaller LTI opportunity than for future years, because Mr Whickman's employment commenced part way through the financial year. The proposed grant is intended to align Mr Whickman's interests with the interests of shareholders and encourage the achievement of the Company's performance goals and growth of the Company's business. The Performance Rights will be subject to a performance period from 1 October 2018 (the date of Mr Whickman's commencement of employment with the Company) to 30 June 2021, and will vest only if the performance conditions are fulfilled.

The key terms of the proposed grant are set out below. A summary of the operation of the Plan is set out in the Remuneration Report on page 25 of the Annual Report.

Subject to shareholder approval, Mr Whickman will be granted a maximum number of Performance Rights (rounded to the nearest whole number), calculated by applying the formula:

= TFR x 60% / VWAP, where

TFR is the Total Fixed Remuneration of the Managing Director to be received in FY19, namely $731,250.

VWAP is the volume weighted average price of the Company's shares on ASX over the ASX market trading days in September 2018.

A Performance Right is a right to receive a fully paid ordinary share in the Company at the end of the performance period, subject to satisfaction of the vesting conditions. If the applicable vesting conditions attaching to the Performance Rights are satisfied, Mr Whickman will be allocated one fully paid ordinary share in the Company for each vested Performance Right. The Board retains a discretion to make a cash payment in lieu of an allocation of shares. Performance Rights do not carry any dividend or voting rights prior to vesting. Any Performance Rights which do not vest at the end of the applicable performance period will lapse.

As the Performance Rights form part of the Managing Director's remuneration package, they will be granted at no cost to him. Further details of the Managing Director's remuneration package are set out in the announcement of his appointment made to the ASX on 2 July 2018.

If approved by shareholders, the Performance Rights will be granted shortly following this Annual General Meeting (and, in any event, no later than 12 months after the meeting or any adjournment of the meeting).

Performance condition

The Performance Rights will be subject to a total shareholder return (TSR) performance condition which compares the TSR performance of the Company with the TSR performance of each of the entities in a comparator group.

The performance condition will be measured over a two year and nine month period commencing on 1 October 2018, being the first day of the Managing Director's employment with the Company, and ending on 30 June 2021. Vesting will be determined following 30 June 2021.

TSR measures the growth in the price of shares (modified to account for capital adjustments where appropriate) together with the value of dividends during the performance period, assuming that all those dividends are re-invested into new shares. For any of the Performance Rights to vest, the Company's TSR must be equal to or greater than the median TSR performance of the comparator group.

The comparator group is the Standard and Poor's ASX Small Ordinaries index, of which the Company forms part, modified to exclude stocks in mining, materials and resources industries. Relative TSR was chosen on the basis that it is the most effective way to measure and reward the extent to which shareholder returns are generated relative to the performance of companies that compete with the Company for capital and employees. The Company retains the discretion to modify the comparator group in certain circumstances.

The Company's absolute TSR must be positive over the performance period for any Performance Rights to vest.

The proportion of the Performance Rights that vest, if any, will be determined as follows:

Relative TSR performance	% of Performance Rights that vest
TSR below 50th percentile	Nil
TSR at 50th percentile	50
TSR between 50th and 75th percentile	Progressive vesting from 50 to 100
TSR at 75th percentile and above	100

Trading restrictions

Any shares allocated following vesting of the Performance Rights will not be subject to any trading restrictions other than those imposed by the Company's Dealing in Shares Policy.

Cessation of employment

If Mr Whickman ceases employment with the Company prior to satisfaction of the performance condition applicable to the Performance Rights, then any continued entitlement he may have to the Performance Rights will depend on the circumstances of the cessation.

Where Mr Whickman's employment is terminated for cause (for example, due to serious or wilful misconduct, negligence or breach of his employment contract, or where he is convicted of an offence punishable by imprisonment or commits an act which brings the Company into disrepute), all Performance Rights will lapse, unless the Board determines otherwise.

In accordance with the Plan and unless the Board determines otherwise, in all other circumstances including death, disability, resignation, retirement, redundancy or termination by the Company for convenience, Mr Whickman will retain a pro-rata number of Performance Rights reflecting that part of the performance period elapsed at the time of ceasing employment. Vesting of that pro-rata number of Performance Rights, and any issue of shares to Mr Whickman, will depend upon the extent to which the applicable performance conditions are satisfied at the end of the performance period.

Change of control event

In the event of a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change in control of the Company, the Board has a discretion to determine that vesting of some or all of the Performance Rights should be accelerated. If an actual change of control occurs before the Board has exercised this discretion, a pro-rata portion of the Performance Rights equal to the portion of the performance period that has elapsed and tested against the performance condition up to the actual date of the change of control shall immediately vest. The Board retains a discretion to determine whether the remaining unvested Performance Rights will vest or lapse.

Clawback

Under the Plan, the Board may exercise its discretion to ensure that no unfair benefit is derived by Mr Whickman in the case of fraud or misconduct.

Other information relating to the LTI grant required by the ASX Listing Rules

Mr Whickman is the only Director of the Company currently entitled to participate in the Plan. No associate of any of the Directors is entitled to participate in the Plan.

There is no loan scheme in relation to the Plan.

Following shareholder approval at the AGM in October 2017, Mr Ling (the current Managing Director, who is to be replaced by Mr Whickman on 1 October 2018) received a grant of 52,190 Performance Rights under the Plan at no cost to him. Aside from that grant, no securities have been received by any Director or any associate of a Director under the Plan since last shareholder approval was received.

If approval is given for the issue of securities under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

The voting exclusion statement for this resolution is set out on page 3 of this Notice of Annual General Meeting. Please refer to the Information for Shareholders in relation to important information relating to voting on this item.

Board Recommendation

The Board unanimously recommends that shareholders vote in favour of this resolution.

GUD Holdings Limited
ABN 99 004 400 891

Lodge your proxy:

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 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

Vote and view the annual report 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 proxy vote:
Control Number:
SRN/HIN: **PIN:**
PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your proxy vote to be effective it must be received by 10:00am (AEDT) on Tuesday, 23 October 2018

How to Vote on Items of Business
All your securities will be voted in accordance with your directions.

Appointment of Proxy
Appointment of proxy: If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1.
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, subject to any voting restrictions that apply to the proxy (see below). 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 GUD Holdings Limited.

Default to the Chairman of the Meeting: Any directed proxies that are not voted on a poll at the meeting will automatically default to the Chairman of the Meeting, who is required to vote proxies as directed.
Proxy voting by key management personnel: The key management personnel of GUD Holdings Limited (which includes each of the directors) and their closely related parties will not be able to vote your proxy on Items 3 or 4, and associates of Mr Graeme Whickman will not be able to vote your proxy in favour of Item 4, unless you direct them how to vote or the Chairman of the Meeting is your proxy. If you intend to appoint such a person as your proxy, please ensure that you direct them how to vote on Items 3 and 4 by marking the voting boxes in Step 2 of the proxy form.

If the Chairman of the Meeting is your proxy or becomes your proxy by default and you do not mark a voting box for Items 3 or 4, then by completing and returning the proxy form you will be expressly authorising the Chairman of the Meeting to exercise your proxy in respect of the relevant item even though the item is connected with the remuneration of GUD Holdings Limited's key management personnel. The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

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 the original or 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 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 GUD Holdings Limited, 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 ➔

☐ **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 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 GUD Holdings 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). To nominate two proxies, write both names and the percentage of your holding they are to represent in this box.

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 Annual General Meeting of GUD Holdings Limited to be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 25 October 2018 at 10.00am (AEDT) and at any adjournment or postponement of that meeting.

IMPORTANT NOTE:
Chairman authorised to exercise proxies on remuneration related resolutions (Items 3 and 4): By signing and returning this form, where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman of the Meeting becomes my/our proxy by default), I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy in respect of Items 3 and 4 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my/our proxy as the Chairman thinks fit even though Items 3 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel.

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.

		For	Against	Abstain
Item 2.1	Re-election of David Robinson	☐	☐	☐
Item 2.2	Re-election of Anne Templeman-Jones	☐	☐	☐
Item 3	Remuneration Report	☐	☐	☐
Item 4	Approval of LTI grant to Managing Director	☐	☐	☐

The Chairman of the Meeting intends to vote all available 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	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ Contact Daytime Telephone ____________________ Date ____ / ____ / ____

GUD 242742A Computershare

GUD Holdings Limited
ABN 99 004 400 891

Questions from Shareholders

The Annual General Meeting (AGM) of GUD Holdings Limited will be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 25 October 2018 at 10.00am (AEDT). Shareholders are invited to register questions in advance of the AGM.

Your questions regarding any matter relating to GUD that may be relevant to the 2018 Annual General Meeting are important to us.

We invite you to use this form to submit any questions. Please return it by facsimile to (613) 9243 3300. Alternatively, you can email your questions to investors@gud.com.au.

We will attempt to respond to as many of the more frequently asked questions as possible in the Chairman's and Managing Director's addresses at the 2018 Annual General Meeting. Due to the large number of questions we receive, we will not be replying on an individual basis.

You will also be able to listen to the addresses made at the 2018 Annual General Meeting within 2 days after the meeting at http://www.gud.com.au/webcasts.

Shareholder's Name

Securityholder Reference Number (SRN)

Holder Identification Number (HIN)

Question/s

Please tick ☑ if it is a question directed to the Auditor

1. ☐

2. ☐

3. ☐

4. ☐

5. ☐

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Annual Report

GUD Holdings Limited
(ABN 99 004 400 891)

Year Ended 30 June 2018

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Directors' Report

The Directors of GUD Holdings Limited (the Company) present their report on the consolidated entity, being the Company and its subsidiaries, for the year ended 30 June 2018.

Directors

The names of the Directors who held office during the financial year and details of their qualifications, experience and special responsibilities are as follows:

M G Smith* ***Dip. Business (Marketing) FAMI CPM FAIM FAICD***

Appointed Non-Executive Director on 26 May 2009 and Chairman on 15 November 2017

Mr Smith is currently a Non-Executive Director of Australian Pharmaceutical Industries Limited (appointed 6 September 2017) and became Chairman of that company on 25 January 2018. He is a former Non-Executive Director and Chairman of Patties Foods Limited (retired September 2017), a former Non-Executive Director of Toll Holdings Limited (retired May 2015), and a former Non-Executive Director and Chairman of Food Holdings Limited (retired August 2011).

Mr Smith was Managing Director of Cadbury Schweppes Australia and New Zealand (2003 to 2007) and a member of the Asia Pacific Regional Board. Over a 16-year career with the Cadbury Schweppes group he held senior management positions in Australia, the UK and North America. Prior to joining Cadbury Schweppes Mr Smith's career included senior management roles with Unilever and Uncle Toby's.

A L Templeman-Jones* ***BComm MRM EMBA CA FAICD***

Appointed Non-Executive Director on 1 August 2015, and Chair of the Risk and Compliance Committee

Ms Templeman-Jones is currently a Non-Executive Director of Commonwealth Bank of Australia (appointed 5 March 2018), a Non-Executive Director of Worley Parsons Limited (appointed 1 November 2017) and a Non-Executive Director of The Citadel Group Limited (appointed 8 September 2017), where she is Chair of the Audit, Risk and Compliance Committee. Anne previously served as a Non-Executive Director of HT & E Limited (formerly APN News & Media Limited) (retired May 2018), Cuscal Limited (retired March 2018), Pioneer Credit Limited (retired November 2016), Notre Dame University (retired December 2016) and HBF Health Limited (retired October 2014).

Ms Templeman-Jones has considerable executive experience in institutional and commercial banking, wealth management and insurance, having previously held a number of senior executive roles within Westpac and ANZ.

G A Billings* ***BCom FCA MAICD***

Appointed Non-Executive Director on 20 December 2011, and Chair of the Audit Committee

Mr Billings retired from PricewaterhouseCoopers in 2011 after 34 years, where he was head of the Melbourne Assurance practice as well as heading the firm's Australian and Global Industrial Products business.

Mr Billings is currently a Non-Executive Director of Korvest Limited (appointed May 2013) and became Chairman of that company in September 2014, a Non-Executive Director and Chairman of Azure Healthcare Ltd (appointed 21 October 2015), a Non-Executive Director of Clover Corporation Limited (appointed 20 May 2013) where he is Chair of the Audit Committee, a Non-Executive Director of DomaCom Limited (appointed 23 February 2015) where he is Chair of the Audit Committee, and a Non-Executive Director of Escala Partners Limited (appointed 9 March 2017).

D D Robinson* ***BSc MSc***

Appointed Non-Executive Director on 20 December 2011, and Chair of the Remuneration Committee

Mr Robinson spent the past 22 years prior to joining the Board with global automotive parts, general industrial and consumer products manufacturer and marketing company Robert Bosch GmbH.

In that time he has worked in the USA, Germany and Australia and had responsibility for sales, marketing, engineering, manufacturing, accounting and personnel. He was President of Robert Bosch Australia and Robert Bosch New Zealand.

R M Herron* ***FCA FAICD***

Appointed Non-Executive Director on 17 June 2004. Appointed Chairman on 1 January 2012. Mr Herron passed away on 13 November 2017.

Mr Herron had been a Chartered Accountant since 1973. He was a former Deputy Chairman of Coopers & Lybrand (now PricewaterhouseCoopers) and retired as a partner of PricewaterhouseCoopers in December 2002.

He was also a Non-Executive Director of Select Harvests Limited (since January 2005). He was formerly Non-Executive Director of Insurance Manufacturers Australia Ltd (retired January 2017) and Kinetic Superannuation Fund (retired February 2017). Mr Herron was Immediate Past President and former Chairman of the Royal Automobile Club of Victoria (RACV) Ltd (retired December 2014).

Mr Herron was appointed to the Board of the Judicial Commission of Victoria in February 2017.

J P Ling ***BEng MBA FAICD***

Appointed Managing Director and Chief Executive Officer on 1 August 2013. Mr Ling was appointed as a Non-Executive Director of Pact Group Holdings Ltd on 28 April 2014.

Mr Ling was previously CEO and Managing Director of Fletcher Building Limited (2006 to 2012). He has extensive management experience in competitive manufacturing businesses through his senior roles with Fletcher Building and prior roles with Pacifica, Visy and Nylex.

Mr Ling is a former Non-Executive Director of Pacific Brands Limited (retired February 2014).

* All Non-Executive Directors are independent.

Corporate Executives

Chief Financial Officer

M A Fraser ***B Bus EMBA GAICD FCA***

Mr Fraser's early career was with Coopers & Lybrand in Australia, followed by over 25 years in senior finance and operational roles in Asia and Europe with McIntosh Hamson Hoare Govett, Jardine Matheson Ltd and the Schindler Group.

Company Secretary

M G Tyler ***LLB BCom (Hons) MBA AGIA***

Mr Tyler is an associate of Governance Institute Australia, a former partner with Freehills and general counsel with Southcorp Limited. He has held a legal practicing certificate in Victoria for 32 years.

Directors' Attendances at Meetings

The Board held nine meetings during the year.

Meetings are generally held monthly, with ad hoc meetings called to consider specific or urgent matters.

	Board		Audit Committee		Risk & Compliance Committee		Nominations Committee		Remuneration Committee	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M G Smith	9	9	4	4	4	4	2	2	5	5
A L Templeman-Jones	9	9	4	4	4	4	2	2	5	5
G A Billings	9	9	4	4	4	5	2	2	5	5
D D Robinson	9	9	4	4	5	5	2	2	5	5
R M Herron[1]	3	2	1	1	2	2	-	-	1	1
J P Ling[2]	9	9			-	-	-	-	-	-

1 Mr Herron passed away on 13 November 2017

2 Jonathan Ling attends committee meetings by invitation

It is the Board's practice that the Non-Executive Directors meet regularly without the presence of Management.

Directors' Interests and Benefits

Directors are not required to hold any shares in the Company. Nevertheless, Directors do hold shares. The current shareholdings are shown in the table below.

	Shares held beneficially			
Directors	Own name	Private company / trust	Total 30 June 2018	Total 30 June 2017
R M Herron[1]				45,223
A L Templeman-Jones	540	4,502	5,042	5,042
M G Smith	-	41,000	41,000	35,373
G A Billings	-	11,250	11,250	11,250
D D Robinson	-	13,000	13,000	13,000
J P Ling	116,894	189,638	306,532	216,273

1 Mr Herron passed away on 13 November 2017

Corporate Governance Statement

The Corporate Governance Statement of the Directors, and the accompanying Appendix 4G, is separately lodged with ASX, and forms part of this Directors' Report. It may also be found on the Company's website at www.gud.com.au.

Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the manufacture and importation, distribution and sale of automotive products, pumps, pool and spa systems, and water pressure systems, with operations in Australia, New Zealand, France and Spain.

Other than as referred herein and in the Operating and Financial Review set out on pages 7-21, there were no significant changes in the nature of the activities of the consolidated entity during the year.

Operating and Financial Review

The Operating and Financial Review for the consolidated entity during the financial year forms part of this Directors' Report.

Significant Changes

Disposals

Oates

On 2 January 2018, the Company disposed of the shares of its subsidiary, E D Oates Pty Ltd (Oates) to Freudenberg Household Products Pty Ltd (Freudenberg). The total consideration for the Oates sale was $80 million plus final net working capital adjustments of $3.771 million.

For the year ended 30 June 2018, Oates contributed $36.061 million of revenue and $53.257million of EBIT gain to the Group's results, comprising an operational $4.706 million EBIT before significant items, $51.536 million of gain on sale, $2.210 million of associated transaction costs and $0.775 million of transaction incentives for Oates management.

Significant Changes (Continued)

Acquisitions

The following acquisitions were announced during the year ended 30 June 2018 and are expected to provide the Group with an expanded presence in automotive aftermarket parts.

AA Gaskets Pty Ltd

On 1 December 2017, subsidiaries of the Company acquired the business and net assets of AA Gaskets Pty Ltd and its New Zealand operation (AAG Group). The total consideration for the AAG Group was $21.4 million less the final working capital adjustment, which decreased the final consideration to $21.013 million.

Disc Brakes Australia Pty Ltd

On 5 June 2018, GUD entered into an agreement to purchase 100% of the shares of Disc Brakes Australia Pty Ltd (DBA), consideration for the acquisition is $20 million, with a net working capital adjustment at Completion. The transaction completed on 2 July 2018. A completion net working capital adjustment is expected to be finalised by 31 August 2018.

Share Capital

At 30 June 2018, there were 86,185,698 (2017: 85,739,547) ordinary shares on issue.

Dividends

During and since the end of the financial year, the following dividends have been paid or declared.

- A final ordinary dividend of 25 cents per share in respect of the year ended 30 June 2017 was declared on 28 July 2017, and paid on 1 September 2017 amounting to $21,546,424. This dividend was fully franked.
- An interim ordinary dividend of 24 cents per share in relation to the half year ended 31 December 2017 was declared on 31 January 2018 and paid on 2 March 2018, amounting to $20,684,568. This dividend was fully franked.
- A final ordinary dividend of 28 cents per share in respect of the year ended 30 June 2018 was determined on 27 July 2018, and is payable on 31 August 2018 to shareholders registered on 17 August 2018. This dividend will be fully franked. Shares will trade ex-dividend on 16 August 2018. The GUD Dividend Reinvestment Plan remains suspended for this dividend.

Auditor Independence

There is no current or former partner or director of KPMG, the Company's auditors, who is or was at any time during the financial year an officer of the consolidated entity.

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 954 of the accompanying Financial Statements and forms part of this Report.

Non-Audit Services

Details of the amounts paid or payable to the Company's auditors, KPMG, for non-audit services provided during the year are shown in Note 6 to the financial statements, which accompany this Directors' Report.

The Directors are satisfied that the provision of such non-audit services is compatible with the general standard of independence for auditors imposed by, and did not compromise the auditor independence requirements of, the Corporations Act 2001 in view of both the amount and the nature of the services provided, and that all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.

Options and Rights

During the year a total of 282,217 Performance Rights were granted to executives under the GUD Holdings 2020 Long Term Incentive Equity Plan. This included 52,190 Performance Rights granted to the Managing Director in October 2017 after receiving approval of shareholders at the 2017 Annual General Meeting. As a result of meeting TSR targets, 446,151 performance rights granted in August 2014 vested and no performance rights lapsed in relation to the GUD Holdings 2017 Long Term Incentive Equity Plan.

In addition, as a result of executives departing the Group during the year, a total of 89,841 Performance Rights were determined by the Board to have lapsed.

Details of the Performance Rights granted to key management personnel are included in the Remuneration Report, which forms part of this Directors' Report.

Except as above, no options or rights were granted during the year and no options or rights have been granted or lapsed since the end of the financial year. No options were exercised during the financial year. There are no unissued shares or interests under option as at the date of this Report.

Derivatives and Other Financial Instruments

It is the consolidated entity's policy to use derivative financial instruments to hedge cash flows subject to interest rate and foreign exchange risk according to a policy approved by the Board.

Derivative financial instruments are not held for speculative purposes. Exposures, including related derivative hedges, are reported to the Board on a monthly basis.

Financial facilities and operating cash flows are managed to ensure that the consolidated entity is not exposed to any adverse liquidity risks. Adequate standby facilities are maintained to provide strategic liquidity to meet cash flows in the ordinary course of business.

Environmental Regulation

Some of the consolidated entity's activities are subject to various environmental regulations under both Commonwealth and State legislation. The Directors are not aware of any breaches of those environmental regulations during the financial year. The consolidated entity endorses an Environmental Policy of compliance and open communication on environmental issues.

Proceedings on behalf of the Company

There were no proceedings brought on behalf of the Company, nor any persons applying for leave under section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Company.

Indemnity and Insurance

The Company has, pursuant to contractual arrangements, agreed to indemnify the current and a number of former Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a Director of the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current Directors of its subsidiaries, the Company Secretary and certain Senior Executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Pursuant to this indemnification, the Company has paid a premium for an insurance policy for the benefit of Directors, Secretaries and Executives of the Company and related bodies corporate of the Company. In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability covered and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Remuneration Policy for Directors and Executives

The policy for determining the nature and amount of remuneration for Directors and Executives is described in the Remuneration Report, which forms part of this Directors' Report.

Director and Executive Benefits

Details of the benefits paid or provided to Directors and specified Executives are included in the Remuneration Report, which forms part of this Directors' Report, and in summary in Note 37 to the financial statements.

Rounding Off

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 and, in accordance with that Rounding Instrument, amounts in this Report and the accompanying financial statements have been rounded off to the nearest one thousand dollars unless otherwise stated.

Significant Events after Year End

On 2 July 2018, the Company announced that Jonathan Ling was to retire as Chief Executive Officer and Managing Director effective 30 September 2018. The Company also announced that Mr Graeme Whickman had been appointed as Chief Executive Officer and Managing Director effective 1 October 2018.

In the opinion of the Directors, no matters or circumstances have arisen since the end of the year which significantly affected or may affect the operations of the consolidated entity which have not been outlined in this report.

This Directors' Statutory Report is signed on behalf of the Directors in accordance with a resolution of Directors made pursuant to section 298(2) of the Corporations Act 2001.

Mark G Smith

M G Smith
Chairman of Directors

J P Ling
Managing Director

Dated at Melbourne, 27 July 2018

Operating and Financial Review

1. Overview

2017-18 was characterised by further fine-tuning of GUD's portfolio of business activities.

This has involved essentially deepening GUD's presence in the automotive aftermarket and other associated automotive market segments while simultaneously stepping away from non-automotive activities.

The related portfolio actions that occurred in 2017-18 in support of this further fine-tuning were the acquisition of the AA Gaskets businesses in Australia and New Zealand (AAG) in December 2017 and the sale of the Oates cleaning products business in January 2018.

In addition, a further automotive industry acquisition was announced late in the year, that of Disc Brakes Australia, with this transaction completing on 2 July 2018.

The disposal of Oates followed the recent years' divestments of Sunbeam, Dexion and Lock Focus, resulting in the positioning of GUD as a predominantly automotive aftermarket parts business. The only remaining non-automotive activity in the portfolio is Davey Water Products.

GUD's strategy planning process, which is described later in this Review, has driven this concentration into automotive parts. This has stemmed from a deep understanding of the key factors for success in automotive aftermarkets, derived from GUD's long experience in the sector with the Ryco and Wesfil businesses.

GUD believes that the automotive aftermarket is an inherently attractive industry for the following reasons:

1. **The market is growing** – growth in this market is the result of the annual growth in vehicle numbers in both Australia and New Zealand, underpinned by population growth. In 2017, the Australian vehicle population had grown to 18 million vehicles and is expected to continue to grow at around 2% per annum.

2. **Market share growth and share-of-wallet opportunities exist** – part number range extension, entry into new and associated product types, such as heavy-duty filters and filter-related workshop tools, and conversion of end users to branded products, all provide every GUD automotive business with the potential to grow organically.

3. **Inter-business synergies** – synergy potential exists with the automotive businesses due to operational commonalities. There are common customers, common suppliers and similarities in the respective supply chains, all of which provide the potential to realise synergies which do not exist between businesses that do not share these mutual threads. In addition, GUD's established automotive operations have a proven set of operating structures and disciplines that are readily applied to similar acquired businesses. These have resulted in material uplifts in financial and market performances in the new businesses.

4. **The ability to grow through acquisitions** – as already proven, attractive acquisition opportunities are present in the automotive aftermarket sector. GUD has both the internal resources and financial strength to undertake further complementary acquisitions.

Simultaneous to the recent portfolio restructuring endeavours, all GUD group businesses have embarked on active and structured innovation programs, complementing other organic growth initiatives.

The innovation initiative is now in its fourth year, having commenced with a group-wide, extensive capability-building program across all businesses. The innovation process and disciplines are now well embedded.

The newly acquired automotive businesses, specifically IM Group (IMG) and AAG, are going through innovation process training to equip them to identify, analyse and implement innovation opportunities in their respective categories.

More details of the recent innovation activities and outputs are provided in the Innovation and Product Development Section of this Review.

Both the portfolio activities of 2017-18 and the innovation endeavours over the same period have evidenced a continuation of the same essential direction articulated by GUD in recent years.

This has resulted in GUD being positioned with most of its operations, sales and profitability in the automotive aftermarket, a sector that offers substantial growth potential, as detailed above.

Each of GUD's automotive businesses enjoys a strong and unique market position, with market-leading brands enjoying high brand equity and a healthy track record of both product and service innovation. Testament to this is Ryco being awarded Trade Supplier of the Year at both Repco and Bapcor in 2018. In addition, BWI were awarded Repco Retail Supplier of the Year in 2018 and Wesfil were awarded Auto One Supplier of the Year.

The stable and sizeable profit streams and cash flows from the automotive businesses, coupled with the contributions from Davey, provide GUD with the strategic flexibility to pursue future portfolio options, which will be principally focused on the automotive sector.

The GUD Group, through the actions taken over the last four years, is now in a much stronger strategic and financial position.

2. Financial Performance Review

Prior to commenting on financial performance for 2017-18, it is important to note that, following the sale of Oates, the accounts have been presented to show Oates as a discontinued operation.

The relevant accounts for the previous financial year restate Oates to discontinued operations. Discontinued operations in the restated 2016-17 accounts also include Dexion and Lock Focus, both of which were sold during that year. GUD's businesses that remain classified as continuing operations include all the Automotive businesses and Davey.

Revenue

Total group revenue from continuing operations increased 11% on the prior year's level. The Automotive businesses reported revenue growth of 16% of which 9% was organic and 7% through acquisition. Davey's revenue was down 1%.

The primary features of the continuing revenue trends in the year are detailed below.

1. A full year of revenue contribution came from IMG compared with one month's revenue in the prior year. AAG provided seven months of revenue in the current year, while Griffiths Equipment also provided a full year of revenue when compared with three months' in the prior year.

2. All businesses implemented price increases throughout the year to offset the higher cost of products from offshore suppliers.

3. There were also some specific initiatives taken to expand each Automotive business unit's revenue, including:

    - In addition to regular range extensions, Ryco introduced new categories, such as vehicle specific Fuel Water Separator Kits and O2Rush High Performance Air Filters, the latter being designed to increase vehicle performance. Ryco also extended its range of workshop tools developed for professional mechanics and gained further ground through its successful customer acquisition program, whereby automotive workshops are converted to using the market-leading Ryco brand of automotive filters.

- AAG also expanded its product offering, including kits, to extend vehicle coverage by 11%, which will position the business well into 2018-19.
- IMG likewise extended its product range, commenced product distribution in New Zealand, and relaunched the Goss brand of engine management products.
- Wesfil introduced additional ranges, including Cooper Kleen wipes, diesel particle filters, Exelwipe windscreen wipers, and both PK belt and Tri Power spark plug programs to its independent reseller customers to meet the needs of that channel.
- BWI had another record year in sales through product range expansions for both Narva and Projecta brands, including an extensive LED forward lighting range. The business also introduced new planograms for distributors, entered the Original Equipment segment as a supplier to Kenworth trucks and Toyota, co-branded product into new channels such as TJM, pushed further into emergency vehicle lighting with the noteworthy award of the NZ Police tender late in the year, and commenced value-adding product distribution of Osram and Philips lighting products.

4. Davey reported a 1% decline in sales revenue to $101.1 million in 2017-2018 driven by several factors including:
    - Weak export demand, especially from the Middle East driven by reduced demand in the construction industry in the United Arab Emirates as well as other macro-economic pressures in the region.
    - While Australia experienced growth in the irrigation and agriculture markets, reduced demand for pumps and controllers for domestic rain water harvesting eroded the gains.
    - The New Zealand business grew slightly during the period, driven by new product releases into the farming and broader agricultural industries associated with water treatment and filtration solutions, including the exciting Microlene Dairy platform.

Profitability

Following the sale of the Oates business, in which a total gain on sale of $51.5 million was reported in the year, the Group reported a net profit after tax of $101.8 million. This compares with the prior year's result of a net loss after tax of $7.3 million, a period in which the result was materially affected by losses associated with the sale of the Dexion and Lock Focus businesses.

In 2017-18 the net result included one-off costs of $6.6 million. Of this, $5.8 million related to the non-cash impairment of inventory, tooling and product development costs at Davey for products which have either come to the end of their natural life cycle or failed to achieve market sell-through and had to be discontinued.

Underlying net profit after tax from the continuing operations, which include the Automotive businesses and Davey, improved by 20% on the prior year to $55.2 million.

Underlying Earnings Before Interest and Tax (underlying EBIT) from the continuing businesses improved by 12% to $83.5 million. This underlying EBIT result came about from strong growth of the Automotive businesses, a flat underlying result at Davey, and a small increase in corporate overhead influenced by the level of acquisition and disposal activity.

The primary factors affecting the profitability of each of the reporting entities are detailed below:

1. The 13% uplift in underlying EBIT in Automotive came from a combination of organic sales growth of 8% and 5% from acquisitions. Both the Ryco and BWI businesses generated profit growth from market-related activities, including new product introductions, expanding the customer base and entry into new market segments.
2. While Davey reported a 1% decline in sales revenue, it managed to grow underlying EBIT slightly over the prior year. Many corrective actions were initiated which avoided a reduction in profitability, while addressing domestic cost inflation on inputs and without reducing Davey's product innovation activities.

Davey remains focused on the commercialisation of some of the exciting product development initiatives and addressing the need to establish a pattern of sustainable revenue and profit growth.

During the year, a thorough review was conducted of several earlier Davey products introductions in the pool and water treatment segments, which were undertaken prior to the adoption of GUD's current product innovation processes, as well as how Davey phases out older products which are no longer successful in the market place. As some product initiatives had failed to gather market traction, a decision was made to impair the investment associated with those products, including tooling, product development and inventory, and impair the inventory for other products similarly discontinued. The total cost of these impairments was $5.8 million.

The current new product development and innovation processes no longer allow the capitalisation of product development costs, these are now expensed as incurred, and involve critical 'cease or proceed' reviews during the product development process.

Discontinued operations generated EBIT of $52.8 million in the year involving a half-year EBIT contribution from Oates of $4.7 million, a gain on the sale of Oates of $51.5 million, and sale transaction costs of $3.4 million. This resulted in net profit after tax from discontinued operations of $51.4 million.

Dividends

The total dividend for 2017-18 was 52 cents per share consisting of an interim dividend of 24 cents per share and a final dividend of 28 cents per share. Both dividends were fully franked. This compares with total dividends of 46 cents per share in the previous financial year.

The Dividend Reinvestment Plan remains suspended due to GUD's ongoing strong financial position.

Cash Generation and Capital Management

Cash flow from operating activities was $59.4 million, up from $45.3 million in the prior year. This includes contributions from the discontinued businesses.

Net debt was $92.5 million, a reduction of $68.3 million on the prior period.

Net working capital as at 30 June 2018 was maintained at similar levels to the prior year. The businesses worked on several themes in relation to managing net working capital in 2018-19, including:

- Further rebalancing inventory levels in Automotive and Davey by reducing the level of slower moving inventory while ensuring the businesses were well positioned to support new product introductions.
- Further supporting sales growth, especially in the Automotive business, and, where necessary, extending debtor days to selected resellers in exchange for broader ranging and sell-through support.

The major cash outflows associated with the acquisition of both controlling and non-controlling interests in other companies in 2017-18 include:

- The purchase of AAG for $21.0 million.
- The Griffiths Equipment earn-out of $2.0 million, which is the maximum level of earn-out, reflecting the strong performance of that acquisition.
- The non-controlling interest investments in AutoGuru and Liftango of $1.8 million and $0.2 million respectively.

2017-18 also represented the first of three earn-out measurement periods in respect of the prior year's acquisition of IMG. IMG's 2017-18 financial performance was strong enough to trigger the first tranche of the earn-out. A payment of $1.6 million will be paid in the first quarter of 2018-19.

The year also saw a major cash inflow from the sale of Oates of $83.8 million, with the associated sale costs being reported within cash flow from operations.

External Financing

The Company is now three years into a five-year debt financing facility involving Westpac, National Australia Bank and the Commonwealth Bank which expires on 1 July 2020. This comprises a fixed tranche of $185 million, and an acquisition tranche of $115 million which amortises to $52.5 million over the period of the facility.

Following the sale of Oates, GUD retains significant debt capacity to finance further acquisitions. As the unutilised portion of the facility is subject to unused line fees, the Company has elected to accelerate the amortisation of the acquisition tranche, which has now been amortised by a total of $58.75 million. The remaining amortisation of $3.75 million is not due until the current facility expires in July 2020. This reduction action is not expected to limit the capacity for logical bolt-on acquisitions through the balance of the financing facility.

The total facility capacity now available to the Company stands at $241.25 million.

3. Strategy Review

Overview

GUD's primary objective is to generate long-term shareholder returns above the cost of capital, while maximising the value of its unique portfolio of market-leading brands.

Strategy development and execution is focused at the segment level, implying that GUD's businesses operate with a significant degree of autonomy in this regard. Traditionally, there has been very little overlap between the businesses in respect of markets and customers served, hence the focus. However, in recent years, over which the portfolio has become more concentrated on the automotive sector, there has been more coordination of strategy development and execution across the automotive businesses.

This segment approach is overlaid with strategic portfolio analysis, which addresses the structure of the GUD Group in relation to the types of activities the Company should be active in to meet its long-term objectives.

The business unit and Group strategies are prepared and reviewed by the Board annually. The method adopted considers the competitive position of each business through assessing its market position, management capabilities and business culture, business fitness and scalability opportunities.

In addition, the attractiveness of each industry sector is evaluated along with the long-term financial performance of each business unit. The latter analysis includes sales and profit trends along with shareholder return history.

This approach provides a framework for assessing an activity and business unit's prospects, from which the future portfolio structure is developed.

Following the strategy work completed in recent years, more clearly defined criteria for GUD's portfolio structure have emerged. The overarching guidelines that frame the portfolio structure now and into the future are:

- Industrial, trade or commercial customer base.
- Business-to-business sales profile.

- Strong brands.
- Product leadership in niche markets with a strong innovation track record.
- An attractive market structure driving sustainable returns.
- Sustainable, robust market growth record and prospects.

The elements that frame the strategy are:

1. Investing in innovative product and service development to deliver breakthrough new products and/or services that address specific customer needs, through either distinctive product features, lower overall cost and/or improved functional performance.
2. Investing in GUD's brands through marketing activities and programs to maintain leading positions with each brand's selected audience.
3. Improving product and supply chain costs and efficiencies to enable each business to remain internationally competitive in its sector.
4. Improving efficiency and product unit costs in operations where GUD retains a manufacturing capability.
5. Actively managing the business portfolio to optimise shareholder returns.

The focus for strategic activity in recent years, including 2017-18, has been portfolio management and innovation.

The activities affiliated with each of these two are detailed in the following sections.

Portfolio Management

2017-18 was characterised by further activities focused on reshaping GUD's portfolio of businesses. The rationale for this reshaping has been previously documented and includes:

- Strengthening GUD's automotive interests as the automotive aftermarket provides steady, consistent growth and reliable and high-quality profit streams.
- Reducing GUD's exposure to sectors that are not displaying the same growth potential, have volatile profitability and where the ability to build an internationally competitive business with scale is not present.

Bearing these two factors in mind, the Group confirmed the following portfolio adjustments in the year:

1. Acquired the AAG businesses, consisting of operations in Australia and New Zealand, on 1 December 2017.
2. Announced the acquisition of Disc Brakes Australia effective on 2 July 2018.
3. Sold the Oates cleaning products business on 2 January 2018. Oates had been part of GUD's portfolio since July 2005.

The details of these transactions follow.

AA Gaskets acquisition

The AAG group consists of two entities – AA Gaskets Pty Ltd in Australia and the New Zealand-based NZ Gaskets Limited. The business was founded in 1954 and manufactures and imports automotive gaskets for the aftermarket.

Its customer base includes the major automotive aftermarket distributors, such as Bapcor and Repco, and engine reconditioning supply specialists.

AAG goes to market with products under the leading Permaseal brand, which is estimated to hold a market share in excess of 75%.

The acquisition of AAG was completed in December 2017, and since that time, GUD has negotiated a 10-year gasket supply agreement with the major automotive parts distributor, Bapcor. This agreement provides AAG with exclusivity of gasket supply to Bapcor using either the Permaseal brand or the Pro-Torque brand, which has been acquired from Bapcor as part of the supply agreement. This agreement came in to effect from 1 July 2018.

Following the acquisition of IMG in June 2017, GUD restructured its automotive interests into three main entities, Ryco Group Pty Ltd, Brown & Watson International Pty Ltd, and Wesfil Australia Pty Ltd. The Ryco Group was formed to comprise essentially those businesses that provide the aftermarket with engine and car service parts – air, oil and cabin filters, fuel pumps, engine management sensors, remanufactured engine control units, and gaskets.

AAG forms the third element of the Ryco Group, after Ryco Filters and IMG.

Since the acquisition, activities aimed at strengthening financial performance at AAG have included the following:

- Broadening the product range to fill known gaps: over 2 million vehicles have been added to AAG's product span as a result.
- Establishing stronger range collaboration between the Australia and New Zealand businesses.
- Reviewing the supplier base and identifying opportunities to optimise purchasing, reduce product costs and improve the supply chain.
- Commencing the adoption of many of Ryco's successful go-to-market tactics, inclusive of additional field sales calls directly on workshops and enhanced marketing communications involving an updated website and an app.

AAG contributed revenue of $9 million and made an EBIT contribution of $1.7 million in its first seven months of GUD's ownership. GUD acquired AAG for a total consideration of $21 million.

Disc Brakes Australia (DBA) acquisition

The DBA acquisition was completed on 2 July 2018.

DBA operates in the automotive aftermarket through supplying a range of disc brake rotors, brake drums and disc brake pads under the DBA brand.

With over 40 years of manufacturing experience and continued research and development, DBA has positioned itself as the premium brand of disc brake rotors in the Australian automotive aftermarket. It is also rapidly growing its presence in the disc brake pad segment.

Its customer base includes the major automotive industry distributors – Bapcor, Repco and Supercheap – along with other automotive wholesalers and performance specialists.

The DBA business has an annual sales turnover of around $23 million and generates an annual EBIT of around $3 million. Consideration for the acquisition was $20 million.

DBA will form part of the GUD Automotive business under the Ryco Group and, in combination with GUD's Ryco, Goss, Wesfil, Narva and Projecta brands, will be positioned as the major independent supplier of disc brake rotors to the Australian aftermarket.

Oates divestment

The Oates cleaning products business was sold to Freudenberg Household Products Pty Ltd at the start of 2018.

Oates has been a part of GUD's diversified portfolio over a 13-year period, having been acquired in July 2005. Oates is a leading participant in the household and commercial cleaning products market, supplying mops, buckets, brushware, clothes, wipes and commercial cleaning equipment, such as janitors' trolleys, to a customer base that includes major supermarkets, hardware chains and specialist distributors in the commercial cleaning sector.

Freudenberg has an international footprint in cleaning products through its Vileda brand, which is the top cleaning brand in the Australian grocery sector. Oates' relative strength in commercial cleaning was attractive to Freudenberg, as it was under-represented in this segment in the Australian market.

Similar to GUD's sale of the Sunbeam appliances business to Jarden Corporation in July 2016, Oates has effectively been acquired by its natural owner. Freudenberg has a significant international position in the cleaning hardware industry, and through the acquisition of Oates it strengthens its position in this part of the world.

The rationale for the sale of the Oates business was that a clear path for sustained growth was not achievable in GUD's ownership. Additionally, the scope for scalability was limited in GUD's portfolio, and in recent years Oates' profitability had plateaued and returns were declining. The Oates business has more potential to thrive and prosper in Freudenberg's ownership as it becomes part of a dedicated cleaning business with international scale.

In the six months that Oates was in GUD for 2017-18 it contributed $36 million in sales and $4.7 million in EBIT to GUD's financial performance.

Oates was sold for proceeds of $83.8 million and generated a profit on disposal of $51.5 million.

Innovation and Product Development

Over the past four years, GUD has built an industry leading innovation program, which leverages both employee-led innovation and extensive external collaboration, exploring opportunities to add value to its current and future customers. This program embraces innovation across three horizons – from incremental improvements to existing products, to innovations that move GUD's businesses into adjacent markets, and transformational new products that change the markets in which they enter. As a result, GUD's group of businesses is positioned for success in the long term.

At the heart of all innovation activity across GUD Group is a relentless focus on the customer. Accordingly, GUD has selected and trained cross-functional innovation specialists, known as 'innovation champions', in customer-focused skills, including how to uncover unmet customer needs, how to design innovations that are tailored to those needs, and how to test those innovations with customers in the market.

During 2017-18, trained innovation champions worked within and across GUD's business units, systematically uncovering and acting upon new opportunities to innovate.

Some of the new products developed and launched over the past year are detailed below.

Davey Microlene Farm

Dairy farmers across Australia and New Zealand have a common problem: the water they use is often contaminated, which greatly affects cow health, milk productivity and machinery operation. To solve this problem, Davey designed a world-first product, the 'Microlene Farm', a self-contained modular unit that provides healthy water through the filtration, purification and disinfection of a farm's existing water supply. Davey customises each system based on a comprehensive water test, which identifies the specific contaminants in the farm's water supply, resulting in the Microlene Farm unit providing superior water quality compared with all other options on the market. Microlene Farm also allows the farmer to remotely monitor the operation of their water supply system. This unit signifies a step-change in Davey's approach, moving from selling components to providing full water treatment and transfer solutions.

O2 Rush Filter Range

Ryco has expanded its range of air filters, to target the performance customer, with O2 Rush performance filters. It has been designed incorporating strong feedback from existing and future customers. Ryco engineers deliberately involved customers at each stage of the design, ensuring that the market would be receptive to the new range of pod, panel and radial filters. In addition, the range was designed to exceed the performance of all other air filters in this specialised segment, ensuring the new range delivers the quality expected from a Ryco brand filter.

Toyota Hilux 'Rugged X' Lighting

BWI's team has co-designed and delivered a world-first integrated light bar and driving light package for the 2018 Toyota Hilux 'Rugged X'. BWI's world-first lightbar design allows for quick and efficient assembly, using a patented sealing method that solves the industry-wide issue of quick manufacture without the need for gluing. Adopting an iterative experimentation process and a combination of real world photometric laboratory and software simulations, BWI have delivered an efficient and intelligent light pattern that exceeded customers' expectations and has received critical acclaim.

New, revolutionary products are an important outcome from the innovation program. Just as important is the cultural shift that has taken place across the Group. GUD's businesses are now first and foremost customer-focused. This shift has occurred to such a degree, that each business unit far exceeded the Kenexa (IBM) industry norm for customer-focus, in the Group's most recent employee engagement survey.

GUD supplements its staff-led approach to innovation with an extensive external collaboration program, focused specifically on start-up engagement and collaboration. Start-ups and entrepreneurs continue to shape many industries, and GUD has elected to engage directly with these changemakers. In doing so, it ensures that it will be at the cutting edge of changes that are affecting its markets. Of focus for this program are start-ups and emerging businesses focused on the following areas:

- Driverless vehicles.
- Connected vehicles and Internet of Things (IoT).
- Electric vehicles.
- Sharing economy.

As part of this program, GUD has engaged formally with many start-ups, including those outlined below.

TeamAssurance

TeamAssurance is a start-up that has collaboratively developed its software with the Davey operations team. TeamAssurance's software automates the reporting, communication and management of lean productivity improvement and safety programs. Since implementing this software, the Davey team has captured and monitored all its lean activity in one place – increasing engagement, clarity and planning. Davey now has its lowest injury rate on record and a work cover premium 30% better than industry average.

Liftango

The sharing economy is shifting consumer behaviour. To learn more about these changes, and its impacts on the automotive industry, GUD has invested in Liftango, a rideshare start-up based in Newcastle, NSW. Liftango designs and delivers the ride-matching and routing technology for its two complementary offerings: corporate car-pooling and on-demand bus. Through this relationship, GUD continues to expand its knowledge of how shifting consumer preferences can change markets, and is poised to benefit from such changes.

AutoGuru

AutoGuru is Australia's leading auto service booking site, developed to make it easy for customers to book a car service online. As the automotive markets shift increasingly online, GUD has acquired a minority share in AutoGuru. This investment allows GUD to understand first-hand how these changes will influence consumer behaviour in the aftermarket industry.

Utilising both staff-led innovation and start-up engagement and collaboration, GUD has designed and implemented a sustained, robust approach to innovation that will ensure the Group remains relevant and successful now and into the future.

4. Corporate Social Responsibility

People and Culture

During the year, GUD conducted its fourth iteration of a broad-based employee engagement survey. The purpose of the survey is to gain insights into what each employee across the GUD Group of companies thinks about the workplace, our leaders and the working environment. It creates the opportunity for employees to express what they like about working in a GUD business, and what they think needs to be improved for the future success of GUD and employees' careers and aspirations within it.

In the most recent survey, we sought responses to gauge employee satisfaction and engagement, as well as measure progress on strategic goals. Across each of the GUD companies, we strive for a culture of professionalism, excellence, high performance, integrity and innovation. We want our workplaces to embody these values.

In the latest survey, as a Group, GUD is now in the top quartile of Kenexa (IBM) companies globally on many measures for employee engagement.

High performance is part of the culture of the businesses. Individuals who have much to contribute, and show initiative, are given the opportunity to demonstrate their abilities and gain recognition for their achievements. GUD is cultivating its leaders of tomorrow.

Cross-business projects and teams continue to be a significant part of GUD. While many are ongoing, the need for these teams evolves. For instance, where the immediate purpose of a team has been addressed, it may have been disbanded or scaled back, while new teams are established to tackle emerging risks and opportunities.

These teams develop a broader cross section of people having a greater understanding of the businesses, the risks and opportunities, create an environment for sharing of knowledge and solutions, so creating a pool of talent with readily transferable skills available to be applied where best utilised.

Members of GUD's Quality & Supplier Council interact with suppliers and passionately develop organisational and suppliers' capabilities, as well as introducing and driving world-class best practices that cover business systems, operational processes, supplier management and governance across GUD businesses. The aim is to deliver quality products and services and to achieve a reputation for superior brands.

GUD seeks to ensure equality and fairness in proposing and recommending salary and career decisions for all employees. Doing so forms the basis of ensuring sustainability into the future, in areas such as recruiting, career and succession planning, development planning and workforce planning. The objective is to grow the pool of talent available and to ensure that personnel with the right skills and experience are best utilised, and that all personnel are given opportunities to succeed. GUD has seen progress on this front during the year, with personnel being transferred to recently acquired or existing businesses advancing their careers and the opportunities available to them.

GUD businesses offer an employee assistance program, provided on a confidential basis by an independent third party. Employees and managers are encouraged to make use of this assistance whether the matter is work-related or personal. In addition, throughout the year, GUD businesses have engaged an external provider in sessions designed to increase awareness and understanding among employees, in areas of anxiety, depression and mental health.

Diversity, in particular gender diversity, is at the forefront of Board and Management thinking. GUD's formal report, including the GUD policy, on diversity is included in the Corporate Governance Statement, which is available on the website at http://www.gud.com.au/corporate-governance.

Safety

GUD's safety culture is well entrenched. With the sale of the Dexion and Oates businesses, the Group's remaining operations are now predominantly a common model of warehousing and distribution, with minor elements of assembly and manufacturing.

The fundamental drivers of improved safety are leadership, teamwork and individual accountability. Ongoing programs and initiatives enhance safety culture, including management leadership on visible safety and employee participation at all levels, in regular safety campaigns and safety conversations.

The GUD Safety Excellence Awards promote, encourage, recognise and reward businesses, teams and individuals who place a high value on accident prevention and promotion of safety in the workplace. At the third annual Safety Excellence Awards held in August 2017, Michael Massey from BWI was recognised in the individual category for his initiative in enhancing safety in the process of unloading containers, while the team at Wesfil was recognised for significantly contributing to an enhanced safety culture in the business, and the Davey business won an award for introducing the Safety Champions program. The awards are being run again this year, now in conjunction with the inaugural Innovation Awards.

This year, GUD has continued its focus on incident causation investigations to understand and learn from the factors that contribute to an incident and the latent hazards within the workplace system and organisation. Businesses are also concentrating on collecting and analysing 'near miss' statistics, to identify and act upon those seemingly innocuous occurrences that if not attended to may one day lead to an accident or injury that could have been prevented. The knowledge gained is shared across the businesses in monthly steering committee meetings attended by business leaders and health and safety managers, and provides further opportunity for improvement.

GUD now runs a comprehensive program of regular inspections of its business sites by trained personnel from other businesses within the Group. The purpose of these inspections is to assist site managers in raising and maintaining the standards of safety, as well as providing teaching and learning experiences for personnel throughout the businesses.

The results from the increased emphasis on safety across the businesses are evident in the following table.

Measure	2013-14	2014-15	2015-16	2016-17	2017-18
Total Recordable Injury Frequency Rate	14.3	8.2	7.1	9.6	4.4
Lost Time Injury Frequency Rate	5.6	1.8	4.5	5.8	2.9

The Board and management congratulate all personnel in the businesses for achieving these outcomes, particularly recognising the tireless efforts of the many people who have actively contributed to improving safety culture and outcomes.

Sustainability

GUD manages its businesses to be responsive, ethical, open and accountable, promoting a relationship of respect and trust by and with shareholders, customers, government and community, and employees. GUD businesses continue to be aware of and plan for sustainability risks of varying degrees found across the businesses in product quality, labour, supply reliability, health and safety, and the environment.

Ethical conduct in business is a key pillar of GUD's sustainability. GUD has had a Code of Conduct for many years, which includes provisions for the protection of 'whistle-blowers'. The Code of Conduct is complemented by online and direct training of staff in areas of privacy, anti-bribery and corruption, harassment and bullying, anti-competitive conduct, consumer protection and cyber security awareness.

GUD's Quality & Supplier Council was established to discuss best practices and bring thought leadership to the Group in all aspects of ethical sourcing, supplier governance, supplier risk management and sustainability. Cross-business improvement initiatives are identified to enhance the organisation system, supply chain processes, suppliers' capabilities and the knowledge of Council members in these aspects. Ethical sourcing audits have been carried out by some businesses at selected suppliers' premises to address the risks and opportunities for continual improvements.

In response to the introduction of the Modern Slavery Bill 2018, the Council will establish a policy statement, monitoring and reporting processes. The supplier management system and supply chain due diligence processes will be reviewed and improved to ensure the modern slavery risks are addressed and mitigated.

GUD's businesses have relatively minor impact on climate change through greenhouse gas emissions and energy consumption. Because of their nature, GUD's operations in total continue to be well beneath the reportable thresholds established by the National Greenhouse and Energy Reporting Act. In addition, where appropriate, GUD businesses are signatories to the Australian Packaging Covenant Organisation (APCO) and report annually on cardboard and plastic recycling, and work with suppliers and customers to reduce packaging materials. In 2017, BWI received an award from APCO in the category of Hardware and Homewares.

Community

Throughout the year, GUD businesses seek to engage and enhance their relationships with all stakeholders and the community.

In 2018, BWI's NARVA business again sponsored and promoted the 'Shine a Light on Road Safety' campaign, an annual initiative of the Road Trauma Support Services Victoria (RTSSV) that coincides with National Road Safety Week. Also backed by the TAC, Victoria Police, VicRoads and the State Government, this campaign draws attention to loss of life and road trauma on our roads. Road users were encouraged to take part by turning on their vehicle headlights as a highly visible gesture to remember those impacted by and show a commitment to road safety.

After the damaging effects of recent cyclones to the Pacific Islands, the team at Davey New Zealand has been engaged in a community program in Tonga. Currently, the primary school and village exist without a constant potable clean water supply. The people of Pelehake rely on a system that requires dangerous maintenance and operational practices. The project will provide safe drinking water and improve safety conditions to the Pelehake community.

Davey has designed and will be installing water quality improvement and pumping systems, education and training packs for the local school and maintenance people, guarding of existing equipment and developing safer electrical control systems. Davey will continue to offer training and operational support to provide the community with knowledge and skills to ensure the performance of the new systems. This project reflects Davey business values of ‘protecting and enhancing people’s lives’.

5. Risk Review

Overview

It is the policy of GUD to ensure that there is a systematic process to identify, analyse, assess, manage and monitor risk throughout the Group.

In a major recognition of the importance of risk management, during the year, the Board created a separate Board committee to focus on Risk and Compliance. The Committee has endorsed recommendations from management to enhance the risk management and compliance processes across the Group, which is embedded in the Committee’s charter.

As in the past, an evaluation of all organisational risks at business unit level is performed regularly for presentation to the Board for review. The risk management policy and framework has been enhanced, with specific outcomes expected of businesses being the development of a key risks register and risk treatment plans to mitigate those identified key risks.

In addition, there are established policies and processes in relation to specific risks, such as information technology, workplace health and safety, and financial risk management.

The regular business unit risk assessments are performed utilising a standard framework that is designed to ensure that strategic, operational, legal, reputational, product quality, brand and technological risks are identified, assessed, managed and monitored.

The risk management framework highlights those risks that are the priorities for mitigation actions. These risks are material business risks that could adversely affect achievement of GUD’s strategic objectives, which are outlined in the ‘Strategy Review’ section above, and financial prospects described in the ‘Outlook’ section.
The risks identified for priority are detailed below.

Brand reputation risk due to poor product quality. GUD relies heavily on external manufacturers to supply products that comply with GUD’s brand quality standards. Any decline in quality could cause major reputational damage and a consequent degradation in brand equity. GUD regularly conducts independent brand health surveys to provide an external view on customer perceptions of our brands.

Consolidation of the customer base. Further consolidation of corporate ownership of the customers served by GUD’s businesses has driven pressures to renegotiate trading terms for GUD and to demands for additional promotional allowances and other margin-reducing activities. Maintaining compelling product range and market leading brands remains our priority focus.

Growing risks to IT security. Over the past year, GUD has dedicated significant resources to IT risk management and IT fulfilment strategy. These have been focused on preventative measures, such as mitigating the potential impact of cyber risk and securing cyber insurance on commercially attractive terms, and proactive initiatives, such as reducing the number of IT platforms, alerting and training all staff on simple precautions and actions to reduce risk, and developing a mid-term IT platform road map.

Ethical business behaviour is key to GUD's reputation. Risks of bribery and corruption are a constant threat to both corporate and individual reputation, as well as financially and to personal liberty. The Company assessed these risks and established policies and processes, including training of staff, to mitigate them.

GUD still considers supply chain risk, which includes supplier failure and the inability to receive products sourced from offshore suppliers, to be a threat. GUD is heavily dependent on offshore suppliers for a substantial proportion of its product range. The Automotive businesses predominantly import their product needs, while Davey manufactures and assembles, as well as sources from external suppliers. There are several individual risks that can be categorised under this topic, including supplier financial failure and country risk through sourcing and shipping predominantly from one location. Monitoring and mitigation activities continue to reduce and manage the severity of these risks. GUD's Quality & Supplier Council has a particular focus on ethical sourcing, supplier governance, supplier risk management and sustainability.

Foreign Exchange Risk

The impact of foreign currency fluctuations on the purchases of goods in foreign currencies when translated back to the functional currency of the relevant subsidiary remains a material business risk that could adversely affect achievement of GUD's strategy outlined in the 'Strategy Review' section above and financial prospects described in the following 'Outlook' section, unless appropriate compensating controls and risk mitigation actions are in place.

Foreign exchange exposures continue to be managed from a perspective of minimising the effects of volatility on the value of the foreign currency cash flows of the business, and a foreign exchange policy will be applied that requires significant purchases in foreign currencies to be hedged using either foreign exchange forward contracts, options or collars.

A Financial Risk Management Committee, consisting of finance staff from the business units and managers from the corporate holding company, meets monthly to monitor foreign currency transaction exposures, outstanding hedging contracts and to determine additional hedging required to stay within policy guidelines.

In general, businesses hedge long enough into the future to align with potential repricing lead times in the event the currency deteriorates for an extended period. This generally sees foreign currency purchasing commitments hedged out six months, except for Davey where exports in foreign currencies provide a natural hedge.

The remaining financial statements accounts translation risk is predominately from New Zealand, with a minor exposure in Europe. The foreign currency accounts translation risk on foreign subsidiaries is not hedged.

6. Outlook

Underlying financial performance in 2018-19 is expected to improve on the level generated in 2017-18.

The Automotive business is expected to continue its momentum with both organic and acquisition growth.

Ryco Filters will continue with its long-standing workshop conquest program, in which end users are converted to using the market-leading Ryco brand of air, fuel and oil filters. With its recent focus on growth opportunities such as in the heavy-duty segment, the conquest activity is also covering truck workshops and service centres.

Each year, Ryco introduces hundreds of new filters to ensure that the brand's range maintains currency with the changing nature of the automotive markets in Australia and New Zealand. In 2018-19, Ryco plans to introduced around 300 new filters in support of this objective.

Similar to the period after GUD acquired BWI, 2018-19 for the recently acquired IMG, AAG and Disc Brakes Australia will involve the introduction and implementation of GUD's management philosophies and structures.

The Wesfil business, which services the independent reseller market segment in the automotive aftermarket with a varied range of service parts based around a core filtration offer, is expected to continue its steady growth trajectory as it introduces new parts in response to customer demand. Wesfil will also benefit from its new branch in Arndell Park in Western Sydney, which was opened in February 2018.

BWI has become a substantial contributor to GUD's financial position and performance. This has come about through new product introductions. This momentum continued in 2017-18 supporting the publication of the latest Projecta brand catalogue. A raft of new product activity is in progress for the current financial year, while the business expects to reap the full year benefit from the products that were introduced part way through the previous year. BWI expects to launch the 2019 Narva catalogue in February 2019.

In addition to this new product activity, BWI has identified a number of market segments which offer growth potential for the current year and support structures have been put in place to ensure this occurs. One such market niche is the emergency services lighting market, in which BWI has a presence in the 'amber' product segment, but not in the 'red and blue' (police, ambulance, etc) segment. With access to an internationally recognised product range and with specialised resources now in place, BWI has secured its first major tender to supply the entire New Zealand police fleet over the next four years.

Further to the organic growth in the Automotive businesses, full year contributions will come from the acquired businesses AAG and Disc Brakes Australia.

It is expected that Davey will show an improvement in the coming year from new products recently released to the market and ongoing operating cost reductions.

Remuneration Report

This report forms part of the Directors' Report and has been audited as required by section 308(3C) of the Corporations Act 2001, and prepared in accordance with the Corporations Act 2001.

The report is outlined in the following sections:

1. Who this report covers
2. Remuneration governance
3. Senior Executive remuneration strategy and structure
4. Remuneration for the Managing Director and Senior Executives
5. Link between performance and remuneration outcomes
6. Service agreements
7. Non-Executive Directors' remuneration
8. Other KMP transactions

1. Who this Report Covers

This report outlines the remuneration arrangements for the Group's Key Management Personnel (KMP).

The following individuals had authority and responsibility for planning, directing and controlling the activities of the Group for all or part of the financial year ended 30 June 2018:

Name	Role		
Non-Executive Directors			
R M Herron	Non-Executive Director and Former Chairman (Passed away 13 November 2017)		
M G Smith	Non-Executive Director and Chairman (Appointed Chairman on 15 November 2017)		
A L Templeman-Jones	Non-Executive Director and Chairman of Risk and Compliance Committee		
G A Billings	Non-Executive Director and Chairman of Audit Committee		
D D Robinson	Non-Executive Director and Chairman of Remuneration Committee		
Managing Director			
J P Ling	Managing Director		
Senior Executives			
M Fraser	Chief Financial Officer		
G Davies	Chief Executive Officer	Brown & Watson International	(Appointed 1 August 2017)
D Chin	Chief Executive Officer	E D Oates	(Oates exited the Group 2 January 2018)
R Pattison	Chief Executive Officer	GUD Automotive Division	
G Nicholls	Chief Executive Officer	Ryco Group	
D Worley	Chief Executive Officer	Davey	
T Cooper	Managing Director	Wesfil	

2. Remuneration Governance

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Managing Director and Senior Executives (collectively, Senior Executives).

The Remuneration Committee consists of the four Non-Executive Directors and is responsible for determining a framework and broad policy for remuneration. It advises the Board on remuneration policies and practices in general, and makes specific recommendations on fees, remuneration packages, incentives and other terms of employment for Senior Executives.

A copy of the Remuneration Committee Charter is available under the Governance section of the Company's website.

The Senior Executives do not participate in any decision relating to their own remuneration.

3. Senior Executive Remuneration Strategy and Structure

Remuneration Strategy

Our remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced Senior Executives. Our strategy ensures we are well positioned to deliver reasonable and market competitive rewards in a way that supports a clear performance focus and is aligned with the long-term goals of the Group.

In determining the Senior Executives' remuneration, we have developed remuneration guiding principles to assist in decision-making:

- The remuneration structure is relevant and simple for Senior Executives and shareholders to understand.
- Our remuneration practices support the delivery of long-term business strategy and provide a clear link between Group performance and remuneration outcomes.
- Remuneration levels are sufficient to attract and retain key talent and be competitive.
- We have clearly defined and disclosed remuneration processes and structures that reflect shareholder views and objectives.
- Our incentive plans are carefully designed to balance the twin imperatives of short-term performance and long-term enhancement of shareholder value, and are regularly reviewed to ensure alignment with corporate governance principles.
- The Remuneration Committee is committed to continuing to review and refine the remuneration strategy to ensure it meets the changing needs of the Group and remains aligned to shareholder interests.

Remuneration Structure

The remuneration framework provides a mix of fixed and variable remuneration and has five components:

- Fixed remuneration;
- Other employment related benefits; and

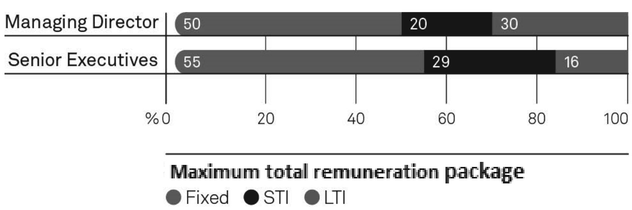
"at risk" remuneration including:

- Short-term incentives (STI);
- Long-term incentives (LTI); and
- Special incentives.

These comprise the total remuneration paid to Senior Executives.

Our approach is to position the maximum "at risk" components of Senior Executives' remuneration relative to total maximum remuneration, to around 45 per cent, and 50 per cent in the case of the Managing Director.

In the absence of any special incentives, the remuneration mix for the Senior Executives is as follows:



Fixed Remuneration and Other Employment Related Benefits

The remuneration packages for the Senior Executives contain a fixed amount that is not performance linked. The fixed remuneration consists of base salary, as well as employer contributions to superannuation funds.

Fixed remuneration for Senior Executives is determined by reference to the scope of their positions and the knowledge, experience and skills required to perform their roles. Periodically, independent consultants provide benchmark information, analysis and/or advice to the Remuneration Committee to ensure the packages are competitive in the market with comparable roles. We have adopted a desired market positioning around the median of the peer group. The Company has not received remuneration recommendations from an independent consultant during the year ended 30 June 2018 and 30 June 2017.

The Remuneration Committee, through a process that considers individual, business unit and overall Group performance, reviews fixed remuneration annually. Fixed remuneration levels are generally not adjusted during the year unless the individual is promoted or there is a substantial change in market rates.

Senior Executives receive non-cash benefits in the form of salary continuance insurance and other benefits, refer table 4.1 for further information. In addition, Senior Executives receive annual and long service leave.

Short Term Incentive (STI)

The Board considers that basing the STI payments on Cash Value Added (CVA) performance aligns the interests of the Senior Executives with the interests of shareholders in the businesses being operated profitably. The current STI plan provides an annual bonus for achieving or exceeding an agreed CVA target and is paid following the announcement of the Group's year-end results. CVA targets are set with reference to agreed underlying EBIT targets and the weighted average cost of capital employed.

CVA measures a true level of performance of the business by comparing trading profit performance (being reported profit adjusted for non-recurring items) with the return required on the net assets used by the businesses, generally a measure of weighted average cost of capital. This requires management to drive both trading profit and carefully manage the balance sheet.

Acquisition and disposal costs are excluded from the CVA calculation due to their one-off nature, which can be difficult to budget with certainty and consequently including them could discourage growing shareholder value through business portfolio changes.

For each financial year:

- In respect of business unit executives – STI bonuses will only be paid where business unit CVA performance exceeds the CVA performance of the prior year and the CVA target for the relevant business unit.
- In respect of Group executives – STI bonuses will only be paid where Group CVA performance exceeds the Group CVA performance of the prior year and the Group CVA target.
- CVA targets for each business unit and for the Group overall will be established by the Remuneration Committee in the first quarter of the financial year.

The Remuneration Committee determines the Senior Executive actual STI bonuses after the conclusion of the financial year in accordance with the plan rules.

The Board continues to view CVA as the most appropriate annual performance measure.

STI bonuses are calculated as a percentage of fixed remuneration. When the CVA target is achieved, the target STI bonus is paid in full. If the CVA target is exceeded, the STI bonus increases up to a ceiling of no more than 150 per cent of the target STI bonus, generally upon achieving 120 per cent of CVA target. No STI is paid where CVA performance falls below the CVA target.

	% of salary at		
Bonuses as a per cent of fixed remuneration	STI Threshold performance	STI Stretch performance	LTI
Managing Director	26.67	40.00	60.00
Senior Executives	35.00	52.50	30.00

Details of the CVA STI bonuses payable to the Senior Executives for the year ended 30 June 2018 are set out in section four of this Report.

From and including the financial year commencing 1 July 2018, the Remuneration Committee and the Board have included two qualifying performance thresholds for STI bonuses to be awarded. Firstly, the business CVA dollars achieved must be no less than the prior year, and secondly, the underlying EBIT dollars must grow over the prior year by hurdle growth rates endorsed by the Board on an annual basis.

Long Term Incentive (LTI)

The Board considers that measuring Executives' performance for LTI purposes by reference to the Group's total shareholder return (TSR) relative to a comparator group closely aligns the LTI component of their remuneration with the interests of shareholders.

The comparator group is the Standard and Poor's ASX Small Ordinaries index, of which the Group forms part, modified to exclude stocks in the mining, materials and energy industries. It was chosen on the basis that it is the most effective way to measure and reward the extent to which shareholder returns are generated relative to the performance of companies that compete with the Group for capital and employees. The comparator group typically comprises over 100 companies.

LTI bonuses are provided as performance rights, granted at the commencement of the relevant three-year performance measurement period, which will convert to an equivalent number of GUD shares if the performance hurdle is achieved over the relevant three-year performance measurement period. No amount is payable for the issue of performance rights, or for the shares received upon vesting of those performance rights. The plan is in line with market norms, supports the delivery of the Group's long-term strategy and ensures that the Senior Executives hold an exposure to equity. The maximum number of performance rights granted is set as a percentage of the Senior Executives' fixed remuneration on grant, re-stated as a number of performance rights, determined by applying the share price, being the Volume Weighted Average Price over the month of June immediately prior to the commencement of the relevant year of grant.

Participation in the plan is subject to Remuneration Committee recommendation and Board approval. In the case of the Managing Director, shareholder approval is also required, and is sought at the Annual General Meeting prior to the Board formally granting the performance rights to the Managing Director.

After the cessation of employment of a participating executive, the Board has the discretion whether to allow a pro rata portion of the granted performance rights to remain 'on foot' subject to the plan rules and the performance criteria. The remaining performance rights of a departing Executive lapse in accordance with plan rules.

Following the end of the performance measurement period, the Board receives an independent calculation of the Company's TSR performance against the comparator group over the performance measurement period. The vesting schedule for performance rights equity-based awards is as follows:

TSR performance	% of LTI that vests
TSR below 50th percentile	Nil
TSR at 50th percentile	50
TSR between 50th and 75th percentile	Progressive vesting from 50 to 100
TSR at 75th percentile and above	100

Under prevailing accounting standards, the potential cost to the Company from granting performance rights is calculated as the fair value of those performance rights at grant and that amount is accrued over the three-year performance measurement period.

The rules of the LTI plan include provisions that prohibit participants entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

In respect of LTI grants made from and including the financial year commencing 1 July 2018, the Remuneration Committee and the Board have included an additional performance threshold; that the Company's absolute TSR performance over the performance measurement period must be positive.

Special Incentives

From time to time the Remuneration Committee may approve a special incentive to a selected employee aligned to the attainment of particular outcomes which align with shareholder interests and value. Special incentives may be paid as performance rights or other salary.

During the year ended 30 June 2018, the Company divested its entire interest in E D Oates Pty Ltd (Oates). The sale process required significant time and input from Oates' Chief Executive Officer, Mr David Chin. Mr Chin was integral to the sale process and dedicated additional hours and effort to its execution. The success of the sale was largely assisted by the managerial continuity through the process. Considering Mr Chin's experience and depth of knowledge of Oates, the Remuneration Committee considered it appropriate to incentivise Mr Chin to remain with the company until successful completion of the sale. As such, Mr Chin received an incentive bonus of $450,000, (being $300,000 plus one per cent of the sale price over $65 million). Completion of the sale occurred on 2 January 2018 and the incentive bonus was paid on 17 January 2018.

4.1 Remuneration of Senior Executives

Details of the nature and amount of each major element of remuneration of the Executive Directors and Senior Executives are:

		Short-term employment benefits						Long-term benefits					
	Year	Salary [1] and fees $	STI bonus $	Leave entitle-ments $	Income protection premium $	Other benefits $	Total $	Long service leave $	Equity fair value of performance rights [2] $	Superan-nuation $	Total $	Proportion of total risk related remuneration %	Value of equity remuneration as a proportion of total remuneration %
Managing Director													
J P Ling	**2018**	**1,108,000**	**414,541**	**(5,371)**	**4,122**	**-**	**1,521,292**	**21,273**	**395,919**	**25,000**	**1,963,484**	**41.3**	**20.2**
	2017	1,065,000	311,559	(24,846)	3,809	-	1,355,522	22,608	325,015	35,000	1,738,145	36.6	18.7
Senior Executives													
M Fraser	**2018**	**564,416**	**283,047**	**(2,135)**	**1,094**	**-**	**846,422**	**(1,421)**	**93,472**	**25,000**	**963,473**	**39.1**	**9.7**
	2017	537,249	212,705	30,623	1,011	-	781,588	12,129	80,030	35,000	908,747	32.2	8.8
D Chin [3]	**2018**	**647,211**	**72,100**	**-**	**-**	**-**	**719,311**	**-**	**18,905**	**12,740**	**750,956**	**12.1**	**2.5**
	2017	251,961	-	14,594	-	-	266,555	4,153	21,239	23,936	315,883	6.7	6.7
R Pattison	**2018**	**535,000**	**279,332**	**21,580**	**2,204**	**-**	**838,116**	**11,308**	**84,918**	**25,000**	**959,342**	**38.0**	**8.9**
	2017	470,363	265,316	23,455	2,035	-	761,169	5,083	66,689	35,000	867,941	38.3	7.7
G Davies [4]	**2018**	**395,000**	**209,939**	**24,945**	**353**	**34,470**	**664,707**	**(25,990)**	**41,739**	**25,000**	**705,456**	**35.7**	**5.9**
	2017												
G Nicholls	**2018**	**475,000**	**235,107**	**(6,085)**	**353**	**-**	**704,375**	**20,934**	**71,863**	**25,000**	**822,172**	**37.3**	**8.7**
	2017	390,000	220,500	6,020	326	-	616,846	14,689	49,954	30,000	711,489	38.0	7.0
D Worley	**2018**	**466,727**	**-**	**1,880**	**1,212**	**-**	**469,819**	**8,972**	**45,080**	**25,000**	**548,871**	**8.2**	**8.2**
	2017	442,405	-	(4,262)	1,119	-	439,262	7,859	68,272	35,000	550,393	12.4	12.4
T Cooper	**2018**	**475,000**	**197,652**	**36,209**	**2,204**	**-**	**711,065**	**3,654**	**74,007**	**25,000**	**813,726**	**33.4**	**9.1**
	2017	389,360	182,984	434	2,035	-	574,813	12,036	60,329	35,000	682,178	35.7	8.8
Total remuneration of the Managing Director and Senior Executives of the Group													
	2018	**4,666,354**	**1,691,718**	**71,023**	**11,542**	**34,470**	**6,475,107**	**38,730**	**825,903**	**187,740**	**7,527,480**		
	2017	3,546,338	1,193,064	46,018	10,335	-	4,795,755	78,557	671,528	228,936	5,774,776		
Total remuneration of Non-Executive Directors													
	2018	**744,389**	**-**	**-**	**-**	**-**	**744,389**	**-**	**-**	**70,104**	**814,493**		
	2017	733,392	-	-	-	-	733,392	-	-	69,671	803,063		
Total remuneration (compensation of key management personnel of the Group)													
	2018	**5,410,743**	**1,691,718**	**71,023**	**11,542**	**34,470**	**7,219,496**	**38,730**	**825,903**	**257,844**	**8,341,973**		
	2017	4,279,730	1,193,064	46,018	10,335	-	5,529,147	78,557	671,528	298,607	6,577,839		

1 Salary includes base and other salary.

2 The fair value of performance rights granted under the 2018, 2019 and 2020 performance rights plans are subject to achievement of TSR hurdles and were calculated by independent experts using a Monte-Carlo simulation valuation. The fair value is allocated to each reporting period evenly from the date of grant to the vesting date. The value disclosed in the Remuneration table above is the portion of the fair value of the performance rights expensed during the year ended 30 June 2018.

3 David Chin left the GUD Group as a result of the sale of Oates on 2 January 2018. The table above discloses his remuneration for the period to 2 January 2018. As a result of the sale of Oates on 2 January 2018 Mr Chin received a $450,000 incentive payment for successfully completing the sale of the Oates business which occurred on 2 January 2018 (Note 33b). The incentive bonus was paid on 17 January 2018 and is reported as part of salary.

4 George Davies was appointed Chief Executive Officer of Brown & Watson International Pty Ltd on 1 August 2017.

4.2 Non-Statutory Compensation Received by Senior Executives

The table on the previous page provides a breakdown of the Company's Senior Executive remuneration in accordance with statutory obligations and accounting standards. However, the Board is aware that the format in which the Company is required to present this information may make it difficult for shareholders to understand the total remuneration actually earned by Senior Executives from the various components of their remuneration in respect of the year ended 30 June 2018.

The following table represents non-International Financial Reporting Standards information. It sets out fixed remuneration, non-monetary benefits, STI payable in relation to the year ended 30 June 2018, as well as any LTI or special incentive that has been earned as a result of performance that vested during the year ended 30 June 2018 or shortly after 30 June 2018. As a general principle, the Australian Accounting Standards require the fair value of share based payments to be calculated at the time of grant and accrued over the performance period. This may not reflect what Senior Executives actually received or became entitled to during the financial year. The figures in the table below have not been prepared in accordance with the Australian Accounting Standards. They provide additional and different disclosures to the previous statutory table.

		Not at risk		At risk		
	Year	Salary and super [1]	Other non-monetary benefits [3]	STI bonus [2]	Performance rights vested with respect to the year [4]	Total remuneration
		$	$	$	$	$
Managing Director						
J P Ling	**2018**	**1,133,000**	**20,024**	**414,541**	**888,710**	**2,456,275**
	2017	1,100,000	1,571	311,559	1,165,244	2,578,374
Senior Executives						
M Fraser	**2018**	**589,416**	**(2,462)**	**283,047**	**227,877**	**1,097,878**
	2017	572,249	43,763	212,705	314,216	1,142,933
D Chin	**2018**	**659,951**	**-**	**72,100**	**-**	**732,051**
	2017	275,897	18,747	-	-	294,644
R Pattison	**2018**	**560,000**	**35,092**	**279,332**	**204,909**	**1,079,333**
	2017	505,363	30,573	265,316	234,407	1,035,659
G Davies	**2018**	**420,000**	**33,778**	**209,939**	**-**	**663,717**
	2017	-	-	-	-	-
G Nicholls	**2018**	**500,000**	**15,202**	**235,107**	**151,951**	**902,260**
	2017	420,000	21,035	220,500	143,107	804,642
D Worley	**2018**	**491,727**	**12,064**	**-**	**197,320**	**701,111**
	2017	477,405	4,716	-	272,440	754,561
T Cooper	**2018**	**500,000**	**42,067**	**197,652**	**173,602**	**913,321**
	2017	424,360	14,505	182,984	239,803	861,652
Total remuneration of the Managing Director and Senior Executives of the Group						
	2018	**4,854,094**	**155,765**	**1,691,718**	**1,844,369**	**8,545,946**
	2017	3,775,274	134,910	1,193,064	2,369,217	7,472,465

1. Salary and super includes base and other salary and employer superannuation contributions. In the case of David Chin, his salary includes a special incentive paid as a consequence of the sale of Oates.
2. The STI bonus column reflects the STI cash bonus paid in respect of performance during the year ended 30 June 2018 and paid in late July 2018 following the announcement of the Group's year-end results.
3. Non-monetary benefits includes leave entitlements, income protection premiums, long service leave and certain personal expenses.
4. LTI performance rights granted in July and October 2015 vested in full as a result of meeting TSR targets on 30 June 2018. The Remuneration Committee approved vesting of the performance rights on 26 July 2018. The value assigned to the vested performance rights, that is, the value of shares received by the Executive, has been calculated using the Company's closing share price on 29 June 2018 of $14.16.

4.3 GUD Holdings Limited Equity Interests Held by the Senior Executives

Senior Executives have exposure to equity in GUD either directly in the form of shares, or indirectly through holding performance rights in the Company. Details of Senior Executives equity interests follow.

Performance Rights Granted During the Year

Details of performance rights over ordinary shares in the Company that were granted to Senior Executives under the LTI plan during the reporting period are set out in the following table:

	Rights granted during the year ended 30 June 2018	Grant date	Vesting date	Fair value per performance right at grant date $	Fair value of rights granted during the year ended 30 June 2018 $
Managing Director					
J P Ling	52,190	26 October 2017	30 June 2020	5.68	296,439
Senior Executives					
M Fraser	13,575	26 July 2017	30 June 2020	8.89	120,682
D Chin	9,489	26 July 2017	30 June 2020	8.89	84,357
R Pattison	12,897	26 July 2017	30 June 2020	8.89	114,654
G Davies	7,198	26 July 2017	30 June 2020	8.89	63,990
G Davies	2,474	20 September 2017	30 June 2020	6.05	14,968
G Nicholls	11,515	26 July 2017	30 June 2020	8.89	102,368
D Worley	11,325	26 July 2017	30 June 2020	8.89	100,679
T Cooper	11,515	26 July 2017	30 June 2020	8.89	102,368
Total	**132,178**				**1,000,505**

A minimum level of performance must be achieved before any performance rights vest. Therefore the minimum possible total value of the LTI for future financial years is nil.

The following factors were used in determining the fair value of performance rights granted during the year:

	Grant date	Vesting period date	Fair value per performance right	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
			$	$	$	%	%	%
Grant to Managing Director	26 October 2017	30 June 2020	5.68	-	12.00	28.00	1.94	6.0
Grant to G Davies	20 September 2017	30 June 2020	6.05	-	10.95	28.00	2.08	6.0
Grant to Senior Executives	26 July 2017	30 June 2020	8.89	-	12.18	28.00	1.94	6.0
Grant of Special Incentives				-				

Performance Rights Holdings of Senior Executives

The following table discloses changes in the performance rights holdings of Senior Executives in the Company. The related parties of Senior Executives do not hold any performance rights.

	Balance at 1 July 2017	Rights granted during the year	Rights vested during the year	Rights lapsed during the year	Balance at 30 June 2018	Rights vested with respect to the year [1]	Rights lapsed with respect to the year [1]	Balance at the date of this report
Managing Director								
J P Ling	227,530	52,190	(90,259)		189,461	(62,762)	-	126,699
Senior Executives								
M Fraser	59,812	13,575	(24,339)		49,048	(16,093)	-	32,955
D Chin	13,546	9,489		(14,622)	8,413	-	-	8,413
R Pattison	49,372	12,897	(18,157)		44,112	(14,471)	-	29,641
G Davies		9,672			9,672	-	-	9,672
G Nicholls	36,040	11,515	(11,085)		36,470	(10,731)	-	25,739
D Worley	51,206	11,325	(21,103)		41,428	(13,935)	-	27,493
T Cooper	45,207	11,515	(18,575)		38,147	(12,260)	-	25,887
Total	**482,713**	**132,178**	**(183,518)**	**(14,622)**	**416,751**	**(130,252)**	**-**	**286,499**

1 Performance rights granted under the 2018 performance rights plan vested [at the maximum] on the basis of the Company exceeding the 75th percentile TSR hurdle as at 30 June 2018. The vesting was approved by the Remuneration Committee on 26 July 2018 and the rights have therefore been included in the table above as if the vesting were effective 30 June 2018.

GUD Holdings Limited Shares Held by the KMPs

The following table discloses changes in the shareholdings of KMPs and their related parties in the Company.

	Number of shares						
For the year ended 30 June 2018	Balance at 1 July 2017	Shares issued from vested performance rights [1]	Shares purchased	Shares sold	Balance at 30 June 2018	Shares to be issued from vested performance rights [2]	Balance at the date of this report
Non-Executive Directors							
R M Herron	45,223	-	-	(45,223)	-	-	-
A L Templeman-Jones	5,042	-		-	5,042	-	5,042
M G Smith	35,373	-	5,627	-	41,000	-	41,000
G A Billings	11,250	-	-	-	11,250	-	11,250
D D Robinson	13,000	-	-	-	13,000	-	13,000

	Number of shares						
For the year ended 30 June 2018	Balance at 1 July 2017	Shares issued from vested performance rights [1]	Shares purchased	Shares sold	Balance at 30 June 2018	Shares to be issued from vested performance rights [2]	Balance at the date of this report
Managing Director							
J P Ling [3]	216,273	90,259	-	-	306,532	62,762	369,294
Senior Executives							
M Fraser [3]	100,225	24,339	-	-	124,564	16,093	140,657
D Chin	-	-	-		-	-	-
R Pattison	22,153	18,157	-	(10,477)	29,833	14,471	44,304
G Davies	-	-	-	-	-	-	-
G Nicholls	10,960	11,085	-	-	22,045	10,731	32,776
T Richards	-	-	-	-	-	-	-
D Worley	1,562	21,103	-	(18,500)	4,165	13,935	18,100
T Cooper	20,360	18,575	-	-	38,935	12,260	51,195
	481,421	**183,518**	**5,627**	**(74,200)**	**596,366**	**130,252**	**726,618**

1 Performance rights granted under the 2017 performance rights plan vested at the maximum on the basis of the Company exceeding the 75th percentile TSR hurdle as at 30 June 2017. The issue of shares was approved by the Remuneration Committee on 26 July 2017 (as disclosed in the Remuneration Report for the year ended 30 June 2017) and were allotted on 4 August 2017.

2 Performance rights granted under the 2018 performance rights plan vested at the maximum on the basis of the Company exceeding the 75th percentile TSR hurdle as at 30 June 2018. The vesting was approved by the Remuneration Committee on 26 July 2018 and the rights have therefore been included in the table above as if the vesting were effective 30 June 2018.

3 Some Executives' holdings include shares held either directly, or through other entities in which the Executive has a trustee role or controlling interest.

5. Link between Performance and Remuneration Outcomes

The remuneration and incentive framework, which has been put in place by the Board, has ensured that the Managing Director and Senior Executives are focused on both maximising short-term operating performance and long-term strategic growth.

The Board continues to review and monitor the remuneration and incentive framework to ensure that performance is fairly rewarded and encouraged, and to attract, motivate and retain a high quality Senior Executive team.

STI

In the current year, the following businesses in the consolidated entity exceeded CVA targets: GUD Automotive, Wesfil and Brown & Watson International. As a result, Executives of those business units received an STI bonus payment based on achieving or exceeding the business unit CVA performance. Corporate Executives, including the Managing Director and Chief Financial Officer, received a bonus upon achieving the Group CVA target.

STI bonus payable for the year ended 30 June 2018	Maximum STI opportunity $	Actual STI bonus payment [1] $	Actual STI bonus payment as a % of maximum STI %	Forfeited %
Managing Director				
J P Ling	453,200	414,541	91	9
Senior Executives				
M Fraser	309,443	283,047	91	9
D Chin [2]	108,150	72,100	67	33
R Pattison	294,000	279,332	95	5
G Nicholls	262,500	235,107	90	10
G Davies	209,939	209,939	100	-
D Worley	258,157	-	-	100
T Cooper	262,500	197,652	75	25

1 A minimum level of performance, including exceeding the previous year's CVA, must be achieved before any STI bonus is payable.

2 D Chin left the Group with the sale of Oates on 2 January 2018.

The payments relate to STI bonus earned in the year ended 30 June 2018, approved by the Remuneration Committee on the 26 July 2018.

The Remuneration Committee periodically reviews the design and operation of the STI plans to ensure that they focus rewards on achieving targets that represent strong performance of the business units, which will ultimately support shareholder returns. As in prior years the Board has tasked the Remuneration Committee to undertake such a review in the first quarter of the forthcoming financial year before any STI targets are confirmed for that year. The review will focus on the target setting and thresholds for minimum and maximum STI rewards rather than the quantum of potential rewards.

LTI

The following table summarises key Company performance and shareholder wealth statistics over the past five years.

TSR measures the return a shareholder obtains from ownership of shares in a company in a defined period, and takes into account various matters such as changes in the market value of the shares, as well as dividends on those shares.

The absolute TSR performance for the three years ending 30 June 2018 was 74.27%

Financial year	Underlying EBIT [1] $m	Underlying basic EPS [1] Cents	Total DPS [2] Cents	Opening share price $	Closing share price $	Dividend yield %	TSR percentile rank for the 3 year period ending
30 June 2014	49.0	43.5	36.0	5.99	6.22	5.8	35.6
30 June 2015	51.6	45.2	42.0	6.22	8.84	4.8	56.8
30 June 2016	78.6	52.0	43.0	8.84	9.11	4.7	71.3
30 June 2017	83.6	60.5	46.0	9.11	12.91	3.6	91.2
30 June 2018	83.4	64.1	52.0	12.91	14.16	3.7	80.0

1 Underlying EBIT and underlying basic EPS are presented before significant one-off items and are from continuing operations as reported in each year.

2 The DPS presented does not include special dividends. The following special dividend has been paid in the five-year period: 10 cents paid on 3 September 2013.

The TSR rank for the year ended 30 June 2018 is within the top quartile of the comparator group. Consequently, in accordance with the plan rules, on 26 July 2018 the Board approved the maximum vesting of the performance rights which were due to vest in respect of the period ended 30 June 2018.

6. Service Agreements

Remuneration and other terms of employment for Executives are formalised in a service agreement.

The essential terms of the Managing Director and Senior Executives' contracts are shown below:

Name	Notice periods/termination payment
J P Ling	• Unlimited in term. • A notice period of six months by either party applies, except in the case of termination by the Company for cause. • On termination, Mr Ling is entitled to receive his statutory entitlements of accrued annual and long service leave.
Senior Executives	• Unlimited in term. • One or three months' notice by either party (or payment in lieu), except as noted below. • On termination, Senior Executives are entitled to receive their statutory entitlements of accrued annual and long service leave. • Mr Cooper is employed under a contract entered into in September 1996. That contract provides for 12 months' notice of termination by either party. • Apart from Mr Cooper, no current Senior Executive contract includes termination benefits additional to the notice period and statutory entitlements described above.

7. Non-Executive Directors' Remuneration

Non-Executive Directors' fees are not 'at risk', to reflect the nature of their responsibilities.

Remuneration Policy

Non-Executive Director fees recognise the demands made on, and responsibilities of, Non-Executive Directors in performing their roles. Non-Executive Directors receive a base fee and a fee for chairing a Board Committee. The Chairman of the Board receives no extra remuneration for chairing committees.

Fees payable to Non-Executive Directors are determined within the maximum aggregate amount that is approved by shareholders. The current maximum aggregate fee amount is $1,300,000, approved by shareholders at the 2017 Annual General Meeting.

In determining the level of fees, external professional advice and available data on fees payable to non-executive Directors of similar sized companies are taken into account. The Board, through its Remuneration Committee, will continue to review its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice and principles of good corporate governance.

Non-Executive Directors do not receive bonuses or any other incentive payments, and are not eligible to participate in any of the Executive or employee share acquisition plans established by the Company.

Fees

Board and Committee fees are set with reference to advice from external advisers and market data, with regard to factors such as the responsibilities and risks associated with the role.

The fees paid to Non-Executive Directors in the year ended 30 June 2018 are set out in the table below:

	Board	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Nominations Committee
Chairman of	277,299	15,000	15,000	15,000	Nil
Members of	110,919	5,000	5,000	5,000	Nil

In accordance with rule 36 of the Constitution, Directors are permitted additional fees for special services or exertions. No such fees were paid during the year. Directors are also entitled to be reimbursed for all business-related expenses, including travel on Company business, as may be incurred in the discharge of their duties.

Equity Participation

Non-Executive Directors do not receive shares or options as part of their remuneration, and there is no provision for Non-Executive Directors to convert a percentage of their prospective fees into GUD shares.

Nevertheless, all Directors hold shares, either directly or indirectly, in the Company. Details of Directors' shareholdings may be found earlier in this Report.

Superannuation

The Company pays superannuation in line with statutory requirements to eligible Non-Executive Directors.

Remuneration

Details of the nature and amount of each element of the remuneration of Non-Executive Directors for the year ended 30 June 2018 are set out in the table below.

		Directors' Fees	Superannuation [1]	Total
	Year	$	$	$
Non-Executive Directors				
R M Herron	**2018**	116,101	10,417	**126,518**
	2017	270,536	25,701	296,237
A L Templeman-Jones	**2018**	135,919	12,912	**148,831**
	2017	123,214	11,705	134,919
M G Smith	**2018**	224,281	21,307	**245,588**
	2017	108,214	10,280	118,494
G A Billings	**2018**	135,919	12,912	**148,831**
	2017	123,214	11,705	134,919
D D Robinson	**2018**	132,169	12,556	**144,725**
	2017	108,214	10,280	118,494
Total Remuneration of Non-Executive Directors	**2018**	**744,389**	**70,104**	**814,493**
	2017	733,392	69,671	803,063

1 Superannuation contributions on behalf of Non-Executive Directors to satisfy the Company's obligations under applicable Superannuation Guarantee legislation.

8. Other KMP Transactions

Loans to KMPs

There were no loans to KMPs at 30 June 2018 (2017: nil).

Other KMP Transactions with the Group

Wesfil Australia Pty Ltd leases its Sydney premises from an entity related to Terry Cooper, a Director of Wesfil Australia Pty Ltd on terms no less favourable than arm's length commercial terms. Net rental expense was $432,930 excluding GST (2017: $432,368 excluding GST).

Apart from the details disclosed in this Remuneration Report, no KMP has entered into a material contract with the Company or entities in the Group since the end of the previous financial year and there were no material contracts involving a KMP's Interest at year end.

A number of KMP, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with KMPs and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arms-length basis.

From time to time, KMPs of the Company or its subsidiaries, or their related parties, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other group employees or customers and are trivial or domestic in nature.

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Consolidated Income Statement

For the year ended 30 June 2018

	Note	2018 $'000	2017^ Restated $'000
Revenue	2	**396,689**	356,866
Cost of goods sold		**(200,580)**	(186,744)
Gross Profit		**196,109**	170,122
Other income	2	**321**	154
Marketing and selling		**(50,820)**	(48,330)
Product development and sourcing	3	**(12,166)**	(7,961)
Logistics expenses and outward freight		**(21,766)**	(17,231)
Administration		**(27,681)**	(21,619)
Other expenses:			
Loss on revaluation of contingent consideration payable	3, 7	**(101)**	-
Impairment of inventory, product development and tooling assets	3, 7	**(5,783)**	-
Other		**(1,257)**	(501)
Results from operating activities		**76,856**	74,634
Net finance cost	4	**(6,660)**	(10,340)
Profit before tax		**70,196**	64,294
Income tax expense	31	**(19,723)**	(18,635)
Profit from continuing operations, net of income tax		**50,473**	45,659
Profit/(loss) from discontinued operation	33b	**51,372**	(53,003)
Profit/(loss) from operations, net of income tax		**101,845**	(7,344)
Non-controlling interests	34	**-**	-
Profit/(loss) attributable to owners of the Company		**101,845**	(7,344)
Earnings per share from continuing operations:			
Basic earnings per share (cents per share)	5	**58.6**	53.3
Diluted earnings per share (cents per share)	5	**58.1**	52.7
Earnings per share from discontinuing operations:			
Basic earnings per share (cents per share)	5	**59.6**	(61.9)
Diluted earnings per share (cents per share)	5	**59.1**	(61.2)

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $'000	2017^ Restated $'000
Profit for the year from continuing operations		**50,473**	45,659
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating results of foreign operations	28	**(16)**	(1,085)
Net fair value adjustments recognised in the hedging reserve	28	**5,228**	3,570
Net change in fair value of cash flow hedges transferred to inventory	28	**(961)**	26
Transfers within equity on disposal	28	**-**	618
Equity settled share based payment transactions	28	**1,823**	1,631
Revaluation of contingent consideration receivable	31	**-**	(3,284)
Income tax on items that may be reclassified subsequently to profit or loss	31	**(1,280)**	1,364
Other comprehensive income / (loss) for the year, net of tax		**4,794**	2,840
Total comprehensive income from continuing operations, net of tax		**55,267**	48,499
Profit/(loss) from discontinued operation, net of tax	33b	**51,372**	(53,003)
Total comprehensive Profit/(loss) attributable to owners of the Company		**106,639**	(4,504)
Non-controlling interests	34	**-**	-
Total comprehensive Profit/(loss)		**106,639**	(4,504)

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

All of the above items may subsequently be recognised in the Income Statement.

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 30 June 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	21	**50,610**	10,238
Trade and other receivables	8	**96,687**	91,970
Inventories	9	**87,500**	93,080
Derivative assets	23	**3,677**	15
Other financial assets	24	**516**	3,182
Current tax receivable		**4**	58
Other assets	10	**4,685**	4,008
Total current assets		**243,679**	202,551
Non-current assets			
Goodwill	16	**124,375**	119,438
Other intangible assets	17	**110,431**	118,099
Property, plant and equipment	18	**10,638**	13,075
Derivative assets	23	**10**	48
Other financial assets	24	**1,284**	1,800
Deferred tax assets	32	**7,927**	6,284
Investments	35	**2,021**	3
Total non-current assets		**256,686**	258,747
Total assets		**500,365**	461,298
Current liabilities			
Trade and other payables	11	**56,398**	55,311
Employee benefits	12	**10,127**	11,022
Restructuring provisions	13	**-**	38
Warranty provisions	14	**1,052**	1,214
Other provisions	15	**754**	1,750
Borrowings	22	**72**	15,092
Derivative liabilities	23	**2**	878
Other financial liabilities	24	**1,625**	2,022
Current tax payable		**16,517**	9,485
Total current liabilities		**86,547**	96,812
Non-current liabilities			
Employee benefits	12	**1,916**	1,931
Borrowings	22	**142,992**	155,957
Derivative liabilities	23	**1,080**	1,525
Other financial liabilities	24	**2,427**	4,053
Other non-current liabilities		**81**	106
Total non-current liabilities		**148,496**	163,572
Total liabilities		**235,043**	260,384
Net assets		**265,322**	200,914
Equity			
Share Capital	27	**112,880**	112,880
Reserves	28	**32,793**	26,591
Retained earnings	29	**119,649**	61,443
Total equity attributable to owners of the Company		**265,322**	200,914
Non-controlling interests	34	**-**	-
Total equity		**265,322**	200,914

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Balance at the beginning of the period		**200,914**	274,641
Comprehensive Income			
Profit for the period attributable to owners of the Company		**101,845**	(7,344)
Other Comprehensive Income attributable to owners of the Company		**2,971**	1,209
Equity settled share based payment transactions	28	**1,823**	1,631
Total Comprehensive Income attributable to owners of the Company		**106,639**	(4,504)
Transactions with owners recognised in equity			
Dividends paid	29	**(42,231)**	(37,712)
Total transactions with owners		**(42,231)**	(37,712)
Non-controlling interests			
De-recognition of non-controlling interests with change in control	34	**-**	(31,511)
Profit for the period attributable to non-controlling interests	34	**-**	-
Total changes in ownership interests		**-**	(31,511)
Balance at the end of the period		**265,322**	200,914

The amounts recognised directly in equity are net of tax.

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		**453,943**	621,828
Payments to suppliers and employees		**(378,942)**	(556,540)
Income taxes paid		**(15,642)**	(19,982)
Net cash provided by operating activities	21	**59,359**	45,306
Cash flows from investing activities			
Acquisition of controlled entity, net of cash acquired	33a	**(23,036)**	(33,198)
Acquisition of non-controlling interests	35	**(2,018)**	-
Proceeds from sale of investments, net of cash disposed of	33b	**83,771**	38,283
Payments for property, plant and equipment	18	**(3,605)**	(5,363)
Proceeds from sale of property, plant and equipment		**-**	343
Payments for intangible assets and product development costs	17	-	(22)
Net cash provided by investing activities		**55,112**	43
Cash flows from financing activities			
Proceeds from borrowings		**82,479**	101,420
Repayment of borrowings		**(110,209)**	(111,508)
Proceeds on loans receivable		**3,182**	2,401
Interest received		**132**	123
Interest paid		**(7,197)**	(9,723)
Dividends paid	29	**(42,231)**	(37,712)
Net cash used in financing activities	22	**(73,844)**	(54,999)
Net increase in cash held		**40,627**	(9,650)
Cash at the beginning of the year		**10,238**	19,961
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(255)**	(73)
Cash at the end of the year	21	**50,610**	10,238

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

1. Basis of preparation

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

Reporting Entity

GUD Holdings Limited (the 'Company') is a for profit company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is primarily involved in manufacture and importation, distribution and sale of cleaning products, automotive products, pumps, pool and spa systems, and water pressure systems, with operations in Australia, New Zealand, France and Spain (Note 7).

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2018 are available on request from the Company's registered office at 29 Taras Avenue, Altona North, Victoria, 3025 or at www.gud.com.au.

Basis of Accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Directors on 27 July 2018.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 and in accordance with the Rounding Instrument, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items which have been measured at fair value:

- Derivatives (Note 23)
- Other financial instruments (Note 24)

Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Goodwill (Note 16) and other intangible assets (Notes 17, 33)
- Inventories (Note 9)
- Financial instruments (Note 25)
- Other financial instruments – contingent consideration (Note 24)

1. Basis of preparation (continued)

Foreign currency

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency and the functional currency of the majority of the Group.

Foreign currency transactions

Transactions in foreign currency are translated to the respective functional currencies of Group companies at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at the exchange rates prevailing at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- Qualifying cash flow hedges to the extent the hedges are effective (Note 28), and
- Exchange differences on translating foreign operations (Note 28).

New standards and interpretations adopted in the year

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2018 and earlier application is permitted. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

a) AASB 9 Financial instruments

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments; Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has undertaken a detailed assessment of the classification and measurement impacts of the new standard and it has estimated the following impacts:

- The Group does not expect the new standard to have impact on the classification of its financial assets;
- The Group does not hold any financial liabilities at fair value through profit and loss and as such there is no impact of the new standard on financial liabilities.
- The Group has determined that existing hedge relationships will qualify under AASB 9. The Group's financial risk policies and underlying hedge documentation and policies have been aligned with AASB 9;
- AASB 9 will require extensive new disclosures, surrounding hedge accounting, credit risk and expected credit losses;
- The Group will adopt the practical expedient for low credit risk financial assets, which will allow impairment of trade receivable balances to be measured on a 12-month expected credit losses ('ECL') model. To implement the Group will use a provision matrix using the ageing profiles of debtor balances and apply an expected default rate based on its historical observed default rate, adjusted for forward looking estimates. Historically, default rates have been low, therefore management does not expect trade receivable balances to be impacted significantly by adopting the ECL model.

b) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. It provides a five-step model that applies to all customer contracts and it aims to better reflect the consideration that an entity expects to receive from customers in exchange for its goods and services. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

1. Basis of preparation (continued)

New standards and interpretations adopted in the year – Continued

b) AASB 15 Revenue from Contracts with Customers continued

In the current year, a project team was established containing members from the business units and revenue subject matter experts, to review the potential impacts of the new standard to the Group. As part of the impact review the Group has reviewed a representative sample of sales contracts to identify potential changes in timing of revenue recognition, measurement of the amount of revenue and note disclosures required under the new standard. The following points were noted.

- Most of the Group's revenue is earned by distributing finished product to customers and as such the Group has concluded there will be no material adjustments to profit or retained earnings on adoption of AASB 15
- Some of Davey's revenue is derived from providing its customers with custom water solutions. Under AASB 118 this revenue was recognised over time, these contracts have not straddled reporting periods, and as such, no material adjustments have been required to reflect the percentage of completion of these contracts. Income derived from Davey water solution projects meets the criteria set out in AASB 15 for revenue to be recognised over time, on the basis that; water solutions are bespoke solutions, i.e. disassembly of the solution would require a significant amount of work, which would result in the alternate sale of the product being uneconomical and terms and conditions include an enforceable right to payment for work completed, including a reasonable profit margin.
- A number of the Group's contracts offer its customers sales with right of return and marketing/co-operative rebates, which under AASB 118 are estimated using historical average return rates and are recorded as a reduction in transaction price. The Group will continue to measure return provisions based on historical average returns, on the basis that it is the best method to estimate expected future returns, therefore no material impact is expected. In relation to marketing/co-operative rebates the Group will be required to assess nature of transaction and determine whether it should be treated as a general marketing expense or reduction in transaction price. There will be no material impact to profit.

Transition

The Group plans to adopt AASB 15 using the cumulative effect method, with the effect of initially applying the standard recognised at the date of initial application, 1 July 2019. As a result, the Group will not apply the requirements of AASB 15 to comparative period.

c) AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The standard removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. This will effectively move all off-balance sheet operating leases onto the balance sheet that is similar to current finance lease accounting. The application date of this standard is 1 January 2019. Early adoption is permitted but only in conjunction with adopting AASB 15.

The Group has identified all material leases to the Group and is in the process of assessing applicable lease term periods (likelihood of taking option extensions) and the discount rate to be applied. Under the expected transition option, lease payments will be discounted using incremental borrowing rates at 1 July 2019. On transition, the Group expects to apply the modified retrospective, which does not require restating of comparative periods.

The Group does not plan to adopt these standards early.

This section focuses on the Group's performance. Disclosures in this section includes analysis of the Group's profit before tax by reference to the activities performed by the Group and analysis of key revenues and operating costs, segmental information, net finance costs and earnings per share.

In the segment information, the Group reports underlying Earnings Before Interest and Tax ("EBIT") and before exceptional items. This is a non IFRS measure of performance which reflects how the business is managed and how the Directors assess the performance of the Group.

2. Revenue

Accounting policies

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred 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 the revenue can be measured reliably. Revenue is measured net of returns and allowances, trade discounts and volume rebates.

Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a contract can be estimated reliably, contract revenue is recognised in the income statement in proportion to the stage of completion of the contract. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to become recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

Dividend income

Dividend income is not part of finance income and is recognised when the right to receive payment is established.

Goods and services tax

Revenues are recognised net of the amount of goods and services tax (GST).

This table summarises revenue from continuing operations:

	2018	2017^ Restated
	$'000	$'000
Revenue		
Sale of goods	**396,689**	356,866
Total revenue	**396,689**	356,866
Other income		
Other	**321**	154
Total other income	**321**	154

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

3. Expenses

Accounting policies

Depreciation

Depreciation is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis over the estimated useful life of each asset to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives for current and prior periods used in the calculation of depreciation:

- Plant and equipment 3 to 12 years
- Equipment under finance lease 3 to 12 years

3. Expenses (continued)

Amortisation

The value of intangible assets, with the exception of goodwill, and indefinite life intangible assets reduces over the number of years the Group expects to use the asset, via an amortisation charge. Amortisation is recognised in the income statement over the following number of years:

- Patents, licences, Product development and distribution rights 3 to 5 years
- Customer relationships 5 to 15 years
- Software 5 to 7 years

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Goods and services tax

Expenses 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, it is recognised as part of an item of expense.

Expenses by nature

This table summarises expenses by nature from continuing operations:

	Note	2018 $'000	2017^ Restated $'000
Profit before income tax has been arrived at after charging the following expenses:			
Write-Up/(write-back) to value of inventory obsolescence provision		**607**	523
Loss/(gain) on sale of plant and equipment		**1,539**	488
Operating lease rental expense: Minimum lease payments		**8,334**	6,984
Net foreign exchange (gain)/loss		**247**	1,296
Employee benefits:			
Wages and salaries (including on-costs)		**72,865**	62,668
Contributions to defined contribution plans		**2,618**	2,602
Movements in provisions for employee benefits		**(1,040)**	(1,170)
Equity settled share based payment expense	28	**1,823**	1,315
Depreciation and amortisation:			
Amortisation and impairment of product development costs	17	**-**	264
Amortisation of customer relationships	17	**392**	222
Amortisation of other intangibles	17	**1**	49
Depreciation of plant and equipment	18	**3,491**	2,767
Depreciation of leased plant and equipment	18	**11**	11
Total depreciation and amortisation		**3,895**	3,313
Product development and sourcing costs		**12,166**	7,961
Non-underlying costs:			
Transaction expenses		**289**	192
Restructuring expenses		**450**	39
Impairment of inventory	9	**2,373**	-
Impairment of product development costs		**1,726**	-
Impairment of tooling assets		**1,684**	-
Loss on revaluation of contingent consideration		**101**	-
Total non-underlying costs		**6,623**	**231**

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

4. Net finance costs

Accounting policies

Finance income

Finance income is comprised of interest income, fair value gains on interest rate hedging instruments and gains on disposals of available for sale financial assets. Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Finance costs

Finance costs are classified as expenses consistent with the balance sheet classification of the related debt or equity instruments. Finance costs are comprised of interest expense on borrowings and fair value losses on interest rate hedging instruments through the income statement. Interest expense on borrowings is recognised on an effective interest basis.

This table summarises net finance costs from continuing operations:

	2018	2017^ Restated
	$'000	$'000
Finance costs:		
Interest income	**(132)**	(122)
Interest expense	**7,156**	9,099
Financial assets / liabilities measured at fair value through the profit and loss	**(208)**	548
Net foreign exchange (gain) / loss	**(201)**	51
Unwinding of discount on contingent consideration payable	**45**	764
Net finance costs	**6,660**	10,340

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

The ineffective portion of cash flow hedges that is recognised in the income statement is nil (2017: nil).

5. Earnings per share

Earnings per share ('EPS') is the amount of profit attributable to each share. Basic EPS is calculated on the Group profit for the year attributable to equity shareholders divided by the weighted average number of shares on issue during the year.

Diluted EPS reflects any commitments the Group has to issue shares in the future, such as issued upon vesting of performance rights.

	Continuing operations		**Discontinuing operations**	
	2018	2017^ Restated	**2018**	2017^ Restated
	$'000	$'000	**$'000**	$'000
Profit / (loss) for the period	**50,473**	45,659	**51,372**	(53,003)
	Number	Number	**Number**	Number
Weighted average number of ordinary shares used as the denominator for basic EPS	**86,149,028**	85,692,094	**86,149,028**	85,692,094
Effect of balance of performance rights outstanding at 30 June 2018	**738,745**	939,951	**738,745**	939,951
Weighted average number of ordinary shares used as the denominator for diluted EPS	**86,887,773**	86,632,045	**86,887,773**	86,632,045
EPS	**Cents per share**	Cents per share	**Cents per share**	Cents per share
Basic EPS	**58.6**	53.3	**59.6**	(61.9)
Diluted EPS	**58.1**	52.7	**59.1**	(61.2)

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

6. Auditors' remuneration

This table summarises auditors' remuneration incurred in relation to continuing operations:

	2018	2017
	$	$
Audit and review services:		
The auditor of GUD Holdings Limited		
- audit and review of financial reports	**573,020**	690,038
Other auditors:		
- audit and review of financial reports	-	21,860
	573,020	711,898
Other services:		
The auditor of GUD Holdings Limited		
- in relation to other assurance, advisory, taxation and due diligence services [1]	**409,900**	422,778
Other auditors:		
- in relation to other assurance, advisory, taxation and due diligence services [2]	-	-
	409,900	422,778

1 In relation to services rendered in conjunction with the acquisition of AA Gaskets (Note 33a) and the disposal of Oates (Note 33b).

7. Segment information

Segment reporting is presented in respect of the Group's business and geographical segments. Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Managing Director (Chief Operating Decision Makers - 'CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, corporate expenses, interest and tax, corporate borrowings, and deferred tax balances.

Business segments

The following summary describes the operations in each of the Group's reportable segments:

Automotive

Automotive and heavy duty filters for cars, trucks, agricultural and mining equipment, fuel pumps and associated products for the automotive after-market.

Davey

Pumps and pressure systems for household and farm water, water transfer pumps, swimming pool products, spa bath controllers and pumps and water purification equipment.

Discontinued operations

Discontinued operations consist of the Oates business sold 2 January 2018, the Dexion business sold 1 June 2017, Lock Focus business sold on 1 December 2016 and the Sunbeam business sold on 1 July 2016.

Geographical segments

The Group operates primarily in two geographical segments; Australia and New Zealand.

Geographical Information

	Sales to external customers		Geographical non-current assets	
	2018	2017 ^ Restated	**2018**	2017 ^ Restated
	$'000	$'000	**$'000**	$'000
Australia	**347,467**	312,804	**235,611**	231,452
New Zealand	**43,199**	38,313	**20,303**	21,149
Other	**6,023**	5,749	**772**	6,146
	396,689	356,866	**256,686**	258,747

^Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

7. Segment information (continued)

Business segments	Automotive $'000	Davey $'000	Unallocated $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
	For the year ended 30 June 2018					
Total segment revenue (external)	**295,602**	**101,087**		**396,689**	**36,060**	**432,749**
Underlying EBITDA pre impairment costs	**85,431**	**10,581**	**(8,866)**	**87,146**	**5,003**	**92,149**
Less: Depreciation	(1,729)	(1,410)	(9)	(3,148)	(354)	(3,502)
Less: Amortisation and impairment of intangibles	(518)	-	(1)	(519)	(8)	(527)
Underlying EBIT pre impairment costs	**83,184**	**9,171**	**(8,876)**	**83,479**	**4,641**	**88,120**
Loss of revaluation of contingent consideration payable	-	-	(101)	(101)	-	(101)
Transaction costs [1]	(141)	-	(148)	(289)	(2,442)	(2,731)
Profit/(Loss) on sale of subsidiaries [2]	-	-	-	-	51,536	51,536
Integration and Oates sale incentives	(92)	-	(358)	(450)	(930)	(1,380)
Impairment of inventory, product development and tooling assets	-	(5,783)	-	(5,783)	-	(5,783)
Segment result (EBIT)	**82,951**	**3,388**	**(9,483)**	**76,856**	**52,805**	**129,661**
Interest income	214	196	-	410	16	426
Interest expense	(92)	(150)	(6,828)	(7,070)	(43)	(7,113)
Profit / (loss) before tax	**83,073**	**3,434**	**(16,311)**	**70,196**	**52,778**	**122,974**
Tax expense	(24,926)	(1,441)	6,644	(19,723)	(1,406)	(21,129)
Profit / (loss)	**58,147**	**1,993**	**(9,667)**	**50,473**	**51,372**	**101,845**
Non-controlling interest	-	-	-	-	-	-
Profit / (loss) attributable to owners of the Company	**58,147**	**1,993**	**(9,667)**	**50,473**	**51,372**	**101,845**
Segment assets	**366,688**	**103,063**	**30,342**	**500,093**	**272**	**500,365**
Segment liabilities	**51,563**	**19,150**	**164,217**	**234,930**	**113**	**235,043**
Segment capital expenditure	**1,866**	**1,675**	**163**	**3,704**	**59**	**3,763**

1 Transaction costs in the Automotive segment relate to the acquisitions of AA Gaskets (Note 33a). Transaction costs incurred in discontinued operations relate to the disposals of Oates (Note 33b) and Dexion ($0.232 million).
2 Gain on sale of Oates ($51.536 million).

7. Segment information (continued)

	For the year ended 30 June 2017					
	Automotive	Davey	Unallocated	Continuing operations ^ Restated	Discontinued operations ^ Restated	Total
Business segments	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total segment revenue (external)	**254,423**	**102,462**	**(19)**	**356,866**	**215,748**	**572,614**
Underlying EBITDA pre impairment costs	**75,711**	**10,522**	**(8,055)**	**78,178**	**9,110**	**87,288**
Less: Depreciation	(1,645)	(1,129)	(4)	(2,778)	(2,845)	(5,623)
Less: Amortisation and impairment of intangibles	(222)	(264)	(49)	(535)	(308)	(843)
Underlying EBIT pre impairment costs	**73,844**	**9,129**	**(8,108)**	**74,865**	**5,957**	**80,822**
Transaction costs	(192)	-	-	(192)	(3,057)	(3,249)
Loss on sale of subsidiary	-	-	-	-	(50,683)	(50,683)
Restructuring	(39)	-	-	(39)	(3,794)	(3,833)
Segment result (EBIT)	**73,613**	**9,129**	**(8,108)**	**74,634**	**(51,577)**	**23,057**
Interest income	13	1	117	131	850	981
Interest expense	(633)	(222)	(9,616)	(10,471)	(1,399)	(11,870)
Share of profit of equity accounted investees	-	-	-	-	3,993	3,993
Profit / (loss) before tax	**72,993**	**8,908**	**(17,607)**	**64,294**	**(48,133)**	**16,161**
Tax expense	(21,369)	(2,667)	5,401	(18,635)	(4,870)	(23,505)
Profit / (loss)	**51,624**	**6,241**	**(12,206)**	**45,659**	**(53,003)**	**(7,344)**
Non-controlling interest	-	-	-	-	-	-
Profit / (loss) attributable to owners of the Company	**51,624**	**6,241**	**(12,206)**	**45,659**	**(53,003)**	**(7,344)**
Segment assets	**319,444**	**101,111**	**(1,347)**	**419,208**	**42,090**	**461,298**
Segment liabilities	**42,659**	**16,239**	**189,563**	**248,461**	**11,923**	**260,384**
Segment capital expenditure	**1,783**	**1,262**	**16**	**3,061**	**2,324**	**5,385**

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

1 Transaction costs in the Automotive segment relate to the acquisitions of GEL ANZ and IMG (Note 33a). Transaction costs incurred in discontinued operations relate to the disposals of Dexion and Lock Focus (Note 33b).

2 Losses on sale of subsidiaries comprises a losses on sale of Dexion ($45.252 million), Lock Focus of ($3.935 million) and Sunbeam ANZ ($1.496 million).

Working Capital

Working capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital as inventory, trade and other receivables, trade and other payables and provisions.

Careful management of working capital ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle.

This section provides further information regarding working capital management and analysis of the elements of working capital.

8. Trade and other receivables

Accounting policies

Trade receivables

Trade and other receivables are non-derivative financial instruments that are initially recognised at fair value plus any directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less identified impairment.

Goods and services tax

Trade receivables are recognised inclusive of the amount of goods and services tax (GST) which is payable to taxation authorities. The net amount of GST payable to the taxation authority is included as part of payables.

This table summarises trade and other receivables related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	2018	2017
	$'000	$'000
Current		
Trade receivables	**97,372**	92,667
Less: Allowance for doubtful debts	**(685)**	(697)
Net trade receivables	**96,687**	91,970

An allowance has been made for estimated irrecoverable amounts from the sale of goods and services, determined by a specific review of debtors. The movement in the allowance for doubtful debts was recognised in the income statement in the current financial year.

	2018	2017
	$'000	$'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	**(697)**	(829)
Acquisitions through business combinations	**(6)**	-
Disposed through business combinations		161
Doubtful debts recognised	**(145)**	(508)
Amounts written off as uncollectible	**163**	479
Balance at the end of the year	**(685)**	(697)

Amounts are written off as uncollectible only after it is determined that the debts are no longer collectible either by notification from an administrator to the debtor or because the debtor has demonstrated an inability to pay. Where applicable, insurance proceeds are received to partially mitigate the loss and the net uncollectible amount is reflected above.

8. Trade and other receivables (continued)

Receivables that are past due but not impaired are those receivables the Directors believe to be fully recoverable and as a result, have not recognised any amount in the doubtful debt provision for them.

2018	**Gross**	**Impairment**	**Net**
Ageing of trade receivables	**$'000**	**$'000**	**$'000**
Not past due	**82,061**	**(35)**	**82,026**
Past due 1 - 60 days	**10,422**	**(169)**	**10,253**
Past due 61 - 120 days	**3,757**	**(105)**	**3,652**
Past due 121 - 365 days	**977**	**(333)**	**644**
Past due more than one year	**155**	**(43)**	**112**
Total trade receivables	**97,372**	**(685)**	**96,687**

2017	**Gross**	**Impairment**	**Net**
Ageing of trade receivables	**$'000**	**$'000**	**$'000**
Not past due	80,024	(25)	79,999
Past due 1 - 60 days	11,077	(465)	10,612
Past due 61 - 120 days	1,308	(115)	1,193
Past due 121 - 365 days	157	(12)	145
Past due more than one year	101	(80)	21
Total trade receivables	92,667	(697)	91,970

Additional information relating to credit risk is included in Note 26.

9. Inventories

Accounting policies

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs of completion and selling costs.

Goods and services tax

Non-financial assets such as inventories 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, it is recognised as part of the cost of acquisition of the asset.

This table summarises inventories related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	2018	2017
	$'000	$'000
Current		
Raw materials and stores	**11,219**	10,669
Work in progress	**677**	908
Finished goods	**83,015**	85,799
Inventory – at cost	**94,911**	97,376
Less: Provision for slow moving inventory	**(7,411)**	(4,296)
Total inventory	**87,500**	93,080

Inventories have been reduced by $7.411 million (2017: $4.296 million) because of the write-down to net realisable value. Such write-down was recognised in significant cost ($2.373 million), and as an expense for the remaining balance during 2018. Inventories disclosed above are net of the provision for obsolescence. Increases or write-backs of the provision are recognised in cost of goods sold (Note 3).

10. Other assets

This table summarises other assets related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	2018	2017
	$'000	$'000
Current		
Prepayments	**2,874**	3,026
Other	**1,811**	982
	4,685	4,008

11. Trade and other payables

Accounting policies

Payables

Trade payables and other accounts payable are non-derivative financial instruments measured at cost.

Goods and services tax

Trade payables are recognised inclusive of the amount of goods and services tax (GST) which is recoverable from taxation authorities. The net amount of GST recoverable from the taxation authority is included as part of receivables.

This table summarises trade and other payables related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	2018	2017
	$'000	$'000
Current		
Accrued expenses	**15,164**	20,174
Trade payables	**41,234**	35,137
Trade payables and accrued expenses	**56,398**	55,311

No interest is incurred on trade payables.

12. Employee benefits

Accounting policies

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement and including on-costs associated with employment.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

12. Employee benefits (continued)

This table summarises employee provisions related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	2018	2017
	$'000	$'000
Current	**10,127**	11,022
Non-current	**1,916**	1,931
	12,043	12,953
Accrued wages and salaries	**2,253**	642
	14,296	13,595

Accrued wages and salaries are included in accrued expenses in Note 11.

13. Restructuring provisions

Accounting policies

Restructuring

A provision for restructuring is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

Onerous contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligations exceed the economic benefits estimated to be received.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

This table summarises restructuring provisions related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

		2018	2017
	Note	**$'000**	$'000
Current		-	38
Non-current		-	-
		-	38
Carrying amount at beginning of year		**38**	37
Provisions recognised		-	38
Payments made during the year		**(38)**	-
Disposed through divestments		-	(37)
Net foreign currency difference arising on translation of foreign operations		-	-
Carrying amount at end of year		-	38

The payments made against the provision for restructuring represents the costs of redundancies.

14. Warranty provisions

Accounting policy

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's liability.

The provision for warranty claims represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required under the Group's warranty program. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

Warranty provisions are all current.

This table summarises warranty provisions related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	2018	2017
	$'000	$'000
Carrying amount at beginning of year	**1,214**	731
Provisions recognised	**-**	4,364
Payments made during the year	**(158)**	(3,839)
Reclassification as liabilities held for sale	**-**	-
Disposed through divestments	**-**	(40)
Net foreign currency difference arising on translation of foreign operations	**(4)**	(2)
Carrying amount at end of year	**1,052**	1,214

15. Other provisions

Accounting policy

Other

Other provisions are recognised at the date a commitment is made, at the Directors' best estimate of the future sacrifice of economic benefits that will be required under that commitment.

This table summarises other provisions related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	2018	2017
	$'000	$'000
Carrying amount at beginning of year	**1,750**	16
Provisions recognised	**-**	1,750
Payments made during the year	**(996)**	(16)
Carrying amount at end of year	**754**	1,750

Tangible and Intangible Assets

The following section shows the tangible and intangible assets used by the Group to operate the business.

Intangible assets include brands, customer relationships, patents, licences, software development, distribution rights and goodwill.

This section explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

16. Goodwill

Accounting policies

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

This table summarises the movement in goodwill:

	Note	**2018** **$'000**	2017 $'000
Gross carrying amount			
Balance at the beginning of the year		**119,438**	110,394
Acquisitions through business combinations	33a	**14,072**	14,371
Disposed through divestments	33b	**(5,166)**	(5,300)
Transfer to brand names		**(3,650)**	-
Net foreign currency difference arising on translation of financial statements of foreign operations		**(319)**	(27)
Balance at the end of the year		**124,375**	119,438

17. Other intangible assets

Accounting policies

Product development costs

Expenditure on research activities is recognised as an expense in the income statement period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the income statement in the period as incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Product development assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives, which is up to a maximum of 5 years (Note 3).

17. Other intangible assets (continued)

Brand names and trademarks

Acquired brand names and trademarks are recorded at cost. The carrying value is tested annually for impairment as part of the annual testing of cash generating units (Note 19).

The Group holds a number of brand names that are considered to have an indefinite useful life. The indefinite useful life reflects the Directors' view that these brands are assets that provide ongoing market access advantages for both new and existing product sales in the markets that the businesses operate. The current understanding of the industries and markets that the businesses operate in indicates that demand for products will continue in a sustainable manner, that changes in technology are not seen as a major factor impacting the brands future value, and, the brands have proven long lives in their respective markets.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite lives, are measured at cost less accumulated amortisation (Note 3) and accumulated impairment losses.

The carrying value is tested for impairment as part of the annual testing of cash generating units (Note 19).

This table summarises other intangible assets related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

$'000	Note	Product Development Costs	Brand, Business Names & Trademarks	Patents, Licences & Distribution Rights	Software	Customer Relationships	Total
Gross carrying amount							
Balance at 30 June 2016		**7,175**	**123,942**	**272**	**7,544**	**5,890**	**144,823**
Additions from business combinations		-	182	139	-	-	321
Disposed through divestments		(4,422)	(12,323)	-	(7,388)	(1,449)	(25,582)
Additions from internal developments		4	-	-	-	-	4
Additions		-	-	-	18	-	18
Transfers		144	-	-	-	-	144
Foreign currency movements		-	(4)	-	(29)	-	(33)
Balance at 30 June 2017		**2,901**	**111,797**	**411**	**145**	**4,441**	**119,695**
Additions from business combinations	33a		3,698	-	-	-	3,698
Disposed through divestments	33b	(676)	(8,900)	-	-	-	(9,576)
Additions		-	-	-	4	-	4
Impairment		(2,225)	-	-	-	-	(2,225)
Transfers		-	-	-	-	-	
Foreign currency movements		-	(15)	-	-	-	(16)
Balance at 30 June 2018		**-**	**106,580**	**411**	**149**	**4,441**	**111,581**
Accumulated amortisation							
Balance at 30 June 2016		**(4,895)**	**(12,327)**	**(272)**	**(6,402)**	**(1,449)**	**(25,345)**
Amortisation expense		(289)	-	-	(332)	(222)	(843)
Disposed through divestments		4,227	12,323	-	6,575	1,449	24,574
Foreign currency movements		-	4	-	14	-	**18**
Balance at 30 June 2017		**(957)**	**-**	**(272)**	**(145)**	**(222)**	**(1,596)**
Amortisation expense		-	-	(127)	-	(392)	(519)
Disposed through divestments	33b	672	-	-	-	-	672
Impairment		293	-	-	-	-	293
Balance at 30 June 2018		**8**	**-**	**(399)**	**(145)**	**(614)**	**(1,150)**
Carrying amount							
As at 30 June 2017		1,944	111,797	139	-	4,219	118,099
As at 30 June 2018		**8**	**106,580**	**12**	**4**	**3,827**	**110,431**

Amortisation is recognised as an expense in Note 3.

Refer to Note 7 for allocation of the carrying amount of brand names to segments.

18. Property, plant and equipment

Accounting policies

Property, plant and equipment

Property, plant and equipment and leasehold improvements are stated at cost less accumulated depreciation (Note 3) and impairment.

Cost includes expenditure that is directly attributable to the acquisition of the item.

If there has been a technological change or decline in business performance the Directors review the value of the assets to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value an additional one-off impairment charge is made against profit.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Subsequent to their initial recognition, finance leased assets are amortised over their estimated useful life.

This table summarises the movement in gross carrying amount, accumulated amortisation and written down value of property, plant and equipment:

	Note	Leased assets $'000	Plant and Equipment $'000	Total $'000
Gross carrying amount				
Balance at 30 June 2016		**100**	**85,928**	**86,028**
Additions from business combinations	33a	113	1,726	1,839
Disposed through divestments	33b	-	(40,986)	(40,986)
Additions		-	5,363	5,363
Disposals		-	(3,974)	(3,974)
Transfers		(100)	100	-
Foreign currency movements		-	(242)	(242)
Balance at 30 June 2017		**113**	**47,915**	**48,028**
Additions from business combinations	33a	-	407	407
Disposed through divestments	33b	-	(7,145)	(7,145)
Additions		-	3,605	3,605
Disposals		-	(2,693)	(2,693)
Foreign currency movements		-	(76)	(76)
Balance at 30 June 2018		**113**	**42,013**	**42,126**

18. Property, plant and equipment (continued)

	Note	Leased assets $'000	Plant and Equipment $'000	Total $'000
Accumulated depreciation and amortisation				
Balance at 30 June 2016		**(42)**	**(52,691)**	**(52,733)**
Additions from business combinations	33a	(15)	(1,040)	(1,055)
Disposed through divestments	33b	-	21,223	21,223
Depreciation expense		(11)	(5,612)	(5,623)
Disposals		-	3,143	3,143
Transfers		53	(53)	-
Foreign currency movements		-	92	92
Balance at 30 June 2017		**(15)**	**(34,938)**	**(34,953)**
Disposed through divestments	33b	-	5,821	5,821
Depreciation expense		(11)	(3,491)	(3,502)
Disposals		-	1,071	1,071
Transfers		-	-	-
Foreign currency movements		1	74	75
Balance at 30 June 2018		**(25)**	**(31,463)**	**(31,488)**
Carrying amount				
As at 30 June 2017		**98**	**12,977**	**13,075**
As at 30 June 2018		**88**	**10,550**	**10,638**

Depreciation is recognised as an expense in Note 3.

Acquisition include the acquisition of AA Gaskets (Note 33a). Disposal includes the sale of Oates (Note 33b).

19. Impairment testing

Accounting policies

Impairment of property, plant, equipment and intangible assets

Tangible and intangible assets are tested for impairment annually and whenever there is an indication that the asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Assets that cannot be tested individually are grouped together into cash-generating units (CGUs) which are the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss (other than goodwill) is recognised in the income statement immediately. Any impairment of goodwill is not subsequently reversed.

19. Impairment testing (continued)

Results

The Group's CGUs comprise the operating segments disclosed in Note 7.

All intangible assets with indefinite lives (goodwill and brand names), have been allocated for impairment testing purposes to CGUs (or groups of units).

Each CGU's recoverable amount has been tested on the basis of its value in use. The value in use calculation uses assumptions including cash flow projections based on Board approved budgets for the 2019 (2017: based on 2018 budget) year and forecasts for a further 4 years which are extrapolated in perpetuity using a long term average growth rate (average of next five years) and terminal value growth rate of 3% consistent with the sectors in which the CGUs operate. The values assigned reflect past experience or, if appropriate, are consistent with external sources of information.

The following summarises the pre-tax discount rates applied to cash flows of each CGU for the years ended 30 June 2017 and 2018:

	2018	**2017**
Automotive	12.8 – 13.2%	13.2-14.0%
Davey	12.7 – 13.5%	13.0-13.9%

With regards to all the CGU's, management have determined that, given the significant excess of future cash flows over asset carrying value (headroom), there are no reasonable possible changes in key assumptions which could occur to cause the carrying amount of these CGU's to exceed its recoverable amount.

The directors have assessed that no impairment charge is required in relation to the intangible assets for the year ended 30 June 2018.

20. Commitments for expenditure

Plant & equipment

Future contracted capital expenditure not provided for and payable are as follows:

	2018	2017 ^Restated
	$'000	$'000
Within 1 year	2,048	722
Between 1 and 5 years	1,156	-
Later than 5 years	472	-
	3,676	722

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

Operating leases

Future non-cancellable operating lease commitments not provided for and payable are as follows:

	2018	**2018**	2017 ^Restated	2017 ^Restated
	Buildings	**Other**	Buildings	Other
	$'000	**$'000**	$'000	$'000
Within 1 year	6,538	1,996	6,405	979
Between 1 and 5 years	24,331	4,916	20,107	997
Later than 5 years	12,292	4,450	9,662	-
	43,161	11,362	36,174	1,976

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

The Group leases a number of premises throughout Australia and New Zealand. The rental period of each individual lease agreement varies between one and ten years with renewal options ranging from one to five years. The majority of lease agreements are subject to rental adjustments in line with movements in the Consumer Price Index or market rentals. The leases do not include an option to purchase the leased assets at the expiry of the lease period. The Group leases the majority of its motor vehicles from external suppliers over a lease period of up to four years with monthly payments. At the end of the lease period there are a number of options available with respect to the motor vehicles, none of which include penalty charges.

20. Commitments for expenditure (continued)

Finance leases

The Group leases production plant and equipment under finance leases expiring from three to five years. At the end of the lease term, the Group has the option to purchase the equipment at the agreed residual amount or renegotiate an extension to the finance lease.

Future non-cancellable finance lease commitments not provided for and payable are as follows:

	2018	2017 ^Restated
	$'000	$'000
Minimum future lease payments:		
Within 1 year	**72**	-
Between 1 and 5 years	**-**	-
Later than 5 years	**-**	-
Total finance lease commitment	**72**	-
Less: Future finance lease charges	**-**	-
Finance lease liability	**72**	-
Present value of minimum future lease payments:		
Within 1 year	**72**	-
Between 1 and 5 years	**-**	-
Later than 5 years	**-**	-
	72	-

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

Lease liabilities provided for in the consolidated financial statements are disclosed in Note 22.

Capital Structure and Financing Costs

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The directors determine the appropriate capital structure of the Group, how much is realised from shareholders and how much is borrowed from financial institutions to finance the Group's activities now and in the future.

This section details the interest income generated on the Group's cash and other financial assets and the interest expense incurred on borrowings and other financial assets and liabilities. The presentation of these net financing costs in this note reflects income and expenses according to the classification of the financial instruments.

21. Cash and cash equivalents

Accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts and non-derivative financial instruments and are principally held with the same financial institutions who provide borrowing facilities to the company.

Bank overdrafts, where they occur, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

		2018	2017
	Note	**$'000**	$'000
Current			
Cash and cash equivalents in the balance sheet	25	**50,610**	10,238
Total cash and cash equivalents		**50,610**	10,238

Reconciliation of profit after income tax to net cash provided by operating activities

	2018	2017
	$'000	$'000
Profit / (loss) from operations, net of income tax	**101,845**	(7,344)
Share of loss of equity accounted investees	**-**	(3,993)
Profit / loss on sale of subsidiaries	**(51,536)**	50,683
Depreciation and amortisation	**3,896**	6,466
Impairment of goodwill	**-**	-
Impairment of brand names	-	-
Impairment of inventory	**-**	-
Impairment of product development	**1,932**	-
Loss on revaluation of contingent consideration payable	**-**	-
Unwind of discount on contingent consideration payable	**45**	764
Interest received	**(132)**	(123)
Interest paid	**7,197**	9,723
Loss on sale of property, plant and equipment	**(1,508)**	488
Changes in working capital assets and liabilities:	**-**	-
Increase/(decrease) in net tax liability	**5,443**	3,522
(Increase)/decrease in inventories	**5,580**	(7,564)
(Increase)/decrease in trade receivables	**(4,717)**	(4,403)
(Increase)/decrease in other assets	**(677)**	128
Increase/(decrease) in provisions	**(2,107)**	675
Increase/(decrease) in payables	**(957)**	(2,263)
Increase/(decrease) in derivatives	**(4,945)**	(1,453)
Net cash provided by/(used in) operating activities	**59,359**	45,306

22. Borrowings

Accounting policies

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest rate method.

Bank overdrafts

The unsecured bank overdraft facilities are subject to annual review. As part of these facilities, GUD Holdings Limited and all of its subsidiaries have entered into a deed of cross guarantee. GUD Holdings Limited has a contingent liability to the extent of the bank overdraft debt incurred by its controlled entities. Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 30 June 2018 is 4.44% (2017: 4.44%).

Unsecured bank loans

The two tranches of the unsecured bank loan in accordance with the Common Terms Deed are summarised below:

	Facilities as at 30 June 2018		**Facilities as at 30 June 2017**	
	Amount	**Maturity**	**Amount**	**Maturity**
	$ million	**1 July**	**$ million**	**1 July**
Tranche A – 5 year facility	185.0	2020	185.0	2020
Tranche B – 5 year facility	56.25	2020	97.5	2020

The Tranche B facility amortises from 31 March 2016 to maturity. The facility has amortised a further $41.25 million during the year ended 30 June 2018 (2017: $12.5 million).

Both tranches are subject to variable interest rates which as at 30 June 2018 are 3.80% and 3.78%, respectively (2017: 4.12% and 4.34%, respectively). Tranche B reduces by a further $3.75 million in July 2020 in accordance with facility agreements entered into in conjunction with the Common Terms Deed (as amended). The facilities expire in July 2020.

Money market facility

The unsecured money market facilities are payable on demand and may be withdrawn unconditionally. Interest on draw-downs is charged at prevailing market rates.

This table summarises Borrowings relating to continuing operations at 30 June 2018 and all operations at 30 June 2017:

		2018	2017
	Note	**$'000**	$'000
Current			
Unsecured bank loans		**-**	15,092
Secured finance lease liabilities (1)		**72**	-
	25	**72**	15,092
Non-current			
Unsecured bank loans		**142,992**	155,957
	25	**142,992**	155,957

(1) Secured by the assets leased (Note 18).

22. Borrowings (continued)

Financing facilities

This table summarises facilities available, used and not utilised related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	2018	2017
	$'000	$'000
Total facilities available:		
Unsecured bank overdrafts	**4,917**	5,001
Unsecured bank loans	**245,000**	282,500
Unsecured money market facilities	**5,000**	5,000
	254,917	292,501
Facilities used at balance date:		
Unsecured bank overdrafts	**155**	-
Unsecured bank loans	**142,992**	171,049
Unsecured money market facilities	**-**	-
	143,147	171,049
Facilities not utilised at balance date:		
Unsecured bank overdrafts	**4,762**	5,001
Unsecured bank loans	**102,008**	111,451
Unsecured money market facilities	**5,000**	5,000
	111,770	121,452

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Note	Bank overdrafts used for cash management purposes	Other loans and borrowings	Interest Rate Swaps / Forward exchange contracts used for hedging - asset	Interest Rate Swaps / Forward exchange contracts used for hedging - Liabilities	Reserves	Retained Earnings	Total
Balance at 1 July 2017		**-**	**166,067**	**63**	**2,403**	**26,591**	**61,443**	**256,567**
Changes from financing cash flows								
Proceeds from borrowings		-	82,479	-	-	-	-	82,479
Proceeds from loans receivable			3,182					3,182
Repayment of borrowings		-	(110,209)	-	-	-	-	(110,209)
Dividend paid		-		-	-	-	(42,231)	(42,231)
Interest paid			(7,197)					(7,197)
Interest received			132					132
Total changes from financing cash flows		-	**(31,613)**	**-**	**-**	**-**	**(42,231)**	**(73,844)**
The effect of changes in foreign exchange rates		**-**	**(255)**	**3,614**	**(850)**	**(16)**	**-**	**2,493**
Other changes		-	-	10	(471)	6,218	100,437	106,194
Change in bank overdraft		155	-	-	-	-	-	155
Interest received			(132)					(132)
Interest expense		-	7,197	-	-	-	-	7,197
Total other changes		**155**	**7,065**	**10**	**(471)**	**6,218**	**100,437**	**113,414**
Balance at 30 June 2018		**155**	**141,264**	**3,687**	**1,082**	**32,793**	**119,649**	**298,630**

23. Derivatives

Accounting policies

Derivative financial instruments

To manage its exposure to interest rate and foreign exchange rate risk, the Group may enter into a variety of derivatives including forward foreign exchange contracts, interest rate swaps, options and collars.

Derivatives are recognised initially at fair value and any directly attributed transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are recognised at fair value, and changes are generally recognised in profit or loss unless designated and effective as cash flow hedging instruments.

Cash flow hedges

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in fair value of the derivative is recognised immediately in the profit or loss.

The amounts are accumulated in other comprehensive income and reclassified in the profit or loss in the same period when the impact of the hedged item affects profit or loss.

When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued on a prospective basis when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At this time, gain or losses accumulated in other comprehensive income are reclassified to profit or loss.

An interest rate swap is an instrument to exchange a fixed rate of interest for a floating rate, or vice versa, or one type of floating rate for another.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure.

The Group is exposed to changes in interest rates on its net borrowings and to changes in foreign exchange rates on its foreign currency transactions and net assets. In accordance with Board approved policies. The Group uses derivatives to hedge these underlying exposures.

Derivative financial instruments are initially included in the balance sheet at their fair value, either as assets or liabilities, and are subsequently remeasured at fair value or 'marked to market' at each reporting date. Movements in instruments measured at fair value are recorded in the income statement in net finance costs.

Analysis of the derivatives used by the Group to hedge its exposure and the various methods used to calculate their respective fair values are detailed in this section.

23. Derivatives (continued)

Derivative assets

This table summarises derivative assets related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	Note	2018 $'000	2017 $'000
Current			
Derivatives - Foreign currency forward contracts	25	**3,677**	15
Current derivative assets		**3,677**	15
Non-current			
Derivatives - Foreign currency forward contracts	25	**-**	4
Derivatives - Interest rate swaps	25	**10**	44
Non-current derivative assets		**10**	48

Derivative liabilities

This table summarises derivative liabilities related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	Note	2018 $'000	2017 $'000
Current			
Derivatives - Foreign currency forward contracts	25	**-**	850
Derivatives - Interest rate swaps at fair value	25	**2**	28
Current derivative liabilities		**2**	878
Non-current			
Derivatives - Interest rate swaps at fair value	25	**1,080**	1,525
Non-current derivative liabilities		**1,080**	1,525

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and impact profit or loss and the carrying amounts of the related hedging instruments.

	2018					**2017**				
	Expected cash flow and impact to profit or loss					**Expected cash flow and impact to profit or loss**				
	Carrying amount	Total	1-6 months	6-12 months	More than one year	Carrying amount	Total	1-6 months	6-12 months	More than one year
Interest rate swaps										
Assets	**10**	**10**	**-**	**-**	**10**	44	44	-	-	44
Liabilities	**(1,082)**	**(1,082)**	**(2)**	**-**	**(1,080)**	(1,553)	(1,553)	(28)	-	(1,525)
Forward exchange contracts										
Assets	**3,677**	**3,677**	**3,203**	**474**	**-**	19	19	15	-	4
Liabilities	**-**	**-**	**-**	**-**	**-**	(850)	(850)	(738)	(112)	-
Total	**2,605**	**2,605**	**3,201**	**474**	**(1,070)**	(2,340)	(2,340)	(751)	(112)	(1,477)

24. Other financial instruments

Accounting policies

Other financial instruments

Financial assets and liabilities are recognised on the date when they are originated or at trade date.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Group's obligations specified in the contract are discharged, expire or are cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Loans receivable

Loans receivable are non-derivative financial instruments and are initially recognised at fair value plus any directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less identified impairment.

Contingent consideration

Any contingent consideration receivable or payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Other financial assets

This table summarises other financial assets related to continuing operations at 30 June 2018 and all operations at 30 June 2017:

	Note	**2018** **$'000**	2017 $'000
Current			
Loans receivable - third parties	25	**516**	516
Contingent consideration receivable	25	**-**	2,666
Other current financial assets		**516**	3,182
Non-current			
Loans receivable - third parties	25	**1,284**	1,800
Other non-current financial assets		**1,284**	1,800

24. Other financial instruments (continued)

Other financial liabilities

This table summarises other financial liabilities at 30 June 2018 and all operations at 30 June 2017:

	Note	**2018 $'000**	2017 $'000
Current			
Contingent consideration payable		**1,625**	1,850
Other consideration payable		**-**	173
Non current			
Contingent consideration payable		**2,427**	4,052
Total other financial liabilities	25	**4,052**	6,075

Contingent consideration payable included in other financial liabilities is measured at fair value. Consideration payable at 30 June 2018 includes the contingent consideration payable to the vendors of IMG.

25. Financial instruments

Fair value hierarchy below analyses financial instruments carried at fair value, by 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 market values 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).

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value**
Contingent consideration	Discounted cash flows: The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast revenue and EBITDA, the amount to be paid under each scenario and the probability of each scenario.	*- The probability attached to each scenario* *- Forecast EBIT growth (2018: 0-30%)* *- Risk adjusted discount rate (2018: 8.0%)*	*The estimated fair value would increase (decrease) if:* *- The EBITDA growth is lower/ (higher)* *- The risk adjusted discount rate moves lower (higher).*
Interest rate swaps	Swap models: The fair value calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	*Not applicable.*	*Not applicable.*
Foreign exchange contracts	Forward pricing: The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	*Not applicable.*	*Not applicable.*

25. Financial instruments (continued)

Derivative financial instruments

Level 2 fair values for simple over-the-counter derivative financial instruments are based on valuations from banks. These are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date.

Other financial assets - Contingent consideration payable

Level 3 fair values are based on the present value of expected receipt discounted using a risk adjusted discount rate.

There were no transfers between any of the levels of the fair value hierarchy during the years ended 30 June 2018 or 2017.

Contingent consideration payable

Changes in fair value of the contingent consideration payable is summarised below:

	Note	**2018** **$'000**	2017 $'000
Opening balance		**5,902**	19,367
Contingent consideration (paid) / payable – acquisition of 100% of Brown & Watson		**-**	(20,000)
Contingent consideration payable – acquisition of 100% of GEL ANZ		**(2,022)**	1,794
Contingent consideration payable – acquisition of 100% of IMG		**101**	3,951
Unwinding of discount		**71**	790
Unrealised fair value loss included in profit and loss		**-**	-
Closing balance		**4,052**	5,902

25. Financial instruments (continued)

	As at 30 June 2018						
	Carrying value			Fair value			
	Current	Non-current	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value							
Derivatives - Foreign currency forward contracts	3,677	-	3,677	-	3,677	-	3,677
Derivatives - Interest rate swaps at fair value	-	10	10	-	10	-	10
Total financial assets measured at fair value	**3,677**	**10**	**3,687**	**-**	**3,687**	**-**	**3,687**
Financial assets not measured at fair value							
Cash and cash equivalents [a]	50,610	-	50,610	-	-	-	-
Trade and other receivables [a]	96,687	-	96,687	-	-	-	-
Other financial assets [a]	516	1,284	1,800	-	-	-	-
Total financial assets not measured at fair value	**147,813**	**1,284**	**149,097**	**-**	**-**	**-**	**-**
Total financial assets	**151,490**	**1,294**	**152,784**	**-**	**3,687**	**-**	**3,687**
Financial liabilities measured at fair value							
Derivatives - Interest rate swaps at fair value	2	1,080	1,082	-	1,082	-	1,082
Other financial liabilities	1,625	2,427	4,052	-	-	4,052	4,052
Total financial liabilities measured at fair value	**1,627**	**3,507**	**5,134**	**-**	**1,082**	**4,052**	**5,134**
Financial liabilities not measured at fair value							
Borrowings and loans [a]	72	142,992	143,064	-	-	-	-
Total financial liabilities not measured at fair value	**72**	**142,992**	**143,064**	-	-	-	-
Total financial liabilities	**1,699**	**146,499**	**148,198**	**-**	**1,082**	**4,052**	**5,134**

a. The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, short term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value

25. Financial instruments (continued)

	As at 30 June 2017						
	Carrying value						Fair value
	Current	Non-current	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value							
Derivatives - Foreign currency forward contracts	15	4	19	-	19	-	19
Derivatives - Interest rate swaps at fair value	-	44	44	-	44	-	44
Other financial assets	2,666		2,666			2,666	2,666
Total financial assets measured at fair value	2,681	48	2,729	-	63	2,666	2,729
Financial assets not measured at fair value							
Cash and cash equivalents [a]	10,238	-	10,238	-	-	-	-
Trade and other receivables [a]	91,970	-	91,970	-	-	-	-
Other financial assets	516	1,800	2,316	-	-	-	-
Total financial assets not measured at fair value	**102,724**	**1,800**	**104,524**	**-**	**-**	**-**	**-**
Total financial assets	**105,405**	**1,848**	**107,253**	**-**	**63**	**2,666**	**2,729**
Financial liabilities measured at fair value							
Derivatives - Foreign currency forward contracts	850	-	850	-	850	-	850
Derivatives - Interest rate swaps at fair value	28	1,525	1,553	-	1,553	-	1,553
Other financial liabilities	2,023	4,052	6,075	-	-	6,075	6,075
Total financial liabilities measured at fair value	**2,901**	**5,577**	**8,478**	**-**	**2,403**	**6,075**	**8,478**
Financial liabilities not measured at fair value							
Borrowings and loans [a]	15,092	155,957	171,049	-	-	-	-
Total financial liabilities not measured at fair value	**15,092**	**155,957**	**171,049**	-	-	-	-
Total financial liabilities	**17,993**	**161,534**	**179,527**	**-**	**2,403**	**6,075**	**8,478**

a. The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, short term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value

26. Financial risk management

Overview

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments within its policies described below as hedges to manage certain risk exposures.

Treasury policies have been approved by the Board for managing each of these risks including levels of authority on the type and use of financial instruments. Transactions are only undertaken if they relate to underlying exposures, i.e. the Group does not use derivatives to speculate. The treasury function reports regularly to the Audit Committee and treasury operations are subject to periodic reviews.

The Group has exposure to the following risks from their financial instruments:

- credit risk
- liquidity risk
- market risk

This note provides additional information about the Group’s exposures to the above risks, its objectives, policies and processes for measuring and managing the identified risk. It also outlines the objectives and approach to capital management.

Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international markets, and manages the financial risks relating to the operations of the Group.

The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Financial Risk Management committee chaired by the Chief Financial Officer. Each month the Chief Financial Officer provides the Board of Directors with a report outlining financial exposures, hedging levels, and, financial risk management policy compliance.

The Group's activities expose it primarily to the financial risks associated with changes in foreign currency exchange rates, interest rates and commodity prices.

There has not been any change to the objectives, policies and processes for managing risk during the current year.

Credit risk

Credit risk refers to the risk that a financial loss may be experienced by the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group’s risk is primarily in relation to receivables from customers and hedging transactions with third party counterparties.

The Group’s exposure to credit risk is characterised by the following:

- the majority of customer sales transactions are domestic in nature,
- trade receivables are non-interest bearing and domestic trade receivables are generally on 30 to 90 day terms,
- the Group as a whole is exposed in a material way to several large Automotive parts resellers who are members of publicly listed companies and a number of significant customers with individual businesses in the water and automotive aftermarket sectors,
- new customers are subjected to credit assessment by the specific business within the Group that they wish to transact with and are allocated credit limits which are managed according to the needs of the customer and the risk assessment of the relevant business,
- most businesses within the Group maintain credit insurance to lessen the credit risk,
- ageing of customer receivables is reviewed in detail each month by businesses within the Group and by the Company in an oversight capacity.

26. Financial risk management (continued)

In order to manage credit risk, goods are sold subject to retention of title clauses and where considered appropriate registered under the Personal Properties Securities Act, so that in the event of non-payment, the Group may have a secured claim.

The Group maintains a provision account, described in the consolidated financial statements as an allowance for doubtful debts, which represents the estimated value of specific trade receivables that may not be recovered. A general provision for doubtful debts is not maintained. Uncollectible trade receivables are charged to the allowance for doubtful debts account. Identified bad debts are submitted to the Board of Directors for approval for write off in December and June of each year. Credit insurance is maintained to partially mitigate uncollectable amounts.

The maximum exposure to credit risk is the sum of cash and cash equivalents (Note 21), the total value of trade debtors and other receivables (Note 8) and other financial assets (Note 24). The majority of credit risk is within Australia and New Zealand.

A material exposure arises from forward exchange contracts, options and collars that are subject to credit risk in relation to the relevant counterparties. The maximum credit risk exposure on foreign currency contracts, options and collars is the full amount of the foreign currency the Group pays when settlement occurs should the counterparty fail to pay the amount which it is committed to pay the Group. To address this risk the Group restricts its dealings to financial institutions with appropriate credit ratings.

Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due. The Group undertakes the following activities to ensure that there will be sufficient funds available to meet obligations:

- prepare budgeted annual and monthly cash flows;
- measurement of actual Group cash flows on a regular basis with comparison to budget on a monthly basis;
- maintenance of standby money market facilities; and
- maintenance of a committed borrowing facility in excess of budgeted usage levels.

The contractual maturities of financial liabilities, including estimated interest payments on bank loans, are as follows:

2018	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Beyond 5 years $'000
Financial liabilities						
Trade and other payables	56,398	56,398	56,398	-	-	-
Derivatives	1,082	1,082	2	1,080	-	-
Unsecured bank loans	142,992	149,387	2,308	2,308	144,771	-
Contingent consideration	4,052	4,875	1,625	3,250	-	-
	204,524	**211,742**	**60,333**	**6,638**	**144,771**	-

2017	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Beyond 5 years $'000
Financial liabilities						
Trade and other payables	55,311	55,311	55,311	-	-	-
Derivatives	2,403	2,403	878	1,525	-	-
Unsecured bank loans	171,049	181,920	18,354	18,354	145,212	-
Contingent consideration	6,075	6,897	2,022	3,250	1,625	-
	234,838	246,531	76,565	23,129	146,837	-

The inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

As disclosed in Notes 22, the Group has an unsecured bank loan that contains a loan covenant. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance with the agreement.

26. Financial risk management (continued)

Market risk

Market risk for the Group refers to the risk that changes in foreign exchange rates or interest rates will affect the Group's income or equity value.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rates and foreign currency risk, including:

forward foreign exchange contracts, options and collars to hedge the exchange risk arising from the importation and sale of goods purchased in foreign currency (principally US dollars); and

interest rate swaps, options and collars to partially mitigate the risk of rising interest rates.

Foreign exchange risk management

The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts, options and collars. The Board of Directors reviews the Group's foreign currency exposure on a monthly basis. The process includes a review of a rolling 12 month estimate of foreign currency exposure, an analysis of financial instruments contracted, an analysis of positions in relation to policy compliance and an analysis of the Group's sensitivity to movements in the exchange rates on an annualised basis.

Forward foreign exchange contracts provide certainty as specific rates are agreed at the time the contract is agreed. Purchased foreign currency options require a premium to be paid and provide a minimum (or maximum) rate at which the entity transacting will purchase (or sell) foreign currency. Foreign currency collars, being a combination of bought call and sold put options, provide the transacting entity with a minimum rate of exchange (call) and a maximum rate of exchange (put). The Group's policy is to enter into forward foreign exchange contracts, options and collars to cover specific and anticipated purchases, specific and anticipated sales and committed capital expenditure, principally in US dollars. The terms of the Group's commitments are rarely more than one year.

At 30 June 2018, the Group is exposed to $6.3million (2017: $3.3 million) of US$ denominated net trade liabilities, $3.1 million of NZ$ net trade liabilities (2017: $6.5 million net trade receivables), $1.8 million of Euro net trade receivables (2017: $2.4 million) and $2.4 million of trade liabilities (2017: $1.6 million).

Forward foreign exchange contracts

The following table summarises the significant forward foreign currency contracts outstanding as at the reporting date:

	Average Exchange Rate [1]		**Foreign Currency**		**Contract Value**		**Fair Value**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Buy			**FC'000**	FC'000	**$'000**	$'000	**$'000**	$'000
United States Dollars	**0.7995**	0.7517	**33,800**	35,525	**42,376**	47,263	**3,541**	(837)
Chinese Renminbi	**5.1733**	5.2312	**13,500**	5,940	**2,610**	1,135	**136**	(3)
Australian Dollars (NZ entities)	-	0.9555	-	1,435	-	1,502	-	5
					44,986	49,900	**3,677**	(835)

1 Represents weighted average hedge exchange rates in the foreign currency contracts

	2018	2017
Sensitivity Analysis - foreign exchange AUD/USD	**$'000**	$'000
For every 1c decrease in AUD:USD rate, total exposures increase by:		
Income statement	**919**	545
Equity	**(382)**	92

26. Financial risk management (continued)

Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at variable interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating interest rates through the use of interest rate derivatives, swap contracts, options and forward interest rate swap contracts.

The Group, from time to time, enters into interest rate swaps and options, with expiration terms ranging out to three years, to protect part of the loans from exposure to increasing interest rates. Interest rate swaps allow the Group to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between one and three years. The Group determines the level of hedging required each year based on an estimate of the underlying core debt which is represented by forecast June debt levels. The core debt level is hedged to levels ranging from a maximum of 80% in year one to a minimum of 20% in year three. The hedging of the core debt level is reviewed monthly by the Financial Risk Management committee. These hedges are treated as cash flow hedges.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. These contracts enable the Group to partially mitigate the risk of changing interest rates. The fair values of interest rate swaps are based on counterparty exit values at the reporting date.

The following table summarises the sensitivity of the Group as at the reporting date to movements in interest rates and does not take into account the offsetting impact of any hedging in place. It is important to note that this interest rate sensitivity analysis assumes that all other economic variables remain constant. The information presented includes the type of sensitivity analysis used when reporting to the Board of Directors. The table illustrates the impact of a change in rates of 100 basis points, a level that management believes to be a reasonably possible movement.

Sensitivity Analysis - interest rates	**2018** **$'000**	2017 $'000
For every 100 basis points increase in interest rates:		
Income statement	**(924)**	(1,607)
Equity	**-**	-

The following table details the notional principal amounts and remaining terms of interest rate swap and option contracts outstanding at the reporting date.

	Average contracted Fixed interest rate		**Notional principal amount**		**Fair value**	
Outstanding floating for fixed contracts	**2018** **%**	2017 %	**2018** **$'000**	2017 $'000	**2018** **$'000**	2017 $'000
Less than 1 year	**-**	**-**	**-**	-	**-**	-
1 to 2 years	**-**	**-**	**-**	-	**-**	-
2 to 5 years	**2.91**	**2.91**	**80,000**	80,000	**(1,174)**	(1,481)
			80,000	80,000	**(1,174)**	(1,481)

Capital management

The Board's policy is to maintain a strong capital base for the Group. This policy is predicated on the need to continue to present the Group favourably to various stakeholders including investors, employees, banks, suppliers and customers. This enables the Group to access capital markets, attract talented staff and negotiate favourable terms and conditions with suppliers and customers. Capital is defined as total debt and equity of the Group.

The Group uses a Cash Value Added (CVA) approach when measuring returns achieved by each business. This approach involves comparing the cash profit achieved to the cost of the capital utilised by each business. This cost of capital represents a weighted average cost of debt and equity and allows a single measure to assess business performance. The Group has consistently achieved CVA returns in excess of its weighted average cost of capital resulting in positive shareholder returns.

The Group is not subject to any externally imposed capital requirements. The terms and the conditions of the main debt facilities contain four financial covenants: minimum interest cover, maximum debt to earnings, and Australia and NZ subsidiaries to Group asset and earnings ratios. All covenants have been satisfied during the 2017 and 2018 financial years.

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

27. Share Capital

Accounting policies

Share capital

The Company's fully paid ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of or repurchase (buy-back) of ordinary shares are recognised as a deduction from equity, net of any tax effects. Ordinary shares bought back by the Company are cancelled in accordance with the law.

	2018	**2018**	2017	2017
	$'000	**Number**	$'000	Number
Balance at the beginning of the year	**112,880**	**85,739,547**	286,160	85,327,114
Capital restructure	**-**	**-**	(173,280)	-
Performance share rights vested	**-**	**446,151**	-	412,433
Balance at the end of the year	**112,880**	**86,185,698**	112,880	85,739,547

During the year, the Company issued 446,151 shares (2017: 412,433 shares) as a result of the vesting of performance rights as follows:

- 446,151 shares issued pursuant to the vesting component of the 2017 performance rights plan;

During the year no shares were bought back on market and cancelled by the Group (2017: nil). The dividend reinvestment plan has been suspended from the 2013 financial year. The Company does not have par value in respect of its issued shares, hence the $ values above represent historical amounts contributed (if any) on the new issue of shares, amounts allocated to or from retained earnings, and any amount paid on the repurchase (buy back) of ordinary shares. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

At the financial year ended 30 June 2017, following the disposal of Sunbeam ANZ, Lock Focus and Dexion, in accordance with company policy, $173.280 million was reclassified from retained earnings to share capital to address the permanent diminution in equity arising from those business (Note 29).

28. Reserves

Accounting policies

Hedging reserve

The effective portion of changes in the fair value (net of tax) of derivatives designated as hedges of highly probable forecast transactions (cash flow hedges) is recognised in other comprehensive income and accumulated in the hedging reserve and reclassified to the profit or loss in the same period when the impact of the hedged item affects profit or loss.

When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, gains and losses previously deferred in the hedging reserve are transferred and included in the initial measurement of the cost of the asset.

Gains or losses accumulated in the hedging reserve are reclassified to profit or loss on a prospective basis when hedge accounting is discontinued, when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Equity compensation reserve

The Performance Rights Plan grants shares in the Company to certain employees. The fair value of performance rights granted under the Performance Rights Plan is recognised as an employee expense with a corresponding increase in the equity compensation reserve. The fair value is measured at grant date and is spread over the vesting period which is the period from the grant date to the end of the plan period. The fair value of the performance rights granted is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the performance rights were granted.

28. Reserves (continued)

Translation reserve

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Group's reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Group's reporting currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety such that control or significant influence is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such items form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the translation reserve.

Dividend reserve

The Company may from time to time set aside amounts in the dividend reserve for dividends. Any amounts set aside which are not applied to dividends are carried forward and may be applied to future dividends.

This table summarises the movement in reserves:

	2018	2017
	$'000	$'000
Hedging Reserve		
Balance at the beginning of the year	**(1,544)**	(4,679)
Transfers within equity on disposal		618
Fair value adjustments transferred to equity - net of tax	**3,660**	2,499
Amounts transferred to inventory - net of tax	**(673)**	18
Balance at the end of the year	**1,443**	(1,544)
Equity Compensation Reserve		
Balance at the beginning of the year	**5,911**	4,280
Equity settled share based payment transactions	**1,823**	1,631
Balance at the end of the year	**7,734**	5,911
Translation Reserve		
Balance at the beginning of the year	**1,224**	2,309
Exchange differences on translating foreign operations	**(16)**	(1,085)
Balance at the end of the year	**1,208**	1,224
Dividend Reserve		
Balance at the beginning of the year	**21,000**	-
Transfer to retained earnings	**(21,000)**	
Amounts set aside for dividends	**22,408**	21,000
Balance at the end of the year	**22,408**	21,000
Reserves at the end of the year	**32,793**	26,591

During the year, the company set aside a dividend reserve. In accordance with company policy, any balance in the reserve may be considered to be applied to dividends as and when declared by the board.

29. Retained earnings

This table summarises the movement in retained earnings:

	2018	2017
	$'000	$'000
Balance at the beginning of the year	**61,443**	(44,940)
Profit for the period	**101,845**	(7,344)
Capital restructure	**-**	173,280
Transfer to dividend reserve	**(22,408)**	(21,000)
Transfer from dividend reserve	**21,000**	
Transactions with owners, net of tax	**-**	(841)
Dividends paid	**(42,231)**	(37,712)
Balance at the end of the year	**119,649**	61,443

30. Dividends

Accounting policies

Dividends

Dividends paid are classified as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

Recognised amounts

	Cents per share	**Total amount $'000**	**Date of payment**	**Tax rate**	**Percentage franked**
2018					
Final dividend in respect of the 2017 financial year	25	21,546	1 September 2017	30%	100%
Interim dividend in respect of the 2018 financial year	24	20,685	2 March 2018	30%	100%
Total dividends		42,231			
2017					
Final dividend in respect of the 2016 financial year	23	19,707	2 September 2016	30%	100%
Interim dividend in respect of the 2017 financial year	21	18,005	3 March 2017	30%	100%
Total dividends		37,712			

Unrecognised amounts

Fully Paid Ordinary Shares	**Cents per share**	**Total amount $'000**	**Date of payment**	**Tax rate**	**Percentage franked**
2018					
Final dividend in respect of the 2018 financial year	28	24,122	31 August 2018	30%	100%

The Company operates a Dividend Reinvestment Plan (DRP) which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with GUD ordinary shares. This has been suspended for all dividends from the 2013 interim dividend onwards.

Dividend franking account

The available amounts are based on the balance of the dividend franking account at the reporting date adjusted for franking credits that will arise from the payment of the current tax liability.

	2018	2017
	$'000	$'000
30% (2017: 30%) franking credits available to shareholders of GUD Holdings Limited for subsequent financial years	**44,619**	46,121

Taxation

This section outlines the tax accounting policies, current and deferred tax impacts, a reconciliation of profit before tax to the tax charge and the movements in deferred tax assets and liabilities.

31. Current tax

Accounting policies

Current and deferred tax expense

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Tax consolidation

The Company and its wholly-owned Australian resident subsidiaries have formed a tax-consolidated group under Australian taxation law and taxed as a single entity with effect from 1 July 2003. The head entity within the tax-consolidated group is GUD Holdings Limited. The members of the tax consolidated group are identified in Note 33c.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, GUD Holdings Limited and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current liability or current asset of the entity. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its payment obligations. No amounts have been recognised in the consolidated financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Income tax expense recognised in the income statement

	2018 **$'000**	2017 ^Restated $'000
Prima facie income tax expense calculated at 30% (2017: 30%) on profit	**21,059**	19,288
Increase/(decrease) in income tax expense / (benefit) due to :		
Non-deductible expenditure	**3,972**	1,331
(Over)/under provision of income tax in prior year	**(416)**	(256)
Research and development incentives	**(310)**	(457)
Tax incentives not recognised in profit or loss	**(490)**	(448)
Non-assessable income	**(4,092)**	(824)
Income tax expense	**19,723**	18,635
Tax expense / (benefit) comprises:		
Current tax expense	**22,664**	19,381
Adjustments recognised in the current year in relation to tax of prior years	**(416)**	(256)
Deferred tax expense from origination and reversal of temporary differences	**(2,525)**	(490)
Total tax expense	**19,723**	18,635

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

31. Current tax (continued)

Income tax expense recognised in other comprehensive income

2018	Before tax	Tax (expense) / benefit	Net of tax
Income tax on items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating results of foreign operations	(16)	-	(16)
Fair value adjustments transferred to hedging reserve	5,228	(1,568)	3,660
Net change in fair value of cash flow hedges transferred to inventory	(961)	288	(673)
	4,251	**(1,280)**	**2,971**

2017	Before tax	Tax (expense) / benefit	Net of tax
Income tax on items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating results of foreign operations	(1,085)	-	(1,085)
Fair value adjustments transferred to hedging reserve	3,570	(1,071)	2,499
Net change in fair value of cash flow hedges transferred to inventory	26	(8)	18
Revaluation of contingent receivable	(3,284)	2,443	(841)
	(773)	1,364	591

32. Deferred tax

Accounting policies

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base of those items.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affect neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company/subsidiary expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/subsidiary intends to settle its current tax assets and liabilities on a net basis.

32. Deferred tax (continued)

2018	Opening balance $'000	Acquisition through business combinations $'000	Recognised in Profit or Loss from Continuing operations $'000	Recognised in Profit or Loss from Discontinuing operations $'000	Recognised in Equity $'000	Closing balance $'000
Deferred tax assets						
Employee benefit provisions	3,884	580	(860)	3	-	**3,607**
Restructuring provisions	12	-	(12)	-	-	**-**
Warranty provisions	363	-	(49)	-	-	**314**
Doubtful debts	224	-	(4)	(1)	-	**219**
Inventory	1,360	-	947	51	-	**2,358**
Accrued expenses	934	-	(98)	30	-	**866**
Derivative liabilities	720	-	(378)	-	(18)	**324**
Property, plant and equipment	41	-	200	-	-	**241**
Other intangible assets	1,128	-	1,117	-	-	**2,245**
Other	364	-	181	(75)	-	**470**
	9,030	580	1,044	8	(18)	**10,644**
Set off of tax	(2,746)		-	-	-	**(2,717)**
	6,284	-	-	-	-	**7,927**
Deferred tax liabilities						
Property, plant and equipment	147	-	(110)	-	-	**37**
Capitalised product development	870	-	(855)	0	-	**15**
Other intangible assets	1,553	-	(153)	(2)	-	**1,398**
Derivative assets	19	-	(174)	-	1,262	**1,107**
Other	157	-	3	-	-	**160**
	2,746	--	(1,289)	(2)	1,262	**2,717**
Set off of tax	(2,746)	-	-	-	-	**(2,717)**
	-					**-**
Net deferred tax assets/(liabilities)	6,284					**7,927**

The disposals of Oates have given rise to estimated net capital gain of $48.998 million. These gains have been offset by capital losses derived in prior years.

32. Deferred tax (continued)

2017	Opening balance $'000	Acquisition through business combinations $'000	Recognised in Profit or Loss from: Continuing operations ^Restated $'000	Recognised in Profit or Loss from: Discontinuing operations ^Restated $'000	Recognised in Equity $'000	Closing balance $'000
Deferred tax assets						
Employee benefit provisions	4,722	124	(533)	(429)	-	**3,884**
Restructuring provisions	10	-	13	(11)	-	**12**
Warranty provisions	217	-	137	9	-	**363**
Doubtful debts	245	-	(28)	7	-	**224**
Inventory	1,882	-	(283)	(239)	-	**1,360**
Accrued expenses	1,229	-	(596)	301	-	**934**
Derivative liabilities	2,135	-	(267)	(373)	(775)	**720**
Property, plant and equipment	140	-	(99)	-	-	**41**
Other intangible assets	1,088	-	40	-	-	**1,128**
Other	978	-	75	(689)	-	**364**
	12,646	124	(1,541)	(1,424)	(775)	**9,030**
Set off of tax	(3,431)	-	-	-	-	**(2,746)**
	9,215					**6,284**
Deferred tax liabilities						
Property, plant and equipment	1,746	-	(1,387)	(212)	-	**147**
Capitalised product development	1,541	-	(673)	2	-	**870**
Other intangible assets	1,042	-	511	-	-	**1,553**
Derivative assets	62	-	(313)	(34)	304	**19**
Other	556	-	(399)	-		**157**
	4,947	-	(2,261)	(244)	304	**2,746**
Set off of tax	(3,431)					**(2,746)**
	1,516					**-**
Net deferred tax assets/(liabilities)	7,699					**6,284**

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

Business Combinations

This section outlines the Group's structure and changes thereto.

33. Investment in subsidiaries

Accounting policies

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. 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 (Note 19). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed an incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Basis of consolidation

These consolidated financial statements are the financial statements of all the entities that comprise the Group, being the Company and its subsidiaries as defined in Accounting Standard AASB 10 Consolidated Financial Statements.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 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.

Transactions eliminated on consolidation

Intra-group balances and transactions arising from intra-group transactions are eliminated.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised on profit or loss. Any interest retained in the former subsidiary is measured at fair value when the control is lost.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

33. Investments in subsidiaries (continued)

33a Acquisitions

Acquisition of AA Gasket

On 1 December 2017, subsidiaries of the Company acquired the business and net assets of AA Gaskets Pty Ltd and its New Zealand operation ("AAG Group"). The total estimated consideration for the AAG Group was $21.4 million less the final working capital adjustment, which decreased the final consideration to 21.013 million.

The Group will focus on improving AAG Group's market presence by expanding and refining its product offering in the automotive aftermarket segment.

For the year ended 30 June 2018, the AA Group contributed $ 9 million of revenue and $ 1.6 million of PBT to the Group's results. If the acquisition had occurred on 1 July 2017, management estimates that the AA Group would have contributed $ 15.4 million of revenue and $ 2.74 million of PBT to the Group's results for the year ended 30 June 2018.

Acquisition-related costs

During the year ended 30 June 2018, the Company incurred approximately $93,000 of acquisition related costs including legal fees, due diligence and other advisory fees. This amount has been included in administrative expenses.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	AAG ANZ
	$'000
Trade and other receivables	3,735
Deferred tax assets	580
Inventories	3,295
Property, plant and equipment	407
Trade and other payables	(367)
Provisions	(709)
Total identifiable net assets acquired	**6,941**

Fair values measured on a provisional basis

All assets and liabilities acquired have been determined on a provisional basis and the Company is in the process of finalising the assessment of fair value for specific assets and liabilities. Inventories fair value is determined based on the estimated selling price in the ordinary course of business less the estimated cost of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$'000
Total cash consideration	21,013
Less Fair value of identifiable net assets	6,941
Goodwill	**14,072**

The goodwill is attributable to the knowledge, skills and talent of AAG Group and the synergies from integration with the group's existing businesses.

33. Investments in subsidiaries (continued)

Acquisition of IMG

On 1 June 2017, a subsidiary of the Company acquired 100% of the shares in Innovative Mechatronics Group Pty Ltd ("IMG") with business operations in Australia. The total cash consideration for IMG was $10.247 million.

Fair values measured on a provisional basis

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition with subsequent adjustment for identified intangible assets arising from the purchase price allocation exercise:

	30 June 2017	Fair value adjustments	31 December 2017
	$'000	$'000	$'000
Cash and cash equivalents	249		249
Trade and other receivables	1,066		1,066
Inventories	2,496		2,496
Property, plant and equipment	482		482
Brand names	-	3,698	3,698
Leased assets	98		98
Deferred tax assets	101		101
Trade and other payables	(1,213)		(1,213)
Income tax payable	(12)		(12)
Finance lease	(92)		(92)
Provisions	(336)	(52)	(388)
Borrowings	(376)		(376)
Total identifiable net assets acquired	**2,463**	**3,646**	**6,109**

Goodwill

Goodwill has been adjusted as a result of the identified intangible assets as follows:

	$'000
Total cash consideration	10,247
Less Subsequent adjustment to consideration	161
Less Fair value of identifiable net assets	6,109
Goodwill	**3,977**

Acquisition of GEL

During the financial year, Griffiths Equipment Limited (GEL) achieved an EBIT growth in excess of the initial EBIT target stipulated in the Share Purchase Agreement, resulting in full pay out of the associated contingent consideration of $2.022 million.

33. Investments in subsidiaries (continued)

33b Disposals

Disposal of Oates

On 2 January 2018, the Company disposed of the shares of its subsidiary, E D Oates Pty Ltd ("Oates") to Freudenberg Household Products Pty Ltd ("Freudenberg"). The total consideration for the Oates sale was $80 million plus net working capital adjustments.

For the year ended 30 June 2018, Oates contributed $36.061 million of revenue and $ 53.257 million of PBT gain to the Group's results, comprising $4.706 million PBT before significant items, $51.536 million of gain on sale, $2.210 million of transaction costs and $0.775 million of restructuring costs.

Consideration

Consideration is made up of $80 million plus a net cash adjustment of $ 3.771 million.

Consideration received

Total consideration of 83.771 million was received as follows:

- Proceeds of $80 million was received on 2 January 2018; and
- Net cash adjustment of $3.771 million was received on 8 February 2018.

Disposal-related costs

During the year ended 30 June 2018, the Company incurred approximately $2.210 million of disposal related costs for Oates, and $232,000 for Dexion, including legal fees, due diligence and other advisory fees.

Identifiable assets acquired and liabilities disposed

The following table summarises the net assets disposed as at 2 January 2018:

	2 January 2018 **$'000**
Cash and cash equivalents	**4,415**
Trade and other receivables	**8,903**
Inventories	**12,244**
Goodwill	**5,166**
Brand, business names and trademarks	**8,904**
Property, plant and equipment	**1,324**
Deferred tax assets	**916**
Other assets	**344**
Assets held for sale	**42,216**
Trade and other payables	**(7,648)**
Employee benefits	**(1,954)**
Deferred tax liabilities	**(379)**
Liabilities held for sale	**(9,981)**

The results of discontinued operations and cash flow include prior year disposals of the following business units; Sunbeam ANZ, Lock Focus and Dexion. Further information of the respective results and cashflow impact of the disposals can be accessed in the 2017 Financial Report.

33. Investments in subsidiaries (continued)

33b Disposals (continued)

Results of discontinued operation

	For the year ended 30 June 2018 $'000	For the year ended 30 June 2017 $'000
Revenue	**36,060**	215,748
Cost of goods sold	**(21,926)**	(156,120)
Gross Profit	**14,134**	59,628
Other income	**18**	133
Transaction costs	**(2,442)**	(3,057)
Gain/ (loss) on sale of subsidiary	**51,536**	(50,683)
Restructuring	**(930)**	(3,794)
Expenses	**(9,511)**	(53,804)
Results from operating activities	**52,805**	(51,577)
Net finance expense	**(27)**	(549)
Share of profit of equity accounted investees		3,993
Profit before tax	**52,778**	(48,133)
Income tax expense	**(1,406)**	(4,870)
Profit / (loss) from discontinued operations, net of income tax	**51,372**	(53,003)

Cash flows from (used in) discontinued operation

	For the year ended 30 June 2018 $'000	For the year ended 30 June 2017 $'000
Net cash from operating activities	**2,742**	1,991
Net cash used in investing activities	**(52)**	(1,571)
Net cash used in financing activities	**(961)**	(1,444)
Net cash flows for the period	**1,729**	(1,024)

Tax capital loss

The disposal of the Oates business gives rise to a $48.848 million (before tax) capital gain for the Company which was offset by capital losses realised in prior years from the sale of Lock Focus, Dexion and Sunbeam ANZ.

33. Investments in subsidiaries (continued)

33c Shareholdings

	Country of incorporation	% ownership interest 2018	2017
Parent entity			
GUD Holdings Limited (1)	Australia		
Subsidiaries			
ACN 006 864 848 Pty Ltd (formerly Appliance and Homewares International Pty Ltd) (2) (3)	Australia	**100**	100
AA Gaskets Pty Ltd(2) (3)	Australia	**100**	-
Brown & Watson International Pty Ltd (2) (3)	Australia	**100**	100
Davey Water Products Pty Ltd (2) (3)	Australia	**100**	100
ED Oates Pty Ltd (2) (3) (4)	Australia	**-**	100
GUD (HK) Limited	Hong Kong	**100**	100
Griffiths Equipment Limited	New Zealand	**100**	100
Griffiths Equipment Pty Ltd (2) (3)	Australia	**100**	100
Ryco Group Pty Ltd (2) (3)	Australia	**100**	100
GUD Europe Limited	United Kingdom	**100**	100
GUD NZ Holdings Limited	New Zealand	**100**	100
Innovative Mechatronics Group Pty Ltd (2) (3)	Australia	**100**	100
ACN 004 930 385 Pty Ltd (formerly Lock Focus Pty Ltd) (2) (3) (4)	Australia	**100**	100
Davey Water Products S.A.S. (formerly Monarch Pool Systems Europe S.A.S.)	France	**100**	100
Davey Water Products S.L. (formerly Monarch Pool Systems Iberica S.L.)	Spain	**100**	100
Narva New Zealand Limited	New Zealand	**100**	100
Wesfil Australia Pty Ltd (2) (3)	Australia	**100**	100

All overseas subsidiaries except for GUD (HK) Limited, Monarch Pool Systems Europe and Monarch Pool Systems Iberica are audited by an associate firm of KPMG Australia. All entities carry on business only in the country of incorporation.

(1) GUD Holdings Limited is the head entity within the Australian Tax Consolidated group.

(2) Member of the Australian Tax Consolidated group while 100% owned directly or indirectly by GUD Holdings Limited.

(3) Relieved from the need to prepare audited financial reports under Australian Securities Commission Class Order 98/1418 as party to a deed of cross guarantee with GUD Holdings Limited, while 100% owned directly or indirectly by GUD Holdings Limited.

(4) The net assets and business of ACN 004 930 385 Pty Ltd (formerly Lock Focus Pty Ltd) were sold on 1 December 2016, however the legal entity has been retained and will be wound up in due course. ED Oates Pty Ltd was sold on 2 January 2018 (Note 33b).

33. Investments in subsidiaries (continued)

Deed of Cross Guarantee

Set out below are the financial statements for the group entities which form the 'closed group' under the Deed of Cross Guarantee:

	2018	2017
Income Statement	**$'000**	$'000
Revenue	**368,445**	343,867
Net finance costs	**(5,909)**	(9,186)
Other expenses	**(297,222)**	(298,822)
Profit before income tax	**65,314**	35,859
Income tax expense	**(18,163)**	(21,667)
Profit	**47,151**	14,192
Profit/(loss) from discontinued operations, net of tax	**51,372**	(41,316)
Profit for the year	**98,523**	(27,124)
Retained earnings at the beginning of the year	**72,166**	(47,548)
Retained earnings of members leaving the group	**(19,830)**	32,270
Capital restructure	**-**	173,280
Transfer to dividend reserve	**(22,408)**	(21,000)
Dividends paid	**(42,231)**	(37,712)
Retained earnings at the end of the year	**86,220**	72,166
Balance Sheet		
Current assets		
Cash and cash equivalents	**50,265**	9,037
Trade and other receivables	**89,075**	85,610
Other assets	**7,708**	6,751
Inventories	**76,075**	82,343
Total current assets	**223,123**	183,741
Non-current assets		
Other financial assets	**33,762**	32,294
Property, plant and equipment	**10,099**	12,616
Deferred tax assets	**7,211**	5,900
Goodwill	**102,020**	96,764
Other intangible assets	**110,243**	117,778
Total non-current assets	**263,335**	265,352
Total assets	**486,458**	449,093
Current liabilities		
Trade and other payables	**53,887**	52,635
Borrowings	**72**	15,092
Current tax payables	**15,688**	9,113
Provisions	**11,365**	13,534
Other financial liabilities	**4,052**	4,957
Total current liabilities	**85,064**	95,331
Non-current liabilities		
Borrowings	**127,400**	139,100
Other financial liabilities	**1,087**	1,631
Provisions	**1,878**	1,931
Total non-current liabilities	**130,365**	142,662
Total liabilities	**215,429**	237,993
Net assets	**271,029**	211,100
Share Capital	**112,880**	112,880
Reserves	**71,929**	26,054
Retained earnings	**86,220**	72,166
Total equity	**271,029**	211,100

34. Non-controlling interests

Accounting policies

Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- At fair value; or
- At their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Ownership interests

The following table summarises the changes in the group's ownership interest in Sunbeam ANZ.

	2018 $'000	2017 $'000
Non-controlling interests at the beginning of the period	-	31,511
Recognition of non-controlling interests without change in control	-	-
Share of comprehensive income	-	-
De-recognition of non-controlling interests with change in control	-	(31,511)
Non-controlling interests at the end of the period	**-**	**-**

35. Other Investments

The Group has invested in the following innovative businesses:

Auto Guru

On 20 February 2018, the company acquired a minority interest of 843,015 shares for $1.838 million from existing shareholders of AutoGuru Australia Pty Ltd. representing 9.2 % of the total share on issue. The total consideration was paid in total on 5 April 2018.

Liftango

On 6 October 2017, the company acquired a minority interest of 100,000 shares for $180,000 representing 7.2 % of the total share on issue.

Other Notes

36. Superannuation commitments

The Group contributes to a number of defined contribution superannuation funds (the accumulating benefit type) for which no actuarial assessments are required to be made and which were established to provide benefits for employees or their dependants on retirement, resignation, disablement or death. Benefits are provided in the form of lump sum payments subject to applicable preservation rules. The Group contributes a percentage of individual employees' gross income and employees may make additional contributions on a voluntary basis. The Group has no further obligations beyond the payment of the contributions which have been settled on time.

37. Key management personnel

The key management personnel (including Non-Executive Directors) of GUD Holdings Ltd, and its subsidiaries, during the year have been identified as the following persons:

- R.M. Herron (Chairman, Non-executive) Passed away on 13 November 2017)
- A. L. Templeman-Jones (Non-executive)
- M.G. Smith (Appointed Chairman on 15 November 2017), Non-executive)
- G.A. Billings (Non-executive)
- D.D. Robinson (Non-executive)
- J.P. Ling (Managing Director)
- M.A. Fraser (Chief Financial Officer)
- D. Chin (Chief Executive – E D Oates Pty Ltd, appointed 24 October 2016) (Resigned 2 January 2018)
- G. Nicholls (Chief Executive – Ryco Group Pty Ltd)
- R. Pattison (Chief Executive – GUD Automotive Division, appointed 9 May 2017)
- D. Worley (Chief Executive – Davey Water Products Pty Ltd)
- T. Cooper (Managing Director – Wesfil Australia Pty Ltd)
- G. Davies (Chief Executive – Brown and Watson International Pty Ltd, appointed 1 August 2017)

Key management personnel compensation policy

The aggregate compensation of the key management personnel of the Group is set out below:

	2018	2017
	$	$
Short-term employment benefits	**7,219,471**	6,887,315
Long-term benefits	**38,730**	97,127
Post-employment benefits	**257,844**	366,912
Share based payments	**825,903**	745,052
	8,341,948	8,096,406

Compensation of the Group's key management personnel includes salaries, short term and long-term incentives, and contributions to post-employment defined contribution superannuation plans.

Performance rights arrangements

Long Term Incentive bonuses are provided as performance rights, granted at the commencement of the relevant three-year performance measurement period, which will convert to an equivalent number of GUD shares if the performance hurdle is achieved over the relevant three-year performance measurement period. No amount is payable for the issue of performance rights, or for the shares received upon vesting of those performance rights.

The grant-date fair value of performance rights granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. The valuation of rights was completed by an independent consultant using a hybrid trinomial option pricing model with a relative TSR hurdle.

37. Key management personnel (continued)

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows.

	Performance rights programme			
	Managing Director		**Senior Executives**	
	2018	2017	**2018**	2017
Fair value at grant date	**5.68**	6.12	**8.89**	5.17
Share price at grant date	**12.00**	10.19	**12.18**	9.66
Exercise price	**-**	-	**-**	-
Expected volatility (weighted average)	**28.00%**	28.00%	**28.00%**	28.00%
Expected dividends	**6.00%**	5.70%	**6.00%**	5.70%
Risk free interest rate (based on government bonds)	**1.94%**	1.68%	**1.94%**	1.51%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

The number of performance rights outstanding as at 30 June 2018 under the performance rights programme were as follows:

	2018				2017			
	Managing Director	**Senior Executives**	**Other**	**Total**	**Managing Director**	**Senior Executives**	**Other**	**Total**
Outstanding as at 1 July	**227,530**	**315,081**	**645,118**	**1,187,729**	231,694	515,017	623,578	1,370,289
Change in status		**- 59,898**	**59,898**	**-**				
Granted during the year	**52,190**	**79,988**	**394,726**	**526,904**	74,509	127,433	267,437	469,379
Vested during the year	**- 90,259**	**- 93,259**	**- 262,633**	**- 446,151**	- 72,851	- 115,325	- 205,936	- 394,112
Forfeited during the year		**- 14,622**	**- 346,873**	**- 361,495**	- 5,822	- 212,044	- 39,961	- 257,827
Outstanding at 30 June	**189,461**	**227,290**	**490,236**	**906,987**	227,530	315,081	645,118	1,187,729
Rights vested with respect to the year	**- 62,762**	**- 67,490**	**- 170,022**	**- 300,274**	- 90,259	- 121,654	- 234,238	- 446,151
Lapsed in respect of the year		**-**	**-**	**-**	-	-	-	-
Balance at the date of this report	**126,699**	**159,800**	**320,214**	**606,713**	137,271	193,427	410,880	741,578

Expense recognised in profit or loss

For details of the related employee benefit expenses, see Note 3.

38. Related parties

Directors

Details of Directors' compensation is disclosed in Note 37.

Transactions with key management personnel and their related parties

The Group's policy is that the sale and purchase of goods and services with key management personnel are made under normal customer and supplier relationships and on normal commercial terms and conditions. The sale of goods to key management personnel are on terms no more favourable than made available to other employees.

At 30 June 2018, key management personnel held directly, indirectly or beneficially 596,366 ordinary shares (2017: 486,249) in the Group. Performance rights issued under the 2018 plan will fully vest and, as a result, key management personnel will be issued an additional 132,178 (2017: 211,913) shares.

Transactions with entities in the wholly-owned Group

GUD Holdings Limited is the ultimate parent entity in the wholly-owned group comprising the Company and its wholly-owned subsidiaries, as disclosed in Note 33c.

38. Related parties (Continued)

Entities in the wholly-owned group advanced and repaid loans, paid and received dividends, provided marketing, product sourcing, accounting and administrative assistance and sold and purchased goods to other group companies during the current and previous financial years.

The Group's policy is that these transactions are on commercial terms and conditions with the exception of loans between Australian entities and loans between New Zealand entities which are not interest bearing. Loans between entities in the wholly-owned group are repayable on demand.

Other related party transactions with entities in the wholly-owned Group

Wesfil Australia Pty Ltd leases its Sydney premises from an entity related to a Director of Wesfil Australia Pty Ltd. Net rental expense was $432,930 excluding GST (2017: $432,368 excluding GST). The Group's policy is that related party lease arrangements are undertaken with commercial terms and conditions.

39. Parent entity disclosures

As at and for the financial year ending 30 June 2018 the parent company of the Group was GUD Holdings Limited.

GUD Holdings Limited	**2018** **$'000**	2017 $'000
Results of the parent entity		
Profit for the period	**55,301**	(37,364)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**55,301**	(37,364)
Financial position of the parent entity at the year end		
Current assets	**51,888**	46,455
Total assets	**337,605**	344,785
Current liabilities	**22,043**	32,107
Total liabilities	**150,573**	172,967
Net assets	**187,032**	171,818
Total equity of the parent entity comprising of:		
Share capital	**112,880**	112,880
Retained earnings / (accumulated losses)	**44,728**	33,066
Other reserves	**29,424**	25,872
Total equity	**187,032**	171,818

The profit for the year includes transaction costs and gains on disposal of Oates. The results of these disposals in the parent entity profit for the year ended 30 June 2018 differ to the consolidated income statement as investments were impaired in previous periods in the parent entity.

During the year, the company set aside $22.4 million from retained earnings to a dividend reserve (Note 28).

GUD Holdings Limited	**2018** **$'000**	2017 $'000
Parent entity contingencies		
Contingent liabilities	**64,856**	65,026

The parent entity is party to two guarantees relating to subsidiaries. The bank borrowing facility described in Note 22 requires the parent entity to guarantee the bank borrowings of GUD NZ Holdings Limited which in turn guarantees the obligations of the parent entity, i.e. a cross guarantee. No liability is recognised by the parent entity as GUD NZ Holdings Limited is expected to be able to meet its debts as they fall due.

The parent entity is also party to a deed of cross guarantee as described in Note 33c. There is no expectation of a liability to the parent entity as a result of this guarantee.

As a result of the above assessments, the fair value has been deemed to be nil and no liability has been recorded.

Other than noted above the parent entity has no material contingent liabilities at 30 June 2018.

40. Contingent liabilities

The Group had no material contingent liabilities at 30 June 2018 (2017: Nil).

41. Subsequent events

GUD acquires Disc Brakes Australia

GUD has entered into an agreement to purchase 100% of the shares of Disc Brakes Australia Pty Ltd ("DBA"). Consideration for the acquisition is $20 million, with a net working capital adjustment as at Completion. The transaction was completed on 2 July 2018.

Other

Other than the final dividend for the year being declared and the matter noted above, no matters or circumstances have arisen since the end of the financial period that have significantly affected or may significantly affect the operating results or state of affairs of the Group.

Directors' Declaration

In the opinion of the directors of GUD Holdings Limited (the "Company"):

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

1. giving a true and fair view of the financial position of the Group as at 30 June 2018 and of its performance for the financial year ended on that date;
2. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

There are reasonable grounds to believe that the Company and the group entities identified in Note 33c 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.

The Directors' draw attention to the basis of preparation (Note 1) of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Directors pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Mark G Smith

M.G. Smith
Chairman

J.P. Ling
Managing Director

Melbourne, 27 July 2018

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

To the Directors of GUD Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of GUD Holdings Limited (the "company") for the financial year ended 30 June 2018 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

Chris Sargent
Partner

Melbourne
27 July 2018

Independent Auditor's Report

To the shareholders of GUD Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of GUD Holdings Limited (the Company).

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

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Balance Sheet as at 30 June 2018
- Consolidated Income Statement, Consolidated Statement of comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

KPMG

Key Audit Matters

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

- Recoverability of goodwill and other intangible assets
- Valuation of inventory

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill ($124.4 million) and other intangible assets ($110.4 million)

Refer to Note 16 *Goodwill*, Note 17 *Other intangible assets* and Note 19 *Impairment testing* to the Financial Report.

The key audit matter	How the matter was addressed in our audit
The carrying value of goodwill and other intangible assets is considered with reference to the Group's analysis of future cash flows for the respective Cash Generating Units (CGUs) or individual assets (as applicable). The recoverability of these assets is a key audit matter due to the inherent complexity associated with auditing the forward looking assumptions incorporated in the Group's "value in use" (VIU) models. The Group's VIU models are internally developed, and use a range of internal and external data as inputs. Forward-looking assumptions may be prone to greater risk for potential bias, error and inconsistent application. Significant judgement is involved in establishing these assumptions. The key assumptions in the VIU models include forecast cash flows, terminal values, growth rates and discount rates. Where the Group has not met prior year forecasts in relation to a specific CGU or asset we factor this into our assessment of forecast assumptions.	Our procedures included: • assessing the Group's VIU models and key assumptions by: - evaluating the appropriateness of the VIU models against accounting standard requirements; - comparing inputs into the relevant cash flow forecasts to the Board approved budgets; - comparing forecast cash flows to historical trends and performance and assessing the impact of business changes; - using our industry knowledge to challenge and assess the reasonableness of key assumptions. We applied increased scepticism to forecasts in the areas where previous forecasts were not achieved; and - assessing the reasonableness of the discount rates by considering comparable market information and evaluating the economic assumptions relating to cost of debt and cost of equity. We also evaluated the scope, competence and objectivity of the valuation specialist engaged by the Group. • considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal values and discount

	rates, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application. We also assessed the related impairment breakeven points for these assumptions in order to identify those assets at higher risk of impairment and to focus our further procedures; and • considering the disclosures in the financial report using our understanding of the recoverability assessment obtained from our testing and against the requirements of the accounting standards.

Valuation of inventory ($87.5 million)

Refer to Note 9 *Inventories* to the Financial Report.

The key audit matter	How the matter was addressed in our audit
At 30 June 2018, the Group held inventory with a net carrying value of $87.5 million. The audit of inventory valuation is a key audit matter due to the extent of judgement involved in assessing the recoverable value, particularly in relation to any slow moving or excessive stock. The Group has a diverse and broad product range, and sells to different market segments, which increases the amount of judgement required in assessing the carrying value of inventory.	Our procedures included: • assessing the appropriateness of inventory valuation accounting policies applied by the different segments within the Group against the requirements of accounting standards; • understanding processes and testing key controls relating to inventory movements, standard costing and valuation; • evaluating the completeness of at-risk slow moving or excess stock items identified by the Group, by comparing inventory listings against historical sales information to identify any additional at-risk items; • comparing inventory values against current selling prices for products to identify items selling for less than their carrying value to check products are recorded at lower of cost or net realisable value; and • challenging the Group's judgements relating to the provision for stock obsolescence (including slow moving or excess stock), by comparing current inventory levels to historical and forecast sales. We assessed the level of provision in light of our knowledge of the industry and businesses the Group operates in, the Group's business strategy with respect to maintaining a wide range of products and from further inquiries

	with key personnel.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of GUD Holdings Limited for the year ended 30 June 2018 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2018.

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

KPMG

KPMG

Chris Sargent
Partner

Melbourne
27 July 2018

Additional Shareholder Information

The issued shares of the Company are of the one class with equal voting rights and are all quoted on the ASX.

Distribution of Shareholdings as at 17 August 2018

Shares held	No. of Shareholders	%	Shares	%
1 – 1,000	3,108	34.20	1,527,422	1.77
1,001 – 5,000	4,336	47.73	10,988,743	12.71
5,001 – 10,000	1,030	11.34	7,345,256	8.49
10,001 – 100,000	589	6.48	11,355,504	13.13
100,001 and over	23	0.25	55,269,047	63.90

There are 382 shareholders holding less than a marketable parcel of shares. A marketable parcel is $500.00.

Twenty Largest Shareholders as at 17 August 2018

	No. of Shares	%
HSBC Custody Nominees (Australia) Limited	25,774,650	29.80
J P Morgan Nominees Australia Limited	9,729,127	11.25
Citicorp Nominees Pty Limited	6,979,134	8.07
National Nominees Limited	3,966,954	4.59
Argo Investments Limited	1,772,013	2.05
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/c>	824,836	0.95
RBM Nominees Pty Ltd <Cash Protection A/c>	823,199	0.95
BNP Paribas Noms Pty Ltd <DRP>	789,163	0.91
AMP Life Limited	596,654	0.69
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	572,200	0.66
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/c>	568,374	0.66
Citicorp Nominees Pty Limited <Colonial First State Inv A/c>	484,531	0.56
Warbont Nominees Pty Ltd <Unpaid Entrepot A/c>	410,261	0.47
HSBC Custody Nominees (Australia) Limited-GSCO ECA	372,750	0.43
Woodross Nominees Pty Ltd	292,005	0.34
Australian Executor Trustees Limited <No 1 Account>	209,819	0.24
HSBC Custody Nominees (Australia) Limited – A/c 2	187,204	0.22
Merrill Lynch (Australia) Nominees Pty Limited	180,870	0.21
Mr Jonathan Peter Ling	179,656	0.21
Maddy and Co Pty Ltd <Nelson A/c>	163,110	0.19
Total Twenty Largest Shareholders of Ordinary Fully Paid Shares	**54,876,510**	**63.45**
Total Remaining Holders Balance	**31,609,462**	**36.55**

Substantial Shareholders of GUD Holdings Limited

As at 17 August 2018, the current notices of substantial shareholders were:

	No. of Shares	%
Marathon Asset Management LLP	6,908,288	8.02

Dividends/Dividend Reinvestment Plan (DRP)
The GUD Holdings Limited DRP Plan is currently suspended.

Direct Payments to a Bank, Building Society or Credit Union
Shareholders are encouraged to have cash dividends paid directly into any bank, building society or credit union account in Australia. You can update your account details by accessing the share registry Investor Centre at www.investorcentre.com.

Uncertificated Issuer Sponsored Holdings
The Company register contains uncertificated holdings under the Australian Securities Exchange (ASX) CHESS system. Share certificates are not issued and shareholders receive regular statements of their holdings under the Company-sponsored scheme.

Stock Exchange Listing
GUD is listed on the ASX under the name GUD Holdings Limited and under the code GUD.

Change of Address or Name
It is important that shareholders notify the share registry or their broker in writing immediately when there is a change in their address or name.

For issuer sponsored holdings: please notify the share registry in writing and indicate the details of your new/previous name, your new/previous address and your security reference number (SRN), or change the details online at their website at www.investorcentre.com.

For CHESS/broker sponsored holdings: please notify your broker in writing if you change your name and/or address.

Shareholding Consolidation
Shareholders are encouraged to consolidate shareholding into one name and identification number. Please download a 'Request to Consolidate Holdings' form from the share registry Investor Centre at www.investorcentre.com under Company Information. Alternatively, an application should be made to the share registry – Computershare Investor Services Pty Limited (see address below). Shareholders with broker sponsored holdings must contact their broker.

Annual Report Mailing List
Shareholders are encouraged to access and view the Company's Annual Report online at www.gud.com.au. Shareholders who do not wish to receive reports should advise the share registry in writing or by accessing the share registry Investor Centre at www.investorcentre.com. Shareholders can select the method by which they receive shareholder information, including dividend advice, Notice of Annual General Meeting and Proxy.

Tax File Number (TFN)
While it is not compulsory for shareholders to provide a TFN, the Company is obliged to deduct tax from non-fully franked dividends paid to residents in Australia who have not supplied such information. Shareholders can update their TFN by accessing the share registry Investor Centre at www.investorcentre.com.

Continuous Disclosure
The Company complies with the requirements of the ASX Listing Rules. Shareholders may view all Company announcements at www.asx.com.au. Shareholders may also obtain updated information and recent announcements concerning the Company by visiting the Company's website at www.gud.com.au.

Enquiries
Shareholders with questions about their shareholding should contact Computershare Investor Services Pty Limited who maintains the share register on behalf of the Company.

Enquiries should be addressed to:

Computershare Investor Services Pty Limited
Postal Address – GPO Box 2975, Melbourne Vic 3001

Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067

Enquiries Within Australia – 1300 850 505
Enquiries Outside Australia – 61 3 9415 4000
Investor Enquiries Facsimile Number – 61 3 9473 2500

Website – www.investorcentre.com
Email – www.investorcentre.com/contact