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18 September 2020

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

Dear Sir/Madam

In accordance with the Listing Rules, please find attached:

1. Notice of Annual General Meeting and Explanatory Statement
2. Proxy Form
3. Lumi Meeting Guide
4. 2020 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.

Approved for release by the Company Secretary.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Malcolm G Tyler', with a long horizontal flourish extending to the right.

Malcolm G Tyler
Company Secretary

Direct: +61 3 9243 3380
Email: malcolmt@gud.com.au

Attached



GUD Holdings Limited

ACN 004 400 891

NOTICE OF ANNUAL GENERAL MEETING

The 2020 Annual General Meeting of GUD Holdings Limited (the Company) will be held as a virtual meeting on Tuesday, 27 October 2020 at 10:00am (AEDT) to transact the following business. Online registration will commence at 9:30am.

Due to the continuing developments in relation to coronavirus (COVID-19), we are making some changes to our approach this year, with the health and safety of our shareholders and employees being of paramount importance. In light of the current government restrictions on large gatherings, it is not feasible or advisable for shareholders to physically attend this year's AGM.

Accordingly, we have adopted measures to allow shareholders to participate in the AGM online this year. Specifically, the AGM will be made accessible to shareholders via a live webcast as well as an online platform which will include the facility for shareholders to ask questions in relation to the business of the meeting and to vote in real time at the meeting. These processes are set out in this notice of meeting.

The Directors of GUD encourage shareholders to participate in the meeting via the online platform. Shareholders who are unable to participate in the online AGM or choose not to attend the meeting are encouraged to appoint a proxy ahead of the meeting to cast their vote at the meeting. If you wish to appoint a proxy, please lodge your proxy online at www.investorvote.com.au.

As always, we invite shareholders to submit questions in advance of the meeting. Questions may be submitted by completing an online shareholder question form on GUD's website at www.gud.com.au/AGM2020 or submitting an online question when voting online at www.investorvote.com.au.

This notice of meeting (which includes the following agenda, information for shareholders and explanatory notes) details the formal business to be dealt with at the AGM.

Briefly, the formal business of the meeting will be to:

1. receive and consider the formal reports for the financial year ended 20 June 2020;
2. elect Ms Jennifer Douglas as a non-executive director of the company;
3. adopt the 2020 remuneration report;
4. approve the grant of long-term incentives (rights) to Mr Graeme Whickman, the managing director; and
5. renew the proportional takeover provisions in the Company's constitution

The Directors recommend that shareholders vote in favour of all resolutions.

How to participate in the AGM online

Shareholders can participate in the AGM and watch the webcast online using one of the following methods:

- (a) from their computer, by entering the URL in their browser: <https://web.lumiagm.com/304355206>;
- (b) from their mobile device, by either entering the URL in their browser: <https://web.lumiagm.com/304355206>; or by using the Lumi AGM app, which is available by downloading the app from the Apple App Store or Google Play Store.

On entering the Lumi app you will need to enter the Meeting ID for the GUD AGM.

Meeting ID: 304-355-206

The online platform will allow shareholders, proxyholders, attorneys and authorised representatives to view the meeting, vote and ask questions in real-time.

Further information on how to participate in the meeting is provided in the notice of meeting, and in the Virtual AGM Online Guide, which can be accessed on the Company's website at www.gud.com.au/AGM2020.

How to watch the webcast

The meeting will also be webcast live from www.gud.com.au/investor-relations/webcasts, however as distinct from the online platform, shareholders will not be able to vote and ask questions in real time on the webcast (the Lumi online platform referred to above will be available for this).

If you are planning to watch the webcast, we encourage you to submit a proxy and any questions ahead of the meeting.

How to submit your vote in advance of the meeting

Proxy votes must be received by 10.00am (AEST) on Sunday 25 October 2020 to be valid for the meeting.

Instructions on how to appoint a proxy are on the online voting website, www.investorvote.com.au.

Your proxy may be appointed in a variety of ways described on page 4 of the notice of meeting under 'Proxies'.

Other Company documents and how to update your communication preference

Please review the GUD website for the following documents:

- a link from the Share Information page to our share registry to register your e-mail address in order to receive all shareholder information electronically and to obtain standard shareholder forms, including a direct dividend advice, a change of address advice and a request to consolidate holdings;
- the GUD Annual Report 2020 (including the GUD Corporate Governance Statement) and Notice of Meeting 2020;
- the GUD Sustainability Review 2020; and
- copies of news releases and financial presentations.

With Government guidance continually being updated, GUD is closely monitoring the developments relating to COVID-19. Shareholders are encouraged to check GUD's website at www.gud.com.au/AGM2020 and the ASX for updates in relation to the AGM.

We look forward to engaging with shareholders in this new way, and I hope that you will participate in the meeting online.

AGENDA

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 2020.

2. Election of Jennifer Douglas

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

“That Ms Jennifer Douglas, who was appointed as a Non-Executive Director of the Company on 1 March 2020 and who, in accordance with Rule 34(b) of the Company’s Constitution, holds office as a Director until the conclusion of this meeting and, being eligible, offers herself for election, be elected.”

See the accompanying Explanatory Notes for information about the election of Director.

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 2020 (as set out in the Directors’ Report on pages 31 to 42 of the 2020 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 53,198 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.

5. Renewal of proportional takeover approval provisions

To consider and, if thought fit, pass the following resolution as a special resolution:

“That the Company renew the proportional takeover approval provisions contained in Rule 73 of the Company’s constitution with effect from 1 December 2020 for a period of 3 years.”

Please note that voting on all substantive resolutions will be conducted by way of a poll.

By order of the Board

Malcolm G Tyler

Company Secretary

Melbourne

15 September 2020

Information for shareholders

Participating in the meeting – online registration

You will be able to attend and participate in the Annual General Meeting online using your computer, your mobile phone or device. You can participate in the Meeting:

- by entering this link in your browser: <https://web.lumiagm.com/304-355-206>; OR
- by following the link that will be made available on the Company's website at: www.gud.com.au/AGM2020.

You can also participate in the Annual General Meeting using your mobile phone or device by downloading the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM.

You will need your SRN/HIN to register for Meeting.

Further information about how to log in to the Lumi online platform or the Lumi AGM app, to register for the Annual General Meeting, and to participate in the Annual General Meeting as a shareholder, proxyholder, attorney or authorised representative is available in the Virtual AGM Online Guide, which can be accessed on the Company's website at: www.gud.com.au/AGM2020

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 Sunday 25 October 2020 will be treated as shareholders of the Company.

Voting on all items of business will be conducted on a poll. You may vote at the Annual General Meeting in one of two ways:

-live and online during the meeting using the Lumi online platform, or the Lumi AGM app (if you are participating on your mobile phone or device); or

- in advance of the meeting, by appointing a proxy and directing your proxy how to vote online at www.investorvote.com.au by 10:00am (AEDT) on Sunday 25 October 2020.

The Chairman of the Meeting will open the poll at the beginning of the meeting and the poll will remain open until the Chairman announces that the poll is closed.

Appointment of proxies and corporate representatives

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, they can do so online at www.investorvote.com.au. 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 proxy 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 do not attend the meeting or 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 completing and submitting 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 Sunday 25 October 2020.

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.

Proxy lodgement

Online

www.investorvote.com.au

By mail

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

by fax

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

Questions from shareholders

GUD welcomes your feedback. All shareholders will have a reasonable opportunity to ask questions and make comments on the items of business during the meeting via the Lumi online platform, including an opportunity to ask questions of the Company's Auditor, KPMG.

You may submit written questions ahead of the AGM relating to the business of the meeting, including questions for the Company's Auditor, KPMG. Questions for the Company's Auditor must relate to the content of the Auditor's report or the conduct of the audit of the Financial report.

Written questions must be received by the Company no later than 5.00pm (AEDT) on Tuesday 20 October 2020.

Shareholders can submit written questions by completing an online shareholder question form which is available online at www.investorvote.com.au or by completing an online shareholder question form on GUD's website at www.gud.com.au/AGM2020.

Alternatively, you can send any written questions to:

GUD Holdings Limited AGM

PO Box 62

Sunshine, Victoria 3020

Email: investors@gud.com.au

The Chairman will endeavour to address as many of the more frequently raised relevant questions as possible during the course of the meeting. However, there may not be sufficient time available at the meeting to address all of the questions raised. Please note that individual responses will not be sent to shareholders.

Technical difficulties

Technical difficulties may arise during the course of the online meeting. The Chairman has discretion as to whether and how the meeting should proceed in the event that a technical difficulty arises. In exercising this discretion, the Chairman will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected. Where the Chairman considers it appropriate, the Chairman may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

In the event of a substantial technological failure that prevents shareholders from having a reasonable opportunity to participate in the meeting, the Company will provide an update on its website and the ASX platform to communicate the details of the postponed or adjourned meeting to shareholders.

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 2020 or that KMP's closely related party (regardless of the capacity in which the vote is cast); and
- 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 or any of his associates (regardless of the capacity in which the vote is cast); and
- 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:

- as proxy or attorney for a person entitled to vote on Item 4 in accordance with a direction given to the proxy or attorney to vote on Item 4 in that way; or
- as proxy for a person entitled to vote on Item 4 by the person chairing the meeting, in accordance with an express authorisation in the proxy form to exercise the proxy as the chairman decides; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the item; and
 - the holder votes on the item in accordance with directions given by the beneficiary to the holder to vote in that way.
-

Reviewing the Annual Report

A copy of the 2020 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 annual financial report of the Company and its controlled entities for the year ended 30 June 2020 and the Directors' Report and Auditor's Report are set out in the GUD Holdings Limited Annual Report 2020.

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 2020 Annual Report on the Company's website (www.gud.com.au).

Item 2 – Election of Ms Jennifer Douglas

J A Douglas* BSc LLB(Hons) LLM MBA GAICD

Appointed Non-Executive Director on 1 March 2020.

Ms Douglas, who was appointed as a Director since the last Annual General Meeting (following appropriate background checks, including criminal, bankruptcy, education, qualifications and reference checks), presents herself for election by shareholders.

Ms Douglas has significant experience as an executive in the communications and technology sectors having held a diverse range of executive roles at Telstra and Sensis from 1997 to 2016 and playing a lead role in driving customer centred growth and change. Prior to this, Ms Douglas was a lawyer with Mallesons and Allens where she specialised in intellectual property, communications and media law.

Ms Douglas is currently a Non-Executive Director of Hansen Technologies Limited (appointed 15 February 2017), a Non-Executive Director of Opticomm Limited (appointed 21 August 2017) where she is Chair of the Remuneration Committee and a Non-Executive Director of Essential Energy (appointed 15 March 2018) where she is Chair of the Regulatory Committee. She is also a Non-Executive Director of St Kilda Football Club and Peter MacCallum Cancer Foundation and a former Non-Executive Director of Telstra SNP Monitoring (retired 2016), Family Life Inc (retired 2010), Pacific Access Superannuation Fund (retired 1999) and Kilvington Girls Grammar School (retired 1994).

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

The Board considers Ms Douglas to be independent. Prior to accepting appointment and submitting herself for election, Ms Douglas confirmed that she would continue to have sufficient time to properly fulfil her duties as a Director of GUD.

The Board believes Ms Douglas' substantial experience in communications and technology with considerable executive and strategic responsibilities, further enhances the Board's ability to oversee the Company's performance and governance. Ms Douglas' insights, knowledge and experience are particularly valuable in her roles as a member of the Risk and Compliance, Audit and People, Risk and Culture Committees.

Board Recommendation

The Board (excluding Ms Douglas because of her interest) unanimously recommends that shareholders vote in favour of the resolution to elect Ms Douglas 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 31 to 42 of the GUD Holdings Limited Annual Report for the year ended 30 June 2020 lodged with the ASX on 28 July 2020 and is also available on 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 or 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 2020 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 6 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, which provides that a listed company must not permit a director to acquire equity securities under an employee incentive scheme unless it obtains the approval of its shareholders, shareholder approval is sought for the proposed grant of 53,198 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 Rights to the Managing Director is his LTI opportunity for the 2020/2021 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 Rights will be subject to a performance period from 1 July 2020 to 30 June 2023 and will vest only if the performance condition and other vesting conditions are satisfied.

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 34 of the Annual Report.

Subject to shareholder approval, Mr Whickman will be granted a maximum number of 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 FY21, namely \$994,000¹.

VWAP is the volume weighted average price of the Company's shares on ASX over the ASX market trading days in June 2020 (being the month immediately prior to the commencement of the three year performance period), in this case \$11.211.

The Rights to be granted are zero exercise price options (referred to as 'Rights'). A 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 and exercise of the vested Right. If the applicable vesting conditions attaching to the Rights are satisfied, Mr Whickman will be allocated one fully paid ordinary share in the Company for each vested and exercised Right. The Board retains a discretion to make a cash payment in lieu of an allocation of shares. Rights do not carry any voting rights prior to vesting and exercise. Any Rights which do not vest at the end of the applicable performance period will lapse.

As the Rights form part of the Managing Director's remuneration package, they will be granted at no cost to him. No exercise price will be payable by the Managing Director upon exercise of any vested Rights.

If approved by shareholders, the 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). The Company uses Rights because they create share price alignment between Mr Whickman and ordinary shareholders but do not provide him with the full benefits of share ownership (such as dividend and voting rights) unless and until the Rights vest.

If shareholders do not approve the grant of Rights, it is intended that an equivalent award will be provided in cash that will be subject to similar performance conditions, performance period and other conditions as described in these Explanatory Notes.

Performance condition

The Rights will be subject to a relative 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 3 year period commencing on 1 July 2020 and ending on 30 June 2023. Vesting will be determined following 30 June 2023.

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 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 mining and resource companies. 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.

In addition, the Company's absolute TSR must equal or exceed zero over the performance period for any Rights to vest and become exercisable. That means that if the Company's absolute TSR over the relevant performance period is negative, no Rights will vest, even if the percentile ranking achieved by the Company over the relevant performance period is equal to or greater than the 50% of other entities in the comparator group.

The proportion of the Rights that vest and become exercisable, if any, will be determined by reference to the percentile ranking achieved by the Company over the relevant performance period compared to the other entities in the comparator group as follows:

Relative TSR performance ranking	% of 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 or above	100%

The Board may waive or amend the performance condition if it determines that the original performance condition is no longer appropriate or applicable, provided that the interests of Mr Whickman are not, in the opinion of the Board, materially prejudiced or advantaged relative to the position reasonably anticipated at the time of the grant.

Exercise of vested Rights

Mr Whickman will be able to exercise any Rights that vest for a period of 12 years from the date of vesting ('Expiry Date'), subject to complying with the Company's "Dealing in Shares" Policy. If the Rights are not exercised by the end of the Expiry Date, any vested but unexercised Rights will automatically be exercised on that date.

Dividend equivalent award

On exercise of vested Rights, Mr Whickman may also receive additional shares or a cash payment in lieu of an allocation of additional shares as a dividend equivalent award in relation to those exercised Rights. The dividend equivalent award is a notional amount calculated based on the value of dividends paid by the Company during the period between the date the Rights vest and the Rights exercise date, as if the shares allocated on exercise had been held during that period ('Notional Dividend Amount').

The number of additional shares to be allocated will be determined by dividing the Notional Dividend Amount by the volume weighted average closing price of shares over the 5 trading day period prior to the date of exercise, rounded down to the nearest whole number.

Trading restrictions

Any dealing in respect of a Right (unvested or vested but unexercised) is prohibited, unless the Board determines otherwise or the dealing is required by law.

Any shares allocated following vesting and exercise of the 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 Rights, then any continued entitlement he may have to the 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 unvested Rights will lapse, unless the Board determines otherwise.

In all other circumstances including death, disability, resignation, genuine retirement, redundancy or termination by the Company for convenience, Mr Whickman will retain a pro rata number (based on how much of the performance period has elapsed at the time of ceasing employment) of unvested Rights which will remain subject to the original performance condition and terms of offer and the balance will lapse, unless the Board determines otherwise.

If Mr Whickman ceases employment with the Company and he has vested but unexercised Rights or the Rights vest in accordance with the treatment outlined above then, unless the Board determines otherwise:

- in the case of termination for cause, the vested but unexercised Rights will lapse; and
- in all other circumstances of cessation, the vested but unexercised Rights will continue to be exercisable until the end of the Expiry Date (or any earlier date determined by the Board and notified) and will be automatically exercised at the end of that last date (if not exercised earlier).

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 Rights should be accelerated. If an actual change of control occurs before the Board has exercised this discretion, a pro rata portion of the 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 Rights will vest or lapse. Any vested Rights will be automatically exercised, unless the Board determines otherwise.

Clawback

Under the Plan, the Board may exercise its discretion to lapse unvested and vested but unexercised Rights and/or forfeit shares allocated on exercise of Rights to ensure that no unfair benefit is derived by Mr Whickman, for example, in the case of fraud, dishonesty or where Mr Whickman is in breach of obligations to the Company.

Adjustments to Rights

The Board may make any adjustments it considers appropriate to the terms of a Right in order to minimise or eliminate any material advantage or disadvantage to Mr Whickman resulting from a corporate action by, or capital reconstruction in relation to, the Company, including but not limited to any return of capital, bonus issue or rights issue, in each case subject to the ASX Listing Rules.

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

Listing Rule 10.15.4 requires this Notice of Meeting to include details (including the amount) of Mr Whickman's current total remuneration:

Fixed Remuneration (including superannuation) (TFR)	\$994,000 ¹
Short term incentive	40% of TFR, being \$397,600
Long term incentive	60% of TFR, being \$596,400

Note:

1. At its meeting in late July 2020 the Board Remuneration, People and Culture Committee resolved to defer consideration of all executive remuneration for FY21 up to its meeting in December 2020. Hence the calculation of the number of Rights to be granted to Mr Wickman in relation to FY21 is based upon a remuneration equivalent to his intended Total Fixed Remuneration in FY20, namely \$994,000. Shareholders are referred to the Remuneration Report for further details of Mr Whickman's FY20 remuneration.

There is no loan scheme in relation to the the grant of Rights or allocation of shares on vesting and exercise of those Rights.

Mr Whickman falls within the category of persons in ASX Listing Rule 10.14.1 because he is a director of the Company.

Mr Whickman has been granted 30,134 Rights in FY19 and 58,686 Rights in FY20 under the Plan in respect of prior year grants. The Rights were issued at no cost to Mr Whickman and no amount is payable on vesting or exercise of the Rights.

Details of any securities (including Rights and shares) issued under the Plan will be published in the Company's Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the Plan after this resolution is approved and who are not named in this Notice of Meeting will not participate until approval is obtained under that rule.

The voting exclusion statement for this resolution is set out on page 6 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 (excluding Mr Whickman because of his interest) unanimously recommends that shareholders vote in favour of this resolution.

Item 5 – Renewal of proportional takeover approval provisions

The Corporations Act permits a company to include in its constitution a provision which enables the company to refuse to register a transfer of shares acquired under a proportional takeover bid unless a resolution is first passed by shareholders approving the bid. These provisions must be renewed every three years, or they will cease to have effect.

Rule 73 of the Company's constitution currently contains provisions dealing with proportional takeover bids for GUD shares in accordance with the Corporations Act. The proportional takeover approval provisions in the Company's constitution were last renewed with the approval of shareholders at the 2017 AGM for a period of 3 years with effect on and from 1 December 2017. Accordingly, the provision will cease to operate from 1 December 2020 unless renewed by the proposed special resolution.

If these provisions are renewed by shareholders at the meeting, they will be in exactly the same terms as the existing provisions and will operate for a further three years.

A copy of the Company's current Constitution is available on the Company's website (www.gud.com.au).

Proportional takeover bid

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares (ie. less than 100%).

Effect of Rule 73 provisions on a proportional takeover bid

- If a proportional takeover bid is made for the securities of the Company, the Directors must ensure that shareholders vote on a resolution to approve the bid at a meeting held more than 14 days before the bid closes.
- Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote. The vote is decided on a simple majority. The bidder and its associates are not allowed to vote.
- If the resolution to approve the bid is passed, transfers pursuant to the bid may be registered, but, if the resolution is lost, the bid is taken to be withdrawn. If the resolution is not voted on, the bid is taken to have been approved.
- Under current requirements of the Corporations Act, the new provisions would only apply for 3 years, unless renewed by a further special resolution in a general meeting.
- The provision does not affect a full takeover bid.

No knowledge of any acquisition proposals

As at the date of this Notice, no Director is aware of any proposal by any person to acquire or to increase the extent of a substantial interest in the Company.

Reasons for and potential advantages and disadvantages of Rule 73

The Directors consider that the renewal of the proportional takeover approval provisions has no potential advantages or disadvantages for them personally.

The reasons for and potential advantages of Rule 73 for shareholders include:

- Shareholders should be able to vote on whether a proportional takeover bid should proceed;
- It may help shareholders avoid being locked in as a minority and may prevent a bidder acquiring control of the Company without paying a satisfactory control premium for their shares;
- It increases shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced;
- The right to vote on a proportional takeover bid may also avoid a situation arising where shareholders feel pressured to accept the bid even if they do not want it to succeed;
- Shareholders have the opportunity to ascertain the views of other shareholders which may help each individual shareholder assess the likely outcome of the proportional takeover bid and to decide whether to accept or reject that offer; and
- The provision is likely to influence an intending bidder to structure its offer in a way which is attractive to a majority of shareholders.

The potential disadvantages for shareholders of Rule 73 include:

- It may discourage proportional takeover bids and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a proportional bid being made;
- It may also be considered to constitute an additional restriction on the ability of shareholders to deal freely with their shares;
- Shareholders may lose an opportunity to sell some of their shares at a premium; and
- It may reduce the chance of a proportional takeover bid being successful.

The Directors do not believe the possible disadvantages outweigh the advantages of the proportional takeover provisions operating for the next three years. In particular, shareholders as a whole are able to decide whether or not a proportional takeover bid is successful.

Review of proportional takeover approval provisions

Whilst similar takeover approval provisions have been in effect under the Company's constitution, there have been no full or proportional takeover offers for the Company.

Therefore, there has been no example against which to review the advantages or disadvantages of the provisions for the Directors and the shareholders, respectively, during this period.

Board Recommendation

The Directors unanimously recommend that shareholders vote in favour of the resolution.



GUD Holdings Limited

ABN 99 004 400 891

GUD



Need assistance?



Phone:

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



Online:

www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00am (AEDT) Sunday, 25 October 2020**

GUD Holdings Limited Annual General Meeting

This year, as part of the Australian Government's response to the Coronavirus crisis, temporary modifications have been made to the *Corporations Act 2001* under the *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*.

These modifications allow notices of meeting, and other information regarding a meeting to be provided online where it can be viewed and downloaded. We are relying on technology to facilitate shareholder engagement and participation in the meeting. Details of where you can access the notice of meeting, lodge a proxy and participate in the meeting are contained in this letter.

Meeting date and location:

The Annual General Meeting of GUD Holdings Limited will be a virtual meeting, which will be conducted online on Tuesday, 27 October 2020 at 10:00am.

Attending the meeting online:

If you choose to participate online on the day of the meeting you will be able to view a live webcast of the meeting, ask the Directors questions online and submit your vote in real time.

To participate online you will need to visit web.lumiagm.com/304355206 on your smartphone, tablet or computer.

You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible. For further instructions on how to participate online please view the online meeting user guide at www.gud.com.au/AGM2020

Access the meeting documents and lodge your proxy online:

Online:

Access the meeting documents and lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com



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



GUD Holdings Limited

ABN 99 004 400 891

GUD



Need assistance?



Phone:

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



Online:

www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10.00am (AEDT) on Sunday, 25 October 2020**

Proxy Form

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 (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

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

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

A proxy need not be a securityholder of 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.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

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

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

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

Comments & Questions: If you have any comments or questions for GUD Holdings Limited, please write them on the attached questionnaire and return with this form.

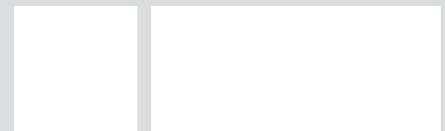
Lodge your Proxy Form:

XX

Online:

Use your computer or smartphone to appoint your proxy and vote at www.investorvote.com.au or scan your personalised QR code below using your smartphone.

Your secure access information is



For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



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

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.

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).

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 online on Tuesday, 27 October 2020 at 10.00am (AEDT) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected 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 becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 3 and 4 (except where I/we have indicated a different voting intention in Step 2) even though Items 3 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 3 and 4 by marking the appropriate box in Step 2.

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 poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Item 2 Election of Jennifer Douglas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Approval of LTI grant to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Renewal of proportional takeover approval provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to 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.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 Securityholder 2 Securityholder 3 / /
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

Update your communication details (Optional)

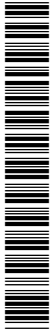
Mobile Number Email Address
 By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically





GUD Holdings Limited

ABN 99 004 400 891



Questions from Shareholders

The Annual General Meeting (AGM) of GUD Holdings Limited will be held online on Tuesday, 27 October 2020 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 2020 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 2020 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 2020 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.

Online Meeting Guide

Getting Started

If you choose to participate online you will be able to view a live webcast of the meeting, ask the Directors questions online and submit your votes in real time and you will need to either:

- a) Visit <https://web.lumiagm.com> on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge and Firefox. Please ensure your browser is compatible; or
- b) Download the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM.

Meeting ID: 304-355-206

To log in, you must have the following information:

Australian Residents

Username (SRN or HIN) and Password (postcode of your registered address)

Overseas Residents

Username (SRN or HIN) and Password (three-character country code) e.g. New Zealand - NZL; United Kingdom - GBR; United States of America - USA; Canada - CAN. A full list is provided at the end of this guide.

Appointed Proxy

To receive your username and password, please contact Computershare Investor Services on +61 3 9415 4024 during the online registration period which will open 1 hour before the start of the meeting.

Online registration will open 1 hour before the start of the meeting

1 To participate in the meeting, you will be required to enter the unique 9 digit Meeting ID provided above.



2 To proceed into the meeting, you will need to read and accept the Terms and Conditions.



OR



3 To register as a securityholder, select 'I have a login' and enter your username (SRN or HIN) and password (postcode or country code).





3a If you are a visitor, select 'I am a guest' and enter your name and email details. Please note, visitors will not be able to ask questions or vote at the meeting.



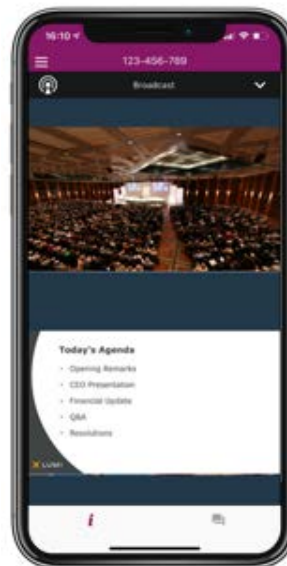
4 Once logged in, you will see the home page, which displays the meeting documents and information on the meeting. Icons will be displayed in different areas, depending on the device you are using.



5 View the webcast

To view proceedings you must tap the broadcast arrow  on your screen. Video and/or slides of the meeting will appear after approx. 30 seconds*. Toggle between the up or down arrow  to view another screen.

(*Dependant on the speed of your internet)



The broadcast bar allows you to view and listen to the proceedings



Home page icon, displays meeting information




Questions icon, used to ask questions



Voting icon, used to vote. Only visible when the chairman opens poll

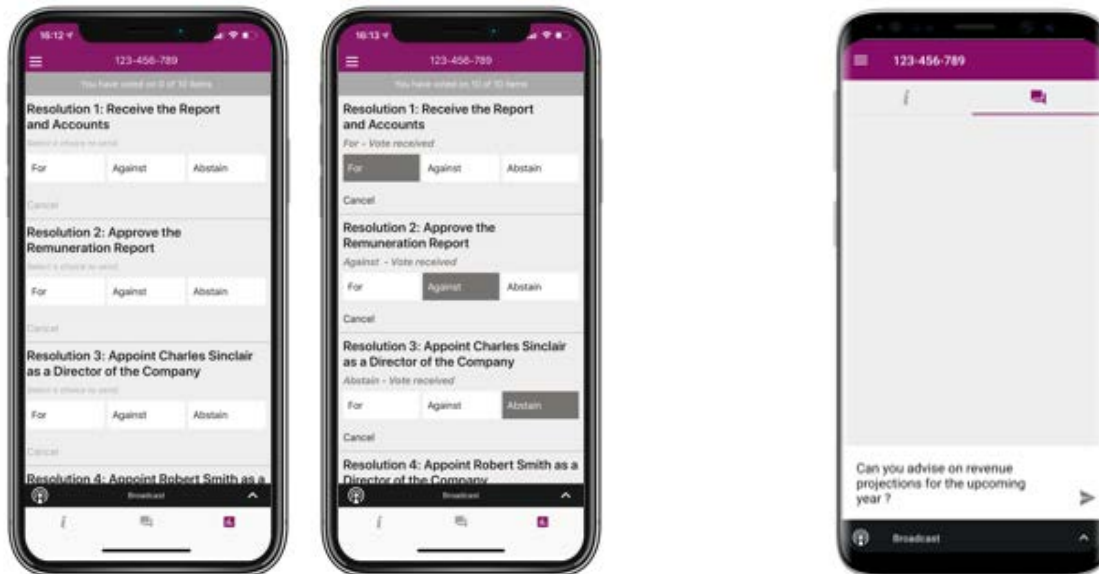
6 To Vote

When the Chairman declares the poll open:

- A voting icon  will appear on your device and the Meeting Resolutions will be displayed.
- To vote tap one of the voting options. Your response will be highlighted.
- To change your vote, simply press a different option to override.

The number of items you have voted or yet to vote on, is displayed at the top of the screen.

Votes may be changed up to the time the chairman closes the poll.





On some devices, to vote, you may need to minimise the webcast by selecting the arrow in the broadcast bar, audio will still be available. To return to the webcast after voting, select the arrow again.

For Assistance

If you require assistance prior to or during the Meeting, please call +61 3 9415 4024



7 To Ask Questions

Tap on the Questions icon  to submit a question, type your question in the chat box at the bottom of the screen and then select the send icon .

Confirmation that your message has been received will appear.

COUNTRY CODES

Select your country code from the list below and enter it into the **password** field.

ABW ARUBA	CPV CAPE VERDE	ISM BRITISH ISLES	NPL NEPAL	TKM TURKMENISTAN
AFG AFGHANISTAN	CRI COSTA RICA	ISR ISRAEL	NRU NAURU	TLS EAST TIMOR
AGO ANGOLA	CUB CUBA	ITA ITALY	NZL NEW ZEALAND	DEMOCRATIC REP OF
AIA ANGUILLA	CXR CHRISTMAS ISLAND	JAM JAMAICA	OMN OMAN	TMP EAST TIMOR
ALA ALAND ISLANDS	CYM CAYMAN ISLANDS	JEY JERSEY	PAK PAKISTAN	TON TONGA
ALB ALBANIA	CYP CYPRUS	JOR JORDAN	PAN PANAMA	TTO TRINIDAD & TOBAGO
AND ANDORRA	CZE CZECH REPUBLIC	JPN JAPAN	PCN PITCAIRN ISLANDS	TUN TUNISIA
ANT NETHERLANDS ANTILLES	DEU GERMANY	KAZ KAZAKHSTAN	PER PERU	TUR TURKEY
ARE UNITED ARAB EMIRATES	DJI DJIBOUTI	KEN KENYA	PHL PHILIPPINES	TUV TUVALU
ARG ARGENTINA	DMA DOMINICA	KGZ KYRGYZSTAN	PLW PALAU	TWN TAIWAN
ARM ARMENIA	DNK DENMARK	KHM CAMBODIA	PNG PAPUA NEW GUINEA	TZA TANZANIA UNITED REPUBLIC OF
ASM AMERICAN SAMOA	DOM DOMINICAN REPUBLIC	KIR KIRIBATI	POL POLAND	UGA UGANDA
ATA ANTARCTICA	DZA ALGERIA	KNA ST KITTS AND NEVIS	PRI PUERTO RICO	UKR UKRAINE
ATF FRENCH SOUTHERN TERRITORIES	ECU ECUADOR	KOR KOREA REPUBLIC OF	PRK KOREA DEM PEOPLES REPUBLIC OF	UMI UNITED STATES MINOR OUTLYING
ATG ANTIGUA AND BARBUDA	EGY EGYPT	KWT KUWAIT	PRT PORTUGAL	URY URUGUAY
AUS AUSTRALIA	ERI ERITREA	LAO LAO PDR	PRY PARAGUAY	USA UNITED STATES OF AMERICA
AUT AUSTRIA	ESH WESTERN SAHARA	LBN LEBANON	PSE PALESTINIAN TERRITORY OCCUPIED	UZB UZBEKISTAN
AZE AZERBAIJAN	ESP SPAIN	LBR LIBERIA	PYF FRENCH POLYNESIA	VAT HOLY SEE (VATICAN CITY STATE)
BDI BURUNDI	EST ESTONIA	LBY LIBYAN ARAB JAMAHIRIYA	QAT QATAR	VCT ST VINCENT & THE GRENADINES
BEL BELGIUM	ETH ETHIOPIA	LCA ST LUCIA	REU REUNION	VEN VENEZUELA
BEN BENIN	FIN FINLAND	LIE LIECHTENSTEIN	ROU ROMANIA	VGB BRITISH VIRGIN ISLANDS
BFA BURKINA FASO	FJI FIJI	LKA SRI LANKA	RUS RUSSIAN FEDERATION	VIR US VIRGIN ISLANDS
BGD BANGLADESH	FLK FALKLAND ISLANDS (MALVINAS)	LSO LESOTHO	RWA RWANDA	VNM VIETNAM
BGR BULGARIA	FRA FRANCE	LTU LITHUANIA	SAU SAUDI ARABIA KINGDOM OF	VUT VANUATU
BHR BAHRAIN	FRO FAROE ISLANDS	LUX LUXEMBOURG	SCG SERBIA AND MONTENEGRO	WLF WALLIS AND FUTUNA
BHS BAHAMAS	FSM MICRONESIA	LVA LATVIA	SDN SUDAN	WSM SAMOA
BIH BOSNIA & HERZEGOVINA	GAB GABON	MAC MACAO	SEN SENEGAL	YEM YEMEN
BLM ST BARTHELEMY	GBR UNITED KINGDOM	MAF ST MARTIN	SGP SINGAPORE	YMD YEMEN DEMOCRATIC FED REP
BLR BELARUS	GEO GEORGIA	MAR MOROCCO	SGS STH GEORGIA & STH SANDWICH ISL	YUG YUGOSLAVIA SOCIALIST FED REP
BLZ BELIZE	GGY GUERNSEY	MCO MONACO	SHN ST HELENA	ZAF SOUTH AFRICA
BMU BERMUDA	GHA GHANA	MDA MOLDOVA REPUBLIC OF	SJM SVALBARD & JAN MAYEN	ZAR ZAIRE
BOL BOLIVIA	GIB GIBRALTAR	MDG MADAGASCAR	SLB SOLOMON ISLANDS	ZMB ZAMBIA
BRA BRAZIL	GIN GUINEA	MDV MALDIVES	SLE SIERRA LEONE	ZWE ZIMBABWE
BRB BARBADOS	GLP GUADELOUPE	MEX MEXICO	SLV EL SALVADOR	
BRN BRUNEI DARUSSALAM	GMB GAMBIA	MHL MARSHALL ISLANDS	SMR SAN MARINO	
BTN BHUTAN	GNB GUINEA-BISSAU	MKD MACEDONIA FORMER YUGOSLAV REP	SOM SOMALIA	
BUR BURMA	GNQ EQUATORIAL GUINEA	MLI MALI	SPM ST PIERRE AND MIQUELON	
BVT BOUVET ISLAND	GRC GREECE	MLT MALTA	SRB SERBIA	
BWA BOTSWANA	GRD GRENADA	MMR MYANMAR	STP SAO TOME AND PRINCIPE	
BLR BELARUS	GRL GREENLAND	MNE MONTENEGRO	SUR SURINAME	
CAF CENTRAL AFRICAN REPUBLIC	GTM GUATEMALA	MNG MONGOLIA	SVK SLOVAKIA	
CAN CANADA	GUF FRENCH GUIANA	MNP NORTHERN MARIANA ISLANDS	SVN SLOVENIA	
CCK COCOS (KEELING) ISLANDS	GUM GUAM	MOZ MOZAMBIQUE	SWE SWEDEN	
CHE SWITZERLAND	GUY GUYANA	MRT MAURITANIA	SWZ SWAZILAND	
CHL CHILE	HKG HONG KONG	MSR MONTSERRAT	SYC SEYCHELLES	
CHN CHINA	HMD HEARD AND MCDONALD ISLANDS	MTQ MARTINIQUE	SYR SYRIAN ARAB REPUBLIC	
CIV COTE D'IVOIRE	HND HONDURAS	MUS MAURITIUS	TCA TURKS AND CAICOS ISLANDS	
CMR CAMEROON	HRV CROATIA	MWI MALAWI	TCD CHAD	
COD CONGO DEMOCRATIC REPUBLIC OF	HTI HAITI	MYS MALAYSIA	TGO TOGO	
COG CONGO PEOPLES REPUBLIC OF	HUN HUNGARY	MYT MAYOTTE	THA THAILAND	
COK COOK ISLANDS	IDN INDONESIA	NAM NAMIBIA	TJK TAJIKISTAN	
COL COLOMBIA	IMN ISLE OF MAN	NCL NEW CALEDONIA	TKL TOKELAU	
COM COMOROS	IND INDIA	NER NIGER		
	IOT BRITISH INDIAN OCEAN TERRITORY	NFK NORFOLK ISLAND		
	IRL IRELAND	NGA NIGERIA		
	IRN IRAN ISLAMIC REPUBLIC OF	NIC NICARAGUA		
	IRQ IRAQ	NIU NIUE		
	ISL ICELAND	NLD NETHERLANDS		
		NOR NORWAY		

ANNUAL REPORT 2020



GUD HOLDINGS LIMITED
ABN 99 004 400 891

YEAR ENDED 30 JUNE 2020



Table of Contents

Directors' Report.....	1
Operating and Financial Review.....	7
Sustainability Review.....	18
Remuneration Report.....	31
Consolidated Financial Statements.....	43
Additional Shareholder Information.....	108

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 2020.

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 FIML FAICD**

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

Mr Smith is currently a Non-Executive Director and Chairman of Australian Pharmaceutical Industries Limited (appointed 6 September 2017). 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.

G A Billings* **BComm 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 Limited (appointed 21 October 2015), a Non-Executive Director of Clover Corporation Limited (appointed 20 May 2013) where he is Chair of the Audit Committee, and a Non-Executive Director of DomaCom Limited (appointed 23 February 2015) where he is Chair of the Audit Committee.

D D Robinson* **BSc MSc**

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

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) and a Non-Executive Director of Worley Parsons Limited (appointed 1 November 2017). Anne previously served as a Non-Executive Director of The Citadel Group Limited (retired May 2020), 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.

J A Douglas* **BSc LLB(Hons) LLM MBA GAICD**

Appointed Non-Executive Director on 1 March 2020.

Ms Douglas is currently a Non-Executive Director of Hansen Technologies Limited (appointed 15 February 2017), a Non-Executive Director of Opticomm Limited (appointed 21 August 2017) where she is Chair of the Remuneration Committee and a Non-Executive Director of Essential Energy (appointed 15 March 2018) where she is Chair of the Regulatory Committee. She is also a Non-Executive Director of St Kilda Football Club and Peter MacCallum Cancer Foundation and a former Non-Executive Director of Telstra SNP Monitoring (retired 2016), Family Life Inc (retired 2010), Pacific Access Superannuation Fund (retired 1999) and Kilvington Girls Grammar School (retired 1994).

Ms Douglas has considerable experience as an executive in the communications and technology sectors having held a diverse range of executive roles at Telstra and Sensis from 1997 to 2016. Prior to this, Ms Douglas was a lawyer with Mallesons and Allens where she specialised in intellectual property, communications and media law.



G Whickman

B Bus MAICD

Appointed Managing Director and Chief Executive Officer of the Company with effect from 1 October 2018. Mr Whickman was previously President and Chief Executive Officer of Ford Australia and New Zealand (2015 – 2018). He had a 20-year career with Ford with senior executive roles in Asia Pacific, Europe and North America.

* 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 BComm (Hons) MBA FGIA MAICD

Mr Tyler is a fellow 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 34 years.

Directors' Attendances at Meetings

The Board held nine scheduled meetings during the year.

In addition, ad hoc meetings are called to consider specific or urgent matters. In FY20 this included seven ad hoc meetings in relation to COVID 19, which were attended by all Directors.

Directors	Board		Audit Committee		Risk & Compliance Committee		Nominations Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M G Smith	9	9	4	4	4	4	3	3	7	7
G A Billings	9	9	4	4	4	4	3	3	7	7
D D Robinson	9	9	4	4	4	4	3	3	7	7
A L Templeman-Jones	9	9	4	4	4	4	3	3	7	7
J A Douglas ¹	3	3	1	1	2	2	1	1	2	2
G Whickman	9	9								

¹ Ms Douglas joined the Board on 1 March 2020

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 shares in the Company. The current shareholdings are shown in the table below.

Directors	Shares held beneficially			
	Own name	Private company / trust	Total 30 June 2020	Total 30 June 2019
M G Smith	-	66,000	66,000	58,000
G A Billings ¹	-	11,250	11,250	11,250
D D Robinson ¹	-	13,000	13,000	13,000
A L Templeman-Jones	540	7,102	7,642	6,442
J A Douglas ²	-	-	-	-
G. Whickman	27,000	-	27,000	2,000

¹ Messrs Billings and Robinson are participants in the Non-Executive Share Plan, and currently hold 656 and 1,664 Share Rights respectively under that plan, which will convert into Restricted Shares six months after grant in September 2020 and December 2020

² Ms Douglas joined the Board on 1 March 2020

Corporate Governance Statement

The Corporate Governance Statement of the Directors is separately lodged with the 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 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, and France.

Other than as referred herein and in the Operating and Financial Review set out on pages 7-17, 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.

COVID 19 response

From late February 2020 until 30 June, the Board held seven *ad hoc* meetings which were attended by Management. The purpose of these meetings were to inform, update and seek guidance and direction from Board members in relation to COVID-19 response strategies being adopted and implemented across the GUD Group with three particular themes, those of people health, operational health and financial health. These responses are more particularly outlined in the Operating and Financial Review.

Share Capital

At 30 June 2020, there were 86,701,174 (2019: 86,485,972) ordinary shares on issue.

The increase in shares on issue resulted from the vesting in July 2019 of 215,202 performance rights granted under the GUD Holdings 2019 Long Term Incentive Equity Plan.



Dividends

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

- A final ordinary dividend of 31 cents per share in respect of the year ended 30 June 2019 was declared on 26 July 2019 and paid on 30 August 2019, amounting to \$26,877,364. This dividend was fully franked.
- An interim ordinary dividend of 25 cents per share in relation to the half year ended 31 December 2019 was declared on 31 January 2020 and paid on 28 February 2020, amounting to \$ 21,675,293. This dividend was fully franked.
- A final ordinary dividend of 12 cents per share in respect of the year ended 30 June 2020 was determined on 28 July 2020 and is payable on 28 August 2020 to shareholders registered on 14 August 2020. This dividend will be fully franked. Shares will trade ex-dividend on 13 August 2020. The GUD Dividend Reinvestment Plan will be available 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 102 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 408,451 Performance Rights were granted to executives under the GUD Holdings 2022 Long Term Incentive Equity Plan. This included 58,686 Performance Rights granted to the Managing Director in October 2019, after receiving approval of shareholders at the 2019 Annual General Meeting.

As a result of failing to meet TSR targets, 206,792 performance rights granted in July 2017 lapsed in relation to the GUD Holdings 2020 Long Term Incentive Equity Plan.

In addition, as a result of executives departing, or scaling back their working hours with, the Group during the year, a total of 62,092 Performance Rights were determined by the Board to have lapsed.

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

Except as above, and noted below, 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.

During the year, the Company established a Non-Executive Director Equity Plan, pursuant to which non-executive directors may sacrifice some of the fees they were due to receive into Share Rights which six months later vest as Restricted Shares (subject to restrictions on dealing) for a period of time nominated by the non-executive director at the time of making application). Shares to satisfy the vesting will be acquired on market. As at 30 June 2020, there were 2,320 Share Rights on issue.

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 33 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 2016/191* 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 28 July 2020, the Board of Directors declared a fully franked interim dividend in respect of the 2020 financial year of 12 cents per share. Record date is 14 August 2020 and the dividend will be paid on 28 August 2020.

On 1 July 2020, the Company secured additional banking facilities for \$22.5 million. The maturity of this facility is 1 July 2021.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' 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*.

A handwritten signature in black ink that reads "Mark G Smith".

M G Smith
Chairman of Directors

A handwritten signature in black ink that reads "G Whickman".

G Whickman
Managing Director

Dated at Melbourne, 28 July 2020

In FY20, the year should be viewed in two parts. GUD's performance was tracking to our previously announced guidance throughout much of the year. However, it was clearly impacted by the well-documented and challenging COVID-19 realities as we approached Q4. As sobering as these impacts were felt around Australia and the world, we are thankful to be able to confirm actions taken to date have resulted in a relatively respectable and solid financial result underpinned by careful and deliberate measures to protect the health of our people, operations and financial stability.

The Management were clear from the outset of FY20 that the year was one of consolidation. We needed to manage significant currency shifts, absorb domestic cost inflation, bed down the incremental costs in securing multi-year supply agreements, push hard on supplier cost reductions and deliver appropriate pricing increases. The team identified and secured a 'steady state' on the differing financial inputs whilst architecting the refreshed Business Unit strategies for future growth and keeping up the acquisition dialogue.

This approach was well advanced and then the COVID-19 Pandemic hit the radar screens. GUD reacted early, and in late January, the executive team started planning for both supply-side, and then demand-side impacts to the business. GUD were, and remain, determined to act as a good partner to our suppliers, employees and customers throughout this period. The leadership team and Board viewed the COVID-19 impacts to be temporary in nature with no significant longer-term structural shift in the industries we serve. We will address a number of these COVID-19 related impacts and mitigating actions in detail in the next section of this report, where 'controlling the controllables' was a clear mantra amongst the Group.

It should be noted we viewed the developing and ongoing COVID-19 situation with a lens of both 'defence' and 'offence'. Meaning that we put in place mitigation plans to ensure we could 'weather the storm', but also played 'offence' and actively managed opportunities to drive product development efforts, increase product cataloguing, drive the operational fitness projects, refine our business unit strategies with a short to medium term focus and reassess any acquisition targets that might re-emerge.

GUD have been vigilant in ensuring we maintain a safe working environment. This was made increasingly more difficult with the overlay of so many 'off standard' working practices brought about by the COVID-19 situation. We increased the level of attention, engagement and communication across all businesses and were relentless in examining unforeseen hazards and risks. Consequently, the full year safety metrics improved over last year, and importantly did not deteriorate through the 2nd half of the year. Encouragingly, the GUD LTIFR rate is substantially less than half of the Safe Work Australia industry benchmark rate. GUD will not 'sit still' and has further plans for ongoing health and safety enhancements, with details outlined in our Sustainability Review.

Revenue for the year increased 1% to \$438 million despite second half COVID-19 volume impacts.

Reported EBIT decreased 15% to \$74.3 million reflecting \$6.5 million of significant items of which \$4.9 million were non-cash, and principally relate to implementing Davey's Product Cycle Plan and organisational restructuring plan, the impairment of the Monarch brand, as well as restructuring costs associated with AA Gaskets ceasing manufacturing and relocating to the Ryco facility in Altona North.

Pre AASB 16 Underlying (excluding significant items) EBIT of \$80.1 million was down 10% from the \$88.9 million in the prior corresponding period. The result principally reflects lower end-user demand from partial or total lock downs coupled with reseller destocking which resulted in negative operating leverage. Cost savings from government COVID-19 subsidies and internal cash conservation efforts were more than offset by higher operating costs under COVID-19, H2 factory load utilisation, and FX impacts given a significantly weaker AUD in much of second half of the year, as well as appropriate group provisions considering the economic climate.

On a like-for-like basis, excluding AASB 16 impacts, underlying¹ NPAT was down 16% to \$50.9 million. Adjusting for a one-off tax provision release of \$2.5 million in the prior corresponding period and \$0.5 million in the current period, underlying NPAT was down 14%. In addition, the current year's result includes an interest expense of \$1.1 million reflecting the final earn-out provision in relation to the acquisition of IM Group in July 2017.

Consequently, the reported basic earnings per share on a pre-AASB 16 basis of 53cps was down from the prior year's result of 69 cps.



The final dividend payment to our shareholders is 12 cps bring the full year total to 37 cps, or 67% of underlying NPAT.

Our balance sheet remained strong with gearing, being net debt against net debt and equity, of approximately 34%, and robust interest cover. Pre-tax cash conversion of 97% was achieved for the period which was well ahead of internal targets. Our banking lines were renewed in January 2020 with staggered maturities over one, four and eight years. At the reporting date, available unused banking lines were in excess of \$57 million and further short-term facilities of \$22.5 million were secured commencing July 2020. Hence, the Company is well placed to support both organic growth and further bolt-on acquisitions.

The team at GUD are working on three areas of strategic attention, being the Core, Growth and Acquisition workstreams. As mentioned, 2019-20 was a year of consolidation, to ensure we started to leverage the scale of the GUD businesses, drive operational fitness actions, solidify our customer relationships and embark on the next stage of planning for organic and acquisitive growth in the coming years.

At the time of writing, the business environment remains fluid with conflicting comments as to what the short-term future holds. GUD's efforts to improve operational fitness, outlined in our 2018-2019 review, certainly gave us a head start before the emergence of COVID-19. We have been working on the philosophy of 'sovereignty with strength', leveraging the scale of our operations without threatening the decentralised, and very accountable existing business unit culture. This gave rise to projects such as real estate footprint review, supplier cost reductions and business restructuring in the first half.

In the short term, we expect to operate within a tough general economic environment. Naturally this might impact parts of our businesses with products of a more discretionary nature. It is hard to accurately forecast any further deterioration to the miles travelled due to social distancing and mobility restrictions. However, in the automotive aftermarket, we note potential tailwinds in terms of 'miles travelled' with public transport and ridesharing usage dropping and domestic tourism increasing. We recognise in general consumers were already showing signs of more cautious, or frugal spending and we expect that to become more prevalent in the short term. This 'frugality' could also be viewed as a further tailwind, as the aftermarket will likely encounter higher used car volumes, increasing DIY activity, increasing interest in repair and replacement of parts and potential migration from OEM service lanes to independent repairers to stretch their dollars further.

New vehicle sales continued to drop in 2019-20. Whilst this has had a moderate negative impact on some of our businesses, the bigger positive impact will mean the natural scrappage rate will drop and increase the average fleet age of the car parc, therefore, increasing the 15 million plus car parc of 5-year-old plus vehicles in Australia.

GUD's position on the long-term future electric and autonomous vehicles remains unchanged. GUD modelling concludes the addressable market in 2030 of 5-year-old plus vehicles with internal combustion engines (ICE) would remain largely consistent with today's 15 million units, as new vehicles continue to flow into this age category. In 2019-20, GUD generated just above 40% of its automotive revenue from products specific to ICE vehicles.

GUD's view on our water business remains unchanged. The impacts of bushfires and longstanding droughts certainly were felt across many geographies and sectors in Australia throughout the year. Davey moved quickly to support the rural economy with donations of bore water pumping products in the stricken areas through their master dealer network. As the bushfires abated, Davey experienced solid demand from rural infrastructure investment.

At the beginning of the year, we detailed our desire to build on the excellent existing stakeholder relationships, with attention on Suppliers, Employees and Customers. This aspiration was of course tested through the 2nd half of the year, and we will review the impacts of COVID-19 to our stakeholders later in this Operating and Financial Review (OFR).

We were pleased with the results of our recent FY20 employee satisfaction survey. This continued our recent trend and placed GUD again in the top 25% of global companies measured in the Qualtrics study. Our leaders worked hard to ensure our employees remained connected and engaged with our business objectives and purpose.

GUD were encouraged to see the same trend in customer satisfaction repeat from prior years and we were proud to receive awards in FY20 from our customers. BWI won both the GPC Asia Pacific Supplier of the Year (the first time this award has been given to a GUD business) and GPC's Exceptional Support to the Store Network (AUS and NZ). Ryco was awarded GPC's Most Innovative Trade Campaign, and Supercheap Auto's Most Innovative Trade Partner awards.

Finally, in late 2019, Davey were excited to be awarded the overall Supplier of the Year by SPC, one of the leading global wholesale distributors of swimming pool supplies, equipment and leisure related products, recognising Davey's great traction in Europe.

The leadership team and Board remain convinced of the tangible link between employee satisfaction, customer satisfaction and subsequent financial and non-financial business deliverables.

GUD's portfolio is centred on the automotive and water businesses. Throughout FY20, we have examined numerous acquisition opportunities across a multitude of automotive product categories. We were careful with our analysis on the strategic fit and valuation, using the common acquisition criteria developed and implemented over the last 2 years. Our prudent approach has served us well with the unexpected impacts of the pandemic. This has meant we are not caught with an overvalued recent acquisition with high integration efforts and risk of impairment. Nevertheless, as part of our 'offence' actions, we have been continuing to review and speak with vendors, even throughout the COVID-19 period. GUD remains clear that acquisition opportunities for the automotive portfolio are still available and desirable, however, appropriate caution will be exercised with the prevailing uncertainty. As always, the timing of opportunities will ultimately be dictated by the willingness of vendors.

In the FY19 OFR, we outlined a focus on five key topic areas of **Customer relationships, Supplier Engagement, People Cycle Planning, Product Cycle Planning** and **Operational Efficiency**, all with a view to strengthen our business foundations. The attention has continued, and further improvements have been made.



Customer Relationships

Customer Relationships – Building on our multi-year preferred supplier agreements with two of our critical automotive customer reseller groups, we have experienced positive growth in a number of our own brands, seen the take up of new products and in a few cases, both in automotive and water, customers turn to the respective business for house brand supply and management. We have added further OEM customers in addition to Toyota and Paccar and worked tirelessly through COVID-19 to assist our customers in creative ways. FY20 was also a proud year for Supplier of the Year recognition across BWI, Ryco and Davey.



Supplier Engagement

Supplier Engagement – We continue to work with critical suppliers to confirm sourcing security as a priority. Additionally, our project work on COG's cost reductions became incredibly important and proved to be successful. Utilising our Quality and Supplier Council, we also embarked on the journey to drive better Environmental Social Governance (ESG) outcomes with our supply base and announced the launch of the GUD Bronze, Silver and Gold supplier program, which is detailed later in the Sustainability Review.



People Cycle Planning

People Cycle Planning – We have been working diligently to develop future leaders for our current businesses and future acquisitions to ensure the right balance and focus at the executive leadership level. In late 2019, we launched a talent development program, a first for GUD. This concentrates on emerging leaders across GUD and has two cohorts participating in a two-year program, facilitated by a selection of external leadership and business experts. GUD remains an inclusive workplace and launched an enhanced Diversity and Inclusion program with a clear charter and vision of success. Finally, we strengthened our Ryco and BWI leadership team with a new Executive General Manager at Ryco and Chief Operating Officer at BWI. Both leaders come with decades of aftermarket experience and are well known and respected in the Australian and NZ markets.



Product Cycle Planning

Product Cycle Planning – We continue to bolster our innovation and product creation focus. Throughout the year, GUD released hundreds of new SKU's. Davey and BWI each had more than 10% of revenue generated by products that did not exist 24 months ago. Amongst the new launches were Lifeguard, a connected chemical control unit for swim-ready pool water year-round, and Projecta's Intelli-RV range of plug-and-play, smart power management systems. Narva won a Good Design Award, Projecta took home top honour for the most innovative product at the Australian Auto Aftermarket Awards, and Ryco Filters ranked third in the consumer goods and manufacturing category in the 2019 AFR BOSS Magazine Most Innovative Companies List. Moreover, we were awarded four government grants under the Automotive Innovation Lab Access Grants scheme, matching Research and Development funding of ~\$0.5 million. More details are outlined in the Sustainability Review.



Operational
Fitness

Operational Fitness – As stated in last year's OFR, the need for operational efficiencies remained paramount in a year of consolidation. This business foundation was modified to increase its remit to review the broader operational fitness levels of the business units. Part of the fitness work has been to look across the wider GUD group to achieve cost savings through leveraging greater commonality and scale. In parallel, the opportunities to improve operational fitness in revenue management, sales, ordering and purchasing (SOP) management and lean operating structures have also been embraced.

Taking the opportunity to summarise each business, it is clear GUD has been impacted by the COVID-19 pandemic, although not uniformly across the portfolio, or even within the Automotive Business Units. Each of GUD's automotive businesses continues to enjoy a strong and unique market position, with market-leading brands and a healthy track record of both product and service innovation and pricing power.

Our brands continue to be demanded by end users. We took the opportunity in our October Investor Day briefing to outline information on the brand strength. As an example, our two filtration offerings, with Ryco and Wesfil combined, had 81% of the 1st choice recommendation of workshops. In recent brand surveys, we saw many of our brands in the top quartile of their respective segments. This is supported by a strong pull model, where in some businesses, an active field force visits many thousands of workshops per annum to educate workshops and conquest competing brands.

Wesfil's strong sales growth was supported by its well-recognised value-orientated brand proposition. This was further supported by its comprehensive state-based customer service and distribution strategies and the ongoing momentum of newly launched incremental product categories.

Ryco maintained their FY19 sales level. However, the demand in the second half was quite variable from month to month with the impacts of large destocking from our resellers and the NZ lockdown. Ryco maintained the ongoing tempo of filter product releases and saw increasing growth from its catch can products which was the recipient of the AFR Innovation award featured later in our Sustainability Review.

In FY20, the overall filter market was no less competitive, and collectively, Wesfil and Ryco remain proactive in defending our strong market position.

BWI experienced contraction in the top-line, as the most impacted of the automotive businesses with the shutdown of its offshore markets and slippage in the more discretionary and OEM product channels in Australia. Encouragingly, BWI were able to add new customers and helped some existing customers with their own house-branding programs. BWI were recognised for the new products with several awards and satisfyingly, BWI recorded more than 10% of its revenue in products less than 12 months old.

Our smaller businesses of DBA, IMG and AAG all delivered strong revenue growth. IMG experienced an uptick in the repair and remanufacturing demand, with record jobs per day. IMG also gained traction in distributing engine management parts to the independent reseller channels, increased product cataloguing substantially and launched a new website to enable better velocity in the repair process.

DBA's performance was a result of primarily strong domestic sales with the COVID-19 impact in Russia and other European countries being mostly offset with strong growth in the USA. DBA expanded their product range with the launch of a DBA branded disc pad program in pursuit of a larger share of the 'wheel end' market. DBA was delighted to gain R90 certification, which is an important Economic Commission for Europe (ECE) automotive design standard to enable further Western European market distribution.

AAG delivered strong growth, and in fact saw a stronger demand through the back end of the year as end customers started to consider engine rebuilds with a greater intensity. The AAG integration and relocation proof of concept project continued in the background, although delayed by 3 months due to practical impacts of COVID-19. Other than the timing delay, the scope remains unchanged.

The year also saw much activity around building a foundation within Davey for profitable mid-term growth. While revenue grew modestly, the EBIT was impacted through new product development costs, restructuring and the significant impact of government lock downs and factory load recovery variance.

Davey's farm trials of Modular Water Treatment products (MWT) continues. In addition, MWT sales have been secured in new applications such as hospital and hospitality and other agricultural applications. Further, Davey sold out its entire allocation in Europe of its new Nipper chlorinator and delivered the launch of the Tank Sense product.

Davey remains committed to its strategic plan and now is in execution mode. This focusses Management efforts around the strategic pillars of supply chain optimisation, commercialisation of product innovation, diversifying channels to market and improving people and culture outcomes as they roll out their strategy.

As the drought eased and fires abated, we certainly experienced the start of infrastructure rebuild, where importantly, water pumping was high on the list of remedial repair or replacement.

1. COVID-19 Pandemic

GUD's Executive COVID-19 task force was established in January, initially focussing on potential supply chain disruptions. This quickly progressed to a response framework for wider business impacts in countries where GUD has operations and staff such as Australia, New Zealand and Europe. Naturally, through this period, we commenced COVID-19 meetings with the Board which, at their height, were held weekly but now are held within the monthly Board meetings.

We identified 20 key Defence and Offence actions in support of our COVID-19 response framework, which focussed on **people health, operational health, financial health, and stakeholder management**.

People Health

During the second half of the year, in response to COVID-19, the Company implemented air travel bans, heightened hygiene protocols and social distancing measures in the workplace including split shifts and staggered break times in warehouses and production facilities. We activated business continuity plans to support working from home wherever possible, consistent with the current Australian and/or New Zealand Government health advice.

In addition, where necessary, employees could access two weeks' special COVID-19 leave. This is to support those who needed to be isolated but cannot work from home or as an income supplement for those experiencing scaled back working days due to work hour reductions or government required lock downs.

The scale back of employee remuneration naturally included senior management in each business, who have had their salaries scaled back by between 10% and 15% if their business triggered JobKeeper, or if any subsidiary company triggered JobKeeper in the case of Group staff. The scale back of salaries for Key Management Personnel and Board members was 20%, subject to the same triggers.

These two initiatives reflected a desire to not only address cash conservation but to also, as far as possible, keep our workforce intact and engaged for a post COVID-19 recovery. To date, this approach has avoided termination and re-hire costs and addressed a desire to avoid employee financial hardship.

Significantly greater attention has been paid to the mental health and well-being of our staff throughout this period. We have heightened the counselling services available, developed and implemented mental health champions in each business and rolled out wellbeing seminars across the business. Our strong employee communication with our teams was enhanced with frequent one-on-one contact and enhanced use of digital mediums. Information bulletins on topical matters such as 'adjusting to our new normal', working from home, and self-care strategies were provided to our people.

Operational Health

Through a combination of our pre-existing safety stock levels, strong collaborative relationship with our suppliers and early supplier engagement, we have been able to ensure a high rate of product supply throughout. In some areas, we have selectively increased safety stock levels, seeing a run up in inventory which will normalise going forward into the next fiscal year. Inventory actions also included the negotiation of deferrals of outstanding purchase orders where practical, and in a responsible manner which would not put supplier financial viability at risk.

We needed to make significant operational changes to accommodate the COVID-19 direction from the varying government health agencies. Staggered shifts in warehouses across our businesses, split shifts in our manufacturing and assembly operations and significant health and safety changes to all workplaces, whether in-situ or in remote places of work. This unparalleled series of changes come at a cost but measured only in dollars and not in safety outcomes.

Customer demand impacts from COVID-19 were not evident until late March and into April. In the Water business, Australian demand was robust throughout much of the COVID-19 period whilst virtually zero in countries experiencing government-mandated lock downs which included New Zealand, France, and some export countries.



Product demand increased strongly in all automotive businesses except Disc Brakes Australia from May, whilst Disc Brakes Australia saw an increase in demand from June. The performance in June across all Automotive businesses was satisfying as it grew compared to prior comparable period.

The New Zealand Automotive business experienced close to zero sales during the mandatory shut down period of 6 weeks. The NZ operations experienced an improving trend after lockdown, however the trajectory has been a slower to return to prior levels.

Financial Health

An appropriate level of careful financial modelling was completed through this period and the Company is in solid financial health. Debt facilities were renewed in January 2020 involving \$150 million for the next four years, a further \$50 million for eight years and \$25 million of short-term facilities that are reviewed every January. On 1 July 2020, the Company secured further short-term facilities of \$22.5 million. Although the existing borrowing facilities were not fully used during the year, the additional facilities leave the Company better placed to respond to potential organic or acquisition growth opportunities which may arise over the next year.

Although the Australian Dollar lost significant value against the US Dollar in much of the second half followed by a recovery in June, we remained largely hedged through FY20. Steps were taken in late June to hedge the vast majority of our FY21 foreign currency needs at the prevailing exchange rates. Given the hedges and a full year contribution from supplier cost reductions achieved in FY20, the Company is better placed to manage deflationary pressures in the coming year.

Financial health efforts also addressed cash conservation action plans in response to demand changes from COVID-19 impacts, many of which have been previously outlined under Operational Health which more than offset the incremental costs of operating under COVID-19 conditions. It is also worthy to note that some businesses have qualified for JobKeeper, and its equivalent. The FY20 subsidies amount to \$179,000 for the water business and \$2,771,000 for the automotive businesses.

Stakeholder Management

As part of our desire to be a good partner through this time, we put in place a strong stakeholder management plan. This was primarily across our supply, employee, customer, and financier stakeholder bases. Our level of communication naturally increased in frequency and intensity to ensure key messages and actions are not left open to interpretation and therefore lacking in urgency, efficiency or effectiveness. We are satisfied with our efforts to work with stakeholders ranging from our union partners and employees through to our investors and financiers, all which have been well recognised and proven productive.

2. Financial Performance Review

Revenue

Total Group revenue increased 1% on the prior year's level. The Automotive businesses reported a slight increase while Davey's revenue grew by 3%.

The primary drivers of the changes in revenue during the year reflect:

1. Strong growth in Davey's Australian business from both existing and new products.
2. A significant fall away in Davey's New Zealand and France sales during the government-imposed lock down periods.
3. A near collapse in the Automotive business' sales in New Zealand during their government-imposed lock down periods.
4. Lower Automotive sales in the fourth quarter due to resellers destocking and end customer user demand more than offsetting range expansions of several businesses.
5. Softer export demand in certain markets for Disc Brakes Australia in the fourth quarter.
6. Further range extensions in all automotive businesses achieving sell through.

Profitability

The Group reported a net profit after tax of \$43.7 million. On a pre-AASB 16, the NPAT result was \$46.4 million which compares with the prior year's result of a net profit after tax of \$59.6 million.

The result includes a tax provision write back of \$0.5 million offset compared to a \$2.5 million tax provision write back in the prior comparable period. Excluding the above tax one-off items in the respective years, the NPAT decreased by 14% on a like for like basis. In addition, the current year's NPAT result includes an interest expense of \$1.1 million in relation to the final earn-out provision in relation to the acquisition of IM Group in July 2017.



During the year significant one-off costs were incurred in relation to:

- Non-cash items related to the impairment of a Davey subsidiary brand Monarch of \$2.1 million, the impairment of Davey inventory of \$2.5 million in line with a change to the approach to product development and life cycle maintenance, and \$0.3 million of inventory mark downs associated with restructuring AA Gaskets manufacturing.
- Cash costs associated with restructuring AA Gaskets manufacturing (\$0.2 million) and \$1.4 million associated with Davey restructuring costs.

The reported underlying NPAT was \$48.2 million, or \$50.9 million on a pre AASB-16 basis, compared to the prior year's result of \$60.9 million representing a reduction of 16% or 14% excluding the one-off tax impacts mentioned earlier.

Reported underlying Earnings Before Interest and Tax (underlying EBIT) was \$80.7 million, or \$80.1 million on a pre AASB-16 basis compared to the prior year's result of \$88.9 million, a decrease of 10%. The result principally reflects lower end-user demand from partial or total lock downs coupled with reseller destocking which resulted in negative operating leverage. Cost savings from government COVID-19 subsidies and internal cash conservation efforts were more than offset by higher operating costs under COVID-19, H2 factory load utilisation, and FX impacts given a significantly weaker AUD in much of second half of the year, as well as appropriate group provisions considering the economic climate.

Dividends

The total dividend for FY20 was 37 cents per share consisting of an interim dividend of 25 cents per share and a final dividend of 12 cents per share. Both dividends were fully franked and represent a 67% payout of full year underlying NPAT. This compares with total dividends of 56 cents per share in the previous financial year. The lower final dividend reflects uncertainty around prevailing trading conditions as the economy and user demand move through a recovery from the COVID-19 pandemic.

The Board considers such prudence appropriate and notes that it leaves the Company well positioned to fund organic or acquired growth opportunities that may arise.

In line with the desire to position the Company for growth opportunities, the Board has reactivated the Dividend Reinvestment Plan for the final dividend.

Cash Generation and Capital Management

Reported Cash flow from operating activities was \$65.5 million, up \$21.0 million from the \$44.5 million reported in FY19. On a pre-AASB-16 basis, which was the basis of the FY19 reported result, cash flow from operating activities was \$54.3 million. Measured on either a reported or pre AASB 16 basis, cash conversion result of 98% was achieved compared to 78% in the prior year. Measured on either a reported or pre AASB 16 basis, cash conversion of 98% was achieved compared to 78% in the prior year.

The cash conversion was well ahead of internal targets for the year due to the timing of supplier purchases in the last quarter of the year. This yielded a higher level of payables than usual at year end alongside efforts to tightly manage other net working capital elements.

Net debt was \$142.17 million, an increase of \$9.4 million over the prior year. The increased debt level is primarily from a combination of higher tax payments, a slight increase in capital expenditure to support innovation and renewal, and a loan to a key supplier to assist in building a new plant.

External Financing

During the year, the Company completed a refinancing of its debt facilities of \$225.0 million. The new facilities, which are dominated in AUD or NZD were executed in January 2020 on commercially compelling terms and involve:

- A core debt facility with Westpac, National Australia Bank and Citibank for 4 years totalling \$150 million.
- Short term facilities with Westpac and National Australia Bank totalling \$25 million which we expect to renew annually, and,
- An 8-year fixed term loan of \$50 million with Pricoa.

In addition, on 1 July 2020, the Company secured additional short-term facilities of \$22.5 million. While the facilities are not immediately required and are available for general corporate purposes, the Board believes the renewed and additional facilities will leave the Company well positioned to quickly respond to compelling organic or acquisition growth opportunities which may arise over the coming financial year.



3. Strategy Overview

Overview

Throughout the year, the Board and Management continued to refresh and review individual business unit strategy plans. We remain comfortable with the current businesses within the GUD Holdings portfolio and are willing to make logical automotive acquisitions.

At an individual business level, we continue to apply the GUD high-performance approach for both operational fitness actions and broad strategy execution. In 2019, we introduced the Roger Martin “where to play and how to win” framework to guide strategy development and continue to work with the Ignition Institute to embed the associated strategy framework tools and approach in the businesses. This remains critical as we reinforce the need to ‘futureproof’ our individual businesses.

We have previously mentioned the defence and offence actions guiding the businesses through the COVID-19 period. Regardless of this period GUD continues to sharpen its **strategic direction**, at the **GUD group-wide, individual business unit** and **future acquisition** efforts, focussing on three pillars being:

 CORE Group Wide Initiatives	 GROWTH Individual Business Unit Strategies	 ACQUISITION Portfolio and Category Plans
<ul style="list-style-type: none"> • Leverage multi-year preferred supplier agreements in select automotive categories • Quality and logistics councils to leverage scale and skills • Internal management resources pivoted to address operational fitness opportunities in real estate, logistics, IT and revenue management • Increased emphasis on achieving supplier costs • First shared logistics facility opened in Auckland, build capability which could be applied elsewhere • AAG integration proof of concept to establish blueprint for the future 	<ul style="list-style-type: none"> • Individual business unit competitive strategies with appropriate Covid-19 overlays • Addressing new organic growth pathways with existing customers and a focus on ‘low touch’ exports • Strengthened resources dedicated to innovation and product development, under our new Chief Innovation Officer 	<ul style="list-style-type: none"> • Established acquisition criteria and decision thresholds including returns above the cost of capital beyond initial integration • Appropriate balance of opportunity and caution through post-COVID-19 period • Internally, developing a pool of potential managers for acquired businesses under the leadership of our new Chief People Officer • Securing new customers and categories through acquisition • Strong automotive acquisition and strategy capacity of our dedicated acquisition and strategy leader

Our belief is the focus on these three key pillars will provide a good level of opportunity for further top and bottom-line growth. These are not overnight solutions and require a steady and thoughtful approach across the short to medium term. Importantly, we have dedicated resources and continued to utilise cost-efficient external expertise to leverage the wider Group Management team to pursue results in the Core, Growth and Acquisition workstreams.

4. Risk Review

Overview

FY20 represented the second year since the Board created a separate Board committee to focus on Risk and Compliance. This year’s risk reviews added to the foundation work of the prior year and saw fine tuning of risk assessments and greater familiarity with the Alyne risk management tool.

The COVID-19 pandemic provided an opportunity to test whether the risk mapping, reviews and action plans which had been prepared in the prior year were realistic, complete and effective, which proved to be the case.

This is a significant observation, given the nature of the COVID-19 pandemic which saw customer demand, supply chain risks and cyber security risks occur in an overlapping time frame.

While we did not foresee the exact nature of the COVID-19 event, the risk mitigation, business continuity and crisis management plans responded appropriately. As noted earlier in this report, certain levels of disruption were relatively high but at no time did the Company experience an unacceptable or undesirable liquidity event or solvency position.

Consequently, there has not been a need to make any fundamental changes to risk themes, key risks or key mitigating action plans. They were complemented by the COVID-19 response framework and defence actions. The enduring risk themes, key risks, and mitigating actions are:

Risk Themes	Key Risks	Examples of Mitigating Actions
Customer risks	Over reliance on single customers, or new entrants' routes to market, or potential disruptive existing customer behaviour	Maintain a portfolio of compelling products, broad range of customers, and continually assess both new entrants or new routes to market for GUD and respond accordingly
Production and Supply Chain risks	Over reliance on suppliers resulting on a loss in supply with potential sales impacts	Multiple parallel sourcing for critical items, utilisation of a broad range of suppliers, supplier quality control processes and Quality and Supplier council
Reputation risks	Loss of confidence by end user customers or other stakeholders triggered by an event which falls short of community or stakeholder expectations	Policies, education and compliance monitoring for work health and safety, anti-trust, ethical sourcing, modern slavery, bullying and harassment, bribery and corruption, amongst others
Disruptive Technology risks	Product technical obsolescence such as electric vehicles, new technologies such as autonomous vehicles and digital disruption impacting market and product segments	Product cycle plans, reduce over time the share of internal combustion engine component sales, and build capabilities in new segments and technologies
Financial risks	Variability of financial markets impacting the value of foreign currency to nominated assets and liabilities, profits, or sustainability of debt financing	An effective financial risk management committee, long term debt financing agreements, foreign currency instruments and interest swap agreements
People and Culture risks	Insufficient key personnel due to either retirement, or departure or inability to develop new talent	People cycle planning, employee engagement surveys and action plans, diversity and inclusion programmes, talent development plans
Legal & Compliance risks	Failure to comply with product safety or regulatory compliance requirements leading to fines or product recalls	Maintenance of product compliance certifications, standards and processes, internal policy management reviews and updates, management of regulatory policies (e.g. privacy) and market reporting requirements
Safety risks	Employee and contractor workplace physical and mental health and safety incidents leading to injuries or death	Regular safety risks assessments and audits, management of safety events or incidents using Vault, safety KPI's
Information Technology and Cyber risks	Continuity of business or loss or reputation or other assets through physical loss or cyber penetration	Security access controls, security monitoring, business continuity management, disaster recovery processes and off site back up facilities

GUD Management acknowledges that risk environments are not static and need to be monitored with appropriate responses in the risk mitigating processes and action plans. GUD maintains a series of governance and compliance forums, focussed on proactive and reactive risk mitigation initiatives. These forums include:

- Regular risk reviews conducted with Business Unit Executive and Leadership team during the Monthly Business Reviews



- Reviews of financial risks tabled with Business Unit finance leaders in Financial Risk Management forums
- Technology and cyber risks are reviewed regularly and monitored via both IT Council meetings and third-party IT security risk monitoring services
- Workplace safety risks and action plans reviewed during monthly WHS Steering Committee meetings
- Quality and Supplier council with charter to monitor and mitigate emerging and longer-term supply and quality challenges, including ethical sourcing

The key risk themes, key risks and mitigating actions are also periodically tabled with the Board Risk and Compliance Committee.

5. Outlook

At this time, GUD would normally provide insights and thoughts on the coming year, with a view on expected industry trends and company prospects. The current COVID-19 situation and the ever-changing social and economic landscape gives us less certainty as to the backdrop we operate within.

That said, GUD remains well positioned for the medium to long term horizon. The Automotive division maintains strong brands, products and customer service in support of a large and proliferated car parc which is strongly defensive. The Water division continues to increase its customer intimacy and product line up as pumping and treating water remains an important societal challenge.

The short-term prospects for GUD are still relatively positive. This is true of the automotive aftermarket, particularly as you consider the potential industry level tailwinds and headwinds.

Potential COVID-19 Effects

⬆️ Tailwind ⬇️ Headwind

Key market drivers	Potential Effect
Lower GDP	⬇️
Government stimulus	⬆️
Lower vehicle miles travelled	⬇️
Lower public transport use	⬆️
Higher domestic tourism	⬆️
Rise in used car sales	⬆️
Increase in average parc age	⬆️
More repair, less replacement	⬆️
Rise in DIY activities	⬆️

We need to be clear that things can change daily, and we are not forecasting a return to normality in the near future. In the event the core markets of Australia and NZ don't enter a prolonged series of lockdown levels, then we would expect vehicle service and repair to still be needed. It should not be overlooked that other structurally attractive drivers of the aftermarket industry were also at play pre-COVID-19. The overall car parc growth of the 5 year plus vehicles, more SUVs and Pick-ups, increased diesel engines and the ongoing proliferation of the vehicle car parc with clearer customer access to the independent workshops through the right of repair legislation have not changed through this period.

Davey continues with its rollout of the strategic vision. We experienced improvements in the first half of the year, although clearly impacted in the latter part. We expect the plan to continue and will not relent on the 4 key strategy execution pillars of People and Culture, Supply Optimisation, Product Innovation and Channels to Market. Our view has remained unchanged as Davey progresses over the next 24 months and pulls through the potential value of the water segment.

Last year, we detailed a series of operational fitness actions such as supply base cost reductions and operating leaner in our businesses to offset large currency movements, domestic cost inflation and a tighter pricing environment. In FY21, we plan for the same level of operational fitness intensity to support our margins going forward. However, this doesn't signal any reduction in new product development or acquisition activity, as we remain committed to ensuring we have the right mid-term foundations in place for long-term growth and shareholder value.



Trading and Guidance

We have seen recent Automotive sales in June and first part of July to be above prior comparable period and showing strong double-digit demand growth. Recent empirical and anecdotal feedback suggests workshop and end customer demand coming back strongly. This is primarily from our Automotive businesses in Australia, more so than our NZ operations. In parallel with this demand, there is a sense from customers this might moderate as the year progresses and they are watching carefully on the changes in government stimulus in the middle to back end of the year. Much of this sentiment is, of course, dependent on whether countries or indeed states are in various forms of lock down or other mobility restrictions.

In this current environment with so many variables at play it is not prudent to put forward any guidance with reliability at this stage. A further update will be provided at the Annual General Meeting on 27 October 2020.



Highlights

Four of GUD’s automotive businesses were successful in their Automotive Innovation Lab Access Grant applications, jointly securing more than \$500k in funding and accelerating their R&D efforts.	Scope 1 emissions were estimated to be slightly in excess of 1 ktCO ₂ e, well below reportable levels. Fuel for transport purposes comprised the major component at 80%.
Safety was rated very highly by employees. For the fourth consecutive year, we received a score that was above the global 75th percentile in our annual employee engagement survey.	Employee engagement lifted by 2 percentage points in our annual employee engagement survey and is now in the Global 75 th percentile.

About this Review

This Review covers GUD’s sustainability performance across our Australian and New Zealand operations for the year ended 30 June 2020. Selected Global Reporting Initiative (GRI) Standards were leveraged to inform the content and scope of the report and accordingly, this report is GRI-referenced. GUD seeks to continuously improve its disclosures utilising the GRI Standards to improve the comparability of our reporting. In that respect, we have sought and received feedback on our first Sustainability Review, issued last year. This feedback reinforces our existing view that we continue and deepen our consultation with stakeholders and that the impact of Climate Change on the economy is increasingly important, not only to our business.

GUD’s Board commissioned Management to prepare this Sustainability Review. The Board sees this review as an opportunity to outline and showcase the impact GUD has on the environment, its people and the communities we operate in, as well as identifying and discussing some of the longer-term sustainability consequences for the Company.

Focussing on the topics that matter

Last year, we undertook our first materiality assessment to identify, prioritise and validate the topics that matter most to our stakeholders and our businesses. Whilst we have maintained for this year the list of topics considered, in future, we intend to seek input from a broader range of stakeholders in compiling the topics of materiality. This year we have introduced the topic of climate change.

As a holding company, GUD comprises a range of businesses that produce diverse products. We recognise that some of our businesses are more advanced than others in terms of their sustainability practices; however, as an overarching entity we set minimum standards and expect all businesses to achieve these.

We have identified and confirmed those environmental, social and governance topics that could impact upon GUD and our stakeholders. In doing so we considered a range of factors, including regulatory and legislative changes, peer benchmarking, GRI Standards, macroeconomic trends and stakeholder feedback on prior year disclosures.

Our material topics	Definitions
Health and Safety	Embedding a positive health and safety culture in the workplace.
Product Safety and Quality	Ensuring our products are designed and manufactured to be safe and of a high quality for their intended use.
Compliance and Competitive Behaviour	Complying with relevant legal requirements and regulations including ensuring that our practices are consistent with the values and policies of the Group and do not restrict competition contrary to the law
Innovation	Change that adds value - focussing on new ideas and processes that create value for our customers.
Equality and Non-Discrimination	Promoting equality and non-discrimination across our employees and wider stakeholders.
Human Capital and Labour Management	Investing in people and culture strategies to improve employee satisfaction and retention.
Sustainable Procurement	Considering legal, environmental and social factors when making procurement decisions.

Water Management	Managing the impacts of water use.
Climate Change	The impact of climate change on our businesses, and what we may contribute towards improving the environment and society as a whole

Health and Safety

At GUD, our culture is driven by a strong level of engagement, ownership and accountability for health and safety. This year we continued to reinforce the importance of safety leadership, enhanced business safety plans including key performance indicators and consolidated use of the online reporting tool, giving us greater insight into near miss incidents and recording a wider array of metrics to improve the comparability of our safety performance. In addition, we enhanced our internal WHS audit function with further training and a simpler audit tool.

In addition, as the world headed into uncharted territory as a result of COVID-19 and its consequences, we made the health and safety of our employees a key priority. This involved driving initiatives to ensure a steady flow of information, communication and contact with all our employees whether temporarily stood down, working from home or attending at their worksite. This level of communication, the nature of which evolved weekly, ensured that our employees were confident of continuing support from GUD throughout the challenging times.

“Each of you should recognise and understand the responsibility and actions needed in the pursuit of safety for yourself, your co-workers and anyone who comes into our workplaces. You have my commitment and support to take the right actions to enable a safe working environment, regardless of any business consequence.”
 Graeme Whickman, Managing Director and CEO

Case Study: Work Safe, Home Safe



Safety matters. But how do you make it really matter so that it becomes a personal priority for every employee? At Davey, the Work Safe / Home Safe campaign was designed to do just that.

Originally designed to promote open conversation about fatal risks, the initiative used all-hands on roadshows and interactive competitions and activities that promote safety reflections whilst

connecting teams. When COVID-19 hit in March, the Work Safe / Home Safe campaign took on an entirely different dimension. For some of the team, the separation between work and home disappeared entirely when they started working from home. The campaign was adjusted to address relevant issues of working safely from home, covering topics ranging from home office safety to wellness and mental health topics. For others, their workplace looked entirely differently, and the support of those team members shifted towards reinforcing workplace hygiene and safety protocols, in addition to promoting wellbeing strategies for all.

Taking safety into the home and personal lives of employees has transcended a focus on compliance and ‘at work’ risk mitigation. Work Safe / Home Safe has resulted in numerous examples of employees taking safety seriously at a personal level and has created increased awareness, camaraderie and respect in the Davey team. Today, the team at Davey continue to build a community of people who actively partake in challenges around specific risk areas, who share personal safety stories, and who actively engage online and in-person to make sure everyone gets to work safe, home safe.

Safety is driven by our leaders

Whilst health and safety is everyone’s responsibility, ultimate responsibility for health and safety resides with the Managing Director and Board of Directors. Health and safety is the lead item on every Board, Executive Leadership Group and monthly Business Review meeting and forms part of the standing agenda. The Group Executive and the Board conduct regular safety walks and receive a monthly report which covers a range of leading and lagging indicators including training initiatives, audits completed, corrective action plans implemented, number of work injuries, near misses and number of other incidents.

This year a comprehensive safety campaign around the importance of not being complacent and emphasis on reporting of safety concerns was undertaken. A speaker, Alan Newey, shared his personal account of his workplace accident and the years following with all employees. A key message being that the impact a workplace accident has is not only on an individual, but on those around the person.

Our health and safety management system

All workers and workplaces at GUD are covered by our workplace health and safety management system. Our management system aligns to AS/NZ 4801, meeting the legislative requirements in Australia and New Zealand; and has been regularly updated to reflect the shifting business context. Key elements prescribed in our health and safety management system and implemented in our business activities include:

- Each of our businesses have safety business plans in place identifying key performance indicators and comprehensive risk factors to be managed, responsible persons and timelines that have been committed to in order to improve safety performance. Performance against these are reported on and reviewed with senior management on a quarterly basis.
- Employees are involved in the safety decision-making process through communication, consultation and training. All businesses have health and safety committees comprising representatives of management and workers and individual sites or departments hold regular tool-box meetings to ensure safety is top of mind.
- Each business in the GUD group maintains risk registers and job safety analyses. To inform this process, requirements for conducting risk assessments are contained within the management system.
- Key personnel are trained on safety leadership, internal auditing and incident investigation.
- We maintain and support the use of Vault, an online reporting system for workplace incidents and accidents. Employees may report directly using the Vault app on mobile phones or workplace-stationed iPads, or reporting to their supervisors, or via a member of their workplace health and safety committee. All incidents or matters reported via Vault are automatically forwarded to senior management in the business.
- Where there is an incident or other safety-related concern, our safety escalation process enables an individual to report a safety concern initially to his/her immediate supervisor, but if unresolved to progressively report to higher levels of management.
- Internal audits are conducted by trained personnel from within the businesses on a rotational basis and provide opportunity for an evaluation of the effectiveness of the health and safety management system. The comprehensive internal audit schedule was updated and rationalised during the year. All businesses have emergency preparedness procedures which are audited as part of the GUD internal audit programme and are tested every six months. The provision of feedback is shared with the business being audited and with other businesses as a learning opportunity.
- GUD has a WHS Steering Committee comprising thirty to forty management personnel who meet monthly for the purposes of sharing information and learnings across the Group and recommending initiatives.
- A sub-group of the WHS Steering Committee was formed in early January firstly to ensure that safety risks around the Australian Bushfires and then latterly COVID-19 received the concentrated focus required in these extraordinary situations. The group, comprised of health, safety and wellbeing leaders from within our businesses delivered the following since January:
 - Communication campaigns on health and hygiene matters related to the Australian Bushfires and then latterly COVID-19;
 - Tailored plans to ensure the needs of our people were met in returning to our workplaces; and
 - A comprehensive mental health and wellbeing program to support our people in adapting to the impacts of COVID-19
- Businesses are encouraged to introduce proactive programmes focussed on engaging the complete workforce. These have seen the adoption of exercise programmes, smoking cessation and focus on healthy eating.
- Focussing beyond the core elements of a health and safety management system to ensure that wider wellbeing, including mental health, is included as a key area of focus.
- Offering an employee assistance programme, provided on a confidential basis by an independent third party. Employees are encouraged to make use of this assistance whether the matter is work-related or personal.
- Engaging an external provider (for example, Beyond Blue) in sessions designed to increase awareness and understanding amongst employees in the areas of anxiety, depression and mental health, training in Mental Health First Aid, the benefits of a mentally healthy workplace and the external resources available.
- Training was undertaken throughout the year on the Incident Cause Analysis Method (ICAM) and on safety auditing.



How we performed

GRI Indicator 403-9	FY20		FY19	
	Number	Rate/1,000,000 hours worked	Number	Rate/1,000,000 hours worked
For employees				
Fatalities as a result of work-related injury	0	0	0	0
High consequence work-related injuries (excluding fatalities) – in this category we include Lost Time Injuries (LTIs)	4	2.7	5	3.4
Recordable work-related injuries – in this category we include LTIs (from above) plus Medically Treated Injuries	10	6.8	9	6.0
Main types of work-related injuries	Manual handling, slips, trips and falls		Manual handling, slips, trips and falls	
Number of hours worked	1,464,942		1,489,008	

For all workers who are not employees but whose work and/or workplace is controlled by the organisation (Contractors)				
Fatalities as a result of work-related injury	0	0	0	0
High consequence work-related injuries (excluding fatalities)	0	0	0	0
Recordable work-related injuries	0	0	0	0
Main types of work-related injuries	N/A		N/A	
Number of hours worked	41,189		50,893	

Work-related hazards	FY20
The work-related hazards that pose a risk of high-consequence injury, including actions taken or underway to eliminate these hazards and minimise risks using the hierarchy of controls.	<p>We have developed controls which respond to identified high-risk workplace hazards in areas including:</p> <ul style="list-style-type: none"> • Forklift operations • Driving • Materials falling from heights • Individuals falling from heights • Electrical safety • Manual Handling

Celebrating our achievements

Later this year GUD will be holding its 6th Annual Safety and Innovation Excellence Awards. The number and quality of the nominations for these awards continues to grow. The awards are an opportunity to recognise and celebrate individuals and teams from across the businesses who have demonstrated key attributes in safety leadership.

Product Safety and Quality

Designing and manufacturing safe, reliable products that meet customers’ needs is a key priority for all GUD businesses. All our products are developed and tested against stringent quality control and assurance processes. Because of the diversity of our products, product safety and quality processes are managed locally by each business unit, which is expected to comply with applicable ISO standards.

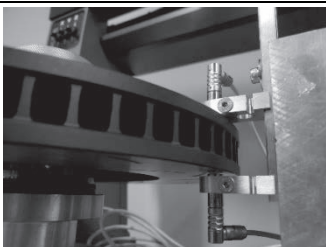
GUD’s Quality & Supplier Council was established by Management to consider best practices and bring thought leadership to the Group in all aspects of product safety and quality, ethical sourcing, supplier governance, supplier risk management and sustainability. Cross-business improvement initiatives are identified to enhance the organisation system, supply chain processes, suppliers’ capabilities and the knowledge of Council members in these aspects.

Safety is held in very high regard at all GUD businesses and safety extends beyond company walls to those who handle and use our products. One way we monitor our product safety record is by actively managing product recalls. The table below shows GUD’s product recall track record compared to industry benchmarks as reported by the ACCC.

	2016	2017	2018	2019
Industry sectors recalls*	201	187	217	260
GUD businesses	1	1	0	1
GUD % of total	0.5%	0.5%	0.0%	0.4%

* Relevant industry sectors to GUD are Cars (within Transport) and Pools and spas (within Outdoor) as reported online at www.productsafety.gov.au/recalls.

Case Study: Unparalleled Quality Control and Testing at DBA



Stopping is the most critical function of a car. Poor brake performance or product failure can have grave consequences. And so, ensuring products meet the highest quality standards is of paramount importance.

Variations in brake disc rotor thickness can compromise product performance. Disc Thickness Variation (DTV) can cause torque variation which may present itself as pulsation of the brake pedal at low-brake efforts, vibration through the floor of the vehicle, or steering wheel oscillation. The problem is magnified as the rotor gets hotter—e.g., when carrying greater loads or after travelling downhill with the brakes on. Over time, this can result in poor brake performance, triggering safety concerns. However, disc thickness variation is generally not visible to the human eye.

To test rotor thickness with certainty, the team at Disc Brakes Australia (DBA) have taken delivery and installed a new Disc Thickness Variation (DVT) test facility. As the only test facility of its kind currently available anywhere in Australia and New Zealand, DBA can ensure its Australian designed and manufactured products meet the highest quality standards. In fact, all DBA products are subject to routine quality control and testing using the latest and most advanced equipment. The leaders in automotive braking solutions are proud to be at the forefront of providing quality products that are second to none.

Compliance and Competitive Behaviour

The Board and senior management are committed to embedding compliance and competitive behaviour processes across the Group. To support this, our people, governance structures and management systems help us ensure this is part of the way we work.

For many years, online training on competitive behaviour has been undertaken by all relevant employees and directors as a part of the suite of mandatory online compliance modules. The training exposes employees to the law, creates awareness around this topic and articulates how we should deal with competitors, suppliers and customers.

We take this seriously and understand that mismanagement may result in regulatory and financial, as well as reputational impacts.

In the past year, we have had no legal actions; hence our GRI Indicator 206-1 is zero.

Innovation

GUD is committed to innovation. Our award-winning innovation program delivers a relentless focus on the customer. We tap into the creativity of our people to deliver better customer experiences. From the smallest tweak to an existing process to brand-new business units that disrupt markets, innovation is instrumental in future-proofing our businesses.

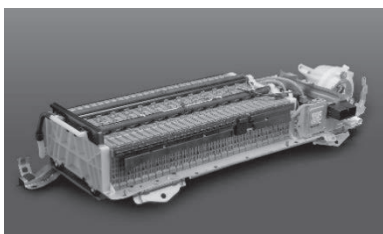
Each business has its own innovation and product development framework, one that is tailored to its specific needs. Several group-wide initiatives tie these individual programs together under a collective banner dedicated to collaboration and shared learning. For example, teams of cross-functional innovation specialists, known as Innovation Champions internally, have all been trained in the same customer-focussed methodologies such as design thinking and lean start-up. The Innovation Community of Practice ties Innovation Champions from across all businesses together. It promotes collaboration and sharing of new and emerging insights. Equally, at the leadership level, GUD’s Innovation Council offers a forum for our senior team to drive innovation strategy and culture.

Four of GUD’s automotive businesses were successful in their Automotive Innovation Lab Access Grant applications, jointly securing more than \$500k in funding and accelerating their R&D efforts.

We have partnerships with external parties including academic institutions, industry bodies, innovation labs, start-ups and specialist agencies. This includes: Planet Innovation, Myriota, Automotive Innovation Centre, UNSW Sydney, Movus, University of Auckland and Callaghan Innovation. In FY20, four of GUD’s automotive businesses were successful in their applications for the Australian Innovation Lab Access Grants scheme.

- Brown & Watson International secured grant funding for the design and development of innovative trailer safety solutions.
- Ryco Filters secured grant funding for the design and development of a wireless module that can transmit information from sensors connected to various filters to a smartphone.
- IM Group secured grant funding for the research and development of refurbished hybrid-electric vehicle battery technology.
- Disc Brakes Australia secured grant funding for the development of a new range of rotors specifically designed to improve the overall life and performance of brake disc rotors by substantially improving cooling performance and outgassing.

Case Study: Circular Economy for Retired HEV Battery Packs




Since 1984, Injectronics has been providing supply solutions for electronic and mechatronic components to the automotive aftermarket and original equipment manufacturers. Today, the brand enjoys a market leadership position in this market and much like those early days in 1984, the company is looking towards the future for growth. With continued focus on R&D and innovation, the team at Injectronics are turning to the next generation of vehicles: hybrid electric vehicles.

As HEVs become more commonplace, so too does the need for HEV-specific aftermarket products and services. Notably, HEV battery packs deteriorate over time, resulting in longer charge times, lower mileage and a generally lower performance profile. HEV owners have limited choice when it comes to replacing or repairing a retired battery pack. General mechanics typically lack HEV-specific knowledge and local specialist EV repairers cannot access a reputable aftermarket alternative to the original equipment (OE) replacement product. OE products are typically higher-priced, such that it no longer warrants the investment in an ageing vehicle. As a result, there is no viable, scalable HEV battery refurbishment and resource recovery program in Australia.

Injectronics wants to leverage its existing expertise in automotive component remanufacture and repair, distribution and service to provide a quality aftermarket alternative for HEV owners. With federal grant funding support under the Automotive Innovation Access Lab Grants scheme, the company will research and develop testing and balancing equipment to create a circular economy for retired HEV battery packs.

We recognise and celebrate innovation. Innovation is key to our annual Safety and Innovation Excellence Awards. Business units nominate candidates at the individual, team and business level who have exemplified innovation throughout the year. Winners are announced at the Awards night. In addition to formal recognition, winners are awarded prize money to dedicate to furthering their innovation skills or dedicate to innovation projects of their choice.

Innovation Award Nomination: Smart Power Management for RVs



Projecta is a leader in automotive power management solutions. When the team at Projecta learned that manufacturers of recreational vehicles (RVs) and caravans were asking for an all-in-one solution for all their power needs, the team rose to the challenge.

Recognising the inefficiencies and complexities that new technologies have brought to the electrical wiring stage of a caravan build, Projecta partnered with supplier TBB to develop Intelli-RV – a range of “plug and play” power management systems. The partners vastly simplified wiring for builders, cutting labour time by half. They also reduced electrical footprint by unifying wiring to a safe and reliable access point, thus further reducing build cost so the savings may be passed onto the end user.

What’s more, Intelli-RV provides consumers with an advanced means of monitoring and controlling the electrical circuits and appliances throughout their caravan or RV at the touch of a button, or via their smart phone. The compact and universal install nature of an Intelli-RV system allows users with even basic electrical knowledge to retrofit these products to their own caravan or RV, enjoying the benefits of monitoring and controlling their electricals with functionality previously seen only in proprietary factory systems featured in premium models.

Projecta won the Most Innovative New Aftermarket Product award at the prestigious Australian Auto Aftermarket Awards in 2019.

Equality and Non-Discrimination

We promote equal opportunity and strive to provide an equitable, inclusive and diverse work environment. In line with our Code of Conduct, this includes providing employees with a workplace free from any kind of discrimination, harassment or intimidation.

We commit to promoting fair and equal treatment in employment that does not discriminate on the basis of age, politics, ethnic background, family responsibilities, gender, physical appearance, criminal record, marital status, pregnancy or potential pregnancy, race, religious beliefs or activity, social origin, physical or mental disability, trade union membership or activity, sexual preference or personal association with a person who is identified with any of the above. Our Equal Employment Opportunity Policy highlights this and is intended to set a shared understanding amongst all employees, temporary staff, independent contractors, volunteers and work experience personnel of expectations regarding acceptable and appropriate behaviour within the workplace.

We are proud to disclose that there have been no incidents of discrimination reported this year; hence our GRI Indicator 406-1 is zero. Where there is an incident, we will deal with this in line with best practice investigation procedures.

Human Capital and Labour Management

Our highly engaged employees enable us to deliver positive outcomes to our stakeholders. GUD’s core values are the principles which the company and individuals live by and which guide our decisions.

Our values

- **Customer Focus** – Our customers are important in our priorities; we aim to meet customers’ needs.
- **Professionalism and Respect** – We encourage constructive, candid and open communications. We are accessible. We always treat our people with fairness and equality. We trust our colleagues.
- **Highest Standards of Integrity** – We always act honestly. We say what we mean.
- **High Performance and Business Success** – Business success secures our future. Our profits permit us to invest for long-term customer satisfaction, a rewarding future for our people and a return to the shareholders. We have a bias for action and for achieving results.
- **Innovation and Continual Improvement** – We seek new ways of doing things, taking risks where necessary in pursuing new opportunities.
- **Teamwork** – We acknowledge our interdependence. We give recognition for a job well done.

Our focus over many years has been to ensure that our culture fosters a high-performing and engaged workforce within each of our businesses. Increasingly we are taking strides to bring together all employees to cross-pollinate ideas and share learnings. This helps bring a focus to teamwork when developing new products and bringing them to existing and new channels.

Our workforce is made up of a range of full time, part time and temporary employees.

GRI Indicator 102-8	FY20		FY19	
	Male	Female	Male	Female
Number of full-time employees	545	203	550	217
Number of part time employees	6	27	14	24
Number of temporary employees	13	18	21	16
Total number of employees	564	248	585	257
GRI Indicator 401-1	FY20		FY19	
	Number	Rate (% of total workforce)	Number	Rate (% of total workforce)
Employee new starters by gender				
Male	76	9.4%	91	11%
Female	24	3.0%	32	4%
Employee new starters by age group				
Under 30 years old	25	3.1%	27	3%
30 - 50 years old	58	7.1%	70	9%
Over 50 years old	17	2.1%	26	3%
Employee new starters by region				
Australia	79	9.7%	114	14%
New Zealand	21	2.6%	9	1%

Diversity is seen as a key driver of innovation and company performance. The Board is active in setting and guiding the culture of GUD and brings focus to inclusion in doing so. This year saw the Board’s commitment in this regard evidenced through the recruitment of a second female Director.

This year we developed a diversity and inclusion strategy covering the period 2019 to 2022. The strategy was shared with employees through a diversity and inclusion statement signed in December by all business leaders. Our work

aims to strengthen the open culture of each business by ensuring inclusiveness and the contribution of all employees by leveraging differences that exist. Importantly our work focusses on supporting our people to balance their work and caring responsibilities. As an enabler to this we implemented a flexible work policy in December 2019.

Training and development are critical elements of our workforce planning. We support development by training our employees within the workplace as well as supporting them to undertake further education. Courses delivered this year have included topics such as safety, first aid, forklift, fire extinguisher, mobile equipment, contractor management, evacuation, manual handling and mental health. Over the past year, we continued to deliver our high-performance systems education. A cohort of 16 employees from our businesses successfully completed the High-Performance Masterclass program.

This year saw us launch our inaugural Leadership Development Program (LDP). Running over two years, the program contains twelve modules delivered by expert faculty members covering areas of personal and professional development. In addition, open access self-directed learning has been made available to all employees over the past year.

Case Study: Narva Garage sparks DIY learning during lockdown



The team at Narva is passionate about delivering the world's highest-quality vehicle lighting products that meet and exceed customer expectations. This goes deeper than investing in research and development and providing outstanding customer service; it also involves educating the customer about auto-electronics safety and best-practice. When Australia and New Zealand went into lockdown, the team launched an online video learning series entitled 'NARVA Garage' to do just that.

The straight-to-the-point, short videos are hosted on Narva's website, Facebook page and YouTube channel. They are aimed at providing quick and informative answers to some of the common auto-electrical questions that the tech support team at Narva encounter from customers, as well as safe and best-practice DIY advice. The series has made customers feel more confident about working with auto-electrical products, whether it is the lux and lumens of an LED lightbar, the role relays play in a vehicle starting system, or safe and simple soldering.

Since launch, the series has been hosted by workshop owner-mechanic and 4WD specialist Adam Adler, who won the 'Face of Narva' competition and with it the opportunity to host Narva Garage. With viewership growing rapidly plus a rapidly expanding list of topics to cover, Adam needed some help and was soon joined by co-presenter and competition runner-up Ross Watson, who himself has turned spanners at Nissan and Subaru and brings a wealth of industry expertise to the series.

We strive to provide our employees with market-competitive pay rates. Annual salary reviews are conducted and multi-tiered annual bonuses (where targets are met) are paid across the workforce. This year a comprehensive review was undertaken to ensure that, where applicable, the provisions of relevant Modern Awards are at least met through the annual salary paid. There are five collective agreements in place across the Group. Effective relationships exist between employees, unions and the organisation; and all agreements due for renewal are in the process of being renegotiated, with the following agreements being in place:

- Davey Water Products Enterprise Agreement dated 2017 (Production Agreement) – under negotiation
- Davey Water Products Warehouse Enterprise Bargaining Agreement dated 2017 – under negotiation
- Ryco Filters Australia Enterprise Bargaining Agreement 2018 – expires 31 March 2021
- AA Gaskets Enterprise Bargaining Agreement 2018 – under negotiation

We conduct an annual employee engagement survey. Six of the seventeen areas measured showed further increase against 2019 results and, whilst in some areas we retreated from a previous high, overall, the employee engagement score improved from 75% to 77%, placing the organisation in the global 75th percentile. Safety is rated very highly by employees with the score rating above the global 75th percentile, for the fourth consecutive year.

The recruitment of a Chief People Officer in May 2019 led greater emphasis on talent development and to realising the full potential of the human capital of GUD. Looking forward, we will focus on the continued rollout of the following programmes over the upcoming year:

- Talent and succession plans for critical roles and key talent
- Learning and development plans to strengthen the effectiveness of leadership and leadership teams across the businesses

In December 2019, we adopted a Speak Up Policy in pursuit of an open culture to enable employees and other stakeholders to raise concerns about conduct on any level.

Case Study: Community Support



This year has seen Australians battling through the harshest bushfire and drought conditions our country has ever seen. Davey Water Products has worked together with our dealer network to provide support to impacted communities and businesses.

Through February to May 2020, 18 businesses or individual recipients were helped with the donation of a total of nearly \$100,000 (RRP) worth of Davey product, helping to provide clean water solutions and pumping options.

One such example, working in collaboration with PK Equipment in Sale, is the support provided to the Jago Family - the owners of Western Kangaroo Island Caravan Park. Kangaroo Island suffered some of the worst damage in the 2019 bushfires. Davey were able to help by donating shallow well pumps to the caravan park. The pumps are used to pump water to the office, the house, and the two camp kitchens that were destroyed in the fire. They will also move water from the dam to the holding tanks that service the caravan park.

Sustainable Procurement

GUD is committed to sourcing products in a responsible manner and to supporting our suppliers improve their social and environmental practices. GUD's businesses source products and services from a range of locations. Whilst approximately 40% of our products are supplied locally in Australia, we source from many other locations including Europe, New Zealand, Taiwan and China. Sourcing products from these regions creates shared economic benefits as well as allowing our businesses to provide affordable products to consumers.

Last year we launched our Ethical Sourcing Policy and Ethical Sourcing Code. The policy articulates the minimum standards suppliers should adhere to when conducting business with GUD to ensure that products and services are sourced in a responsible and consistent manner. Our aspiration is to share our knowledge and business practices with our suppliers in an endeavour to improve the lives of workers within our supplier base as well as quality of the product. The Ethical Sourcing Code covers guidance and minimum expectations with respect to slavery practices, labour standards, health and safety, discrimination, the environment and business ethics and is available on the GUD website.

This year, we received responses from many of our priority tier-one suppliers to assess their level of alignment with the minimum standards within the Ethical Sourcing Code. We also extended the scope of our coverage beyond our initial priority suppliers, where priority was determined by geography, industry or materiality, to include less material suppliers. For suppliers that may not meet our requirements, we intend to investigate the key gaps and more importantly, work with them to improve their practices.

The suppliers who have conducted their operations in accordance with the Code are categorised as 'gold' suppliers in our system and when making procurement decisions they are automatically identified as preferred suppliers.

With the introduction of Modern Slavery legislation in late 2018, GUD took steps to integrate its initiatives on Ethical Sourcing into its programme for preparing our first Modern Slavery Statement, to be published in November 2020.

Water Management

We understand the challenge of water scarcity in the Australian context and through our Davey Water Products business have the capability to impact this in a positive way. To inform our product development process, we commissioned research to understand consumer attitudes toward water management and how these fit with their lives of consumers. Stemming from this, we know that water management is important to a broad cross section of our customers because of limited supply, particularly in remote areas of Australia. Water management for our customers is about knowing how much water is being used and to protect water supply through detecting leaks.

We have several water management solutions in our range and are continuously investing in new opportunities that seek to meet the challenges faced by our customers.

Case Study: Water Management Research for Drought Proofing



Davey Water Products has been manufacturing products that help protect and enhance lives for 85 years. So, when a research farm was looking for a system that allows scientists to test water management practices for drought proofing, the team rose to the challenge.

The research farm had an ageing water infrastructure that was neither reliable, nor flexible enough to meet the growing and varying demands of the researchers. Davey delivered a sophisticated system for transferring water between dams and tanks, and even mix water, around the site to where stock is kept. A series of solar-powered bore pumps and vertical multi-stage pumps is tied together with a communication system that allows scientists to monitor and control water management remotely.

Today, the farm has a water management system that is largely future-proof, very flexible and expandable. It allows scientists to study the impact of water quality on stock watering and feed quality for drought-proofing purposes. Water management information and practices are passed on to farmers so they may take the opportunity to preserve the water resource on their farm sustainably. This is just one example of how Davey leverages its expertise to improve water management practices throughout Australia and the world.

Case Study: Water Treatment in Hospitals



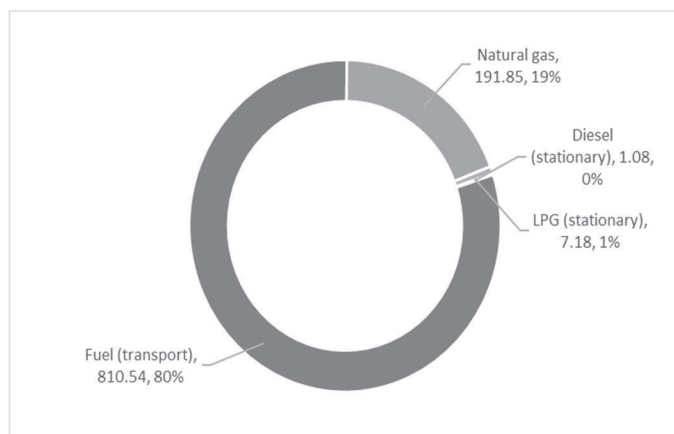
Acqua by Davey is Davey Water Products’ specialised water treatment solutions business. Their team of expert water treatment engineers develops systems to monitor and manage water quality in a range of industries. Increasingly, Acqua by Davey is partnering with hospitals and day surgeries in Australia and New Zealand to improve their water management practices.

One example is how Acqua by Davey helps Central Sterile Services Departments (CSSDs) become compliant with impending water standards. A hospital’s CSSD is responsible for cleaning, disinfecting and sterilising reusable medical equipment. The water used in this process must meet strict quality guidelines and standards, not in the least to safeguard patient safety. As the medical sector readies itself to meet impending regulations, many hospitals find that existing suppliers lack the water treatment expertise required to deliver a solution that meets

their unique needs, and a one-size-fits-all solution simply does not exist.

Acqua by Davey delivers engineered solutions to produce water quality that is compliant to the industry standard and fit seamlessly into a CSSD’s operating rhythm and unique layout. Using high-quality water helps reduce corrosion, scale build-up, and visible staining of instruments. This extends the useful life of these instruments by reducing the risk of micro-organism growth. IN FY20, Acqua by Davey commissioned water treatment solutions for eight hospitals.

Energy Usage



At the instigation of the Board, this year we sought assurance on the level of energy usage and greenhouse gas emissions across the businesses. A study was undertaken and the Board received a report confirming that based on the data analysed for FY19, GUD did not meet the reporting thresholds defined in the National Greenhouse and Energy Reporting Regulations at either a facility or corporate group level.

Scope 1 emissions, often referred to as ‘direct emissions’, are emissions released to the atmosphere as a direct result of an activity, or series of activities, at a facility level. For GUD, scope 1 emissions were estimated to be slightly in excess of 1 ktCO₂e. Fuel for transport purposes comprised the major component at 80%.

Scope 2 emissions, often referred to as ‘indirect emissions’, are emissions released to the atmosphere from the indirect consumption of an energy commodity. For GUD, scope 2 emissions were estimated to be slightly in excess of 3 ktCO₂e. These emissions originate from the aggregated electricity usage at each of the GUD sites.

The aggregated GUD’s scope 1 and scope 2 emissions were analysed against the reporting thresholds defined in the NGER Regulations 2008. GUD is generating approximately 4.1 (scope 1 and scope 2) ktCO₂e, well below the present reporting thresholds at a facility level (25 ktCO₂e) or at a corporate group level (50 ktCO₂e).

In the absence of a significant acquisition or a reduction in the reporting thresholds, GUD does not envisage it will need to report under the NGER Regulations.

Whilst this demonstrates that GUD is not a significant contributor to emissions, the Board nevertheless is cognisant of the need to reduce emissions across the whole of industry and so continue with the monitoring of the GUD emissions and encourage strategies within the businesses to reduce emissions in a sustainable way.

Addressing Climate Change

The GUD Board determined last year to develop a strategy integrating climate change considerations into its overall strategic planning. Once approved, this will formalise the broad acknowledgment, held over the last three to five years, of the fact of climate change and implications for the GUD businesses.

Some two years ago the Board, under questioning from investors and analysts alike, determined to maintain its investment and reinvest in the water business rather than divest and become a single-focus automotive aftermarket company. Behind this decision lay two factors: first, a realisation that there was significant value upside in the water business and that a strategy needed to be found to unlock that value for GUD shareholders; and, second, a conscious acknowledgement that water was (is) an increasingly scarce commodity although under-valued and that the water business represented an opportunity for GUD to participate in that market. Investment over the last two years has generated sizeable opportunities for the water business as have been described in the Operating and Financial Review.

Whilst the Board develops its strategic policy around climate change, the potential for the water business gives the Board a strong business on which to build one aspect of that strategy.

The Board has been well cognisant of the de-carbonisation of many aspects of industry and with the introduction of electric vehicles in the automotive industry in particular. GUD is well placed to take advantage of these changes and extract value from the decline in new internal combustion engine vehicle sales over the coming decades by providing replacement or wear parts to an ageing car parc of vehicles equipped with internal combustion engines. Further, the Board has followed a strategic path for five years now of seeking to diversify GUD’s automotive businesses away from, and dilute the impact of, exposure to the internal combustion engine. The acquisitions of Brown and Watson International and Innovative Mechatronics Group are both in the automotive replacement or aftermarket industry, but with lesser or minimal exposure to the internal combustion engine.

Exposure to the internal combustion engine is but one factor the Board considers when presented with an acquisition opportunity. That does not mean the Board will not consider acquisitions of businesses wholly or largely exposed to the internal combustion engine, particularly if there is an attractive rate of return to be earned from what is regarded as a sunset industry or business.

The Board recognises these beginnings of a strategy to address the impact of climate change on the future existence of GUD and now recognises it must begin to articulate a comprehensive strategy for the benefit of all stakeholders in the Company, in particular its long-term employees and shareholders.

Impact of COVID-19 on GUD’s Material Sustainability Topics

As with all businesses, the impact of COVID-19 has necessitated significant attention since early 2020. Very early on we established a framework of People Health, Operational Health and Financial Health to guide our focussed efforts around COVID-19. Two response groups encompassing all businesses were established – an executive leadership team and a planning and action team. These teams supported our regular updates to the Board of Directors and ensured regular communication of material information and, importantly, determined the key actions to be undertaken in a coordinated and cohesive way.

Our COVID-19 response has been undertaken in a way that balances the needs of key stakeholders and with actions to ensure the safety and wellbeing of our people. Key actions taken under our People Health, Operational Health, Financial Health framework includes the following:

People Health

- Distribution of regular safety guidance bulletins on preventative measures and health & wellbeing information
- Increasing office and facility cleaning
- Early on establishing a transparent and mutually agreed approach around continuity of work so that our people had certainty of how they would be supported by our businesses
- Regularly communicating with our people using a variety of mediums
- Making additional sick leave available to staff during COVID-19 period including carers leave
- Provision of a comprehensive guide to travel and meeting protocols and employee support mechanisms in place
- Enablement of flexible working arrangements where required along with support to ensure effective remote working
- Implementing revised work processes and arrangements to ensure increased social distancing for warehouse and sales staff

Operational Health

- Increasing our regular supplier communications and engagement
- Activation of dual sourcing where necessary
- Working closely with freight forwarders
- Increasing regular customer communication and engagement and closely and actively managing customer needs
- Fast tracking the deployment of technology to support a remote workforce where needed
- Implementing business continuity measures such that we could leverage common technology platforms to limit impact to our customers in the event of a workforce disruption due to illness

Financial Health

- Proactive Q&A dialogue with equity analyst and institutional investors
- Conducting debt financier briefings
- Undertaking financial modelling of potential impacts on demand, EBIT and cash flow
- Consideration of impact on debt levels, borrowing capacity and debt covenants and acquisition funding capacity

Case Study: Mental Health and Wellbeing at Ryco Filters



As the COVID-19 pandemic hit, the health and safety leaders of GUD's businesses joined forces to develop mental health and well-being programmes to support their teams. At Ryco Filters, all senior managers were assigned virtual teams of employees who did not include any of their direct reports. During weekly check-ins these teams talk about wellbeing and discuss any concerns with the mental health first aider or an appropriate senior manager. This has proven to be a positive initiative for both the leaders and their teams in getting to know each other better as well as not feeling isolated during uncharted times.

In addition, the Ryco Community Team was created, where all employees can engage in conversation and share experiences with each other, both work and social. The Community started a Friday Clean-up routine to ensure work-at-homers followed a cleaning regime established at head office. Virtually together as a team, everyone worked to music to create a clean, safe workplace for the next week.

Finally, the team at Ryco created a care package that was sent out to all staff in Australia and New Zealand. With a personalised note from management, the package contained a limited-edition mouse pad with an inspirational safety message, pens, drink coasters and other 'feel good' components. The feedback on what seems a simple gesture, in addition to staff support available through GUD Holdings, was very well received by the team. It was important to show continuing efforts to maintain the Ryco Community. Not surprisingly, employee engagement levels at Ryco, and other GUD businesses for that matter, rank in the top quartile globally.

This report forms part of the Directors' Report and has been audited as required by Section 308(3C) of the *Corporations Act 2001* and has been 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

The key management personnel (including Non-Executive Directors) of GUD Holdings Ltd, and its subsidiaries, during the year FY20 have been identified as the following persons:

- M G Smith (Non-executive)
- A L Templeman-Jones (Non-executive)
- G A Billings (Non-executive)
- D D Robinson (Non-executive)
- J A Douglas (Non-executive) – Appointed 1 March 2020
- G Whickman (Managing Director)
- M A Fraser (Chief Financial Officer)

During the last quarter of FY19 in response to an overall strategic review and following changes in a number of executive roles and responsibilities, the Managing Director reviewed how we would best move forward supporting the five key topic areas of Customer Relationships, Supplier Engagement, People Cycle Planning, Product Cycle Planning and Operational efficiency outlined in the prior year's Annual report.

The review resulted in the Managing Director and Group CFO assuming a number of key responsibilities from the individual business unit leaders and the establishment of a flatter leadership structure complemented with a number of Group subject matter experts. This change has seen both leaders be more directly involved in key customer relationship management and decision-making including business unit strategy formulation and execution including through group wide Councils they chair involving the topic areas of Innovation, Supply Chain, and IT. The changes also see more direct involvement in the sign-off of People or Product Cycle Plans together with business leaders and Group subject matter experts.

As a consequence, the company has reviewed the senior leadership roles and determined that Key Management Personnel (KMP) definition is now satisfied in the case of the Board, Managing Director, and the Group CFO. This report refers to these KMP as Senior Executives.

For the prior financial year (FY19), the report discloses information relating to those personnel who met the KMP definition in that year. The key management personnel (including Non-Executive Directors) of GUD Holdings Ltd, and its subsidiaries, in the prior financial year were the following persons:

- M G Smith (Non-executive)
- A L Templeman-Jones (Non-executive)
- G A Billings (Non-executive)
- D D Robinson (Non-executive)
- G Whickman (Managing Director from 1 October 2018)
- J Ling (Managing Director until 30 September 2018)
- M A Fraser (Chief Financial Officer)
- R Pattison (General Manager Automotive Acquisition & Strategy)
- D Worley (Chief Executive – Davey Water Products Pty Ltd)
- T Cooper (Managing Director – Wesfil Australia Pty Ltd)
- G Nicholls (Chief Executive - Ryco Group until 6 May 2019)
- G Davies (Chief Executive – Brown and Watson International Pty Ltd)

2. Remuneration Governance

The Remuneration, People and Culture 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, People and Culture Committee consists of the five Non-Executive Directors and is responsible for determining a framework and broad policy for remuneration. Amongst other things, 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, People and Culture 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, People and Culture 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.

The Committee has undertaken a review of the remuneration strategy in the current financial year and resolved to make no structural change.

Remuneration Structure

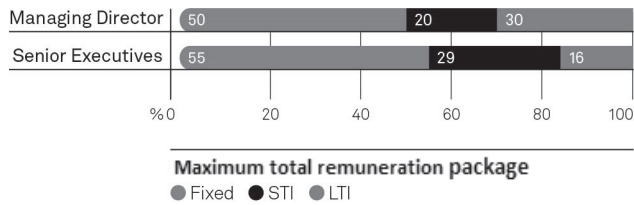
The remuneration framework provides a mix of fixed and variable remuneration and has five components:

- 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, People and Culture 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 2020.

The Remuneration, People and Culture 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.

COVID-19 Impacts

As a result of COVID-19, two principle changes have been enacted in respect of fixed remuneration:

1. Senior Executives and the Board agreed to temporary monthly fixed remuneration reductions of between 10 to 20% pro rata in the fourth quarter of the year ended 30 June 2020, which will extend into the first quarter of the next financial year, subject to monthly review of trading performance.
2. A decision was made to defer annual remuneration reviews and any increases up to December 2020.

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 EBIT pre significant items 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 key management personnel– 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, People and Culture Committee in the first quarter of the financial year.

The Remuneration, People and Culture Committee determines 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. CVA targets and outcomes are not published because the Board regards them as commercially sensitive.

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.



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

Details of the CVA STI bonuses payable to the Senior Executives for the year ended 30 June 2020 are set out in section four of this Report.

From and including the financial year commencing 1 July 2019, the Remuneration, People and Culture Committee and the Board have included two qualifying performance thresholds for STI bonuses to be awarded. Firstly, the business CVA dollars achieved must exceed the prior year, and secondly, the EBIT pre significant items 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 130 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. The performance hurdle, described in more detail below, means that no performance rights will vest as GUD shares unless the Company's Total Shareholder Return (TSR) is equal to or better than the TSR of the median company in the comparator group.

No amount is payable for the issue of performance rights, or for the shares received upon vesting of those performance rights.

The plan has, for many years, been in line with market norms although in recent years, there has been experimentation in the market with other performance measures. Nevertheless, the Board continues to believe the LTI plan supports the delivery of the Group's long-term strategy and encourages the Senior Executives to hold an exposure to equity. We have made changes recently that enhance this last aspect, by permitting Senior Executives to defer exercise of performance rights that vest (and hence the receipt of the shares), for up to 15 years from the date of grant. This change has potential taxation advantages (in the form of income deferral) for the Executive and comes at only a slight increase in administrative cost to the Company.

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, People and Culture 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 three-year 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, People and Culture 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. This additional requirement will first take effect in respect of performance rights granted in July 2018, due to vest (if meeting the performance threshold) in June 2021.

Special Incentives

From time to time, the Remuneration, People and Culture 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. No special incentives were offered or paid to KMP in respect of financial year ended 30 June 2020.

Remuneration Report



4.1 Remuneration for the Managing Director and Senior Executives

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

Year	Short-term employment benefits										Long-term benefits			Value of equity remuneration as a proportion of total remuneration
	Salary ¹ and fees	STI bonus	Leave entitlements	Income protection premium ²	Other benefits	Total	Long service leave	Equity fair value of performance rights ³	Superannuation	Total remuneration	Proportion of total risk related remuneration	%		
Managing Director														
G Whickman	2020	953,342	-	48,671	1,948	-	1,003,961	16,417	164,362	25,000	1,209,740	13.6	13.6	
G Whickman	2019	712,500	-	(350)	1,490	-	713,640	11,799	59,410	25,000	809,849	7.3	7.3	
Former Managing Director														
J P Ling ⁴	2019	234,254	-	(24,850)	432	-	209,836	(90,766)	155,134	25,000	299,204	51.8	51.8	
Chief Financial Officer														
M Fraser	2020	596,161	-	32,817	1,787	-	630,765	11,658	103,310	25,000	770,733	13.4	13.4	
M Fraser	2019	593,887	-	29,537	1,634	-	625,058	26,405	103,134	25,000	779,597	13.2	13.2	
Prior Year KMP's														
R Pattison	2019	575,000	-	13,460	-	-	588,460	(39,271)	98,684	25,000	672,873	14.7	14.7	
G Davies	2019	475,000	-	3,119	517	-	478,636	27,914	66,122	25,000	597,672	11.1	11.1	
G Nicholls ⁵	2019	550,000	-	61,345	1,410	-	612,755	103,386	86,055	25,000	827,196	10.4	10.4	
D Worley	2019	481,479	-	(1,851)	-	-	479,628	11,695	85,572	25,000	601,895	14.2	14.2	
T Cooper	2019	490,000	183,314	41,398	-	-	714,712	9,409	83,445	25,000	832,566	32.0	32.0	
Total remuneration of the Managing Director and Senior Executives of the Group														
	2020	1,549,503	-	81,488	3,735	-	1,634,726	28,075	267,672	50,000	1,980,473			
	2019	4,112,120	183,314	121,808	5,483	-	4,422,725	60,571	737,556	200,000	5,420,852			
Total remuneration of Non-Executive Directors														
	2020	749,751	-	-	-	-	749,751	-	-	69,645	819,395			
	2019	705,493	-	-	-	-	705,493	-	-	64,684	770,177			
Total remuneration (compensation of key management personnel of the Group)														
	2020	2,299,254	-	81,488	3,735	-	2,384,477	28,075	267,672	119,645	2,799,869			
	2019	4,817,613	183,314	121,808	5,483	-	5,128,218	60,571	737,556	264,684	6,191,029			

1 Salary includes base and other salary, net of COVID 19 adjustments for the 2020 financial year.

2 Income protection insurance is only offered to age 65.

3 The fair value of performance rights granted under the 2020, 2021 and 2022 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 2020.

4 Jonathan Ling ceased to be a KMP on 30 September 2018.

5 Guy Nicholls ceased to be a KMP on 6 May 2019.

4.2 Senior Executive Take Home Remuneration prior to Taxation

This section uses non-IFRS financial information to detail realised pay earned by the CEO and Chief Financial Officer during FY20 together with prior year comparatives. This is a voluntary disclosure and is supplemental information to the statutory remuneration disclosure contained in Section 4.1 of this Remuneration Report. Realised Pay includes Base Salary, Retirement and other benefits including the market value of incentive payments earned. This differs from the statutory amount as it excludes accruals and estimations and is thus a closer measure of take home pay before taxation received in respect of the current year

Year	Cash Settled Remuneration			Non cash remuneration		Total remuneration	
	Fixed remuneration ¹	Cash short term incentives ²	Total cash remuneration	Long term incentives vested with respect to the year ³	Other non-monetary remuneration ⁴		
	\$				\$	\$	
Managing Director							
G Whickman	2020	978,342	-	978,342	-	67,036	1,045,378
G Whickman	2019	737,500	-	737,500	-	12,939	750,439
Former Managing Director							
J P Ling	2019	259,254	-	259,254	380,380	(115,184)	524,450
Chief Financial Officer							
M Fraser	2020	621,161	-	621,161	-	46,262	667,423
M Fraser	2019	618,887	-	618,887	131,912	57,576	808,375
Former KMP's							
R Pattison	2019	600,000	-	600,000	113,974	(25,811)	688,163
G Davies	2019	500,000	-	500,000	58,378	31,550	589,928
G Nicholls	2019	575,000	-	575,000	96,817	166,141	837,958
D Worley	2019	506,479	-	506,479	110,050	9,844	626,373
T Cooper	2019	515,000	183,314	698,314	97,828	50,807	846,949
Total remuneration of the Managing Director and Senior Executives of the Group							
	2020	1,599,503	-	1,599,503	-	113,298	1,712,801
	2019	4,312,120	183,314	4,495,434	989,339	187,862	5,672,635

- Salary and super includes base and other salary and employer superannuation contributions.
- The STI bonus column reflects the STI cash bonus paid in respect of performance during the year ended 30 June 2020 and paid in late July 2020 following the announcement of the Group's year-end results.
- LTI performance rights granted in July and October 2017 lapsed in full as a result of the company not meeting TSR targets on 30 June 2020. Refer section 5 for disclosure in respect of performance achievement.
- Non-monetary benefits include leave entitlements, income protection premiums, long service leave and certain personal expenses.

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 2020	Grant date	Vesting date	Fair value per performance right at grant date \$	Fair value of rights granted during the year ended 30 June 2020 \$
Managing Director					
G Whickman	58,686	24 October 2019	30 June 2022	5.37	315,144
Chief Financial Officer					
M Fraser	18,635	25 July 2019	30 June 2022	5.41	100,815
Total	77,321				415,959

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 \$	Price of shares on grant date \$	Estimated volatility %	Risk free interest rate %	Dividend yield %
Grant to Managing Director	24 October 2019	30 June 2022	5.37	10.33	24.00	0.7	5.0
Grant to Senior Executives	25 July 2019	30 June 2022	5.41	10.37	24.00	0.8	5.0

Performance Rights Outstanding

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

	Balance at 1 July 2019	Rights granted during the year	Rights vested during the year	Rights lapsed during the year	Balance at 30 June 2020	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								
G Whickman	30,134	58,686	-	-	88,820	-	-	88,820
Chief Financial Officer								
M Fraser	46,216	18,635	(13,178)	(6,202)	45,471	-	(13,575)	31,896
Total	76,350	77,321	(13,178)	(6,202)	134,291	-	(13,575)	120,716

¹ Performance rights granted under the 2020 performance rights plan lapsed in full on the basis of the Company not achieving the 50th percentile TSR hurdle as at 30 June 2020.

Table of aggregate Performance Share Rights Outstanding as at 30 June 2020

Year of Grant	Year of Vesting	Number Granted	Number Lapsed	Balance Outstanding
2017	2020	296,927	296,927	-
2018	2021	256,578	36,542	220,036
2019	2022	408,451	26,398	382,053
Total		961,956	359,867	602,089

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.

For the year ended 30 June 2020	Number of shares							
	Balance at 1 July 2019	Shares issued from vested performance rights ¹	Shares purchased	Shares sold	Balance at 30 June 2020	Shares to be issued from vested performance rights and share plans ²	Shares to be issued from share plans ⁴	Balance at the date of this report
Non-Executive Directors								
MG Smith	58,000	-	8,000	-	66,000	-	-	66,000
A L Templeman-Jones	6,442	-	1,200	-	7,642	-	-	7,642
G A Billings	11,250	-	-	-	11,250	-	656	11,906
D D Robinson	13,000	-	-	-	13,000	-	1,664	14,664
J A Douglas ⁵	-	-	-	-	-	-	-	-

For the year ended 30 June 2020	Number of shares							
	Balance at 1 July 2019	Shares issued from vested performance rights ¹	Shares purchased	Shares sold	Balance at 30 June 2020	Shares to be issued from vested performance rights and share plans ²	Shares to be issued from share plans ⁴	Balance at the date of this report
Managing Director								
G Whickman	2,000	-	25,000	-	27,000	-	-	27,000
Chief Financial Officer								
M Fraser ³	110,657	13,178	-	-	123,835	-	-	123,835
	112,657	13,178	25,000	-	150,835	-	-	150,835

- Performance rights granted under the 2019 performance rights plan vested at 68%. The issue of shares was approved by the Remuneration Committee on 25 July 2019 (as disclosed in the Remuneration Report for the year ended 30 June 2019) and were allotted on 25 July 2019.
- Performance rights granted under the 2020 performance rights plan lapsed in full on the basis of the Company not achieving the 50th percentile TSR hurdle.
- Some Executives' holdings include shares held either directly, or through other entities in which the Executive has a trustee role or controlling interest.
- NED Share rights will after six months be satisfied by the Company purchasing shares on market.
- Ms Douglas joined the Board on 1 March 2020

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 Chief Financial Officer are focussed 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.

The Remuneration, People and Culture Committee considered the impact of COVID-19 (felt most severely in the final quarter of the financial year) but determined not to make any changes to the vesting in respect of any STI or LTI incentives for the financial year ended 30 June 2020. No KMP was entitled to any STI or LTI in respect of FY20.

STI

The Managing Director and Chief Financial Officer, did not receive an STI bonus as the Group failed to achieve its CVA target.

STI bonus payable for the year ended 30 June 2020	Maximum STI opportunity	Actual STI bonus payment		Disentitled
		Actual STI bonus payment ¹	Actual STI bonus payment as a % of maximum STI	
	\$	\$	%	%
Managing Director				
G Whickman	397,800	-	-	100
Chief Financial Officer				
M Fraser	331,414	-	-	100

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

The Remuneration, People and Culture 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, People and Culture 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 ended 30 June 2020 was -1.2%, although this outcome is not determinative of vesting for the grant vesting in FY20.

Financial year	Underlying EBIT ¹ \$m	Underlying basic EPS ¹ Cents	Total DPS Cents	Opening share price \$	Closing share price \$	Dividend yield %	TSR percentile rank for the 3 year period ending
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	67.2	52.0	12.91	14.16	3.7	80.0
30 June 2019	88.9	70.4	56.0	14.16	10.01	5.6	59.0
30 June 2020	82.3	56.6	37.0	10.01	11.51	3.2	47.2

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

The TSR rank for the year ended 30 June 2020 was at the 47th percentile, that is below the median company of the comparator group. In accordance with the plan rules, the Board noted the lapsing of the performance rights, which were due to vest in respect of the period ended 30 June 2020.

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 Chief Financial Officer contracts are shown below:

Name	Notice periods/termination payment
G Whickman	<ul style="list-style-type: none"> 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 Whickman is entitled to receive his statutory entitlements of accrued annual and long service leave.
M Fraser	<ul style="list-style-type: none"> Unlimited in term. Three months' notice by either party (or payment in lieu). On termination, Mr Fraser is entitled to receive statutory entitlements of accrued annual and long service leave.

7. Non-Executive Directors' Remuneration

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

As a result of COVID-19, and aligned with changes at executive level, two principal changes have been enacted in respect of Non-Executive Directors' fees:

- Non-Executive Directors agreed to temporary fixed remuneration reductions of 20% per annum (pro-rata) late in the fourth quarter of the year ended 30 June 2020.
- A decision was made to defer any increase in Directors' fees up to December 2020.

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, People and Culture 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 2020 are set out in the table below:

	Board	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Nominations Committee
Chairman of	289,107	15,000	15,000	15,000	Nil
Members of	114,664	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, however there is provision for Non-Executive Directors to convert a percentage of their prospective fees into GUD shares.

During the financial year, the Company introduced a Non-Executive Director Equity Plan, permitting Non-Executive Directors to voluntarily sacrifice fees in return for Share Rights which vest as fully paid up ordinary shares in GUD after six months. Share Rights are granted quarterly, the number being based upon dividing the accumulated amount sacrificed over the immediately preceding three month period by the volume weighted average price of GUD shares in the five trading days before grant. In future, Directors will need to make their election on the level of participation and the percentage of fee sacrifice prior to the commencement of a financial year. As at 30 June 2020, two Non-Executive Directors have participated in the Plan.

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 2020 are set out in the table below.

	Year	Directors' Fees \$	Superannuation ¹ \$	Fees converted to Equity ²	Total \$
Non-Executive Directors					
M G Smith	2020	289,107	25,000	-	314,107
	2019	287,752	25,000	-	312,752
A L Templeman-Jones	2020	139,664	13,493	-	153,157
	2019	139,247	13,228	-	152,475
G A Billings	2020	139,664	13,493	(7,009)	146,148
	2019	139,247	13,228	-	152,475
D D Robinson	2020	139,664	13,493	(17,756)	135,401
	2019	139,247	13,228	-	152,475
J Douglas ³	2020	41,652	4,166	-	45,818
Total Remuneration of Non-Executive Directors	2020	749,751	69,645	(24,765)	794,631
	2019	705,493	64,684	-	770,177

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

2 The Company introduced a Non-Executive Directors share plan during the year, and these represent the amounts sacrificed by the Non-Executive Directors during the year.

3 Ms Douglas joined the Board on 1 March 2020

8. Other KMP Transactions

Loans to KMPs

The Company entered into an Equity Loan Agreement in the amount of \$228,000 with the Managing Director and CEO, Mr Graeme Whickman which enabled him to acquire 25,000 shares in the Company in September 2019. Mr Whickman pays interest on the loan on a quarterly basis at a rate that is set at 25 basis points above the Company's average cost of borrowed funds.

There were no other loans to KMPs at 30 June 2020 (2019: nil).

Other KMP Transactions with the Group

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.

Consolidated Financial Statements

Consolidated Income Statement.....	44
Consolidated Statement of Comprehensive Income.....	45
Consolidated Balance Sheet.....	46
Consolidated Statement of Changes in Equity.....	47
Consolidated Cash Flow Statement	48
1. Basis of preparation	49
Results for the Year.....	53
2. Revenue.....	53
3. Expenses.....	55
4. Net finance costs.....	56
5. Earnings per share.....	57
6. Auditors' remuneration.....	57
7. Segment information	58
Working Capital.....	61
8. Trade and other receivables.....	61
9. Inventories.....	62
10. Trade and other payables.....	63
11. Employee benefits.....	63
12. Warranty provisions	64
Tangible and Intangible Assets.....	65
13. Goodwill	65
14. Other intangible assets.....	65
15. Property, plant and equipment	67
16. Leases	68
17. Impairment testing.....	69
18. Commitments for expenditure.....	70
Capital Structure and Financing Costs.....	71
19. Cash and cash equivalents.....	71
20. Borrowings	72
21. Derivatives.....	74
22. Other financial instruments.....	76
23. Financial instruments	77
24. Financial risk management.....	82
25. Share capital	86
26. Reserves	86
27. Retained earnings.....	88
28. Dividends	88
Taxation	89
29. Current tax	89
30. Deferred tax	90
Business Combinations	93
31. Investment in subsidiaries	93
Other Notes	97
32. Superannuation commitments.....	97
33. Key management personnel.....	97
34. Related parties	99
35. Parent entity disclosures	99
36. Contingent liabilities.....	100
37. Subsequent events	100
Directors' Declaration	101
Lead Auditor's Independence Declaration	102
Independent Auditor's Report	103

Consolidated Income Statement

For the year ended 30 June

	Note	2020 [^] \$'000	2019 \$'000
Revenue	2	438,016	434,077
Cost of goods sold		(234,981)	(222,092)
Gross Profit		203,035	211,985
Other income		1,020	490
Government grants		2,950	-
Marketing and selling		(53,685)	(54,778)
Product development and sourcing		(12,555)	(11,317)
Logistics expenses and outward freight		(24,558)	(24,502)
Administration		(35,011)	(32,652)
Impairment of brand name	7	(2,115)	-
Other		(4,820)	(2,189)
Results from operating activities		74,261	87,037
Net finance cost	4	(10,614)	(6,792)
Profit before tax		63,647	80,245
Income tax expense	29	(19,969)	(20,687)
Profit from operations, net of income tax		43,678	59,558
Profit attributable to owners of the Company		43,678	59,558
Earnings per share:			
Basic earnings per share (cents per share)	5	50.4	68.9
Diluted earnings per share (cents per share)	5	50.0	68.4

[^] The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1).

The notes on pages 49 to 100 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	Note	2020 [^] \$'000	2019 \$'000
Profit for the year from continuing operations		43,678	59,558
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Equity investments at FVOCI – net change in fair value	23	-	(598)
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating results of foreign operations	26	(537)	539
Net fair value adjustments recognised in the hedging reserve	26	3,237	1,077
Net change in fair value of cash flow hedges transferred to inventory	26	(3,578)	(4,086)
Equity settled share based payment transactions	26	1,796	1,761
Income tax expense/(benefit) on items that may be reclassified subsequently to profit or loss	29	102	903
Other comprehensive income / (loss) for the year, net of tax		1,020	(404)
Total comprehensive Profit attributable to owners of the Company		44,698	59,154
Total comprehensive Profit		44,698	59,154

[^] The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1).

The notes on pages 49 to 100 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 30 June

	Note	2020 \$'000	Restated [^] 2019 \$'000
Current assets			
Cash and cash equivalents	19	29,987	28,850
Trade and other receivables	8	114,479	106,827
Inventories	9	108,180	108,951
Derivative assets	21	549	898
Other financial assets	22	1,176	756
Current tax receivable		791	4
Other assets		5,261	4,579
Total current assets		260,423	250,865
Non-current assets			
Goodwill [^]	13	162,149	162,708
Other intangible assets	14	121,436	124,219
Property, plant and equipment	15	16,495	14,082
Right of use assets ¹	16	77,246	-
Other financial assets	22	4,111	1,978
Investments	23	1,734	1,734
Total non-current assets		383,171	304,721
Total assets		643,594	555,586
Current liabilities			
Trade and other payables	10	65,100	57,636
Employee benefits	11	12,147	11,164
Restructuring provisions		51	1,189
Warranty provisions	12	468	580
Other provisions		870	617
Borrowings	20	-	3,787
Lease liabilities ¹		10,058	-
Derivative liabilities	21	1,284	247
Other financial liabilities	22	3,250	1,625
Current tax payable		3,714	9,319
Total current liabilities		96,942	86,164
Non-current liabilities			
Employee benefits	11	1,308	1,281
Borrowings	20	172,139	157,784
Lease liabilities ¹	16	69,904	-
Derivative liabilities	21	758	1,468
Other financial liabilities	22	-	802
Deferred tax liabilities	30	27,701	29,414
Other non-current liabilities		57	34
Total non-current liabilities		271,867	190,783
Total liabilities		368,809	276,947
Net assets		274,785	278,639
Equity			
Share Capital	25	112,880	112,880
Reserves	26	11,001	9,981
Retained earnings ¹	27	150,904	155,778
Total equity		274,785	278,639

¹ The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1).

[^] The Group has retrospectively applied IFRS Interpretations Committee (IFRS IC) Multiple Tax Consequences of Recovering an Asset (IAS 12 Income taxes). As a result of the change in accounting policy, additional Goodwill has been recognised and Deferred Tax Liabilities has increased (refer note 1).

The notes on pages 49 to 100 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June

	Note	2020 [^] \$'000	2019 \$'000
Balance at the beginning of the period		278,639	265,322
Comprehensive Income			
Profit for the period attributable to owners of the Company		43,678	59,558
Other Comprehensive Income attributable to owners of the Company		(776)	(2,165)
Equity settled share-based payment transactions	26	1,796	1,761
Total Comprehensive Income attributable to owners of the Company		44,698	59,154
Transactions with owners recognised in equity			
Dividends paid	28	(48,552)	(45,837)
Total transactions with owners		(48,552)	(45,837)
Balance at the end of the period		274,785	278,639

[^]The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1).

The amounts recognised directly in equity are net of tax.

The notes on pages 49 to 100 are an integral part of these consolidated financial statements.



Consolidated Cash Flow Statement

For the year ended 30 June

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers		470,974	474,189
Payments to suppliers and employees		(380,335)	(402,447)
Income taxes paid		(28,075)	(27,218)
Receipt of Government grants		2,950	-
Net cash provided by operating activities	19	65,514	44,524
Cash flows from investing activities			
Acquisition of controlled entity, net of cash acquired	31a	-	(22,809)
Acquisition of non-controlling interests		-	(312)
Proceeds from sale of property, plant and equipment		104	285
Payments for property, plant and equipment	15	(6,489)	(6,289)
Payments for intangible assets	14	-	(1,101)
Net cash provided by investing activities		(6,385)	(30,226)
Cash flows from financing activities			
Proceeds from borrowings	20	175,805	46,605
Repayment of borrowings	20	(164,697)	(29,096)
(Advance)/Proceeds on other loans	20	(2,553)	(934)
Interest received	20	94	126
Interest paid	20	(6,320)	(7,448)
Payment of lease liabilities (2019: payment of finance lease liabilities)	16	(11,229)	-
Dividends paid	28	(48,552)	(45,837)
Net cash used in financing activities	20	(57,452)	(36,584)
Net increase in cash held		1,677	(22,286)
Cash at the beginning of the year		28,850	50,610
Effects of exchange rate changes on the balance of cash held in foreign currencies		(540)	(255)
Cash at the end of the year	19	29,987	28,850

The notes on pages 49 to 100 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 consolidated 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 2020 comprise the Company and its subsidiaries (together referred to as the 'Group').

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

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2020 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 28 July 2020.

Rounding off

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with the Rounding Instrument, amounts in the consolidated 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 21)
- Other financial instruments (Note 22)

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, and in the current year the estimates and judgements incorporate the impact of uncertainties associated with COVID-19 (where relevant).

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:

- Revenue recognition (Note 2): whether revenue from water solutions project income is recognised over time or at a point in time
- Goodwill (Note 13) and other intangible assets (Notes 14, 31): impairment test of intangible assets and goodwill
- Trade and other receivables (Note 8): measurement of Expected Credit Loss (ECL) allowance for trade receivables and contract assets
- Inventories (Note 9): valuation of assets at net realisable value
- Financial instruments (Note 23)
- Other financial instruments (Note 22): contingent consideration
- Leases (Note 16): lease term "whether the Group is reasonably certain to exercise extension options".

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 26), and
- Exchange differences on translating foreign operations (Note 26).

New standards, interpretations and amendments adopted by the Group

The Group initially applied AASB 16 *Leases* from 1 July 2019. A number of other new standards are also effective from 1 July 2019, which do not have a material effect on the Group's financial statements.

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and IFRIC 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

b) As a lessee

As a lessee, the Group leases many assets including property, motor vehicles, forklifts and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

i. Leases classified as operating leases under AASB 117

Previously, the Group classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019.

1. Basis of preparation (continued)

New standards, interpretations and amendments adopted by the Group (continued)

b) As a lessee (continued)

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

c) Impact on financial statements

i. Impact on transition

On transition to AASB 16, the Group recognised additional right of use assets, including property and additional lease liabilities. The impact transition is summarised below.

	1 July 2019
	'000
Right of use assets	88,957
Lease liabilities	88,957

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.24%

	1 July 2019
	'000
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	44,649
Discounted using the incremental borrowing rate at 1 July 2019	(9,917)
Recognition of exemption for leases with less than 12 months of lease term and low value assets at transition	(421)
Extension options reasonably certain to be exercised	54,646
Lease liabilities recognised at 1 July 2019	88,957

New interpretation adopted in the current year

Multiple Tax Consequences of Recovering an Asset (IAS 12)

In May 2020, IFRS Interpretations Committee (IFRS IC) published its final agenda decision 'Multiple Tax Consequences of Recovering an Asset (IAS 12 *Income Taxes*) which considers how an entity accounts for deferred taxes on an asset that has two distinct tax consequences over its life that cannot be offset (taxable economic benefits from use and capital gains on disposal or expiry). The IFRS IC concluded that in these circumstances, an entity identifies separate temporary differences (and deferred taxes) that reflect these distinct and separate tax consequences of recovering the assets carrying amount.

The Group's accounting policy has been to consider these two tax consequences of recovering the assets carrying amount together as they crystallised over the assets life, irrespective of how the asset was recovered. This accounting policy does not align with the IFRS IC agenda decision. As a result of the IFRS IC agenda decision, GUD Holdings Limited has changed its accounting policy, retrospectively adjusting the deferred tax accounting for impacted assets and intangibles.

1. Basis of preparation (continued)

New interpretation adopted in the current year (continued)

Multiple Tax Consequences of Recovering an Asset (IAS 12) (continued)

The impact of this change in accounting policy for the comparative reporting period and the beginning of the earliest period presented are presented below:

Consolidated statement of financial position (As at 30 June 2019)	Previously reported \$'000	Adjustments \$'000	Restated \$'000
Assets			
Goodwill	125,493	37,215	162,708
Deferred tax assets	7,801	(7,801)	-
Non-current assets	275,307	29,414	304,721
Total assets	526,172	29,414	555,586
Liabilities			
Deferred tax liabilities	-	29,414	29,414
Non-current liabilities	161,369	29,414	190,783
Total liabilities	247,533	29,414	276,947

Consolidated statement of financial position (As at 1 July 2018)	Previously reported \$'000	Adjustments \$'000	Restated \$'000
Assets			
Goodwill	115,396	37,215	152,611
Deferred tax assets	7,927	(7,927)	-
Non-current assets	256,686	29,288	285,974
Total assets	500,365	29,288	529,653
Liabilities			
Deferred tax liabilities	-	29,288	29,288
Non-current liabilities	148,496	29,288	177,784
Total liabilities	235,043	29,288	264,331

This change in accounting policy had no impact on the consolidated income statement or the cash flows for the years ended 30 June 2020 or 2019.

Results for the Year

This section focusses 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 Earnings Before Significant Items, Interest and Tax ("EBIT pre significant items"), which is EBIT 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

a) Revenue streams

The Group generates revenue primarily from the sale of automotive products (Automotive segment), pumps, pool and spa systems and water pressure systems (Davey segment).

Segments	For the year ended 30 June 2020			For the year ended 30 June 2019		
	Automotive	Davey	Total	Automotive	Davey	Total
Type of goods or services	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sale of goods	330,748	105,602	436,350	330,002	102,066	432,068
Water solutions project income	-	1,666	1,666	-	2,009	2,009
Total Revenue from contracts with customers	330,748	107,268	438,016	330,002	104,075	434,077
Geographical markets						
Australia	298,978	88,334	387,312	297,053	83,646	380,699
New Zealand	31,770	11,987	43,757	32,949	13,825	46,774
Other	-	6,947	6,947	-	6,604	6,604
Total revenue from contracts with customers	330,748	107,268	438,016	330,002	104,075	434,077
Timing of revenue recognition						
Goods transferred at a point in time	330,748	105,602	436,350	330,002	102,066	432,068
Services transferred over time	-	1,666	1,666	-	2,009	2,009
Total Revenue from contracts with customers	330,748	107,268	438,016	330,002	104,075	434,077

The Group recognised impairment losses on receivables and contract assets arising from contracts with customers, included under Administrative expenses in the Statement of Profit or Loss, amounting to \$444,000 and \$220,000 for the year ended 30 June 2020 and 2019 (estimated under AASB 9), respectively.

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the year ended 30 June			
	2020		2019	
	Automotive	Davey	Automotive	Davey
Revenue	\$'000	\$'000	\$'000	\$'000
External customer	372,082	111,396	365,672	107,802
Rebates	(41,334)	(4,128)	(35,670)	(3,727)
Total revenue from contracts with customers	330,748	107,268	330,002	104,075

2. Revenue (continued)

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020 \$'000	2019 \$'000
Receivables, which are included in trade and other receivables		
Contract assets	389	883

The contract assets primarily relate to the Group’s rights to consideration for work completed but not billed at the reporting date on water solution projects. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

b) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
(i) Sale of automotive products, pumps, pool and spa systems and water pressure systems	<p>Customers assume control of the products, when the goods have been delivered to, and have been accepted at their premises. Invoices are generated at that point in time.</p> <p>Invoices are usually payable within 30 - 180 days.</p> <p>Customers contracts offer sales with right of return, volume rebates and marketing rebates.</p>	<p>Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the good.</p> <p><u>Right of return</u></p> <p>For contracts that permit the customer to return an item, revenue is recognised to the extent that it is probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, the amount of revenue is adjusted for expected returns, the Group uses historical average return rates to forecast expected future returns from its customers. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.</p> <p><u>Volume rebates</u></p> <p>Retrospective volume rebates give rise to variable consideration. Therefore, the amount of revenue is adjusted to reflect expected volume rebates. To estimate the variable consideration, the Group uses historical average volume rebates to forecast expected volume rebates payable to its customers. Expected future rebates are recognised as contract liabilities.</p>

2. Revenue (continued)

b) Performance obligations and revenue recognition policies (continued)

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
(i) Sale of automotive products, pumps, pool and spa systems and water pressure systems (Continued)		<p><u>Marketing rebates</u></p> <p>The nature of the marketing activity will determine the treatment of the transaction, i.e. if a marketing rebate is deemed to be a separate performance obligation then it will be treated as a reduction in transaction price. If not, then it would be treated as marketing expense.</p>
(ii) Water treatment contract revenue	<p>Davey Water undertakes projects to design, build and install custom water systems for its customers.</p> <p>The length of the contract depends on the complexity of the project but usually does not extend beyond 6 months.</p>	<p>Revenue from water treatment solutions is recognised over time. The Group measures progress by using the output method.</p>

3. Expenses

Accounting policies

Depreciation & Amortisation

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

The value of intangible assets, except for 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

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.

3. Expenses (continued)

Expenses by nature

This table summarises expenses by nature from continuing operations:

	Note	2020 \$'000	2019 \$'000
Profit before income tax has been arrived at after charging the following expenses:			
Increase/(decrease) in inventory obsolescence provision		1,274	253
Loss/(gain) on sale of plant and equipment		340	117
Operating lease rental expense/short term or low value lease expense		905	9,423
Net foreign exchange (gain)/loss		(3,336)	(4,217)
Employee benefits:			
Wages and salaries (including on-costs)		73,184	77,394
Contributions to defined contribution plans		2,707	2,647
Movements in provisions for employee benefits		(1,020)	(344)
Equity settled share based payment expense	26	1,796	1,761
Depreciation and amortisation:			
Amortisation of customer relationships	14	319	319
Amortisation of software	14	18	2
Amortisation of other intangibles	14	140	-
Amortisation of brand names	14	303	-
Depreciation of plant and equipment	15	3,632	2,958
Depreciation of leased plant and equipment	16	10,588	19
Total depreciation and amortisation		15,000	3,298
Product development and sourcing costs		12,555	11,317
Significant items:			
Transaction expenses ¹		-	58
Redundancy costs ¹	7	1,594	1,810
Impairment of inventory ¹	7	2,750	-
Impairment of brand names	17	2,115	-
Total significant items		6,459	1,868

1. These costs are included as administration expenses in the Consolidated Income Statement.

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:

	2020 \$'000	2019 \$'000
Finance costs:		
Interest income	(94)	(126)
Interest expense	6,320	7,448
Interest on lease liabilities	3,360	-
Net foreign exchange (gain) / loss	(116)	(530)
Unwinding of discount on contingent consideration payable	1,144	-
Net finance costs	10,614	6,792

The ineffective portion of cash flow hedges that is recognised in the income statement is nil (2019: 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 the Group's commitments to issue shares in the future, such as issued upon vesting of performance rights.

	Total	
	2020	2019
	\$'000	\$'000
Profit / (loss) for the period	43,678	59,558
	Number	Number
Weighted average number of ordinary shares used as the denominator for basic EPS	86,683,486	86,485,972
Effect of balance of performance rights outstanding at 30 June	684,098	629,745
Weighted average number of ordinary shares used as the denominator for diluted EPS	87,367,584	87,115,717
EPS	Cents per share	Cents per share
Basic EPS	50.4	68.9
Diluted EPS	50.0	68.4

6. Auditors' remuneration

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

	2020	2019
	\$	\$
Audit and review services:		
The auditor of GUD Holdings Limited		
- audit and review of financial reports	518,422	573,000
	518,422	573,000
Other services:		
The auditor of GUD Holdings Limited		
- in relation to taxation advice and compliance	247,363	264,595
	247,363	264,595



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 Maker - '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.

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.

Geographical segments

The Group operates primarily in two geographical segments; Australia and New Zealand. Refer Note 2 for geographical sales disclosure.

GUD Holdings Limited and Subsidiaries



7. Segment information (continued)

	For the year ended 30 June 2020			Total \$'000
	Automotive \$'000	Davey \$'000	Unallocated ¹ \$'000	
Business segments				
Total segment revenue (external)	330,748	107,268	-	438,016
EBITDA pre-significant items	90,992	13,006	(8,278)	95,720
Less: Depreciation	(9,235)	(4,274)	(711)	(14,220)
Less: Amortisation of intangibles	(779)	-	(1)	(780)
EBIT pre-significant items	80,978	8,732	(8,990)	80,720
Impairment of inventory ²	(250)	(2,500)	-	(2,750)
Impairment of brand names ³	-	(2,115)	-	(2,115)
Restructuring costs ⁴	(202)	(1,392)	-	(1,594)
Segment result (EBIT)	80,526	2,725	(8,990)	74,261
Interest income	-	116	94	210
Interest on lease liability	(2,437)	(315)	(608)	(3,360)
Interest expense	(123)	(157)	(7,184)	(7,464)
Profit / (loss) before tax	77,966	2,369	(16,688)	63,647
Tax expense	(23,953)	(1,288)	5,272	(19,969)
Profit / (loss) attributable to owners of the Company	54,013	1,081	(11,416)	43,678
Segment assets^a	511,748	121,747	10,099	643,594
Segment liabilities^a	145,722	29,290	193,797	368,809
Segment capital expenditure	46,802	7,098	51	53,951

^a At 1 July 2019, the Group has initially applied AASB 16 which requires the recognition of right of use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the Group recognised \$86.460 million right of use assets and \$87.756 million of liabilities from those lease contracts. The assets and liabilities are included in the Automotive, Davey and Unallocated segments as at 30 June 2020. The Group has applied AASB 16 using the modified retrospective approach, under which comparative information is not restated (see note 1).

1. Unallocated items comprise mainly of corporate assets, corporate expenses, interest, tax, corporate borrowings, and deferred tax balances.
2. Associated with new product introduction and manufacturing associated with implementing product cycle plans.
3. Impairment of the Monarch Brand as Davey concentrates on a single brand as it introduces new products from the product cycle plan, refer note 17 for further information.
4. Associated with product outsourcing at AA Gaskets and realignment of the Davey business.



GUD Holdings Limited and Subsidiaries

7. Segment information (continued)

	For the year ended 30 June 2019			
	Automotive \$'000	Davey \$'000	Unallocated ⁴ \$'000	Total \$'000
Business segments				
Total segment revenue (external)	330,002	104,075	-	434,077
EBITDA pre-significant items¹	89,791	10,324	(7,912)	92,203
Less: Depreciation	(2,059)	(901)	(17)	(2,977)
Less: Amortisation of intangibles	(319)	-	(2)	(321)
EBIT pre-significant items	87,413	9,423	(7,931)	88,905
Transaction costs ¹	(52)	-	(6)	(58)
Restructuring costs ²	(1,073)	(776)	39	(1,810)
Segment result (EBIT)	86,288	8,647	(7,898)	87,037
Interest income	2	549	124	675
Interest expense	(219)	(174)	(7,074)	(7,467)
Profit / (loss) before tax	86,071	9,022	(14,848)	80,245
Tax expense ³	(25,281)	(2,600)	7,894	(20,687)
Profit / (loss)	60,090	6,422	(6,954)	59,558
Profit / (loss) attributable to owners of the Company	60,090	6,422	(6,954)	59,558
Segment assets	413,516	110,450	2,206	526,172
Segment liabilities	51,894	20,496	175,143	247,533
Segment capital expenditure	3,798	2,452	39	6,289

¹ Transaction costs in the Automotive segment relate to the acquisition of Disc Brakes Australia.

² Restructuring costs in the Automotive segment relate to onerous lease and moving costs associated with a new office and warehouse complex in Auckland (\$1.033 million).

³ Tax expense in the Unallocated segment includes a CGT refund of \$2.548 million related to the Sunbeam disposal.

⁴ Unallocated items comprise mainly of corporate assets, corporate expenses, interest, tax, corporate borrowings, and deferred tax balances.

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. After 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.

	2020 \$'000	2019 \$'000
Current		
Trade receivables	115,438	107,385
Less: Allowance for doubtful debts	(959)	(558)
Net trade receivables	114,479	106,827

An allowance has been made for estimated irrecoverable amounts from the sale of goods and services, determined with reference to forward looking expected credit loss (ECL). The movement in the allowance for doubtful debts was recognised in the income statement in the current financial year.

	2020 \$'000	2019 \$'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	(558)	(685)
Doubtful debts recognised	(436)	(213)
Amounts written off as uncollectible	35	340
Balance at the end of the year	(959)	(558)

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.

2020	Gross	Impairment	Net
Ageing of trade receivables	\$'000	\$'000	\$'000
Not past due	96,957	(68)	96,889
Past due 1 - 60 days	14,331	(96)	14,235
Past due 61 - 120 days	2,734	(191)	2,543
Past due 121 - 365 days	1,018	(356)	662
Past due more than one year	398	(248)	150
Total trade receivables	115,438	(959)	114,479

2019	Gross	Impairment	Net
Ageing of trade receivables	\$'000	\$'000	\$'000
Not past due	94,659	(70)	94,589
Past due 1 - 60 days	9,563	(27)	9,536
Past due 61 - 120 days	2,417	(99)	2,318
Past due 121 - 365 days	589	(324)	265
Past due more than one year	157	(38)	119
Total trade receivables	107,385	(558)	106,827

Additional information relating to credit risk is included in Note 24.

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.

	2020	2019
	\$'000	\$'000
Current		
Raw materials and stores	18,151	15,456
Work in progress	459	429
Finished goods	100,061	99,182
Inventory – at cost	118,671	115,067
Less: Provision for slow moving inventory	(10,491)	(6,116)
Total inventory	108,180	108,951

Inventories disclosed above are net of the provision for slow moving inventory. Increases or write-backs of the provision are recognised in cost of goods sold (Note 3).

10. 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.

	2020	2019
	\$'000	\$'000
Current		
Accrued expenses	20,439	14,798
Trade payables	44,661	42,838
Trade payables and accrued expenses	65,100	57,636

No interest is incurred on trade payables.

11. 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.

	2020	2019
	\$'000	\$'000
Current	12,147	11,164
Non-current	1,308	1,281
Accrued wages and salaries	542	675
Total employee benefits	13,997	13,120

Accrued wages and salaries are included in accrued expenses in Note 10.

12. 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.

	2020	2019
	\$'000	\$'000
Carrying amount at beginning of year	580	1,052
Provisions recognised	-	(15)
Provisions reversed	(13)	(352)
Payments made during the year	(97)	(107)
Net foreign currency difference arising on translation of foreign operations	(2)	2
Carrying amount at end of year	468	580

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.

13. Goodwill

Accounting policies

Goodwill

Goodwill represents 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:

	2020	Restated 2019
Note	\$'000	\$'000
Gross carrying amount		
Balance at the beginning of the year	162,708	115,396
Addition due to IFRIC agenda decision 'Multiple Tax Consequences of Recovering an Asset (IAS 12 Income Taxes) ²	-	37,215
Liquidation of GEL Australia	(290)	-
Acquisitions through business combinations ¹	-	9,604
31a		
Net foreign currency difference arising on translation of financial statements of foreign operations	(269)	493
Balance at the end of the year	162,149	162,708

¹ On 2 July 2018 the Company acquired 100% of the shares in Disc Brakes Australia Pty Ltd ("DBA"), this transaction resulted in the recognition of Goodwill. For further details of the DBA acquisition refer to Note 31a.

² As a result of the IFRS IC agenda decision, GUD Holdings Limited has changed its accounting policy, retrospectively adjusting the deferred tax accounting for impacted assets and intangibles. For further details refer to Note 1.

14. Other intangible assets

Accounting policies

Product development costs

Expenditure on research activities is recognised as an expense in the Income Statement in the 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).

14. Other intangible assets (continued)

Brand names and trademarks

Acquired brand names and trademarks are recorded at cost. The carrying values are tested on a stand-alone basis, based on its fair value (Note 17).

The Group holds several 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 17).

\$'000	Brand, Business Names & Trademarks	Patents, Licences & Distribution Rights	Software	Customer Relationships	Total
Gross carrying amount					
Balance at 30 June 2018	115,559	411	149	4,441	120,560
Additions from business combinations	2,664	1,457	-	-	4,121
Acquisition of brand name	1,101	-	-	-	1,101
Foreign currency movements	(83)	8	-	-	(75)
Balance at 30 June 2019	119,241	1,876	149	4,441	125,707
Acquisition of patents and software	-	47	70	-	117
Foreign currency movements	(4)	(8)	-	-	(12)
Balance at 30 June 2020	119,237	1,915	219	4,441	125,812
Accumulated amortisation					
Balance at 30 June 2018	-	(391)	(145)	(614)	(1,150)
Amortisation expense	-	-	(2)	(319)	(321)
Foreign currency movements	-	(17)	-	-	(17)
Balance at 30 June 2019	-	(408)	(147)	(933)	(1,488)
Amortisation expense	(303)	(140)	(18)	(319)	(780)
Foreign currency movements	-	7	-	-	7
Impairment	(2,115)	-	-	-	(2,115)
Balance at 30 June 2020	(2,418)	(541)	(165)	(1,252)	(4,376)
Carrying amount					
As at 30 June 2019	119,241	1,468	2	3,508	124,219
As at 30 June 2020	116,819	1,374	54	3,189	121,436

Amortisation is recognised as an expense in Note 3.

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

15. 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 plant and equipment (classified as finance lease under AASB 117)

As at 30 June 2020, the net carrying amount of leased equipment held under finance lease was \$Nil.

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 2018		113	42,013	42,126
Additions from business combinations	31a	-	6,491	6,491
Additions		-	6,289	6,289
Disposals		(113)	(2,127)	(2,240)
Foreign currency movements		-	91	91
Balance at 30 June 2019		-	52,757	52,757
Additions		-	6,489	6,489
Disposals		-	(3,917)	(3,917)
Foreign currency movements		-	(87)	(87)
Balance at 30 June 2020		-	55,242	55,242
Accumulated depreciation and amortisation				
Balance at 30 June 2018		(25)	(31,463)	(31,488)
Additions from business combinations		-	(6,025)	(6,025)
Depreciation expense		(19)	(2,958)	(2,977)
Disposals		44	1,796	1,840
Foreign currency movements		-	(25)	(25)
Balance at 30 June 2019		-	(38,675)	(38,675)
Depreciation expense		-	(3,632)	(3,632)
Disposals		-	3,528	3,528
Foreign currency movements		-	32	32
Balance at 30 June 2020		-	(38,747)	(38,747)
Carrying amount				
As at 30 June 2019		-	14,082	14,082
As at 30 June 2020		-	16,495	16,495

Depreciation is recognised as an expense in Note 3.

16. Leases

Leases as a Lessee (AASB 16)

The Group leases warehouse and office facilities. On average the leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are renegotiated every 3 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The warehouse and office facilities leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under AASB 117.

The Group leases motor vehicle and forklift leases, which were previously classified as operating leases under AASB 117. On average, the leases typically run for a period of 4 years and do not have options to extend or vary lease terms.

The Group leases IT equipment with contract terms of one to three years. These leases are short term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases. Information about leases for which the Group is a lessee is presented below.

i. Right of use assets

	Land and buildings \$'000	Motor vehicles and forklifts \$'000	Office equipment \$'000	Total \$'000
Balance at 1 July 2019	84,561	4,062	334	88,957
Depreciation charge for the year	(8,516)	(1,877)	(195)	(10,588)
Lease reassessments	(3,039)	(80)	-	(3,119)
Additions to right-of-use assets	536	1,316	144	1,996
Balance at 30 June 2020	73,542	3,421	283	77,246

ii. Amounts recognised in profit and loss

	2020
	\$'000
2020 – Leases under AASB 16	
Interest on lease liabilities	3,360
Expenses relating to short-term leases and low value assets	905
2019 – Operating leases under AASB 117	
Lease expense	9,423

iii. Amounts recognised in statement of cash flows

	2020
	\$'000
Total cash outflows for leases	(11,229)

16. Leases (continued)

iv. Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Group has included all extension options available in determining its lease liability calculations.

17. 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.

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). We note the recoverable amount for brand names has been tested on a stand-alone basis, based on its fair value.

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 projections for the 2021 (2019: based on 2020 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 3.0% 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 post-tax discount rates applied to cash flows of each CGU for the years ended 30 June 2020 and 2019:

	2020	2019
Automotive	9.3 – 9.6%	9.3 – 9.6%
Davey	8.9 – 9.5%	8.9 – 9.5%

17. Impairment (continued)

Results (continued)

The Directors have assessed, that except as described in the impairment section below, no impairment charge is required in relation to the tangible or intangible assets for the year ended 30 June 2020.

Monarch brand name

The recoverable amount of this brand name was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see Note 1). In line with Davey’s product cycle plan, products which were sold primarily using the Monarch brand name, have been replaced with the new generation of product being sold under the Davey brand name. Consequently, the Monarch brand is no longer actively used and therefore the total value of \$2.115 million has been impaired.

18. Commitments for expenditure

Plant & equipment

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

\$'000	2020	2019
Within 1 year	746	1,417
Between 1 and 5 years	-	-
Later than 5 years	-	-
Total plant and equipment capital expenditure	746	1,417

Operating leases

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

\$'000	2020		2019	
	Buildings	Other	Buildings	Other
Within 1 year	-	885	6,475	1,514
Between 1 and 5 years	-	-	18,584	2,453
Later than 5 years	-	-	15,623	-
Total operating leases commitments	-	885	40,682	3,967

The Group leases a number of premises throughout Australia, New Zealand and Europe. The rental period of each individual lease agreement varies between one and ten years with renewal options ranging from one to ten 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.

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.

19. 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.

	Note	2020 \$'000	2019 \$'000
Current			
Cash and cash equivalents in the balance sheet	23	29,987	28,850
Total cash and cash equivalents		29,987	28,850

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

	2020 \$'000	2019 \$'000
Profit/(loss) from operations, net of income tax	43,678	59,558
Depreciation and amortisation	15,000	3,298
Impairment of brand names	2,115	-
Impairment of inventory	2,750	-
Impairment of capitalised product development costs	-	(410)
Unwind of discount on contingent consideration payable	1,144	-
Interest received	(94)	(126)
Interest paid	6,320	7,448
Interest lease liability	3,360	-
(Gain)/Loss on sale of property, plant and equipment	340	49
Changes in working capital assets and liabilities:		
Increase/(decrease) in net tax liability	(8,105)	(6,532)
(Increase)/decrease in inventories	(1,979)	(14,082)
(Increase)/decrease in trade receivables	(7,652)	(6,448)
(Increase)/decrease in other assets	(682)	136
Increase/(decrease) in provisions	(1,131)	(670)
Increase/(decrease) in payables	8,754	(1,314)
Increase/(decrease) in derivatives	1,696	3,617
Net cash provided by/(used in) operating activities	65,514	44,524

20. 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.

Banking facility

On 28 January 2020, the Company completed the refinancing of existing borrowing facilities. The new arrangement resulted in the existing borrowing facilities being renewed for four years and the introduction of an eight-year fixed term loan element.

A summary of the new and expired facilities follows in the sections below.

Unsecured bank loans

The unsecured bank loans in accordance with the Common Terms Deed are summarised as follows:

	Facilities as at 30 June 2020		Facilities as at 30 June 2019	
	Amount	Maturity	Amount	Maturity
	\$ million		\$ million	
Bank borrowings – 5-year facility	-	-	245.0	1/07/2020
Bank borrowings – 4-year facility	150.0	28/01/2024	-	-
Fixed term loan	50.0	23/01/2028	-	-
Short-term facilities	25.0	28/01/2021	-	-
Overdraft	4.9	28/01/2024	10.0	1/07/2020
Total	229.9		255.0	

Overdrafts and short-term facilities

The unsecured bank overdraft and short term facilities are subject to annual review. As part of these facilities, GUD Holdings Limited and its Australian 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 2020 is 4.44% (30 June 2019: 4.45%).

This table summarises Borrowings relating to all operations at 30 June 2020 and 30 June 2019:

	Note	2020 \$'000	2019 \$'000
Current			
Unsecured bank loans		-	3,750
Secured finance lease liabilities ⁽¹⁾		-	37
Total current borrowings	23	-	3,787
Non-current			
Unsecured bank loans		172,139	157,784
Total non-current borrowings	23	172,139	157,784

(1) Secured by the assets leased (Note 15).

20. Borrowings (continued)

Financing facilities

This table summarises facilities available, used and not utilised related to all operations at 30 June 2020 and 30 June 2019:

	2020 \$'000	2019 \$'000
Total facilities available:		
Unsecured bank overdrafts	4,934	4,956
Unsecured bank loans	200,000	245,000
Short term facilities	25,000	-
Unsecured money market facilities	-	5,000
Balance at 30 June	229,934	254,956
Facilities used at balance date:		
Unsecured bank overdrafts	-	165
Unsecured bank loans	172,139	161,534
Short term facilities	-	-
Unsecured money market facilities	-	-
Balance at 30 June	172,139	161,699
Facilities not utilised at balance date:		
Unsecured bank overdrafts	4,934	4,791
Unsecured bank loans	27,861	83,466
Short term facilities	25,000	-
Unsecured money market facilities	-	5,000
Balance at 30 June	57,795	93,257

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

Note	Bank overdrafts used for cash management purposes	Other loans and borrowings	Lease liabilities	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 2019	165	158,837	-	898	1,836	9,981	155,778	327,495
Proceeds from loans and borrowings	-	173,252	-	-	-	-	-	173,252
Repayment of borrowings	-	(164,697)	-	-	-	-	-	(164,697)
Payment of lease liability	-	-	(11,229)	-	-	-	-	(11,229)
Dividend paid	-	-	-	-	-	-	(48,552)	(48,552)
Interest received	-	94	-	-	-	-	-	94
Interest paid	-	(6,320)	-	-	-	-	-	(6,320)
Total changes from financing cash flows	-	2,329	(11,229)	-	-	-	(48,552)	(57,452)
The effect of changes in foreign exchange rates	-	(540)	(264)	(349)	871	-	-	(282)
Other changes	-	-	88,095	-	(665)	1,020	43,678	132,128
Change in bank overdraft	(165)	-	-	-	-	-	-	(165)
Interest received	-	(94)	-	-	-	-	-	(94)
Interest expense	-	6,320	3,360	-	-	-	-	9,680
Total other changes	(165)	6,226	91,455	-	(665)	1,020	43,678	141,549
Balance at 30 June 2020	-	166,852	79,962	549	2,042	11,001	150,904	411,310

20. Borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

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 2018	155	141,264	3,687	1,082	32,793	119,649	298,630
Changes from financing cash flows	-	-	-	-	-	-	-
Proceeds from loans and borrowings	-	45,671	-	-	-	-	45,671
Repayment of borrowings	-	(29,096)	-	-	-	-	(29,096)
Payment of lease liability	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(45,837)	(45,837)
Interest received	-	126	-	-	-	-	126
Interest paid	-	(7,448)	-	-	-	-	(7,448)
Total changes from financing cash flows	-	9,253	-	-	-	(45,837)	(36,584)
The effect of changes in foreign exchange rates	-	998	(2,779)	364	539	-	(878)
Other changes	-	-	(10)	390	(22,753)	82,688	60,315
Change in bank overdraft	10	-	-	-	-	-	10
Interest received	-	(126)	-	-	-	-	(126)
Interest expense	-	7,448	-	-	-	-	7,448
Total other changes	10	7,322	(10)	390	(22,753)	82,688	67,647
Balance at 30 June 2019	165	158,837	898	1,836	10,579	156,500	328,815

21. 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.

21. Derivatives (continued)

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.

Derivative assets

This table summarises derivative assets related to all operations at 30 June 2020 and at 30 June 2019:

	Note	2020 \$'000	2019 \$'000
Current			
Derivatives - Foreign currency forward contracts	23	549	898
Current derivative assets		549	898
Non-current			
Derivatives - Interest rate swaps	23	-	-
Non-current derivative assets		-	-

Derivative liabilities

This table summarises derivative liabilities related to all operations at 30 June 2020 and at 30 June 2019:

	Note	2020 \$'000	2019 \$'000
Current			
Derivatives - Foreign currency forward contracts	23	1,235	243
Derivatives - Interest rate swaps at fair value	23	49	4
Current derivative liabilities		1,284	247
Non-current			
Derivatives - Interest rate swaps at fair value	23	758	1,468
Non-current derivative liabilities		758	1,468

21. Derivatives (continued)

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.

	2020					2019				
	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	-	-	-	-	-	-	-	-	-	-
Liabilities	(807)	(807)	(49)	-	(758)	(1,472)	(1,472)	(4)	-	(1,468)
Forward exchange contracts										
Assets	549	549	549	-	-	898	898	898	-	-
Liabilities	1,235	1,235	1,235	-	-	243	243	243	-	-
Total	977	977	1,735	-	(758)	(331)	(331)	1,137	-	(1,468)

22. 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.

22. Other financial instruments (continued)

Other financial assets

This table summarises other financial assets related to all operations at 30 June 2020 and at 30 June 2019:

	Note	2020 \$'000	2019 \$'000
Current			
Loans receivable - third parties	23	1,176	756
Other current financial assets		1,176	756
Non-current			
Loans receivable - third parties	23	4,111	1,978
Other non-current financial assets		4,111	1,978

Other financial liabilities

This table summarises other financial liabilities at 30 June 2020 and at 30 June 2019:

	Note	2020 \$'000	2019 \$'000
Current			
Contingent consideration payable		3,250	1,625
Non-current			
Contingent consideration payable		-	802
Total other financial liabilities	23	3,250	2,427

Contingent consideration payable included in other financial liabilities is measured at fair value. Consideration payable at 30 June 2020 includes the contingent consideration payable to the vendors of Innovative Mechatronics Group.

23. 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.

23. Financial instruments (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value
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.	<i>Not applicable.</i>	<i>Not applicable.</i>
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.	<i>Not applicable.</i>	<i>Not applicable.</i>
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.	<ul style="list-style-type: none"> - <i>The probability attached to each scenario</i> - <i>Forecast EBIT growth (2020: 0-30%, 2019: 0-30%)</i> - <i>Risk adjusted discount rate (2020: 8.0%, 2019: 8.0%)</i> 	<p><i>The estimated fair value would increase (decrease) if:</i></p> <ul style="list-style-type: none"> - <i>The EBITDA growth is lower/ (higher)</i> - <i>The risk adjusted discount rate moves lower (higher).</i>
Investments	The fair values of the non-listed equity investments have been estimated by benchmarking against the latest round of capital raises completed in the financial year.	<ul style="list-style-type: none"> - <i>Recent capital raises</i> - <i>Internal management information</i> 	<i>Not applicable.</i>

23. 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 year ended 30 June 2020.

Level 3 fair value reconciliation

Changes in fair value of the level 3 financial instruments is summarised below:

	2020	2019
	\$'000	\$'000
Opening balance ¹	693	2,032
Contingent consideration payable – acquisition of 100% of IMG	(321)	(1,625)
Investments acquired	-	(312)
Total gains/losses recognised in the period on OCI	-	598
Unwinding of discount	1,144	-
Unrealised fair value loss included in profit and loss	-	-
Closing balance	1,516	693

1. Opening balance includes Investments and Contingent consideration



GUD Holdings Limited and Subsidiaries

23. Financial instruments (continued)

As at 30 June 2020

	Carrying value			Total \$'000	Fair value			
	Current	Non-current			Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
Financial assets measured at fair value								
Investment	-	1,734	-	1,734	-	-	1,734	
Derivatives - Foreign currency forward contracts	549	-	-	549	-	549	549	
Other financial assets	-	229	-	229	-	-	229	
Total financial assets measured at fair value	549	1,963	-	2,512	-	549	1,963	
Financial assets not measured at fair value								
Cash and cash equivalents ^a	29,987	-	-	29,987	-	-	-	
Trade and other receivables ^a	114,479	-	-	114,479	-	-	-	
Other financial assets ^a	1,176	3,882	-	5,058	-	-	-	
Total financial assets not measured at fair value	145,642	3,882	-	149,524	-	-	-	
Total financial assets	146,191	5,845	-	152,036	-	549	1,963	
Financial liabilities measured at fair value								
Derivatives - Foreign currency forward contracts	1,235	-	-	1,235	-	1,235	-	
Derivatives - Interest rate swaps at fair value	49	758	-	807	-	807	-	
Other financial liabilities	3,250	-	-	3,250	-	-	3,250	
Total financial liabilities measured at fair value	4,534	758	-	5,292	-	2,042	3,250	
Financial liabilities not measured at fair value								
Borrowings and loans ^a	-	172,139	-	172,139	-	-	-	
Total financial liabilities not measured at fair value	-	172,139	-	172,139	-	-	-	
Total financial liabilities	4,534	172,897	-	177,431	-	2,042	3,250	

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

GUD Holdings Limited and Subsidiaries



23. Financial instruments (continued)

	As at 30 June 2019						Fair value Total \$'000
	Carrying value		Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
	Current \$'000	Non-current \$'000					
Financial assets measured at fair value							
Investment		1,734	1,734	-	-	1,734	1,734
Derivatives - Foreign currency forward contracts	898	-	898	-	898	-	898
Total financial assets measured at fair value	898	1,734	2,632	-	898	1,734	2,632
Financial assets not measured at fair value							
Cash and cash equivalents ^a	28,850	-	28,850	-	-	-	-
Trade and other receivables ^a	106,827	-	106,827	-	-	-	-
Other financial assets ^a	756	1,978	2,734	-	-	-	-
Total financial assets not measured at fair value	136,433	1,978	138,411	-	-	-	-
Total financial assets	137,331	4,310	141,641	-	898	1,734	2,632
Financial liabilities measured at fair value							
Derivatives - Foreign currency forward contracts	243	-	243	-	243	-	243
Derivatives - Interest rate swaps at fair value	4	1,468	1,472	-	1,472	-	1,472
Other financial liabilities	1,625	802	2,427	-	-	2,427	2,427
Total financial liabilities measured at fair value	1,872	2,270	4,142	-	1,715	2,427	4,142
Financial liabilities not measured at fair value							
Borrowings and loans ^a	202	161,534	161,736	-	-	-	-
Total financial liabilities not measured at fair value	202	161,534	161,736	-	-	-	-
Total financial liabilities	2,074	163,804	165,878	-	1,715	2,427	4,142

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

24. 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 focusses 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 120 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.

24. Financial risk management (continued)

In order to manage credit risk, goods are sold subject to retention of title clauses and, where considered appropriate, are 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 19), the total value of trade debtors and other receivables (Note 8) and other financial assets (Note 22). 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:

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	Beyond 5 years
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities						
Trade and other payables	65,100	65,100	65,100	-	-	-
Derivatives	2,042	2,042	1,284	758	-	-
Unsecured bank loans	172,139	196,676	4,861	4,861	133,464	53,490
Contingent consideration	3,250	3,250	3,250	-	-	-
Total financial liabilities	242,531	267,068	74,495	5,619	133,464	53,490

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	Beyond 5 years
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities						
Trade and other payables	58,667	58,667	58,667	-	-	-
Derivatives	1,715	1,715	247	1,468	-	-
Unsecured bank loans	161,571	166,055	7,960	158,095	-	-
Contingent consideration	2,427	2,427	1,625	802	-	-
Total financial liabilities	224,380	228,864	68,499	160,365	-	-

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.

24. Financial risk management (continued)

As disclosed in Note 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.

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 2020, the Group is exposed to \$8.2 million (2019: \$9.7 million) of USD denominated net trade liabilities, \$2.1 million of NZD net trade receivables (2019: \$8.8 million net trade receivables), \$2.3 million of Euro net trade receivables (2019: \$2.4 million) and \$1.8 million of CNY net trade liabilities (2019: \$1.9 million).

Forward foreign exchange contracts

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

	Average		Foreign Currency		Contract Value		Fair Value	
	Exchange Rate ¹							
	2020	2019	2020	2019	2020	2019	2020	2019
Buy			FC'000	FC'000	\$'000	\$'000	\$'000	\$'000
United States Dollars	0.6708	0.7096	53,250	46,550	79,385	65,600	(511)	778
Chinese Renminbi	4.7057	4.7969	23,350	36,000	4,962	7,505	(202)	(123)
Total forward foreign exchange contracts					83,812	73,105	(713)	655

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

Sensitivity Analysis - foreign exchange AUD/USD	2020	2019
	\$'000	\$'000
For every 1c decrease in AUD:USD rate, total exposures increase by:		
Income statement	1,120	1,029
Equity	65	(91)

24. 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.

	2020 \$'000	2019 \$'000
Sensitivity Analysis - interest rates		
For every 100 basis points increase in interest rates:		
Income statement	(1,422)	(1,327)
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		Notional principal		Fair value	
	Fixed interest rate		amount			
	2020	2019	2020	2019	2020	2019
Outstanding floating for fixed contracts	%	%	\$'000	\$'000	\$'000	\$'000
Less than 1 year	2.91	-	80,000	-	(379)	-
1 to 2 years	-	2.91	-	80,000	-	(1,482)
2 to 5 years	-	-	-	-	-	-
Total floating for fixed contracts			80,000	80,000	(379)	(1,482)

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 2020 and 2019 financial years.

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

25. 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.

	2020	2020	2019	2019
	\$'000	Number	\$'000	Number
Balance at the beginning of the year	112,880	86,485,972	112,880	86,185,698
Performance share rights vested	-	215,202	-	300,274
Balance at the end of the year	112,880	86,701,174	112,880	86,485,972

During the year, the Company issued 215,202 shares (2019: 300,274 shares).

During the year, no shares were bought back on market and cancelled by the Group (2019: nil). 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.

26. 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.

26. 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:

	2020 \$'000	2019 \$'000
Hedging Reserve		
Balance at the beginning of the year	(663)	1,443
Fair value adjustments transferred to equity - net of tax	2,266	754
Amounts transferred to inventory - net of tax	(2,505)	(2,860)
Balance at the end of the year	(902)	(663)
Equity Compensation Reserve		
Balance at the beginning of the year	9,495	7,734
Equity settled share based payment transactions	1,796	1,761
Balance at the end of the year	11,291	9,495
Fair Value Reserve		
Balance at the beginning of the year	(598)	-
Fair value adjustments	-	(598)
Balance at the end of the year	(598)	(598)
Translation Reserve		
Balance at the beginning of the year	1,747	1,208
Exchange differences on translating foreign operations	(537)	539
Balance at the end of the year	1,210	1,747
Dividend Reserve		
Balance at the beginning of the year	-	22,408
Transfer to retained earnings	-	(22,408)
Amounts set aside for dividends	-	-
Balance at the end of the year	-	-
Reserves at the end of the year	11,001	9,981

27. Retained earnings

This table summarises the movement in retained earnings:

	2020 \$'000	2019 \$'000
Balance at the beginning of the year	155,778	119,649
Profit for the period	43,678	59,558
Transfer from dividend reserve	-	22,408
Dividends paid	(48,552)	(45,837)
Balance at the end of the year	150,904	155,778

28. 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
2020					
Final dividend in respect of the 2019 financial year	31	26,877	30 August 2019	30%	100%
Interim dividend in respect of the 2020 financial year	25	21,675	28 February 2020	30%	100%
Total dividends	56	48,552			
2019					
Final dividend in respect of the 2018 financial year	28	24,216	31 August 2018	30%	100%
Interim dividend in respect of the 2019 financial year	25	21,621	1 March 2019	30%	100%
Total dividends	53	45,837			

Unrecognised amounts

Fully Paid Ordinary Shares	Cents per share	Total amount \$'000	Date of payment	Tax rate	Percentage franked
2020					
Final dividend in respect of the 2020 financial year	12	10,404	28 August 2020	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. In furtherance of cash conservation measures, the GUD Dividend Reinvestment Plan will be available for this dividend.

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.

	2020 \$'000	2019 \$'000
30% (2019: 30%) franking credits available to shareholders of GUD Holdings Limited for subsequent financial years	40,295	50,121

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.

29. 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 are 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 31c.

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

	2020	2019
	\$'000	\$'000
Prima facie income tax expense calculated at 30% (2019: 30%) on profit	19,094	24,073
Increase/(decrease) in income tax expense / (benefit) due to:		
Non-deductible expenditure	987	685
(Over)/under provision of income tax in prior year	(122)	(873)
Research and development incentives	(253)	(255)
Tax incentives not recognised in profit or loss	-	(1,050)
Non-assessable income	263	(1,893)
Income tax expense	19,969	20,687
Tax expense / (benefit) comprises:		
Current tax expense	21,033	20,737
Adjustments recognised in the current year in relation to tax of prior years	(122)	(873)
Deferred tax expense from origination and reversal of temporary differences	(942)	823
Total tax expense	19,969	20,687

29. Current tax (continued)

Income tax expense recognised in other comprehensive income

2020	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	(535)	-	(535)
Fair value adjustments transferred to hedging reserve	3,237	(971)	2,266
Net change in fair value of cash flow hedges transferred to inventory	(3,578)	1,073	(2,505)
Income tax expense recognised in other comprehensive income	(876)	102	(774)

2019	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	539	-	539
Fair value adjustments transferred to hedging reserve	1,267	(323)	944
Net change in fair value of cash flow hedges transferred to inventory	(4,086)	1,226	(2,860)
Income tax expense recognised in other comprehensive income	(2,280)	903	(1,377)

30. 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.



GUD Holdings Limited and Subsidiaries

30. Deferred tax (continued)

	Opening balance	Acquisition	Recognised	Recognised	Closing balance
	\$'000	through business	in Profit or Loss	in Equity	\$'000
2020	\$'000	combinations	\$'000	\$'000	\$'000
Deferred tax assets					
Employee benefit provisions	3,725	-	301	-	4,026
Restructuring provisions	356	-	(341)	-	15
Warranty provisions	174	-	(35)	-	139
Doubtful debts	183	-	119	-	302
Inventory	1,944	-	1,483	-	3,427
Accrued expenses	856	-	676	-	1,532
Derivative liabilities	510	-	205	-	715
Property, plant and equipment	30	-	(6)	-	24
Other intangible assets	2,245	-	(527)	-	1,718
Other	(324)	-	345	-	21
Total deferred tax asset	9,699	-	2,220	-	11,919
Set off of tax	(9,699)	-	-	-	(11,919)
Net deferred tax asset	-	-	-	-	-
Deferred tax liabilities					
Property, plant and equipment	115	-	216	-	331
Capitalised product development	15	-	(12)	-	3
Other intangible assets	38,615	-	(96)	-	38,519
Derivative assets	269	-	(105)	-	164
Other	99	-	504	-	603
Total deferred tax liabilities	39,113	-	507	-	39,620
Set off of tax	(9,699)	-	-	-	(11,919)
Net deferred tax assets/(liabilities)	(29,414)	-	-	-	(27,701)



GUD Holdings Limited and Subsidiaries

30. Deferred tax (continued)

	Restated Opening balance \$'000	Acquisition through business combinations \$'000	Recognised in Profit or Loss \$'000	Recognised in Equity \$'000	Restated Closing balance \$'000
2019					
Deferred tax assets					
Employee benefit provisions	3,607	187	(69)	-	3,725
Restructuring provisions	-	-	356	-	356
Warranty provisions	314	-	(140)	-	174
Doubtful debts	219	-	(36)	-	183
Inventory	2,358	350	(764)	-	1,944
Accrued expenses	866	15	(25)	-	856
Derivative liabilities	324	-	(819)	1,005	510
Property, plant and equipment	241	-	(211)	-	30
Other intangible assets	2,245	-	-	-	2,245
Other	470	-	(794)	-	(324)
Total deferred tax asset	10,644	552	(2,502)	1,005	9,699
Set off of tax	(10,644)				(9,699)
Net deferred tax asset	-				-
Deferred tax liabilities					
Property, plant and equipment	37	-	78	-	115
Capitalised product development	15	-	-	-	15
Other intangible assets	38,613	-	2	-	38,615
Derivative assets	1,107	-	(938)	100	269
Other	160	-	(61)	-	99
Total deferred tax liabilities	39,932	-	(919)	100	39,113
Set off of tax	(10,644)				(39,113)
Net deferred tax assets/(liabilities)	(29,288)				(29,414)

Business Combinations

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

31. 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 16). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as 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 Other Comprehensive Income is re-presented as if the operation had been discontinued from the start of the comparative year.

31. Investments in subsidiaries (continued)

31a Acquisitions

Acquisition of Disc Brakes Australia

On 2 July 2018 the Company acquired 100% of the shares in Disc Brakes Australia Pty Ltd (“DBA”). The total consideration for DBA was \$22.128 million.

The Group has focussed on improving DBA’s market presence by expanding and refining its product offering in the automotive aftermarket segment.

For the financial year ended 30 June 2019, DBA contributed \$24.734 million of revenue and \$4.581 million of EBIT to the Group’s results.

Acquisition-related costs

During the financial year ended 30 June 2019, the Company incurred approximately \$0.052 million of acquisition related costs including legal fees, due diligence and other advisory fees. This amount has been included in administrative expenses.

Fair values of acquired assets and liabilities

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:

	2 July 2018	Fair value adjustments	30 June 2019
	\$'000	\$'000	\$'000
Cash and cash equivalents	944	-	944
Trade and other receivables	3,723	-	3,723
Inventories	6,958	-	6,958
Property, plant and equipment	303	-	303
Brand names	-	2,664	2,664
Intellectual property	-	1,457	1,457
Leased assets	163	-	163
Deferred tax assets	552	-	552
Deferred tax liability ¹	(1,219)	-	(1,219)
Trade and other payables	(2,817)	-	(2,817)
Income tax payable	(660)	-	(660)
Finance lease	(69)	-	(69)
Provisions	(621)	(73)	(694)
Total identifiable net assets acquired	7,257	4,048	11,305

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	\$'000
Total consideration	22,128
Less Fair value of identifiable net assets	<u>11,305</u>
Goodwill	<u>10,823</u>

¹ As a result of the IFRS IC agenda decision, GUD Holdings Limited has changed its accounting policy, retrospectively adjusting the deferred tax accounting for impacted assets and intangibles. For further details refer to Note 1.

The goodwill is largely attributable to DBA’s knowledge in brake rotor development and manufacturing, and the anticipated synergies available from incorporating the DBA business into the Group’s existing portfolio of Automotive products.

31. Investments in subsidiaries (continued)

31b Shareholdings

	Country of incorporation	% ownership interest	
		2020	2019
Parent entity			
GUD Holdings Limited ⁽¹⁾	Australia		
Subsidiaries			
AA Gaskets Pty Ltd ^{(2) (3)}	Australia	100	100
Brown & Watson International Pty Ltd ^{(2) (3)}	Australia	100	100
Davey Water Products Pty Ltd ^{(2) (3)}	Australia	100	100
Disc Brakes Australia Pty Ltd ^{(2) (3)}	Australia	100	100
Griffiths Equipment Pty Ltd ^{(2) (3) (4)}	Australia	-	100
Innovative Mechatronics Group Pty Ltd ^{(2) (3)}	Australia	100	100
Ryco Group Pty Ltd ^{(2) (3)}	Australia	100	100
Wesfil Australia Pty Ltd ^{(2) (3)}	Australia	100	100
Griffiths Equipment Limited	New Zealand	100	100
GUD NZ Holdings Limited	New Zealand	100	100
NZ Gaskets Limited	New Zealand	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.) ⁽⁴⁾	Spain	-	100

All overseas subsidiaries except for Davey Water Products S.A.S. and Davey Water Products S.L. 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 entities have been deregistered or dissolved.



31. Investments in subsidiaries (continued)

31c 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:

	2020	2019
	\$'000	\$'000
Income Statement		
Revenue	411,508	405,449
Net finance costs	(9,238)	(6,012)
Other expenses	(340,237)	(320,117)
Profit before income tax	62,033	79,320
Income tax expense	(19,865)	(19,878)
Profit	42,168	59,442
Profit/(loss) from discontinued operations, net of tax	-	-
Profit for the year	42,168	59,442
Retained earnings at the beginning of the year	99,825	86,220
Dividends paid	(48,552)	(45,837)
Retained earnings at the end of the year	93,441	99,825
Balance Sheet		
Current assets		
Cash and cash equivalents	24,940	27,478
Trade and other receivables	109,937	97,176
Other assets	6,731	5,676
Inventories	92,839	95,142
Total current assets	234,447	225,472
Non-current assets		
Other financial assets	40,055	34,757
Property, plant and equipment	77,490	12,246
Deferred tax assets	10,641	8,695
Goodwill	138,606	101,680
Other intangible assets	121,548	124,022
Total non-current assets	388,340	281,400
Total assets	622,787	506,872
Current liabilities		
Trade and other payables	62,058	53,704
Borrowings	11	37
Current tax payables	4,106	8,896
Provisions	12,976	11,969
Other financial liabilities	12,593	1,861
Total current liabilities	91,744	76,467
Non-current liabilities		
Borrowings	154,854	141,700
Other financial liabilities	97,452	3,979
Provisions	1,291	1,281
Total non-current liabilities	253,597	146,960
Total liabilities	345,341	223,427
Net assets		
Share Capital	112,880	112,880
Reserves	71,125	70,740
Retained earnings	93,441	99,825
Total equity	277,446	283,445

Other Notes

32. Superannuation commitments

The Group contributes to several 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.

33. Key management personnel

During the last quarter of FY19 in response to an overall strategic review and following changes in a number of executive roles and responsibilities, the Managing Director reviewed how we would best move forward supporting the five key topic areas of Customer Relationships, Supplier Engagement, People Cycle Planning, Product Cycle Planning and Operational efficiency outlined in the prior year's Annual report.

The review resulted in the Managing Director and Group CFO assuming a number of key responsibilities from the individual business unit leaders and the establishment of a flatter leadership structure complemented with a number of Group subject matter experts. This change has seen both leaders be more directly involved in key customer relationship management and decision-making including business unit strategy formulation and execution including through group wide Councils they chair involving the topic areas of Innovation, Supply Chain, and IT. The changes also see more direct involvement in the sign-off of People or Product Cycle Plans together with business leaders and Group subject matter experts.

As a consequence, the company has reviewed the senior leadership roles and determined that Key Management Personnel (KMP) definition is now satisfied in the case of the Board, Managing Director, and the Group CFO. For the prior financial year, the report discloses details of those personnel who met the KMP definition in that year. 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:

- M G Smith (Chairman) (Non-executive)
- A L Templeman-Jones (Non-executive)
- G A Billings (Non-executive)
- D D Robinson (Non-executive)
- J A Douglas (Non-executive) – Appointed 1 March 2020
- G Whickman (Managing Director)
- M A Fraser (Chief Financial Officer)

The key management personnel including Non-Executive Directors of GUD Holdings Ltd, and its subsidiaries, in the prior financial year were the following persons:

- M G Smith (Chairman) (Non-executive)
- A L Templeman-Jones (Non-executive)
- G A Billings (Non-executive)
- D D Robinson (Non-executive)
- G Whickman (Managing Director)
- M A Fraser (Chief Financial Officer)
- R Pattison (General Manager Automotive Acquisition & Strategy)
- 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)
- G Nicholls (Former Chief Executive – Ryco Group) - Ceased to be KMP – 6 May 2019
- J P Ling (Managing Director (Former Managing Director) – ceased 30 September 2018)

33. Key management personnel (continued)

Key management personnel compensation policy

The aggregate compensation of the key management personnel of the Group is set out below:

	2020	2019
	\$	\$
Short-term employment benefits	2,384,476	5,128,216
Long-term benefits	28,075	60,571
Post-employment benefits	119,645	264,684
Share based payments	267,672	737,556
Total key management personal compensation	2,799,868	6,191,027

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.

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	
	2020	2019	2020	2019
Fair value at grant date	5.37	5.92	5.41	6.69
Share price at grant date	10.33	12.64	10.37	14.15
Expected volatility (weighted average)	24.00%	28.00%	24.00%	28.00%
Expected dividends	5.00%	5.00%	5.00%	5.00%
Risk free interest rate (based on government bonds)	0.70%	2.01%	0.80%	2.08%

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.

Expense recognised in profit or loss

For details of the parent employee benefit expenses, see Note 3.

34. Related parties

Directors

Details of Directors' compensation is disclosed in Note 33.

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 2020, key management personnel held directly, indirectly or beneficially 150,835 ordinary shares (2019: 385,842) in the Group. Performance rights issued under the 2020 plan will not vest. Key management personnel were issued 77,321 (2019: 101,175) shares for performance rights issued under the 2020 plan.

Loans to KMPs

The Company entered into an Equity Loan Agreement in the amount of \$228,000 with the Managing Director and CEO, Mr Graeme Whickman which enabled him to acquire 25,000 shares in the Company in September 2019. Mr Whickman pays interest on the loan on a quarterly basis at a rate that is set at 25 basis points above the Company's average cost of borrowed funds.

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 31b.

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 \$455,944 excluding GST (2019: \$448,444 excluding GST). The Group's policy is that related party lease arrangements are undertaken with commercial terms and conditions.

35. Parent entity disclosures

As at and for the financial year ending 30 June 2020 the parent company of the Group was GUD Holdings Limited.

GUD Holdings Limited	2020	2019
	\$'000	\$'000
Results of the parent entity		
Profit/(loss) for the period	12,873	(3,949)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	12,873	(3,949)
Financial position of the parent entity at the year end		
Current assets	1,036	815
Total assets	315,219	309,241
Current liabilities	17,437	27,371
Total liabilities	210,191	170,394
Net assets	105,028	138,847
Total equity of the parent entity comprising of:		
Share capital	112,880	112,880
Retained earnings / (accumulated losses)	(18,326)	17,350
Other reserves	10,474	8,617
Total equity	105,028	138,847



35. Parent entity disclosures (continued)

	2020	2019
GUD Holdings Limited	\$'000	\$'000
Parent entity contingencies		
Contingent liabilities	167,710	53,033

The parent entity is party to two guarantees relating to subsidiaries. The bank borrowing facility described in Note 20 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 31c. 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 2020.

36. Contingent liabilities

The Group had no material contingent liabilities at 30 June 2020 (2019: Nil).

37. Subsequent events

Dividends declared

On 28 July 2020, the Board of Directors declared a fully franked interim dividend in respect of the 2020 financial year of 12 cents per share. Record date is 14 August 2020 and the dividend will be paid on 28 August 2020.

Borrowing facilities

On 1 July 2020, the Company secured additional banking facilities for \$22.5 million. The maturity of this facility is 1 July 2021.

Other

Other than the items discussed 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 2020 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 31c 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 2020.

Signed in accordance with a resolution of the Directors pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



M.G. Smith
Chairman



G Whickman
Managing Director

Melbourne, 28 July 2020



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 for the financial year ended 30 June 2020 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

Chris Sargent
Partner
28 July 2020



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 2020 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 2020
- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Cash Flow Statement for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

- 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 (\$162.15 million) and other intangible assets (\$121.44 million)

Refer to Note 13 Goodwill, Note 14 Other intangible assets and Note 17 Impairment testing to the Financial Report.

The key audit matter	How the matter was addressed in our audit
<p>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).</p> <p>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.</p> <p>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. Where the Group has not met prior year forecasts in relation to a specific CGU or individual asset we factor this into our assessment of forecast assumptions.</p> <p>The key assumptions in the VIU models include forecast cash flows, forecast growth rates during the forecast period, terminal growth rates and discount rates. The VIU models for individual intangible assets also include assumptions relating to royalty rates applicable to specific brand names.</p> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • assessing the Group’s VIU models and key assumptions by: <ul style="list-style-type: none"> - evaluating the appropriateness of the VIU models against accounting standard requirements; - comparing inputs into the relevant cash flow forecasts to the Board approved budgets and projections; - assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models, including 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 - working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group. • considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates 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

	<p>order to identify those assets at higher risk of impairment and to focus our further procedures;</p> <ul style="list-style-type: none"> • working with our valuation specialists we compared the implied multiples from the Group's models to multiples derived from comparable companies; • assessing the Group's valuation of its brand names, including recalculating the impairment charge recorded against specific intangible assets, and the appropriateness of an indefinite useful life assumption; 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.
<p>Valuation of inventory (\$108.18 million)</p>	
<p>Refer to Note 9 Inventories to the Financial Report.</p>	
<p>The key audit matter</p>	<p>How the matter was addressed in our audit</p>
<p>At 30 June 2020, the Group held inventory with a net carrying value of \$108.18 million.</p> <p>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.</p> <p>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.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • assessing the appropriateness of inventory valuation accounting policies applied by the different business units within the Group against the requirements of accounting standards; • understanding processes and testing key controls relating to inventory movements, standard costing, weighted average costing and valuation; • attending cycle or year-end inventory counts to ascertain the existence and condition of inventory; • 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 individual inventory carrying values against current selling prices to identify individual products at risk of being recorded in excess of their 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

	<p>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, the aging of inventory and from further inquiries with key personnel.</p>
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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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: 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 2020 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 2020.

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

KPMG

Chris Sargent

Partner

Melbourne

28 July 2020

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 21 August 2020

Shares held	No. of Shareholders	%	Shares	%
1 – 1,000	3,483	36.35	1,706,951	1.97
1,001 – 5,000	4,520	47.18	11,370,807	13.11
5,001 – 10,000	1,004	10.48	7,182,089	8.28
10,001 – 100,000	557	5.81	10,955,794	12.64
100,001 and over	17	0.18	55,485,533	64.00

There are 427 shareholders holding less than a marketable parcel of shares. A marketable parcel is \$500.00.

Twenty Largest Shareholders as at 21 August 2020

	No. of Shares	%
HSBC Custody Nominees (Australia) Limited	28,442,301	32.80
Citicorp Nominees Pty Limited	9,994,194	11.53
J P Morgan Nominees Australia Pty Limited	9,307,047	10.73
Argo Investments Limited	2,066,508	2.38
National Nominees Limited	1,635,843	1.89
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,476,008	1.70
BNP Paribas Noms Pty Ltd <DRP>	651,453	0.75
AMP Life Limited	353,750	0.41
National Nominees Limited <DB A/C>	328,572	0.38
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	255,269	0.29
Australian Executor Trustees Limited <No 1 Account>	208,124	0.24
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	167,109	0.19
Kulandra Pty Limited	132,749	0.15
BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP>	131,836	0.15
HSBC Custody Nominees (Australia) Limited	120,927	0.14
HSBC custody Nominees (Australia) Limited – GSCO ECA	113,596	0.13
Mr Timothy Theodore Byard	100,247	0.12
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	98,895	0.11
Mrs Jillian Anita Cobcroft	98,000	0.11
Powerwrap Limited <Scheme – IML Trades A/C>	93,360	0.11
Total Twenty Largest Shareholders of Ordinary Fully Paid Shares	55,775,788	64.31
Total Remaining Holders Balance	30,925,386	35.69

Substantial Shareholders of GUD Holdings Limited

As at 21 August 2020, the current notices of substantial shareholders were:

	No. of Shares	%
Marathon Asset Management LLP	8,835,825	10.19
Perpetual Limited	6,342,689	7.32
Franklin Resources Inc	5,050,661	5.83
Vanguard Group	4,389,624	5.07

Dividends/Dividend Reinvestment Plan (DRP)

The GUD Holdings Limited DRP Plan was reinstated on 29 July 2020.

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

