



**GUD Holdings Limited**

A.B.N. 99 004 400 891

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Australia.

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22 September 2021

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. Virtual Online Meeting Guide
4. 2021 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](mailto:malcolmt@gud.com.au)

Attached



GUD Holdings Limited

ACN 004 400 891

# NOTICE OF ANNUAL GENERAL MEETING

**The 2021 Annual General Meeting of GUD Holdings Limited will be held on Friday, 29 October 2021 at 10:00am (AEDT). Registration will commence at 9:30am.**

**Shareholders can participate online at <https://web.lumiagm.com/397063115>**

On behalf of your Board of Directors, I am pleased to invite you to the 2021 Annual General Meeting (AGM) of GUD Holdings Limited (GUD or Company).

Due to the ongoing COVID-19 pandemic and to ensure the health and safety of our shareholders, this year we offer our shareholders the opportunity to participate in our AGM online. There will not be a physical AGM for shareholders to attend in person.

Even if you plan to participate in the AGM online, we encourage you to submit a directed proxy vote as early as possible so that your vote will be counted, if for any reason you cannot vote on the day. If you wish to appoint a proxy, please lodge your proxy online at [www.investorvote.com.au](http://www.investorvote.com.au)

The AGM will be made accessible 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.

Shareholders may ask questions in real time at the meeting orally and in writing. 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/AGM2021](http://www.gud.com.au/AGM2021)

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 30 June 2021;
2. elect Ms Carole Campbell and Professor John Pollaers as non-executive directors of the company;
3. re-elect Mr David Robinson as a non-executive director of the company;
4. adopt the 2021 remuneration report;
5. approve the grant of long-term incentives (rights) to Mr Graeme Whickman, the managing director; and
6. approve financial assistance for banking facilities and the Australian Clutch Services acquisition.

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

## **How to participate in the AGM online**

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

- (a) from their computer, by entering the URL in their browser: <https://web.lumiagm.com/397063115>; or
- (b) from their mobile device, by entering the URL in their browser: <https://web.lumiagm.com/397063115>.

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/AGM2021](http://www.gud.com.au/AGM2021).

## **How to submit your vote in advance of the meeting**

Proxy votes must be received by 10.00am (AEDT) on Wednesday, 27 October 2021 to be valid for the meeting.

Instructions on how to appoint a proxy are on the online voting website, [www.investorvote.com.au](http://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 email 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 2021 (including the GUD Corporate Governance Statement) and Notice of Meeting 2021;
- the GUD Sustainability Review 2021; 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 <http://www.gud.com.au/AGM2021> 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.

## 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 2021.

### 2. Election of Directors

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

#### 2.1 Ms Carole Campbell

"That Ms Carole Campbell, who was appointed as a Non-Executive Director of the Company on 16 March 2021 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."

#### 2.2 Professor John Pollaers

"That Mr John Pollaers, who was appointed as a Non-Executive Director of the Company on 23 June 2021 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 himself for election, be elected."

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

### 3. Re-election of Directors

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

#### 3.1 Re-election of Mr David Robinson

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

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

### 4. 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 2021 (as set out in the Directors' Report on pages 29 to 40 of the 2021 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.)*

### 5. 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 51,653 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.*

### 6. Financial Assistance – Banking facilities and Australian Clutch Services acquisition

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

"That, for the purposes of section 260B(2) of the Corporations Act 2001 (Cth), approval is given for the financial assistance to be provided by Australian Clutch Services Pty Ltd, from time to time in connection with the Acquisition as described in the Explanatory Notes to this Notice of Annual General Meeting."

***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 2021

## Information for shareholders

### Participating in the meeting – online registration

If you are planning to participate in the meeting online, you will be able to do so 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/397063115>.

You will need your SRN/HIN to register for the meeting.

Further information about how to log in to the Lumi online platform, 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/AGM2021](http://www.gud.com.au/AGM2021)

### 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 Wednesday, 27 October 2021 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 three ways:

- live and online during the meeting using the Lumi online platform; or
- in advance of the meeting, by appointing a proxy and directing your proxy how to vote online at [www.investorvote.com.au](http://www.investorvote.com.au) by 10:00am (AEDT) on Wednesday, 27 October 2021; or
- by appointing a proxy, attorney or shareholder representative to vote at the meeting on your behalf.

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 vote at the meeting by appointing an individual person to act as its corporate representative or by appointing a proxy to 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](http://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 participate in 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 4 and 5 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 4 and 5 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 5 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 5 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 4 and 5. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him how to vote on Items 4 and 5 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 4 and 5, 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 Wednesday, 27 October 2021.

The proxy form may be downloaded online at [www.gud.com.au/AGM2021](http://www.gud.com.au/AGM2021)

### **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](http://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](http://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 orally or in writing on the items of business during the meeting, including an opportunity to ask questions of the Company's Auditor, KPMG. The online platform will contain additional details on how to ask questions live during the AGM.

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 Friday, 22 October 2021.

Shareholders can submit written questions by completing an online shareholder question form which is available online at [www.investorvote.com.au](http://www.investorvote.com.au) or by completing an online shareholder question form on GUD's website at [www.gud.com.au/AGM2021](http://www.gud.com.au/AGM2021).

Alternatively, you can send any written questions to:

GUD Holdings Limited AGM  
PO Box 62  
SUNSHINE VIC 3020  
Email: [investors@gud.com.au](mailto: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 4 – Remuneration Report**

The Company will disregard any votes cast on Item 4:

- by or on behalf of a member of the KMP named in the Remuneration Report for the year ended 30 June 2021 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 4:

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

### **Item 5 – Approval of LTI grant to Managing Director**

The Company will disregard any votes on Item 5:

- 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 5:

- as proxy or attorney for a person entitled to vote on Item 5 in accordance with a direction given to the proxy or attorney to vote on Item 5 in that way; or
- as proxy for a person entitled to vote on Item 5 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 2021 GUD Annual Report is available online at the Company's website [www.gud.com.au](http://www.gud.com.au).

## **Share Registry**

Computershare Investor Services Pty Limited

GPO Box 242

MELBOURNE VIC 3001 Australia

Yarra Falls, 452 Johnston Street

ABBOTSFORD VIC 3067 Australia

Enquiries within Australia – 1300 850 505

Enquiries outside Australia - +61 3 9415 4000

Website – [www.investorcentre.com](http://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 2021 and the Directors' Report and Auditor's Report are set out in the GUD Holdings Limited Annual Report 2021.

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 and make comments 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 2021 Annual Report on the Company's website ([www.gud.com.au](http://www.gud.com.au)).

### Item 2 – Election of Directors

The Board undertook a comprehensive process to identify suitably qualified candidates, and undertook extensive background checks, before appointing Ms Carole Campbell and Professor John Pollaers as Directors.

#### 2.1 Election of Ms Carole Campbell

##### **Ms Carole Campbell** *BEC FCA GAICD*

Appointed Non-Executive Director and Chair of the Audit Committee on 16 March 2021. Member of the Remuneration, People and Culture Committee, Nominations Committee and Risk and Compliance Committee.

Ms Campbell has over 30 years' financial executive experience in a range of industries including professional services, financial services, media, mining and industrial services. Ms Campbell commenced her career with KPMG and has held executive roles with Macquarie Group, Westpac Institutional Bank, Seven West Media, Bis Industries and Merivale.

Ms Campbell is currently a Non-Executive Director and Chair of the Audit Committee for Humm Group Limited and Non-Executive Director and Member of the Audit Committee of Southern Cross Media Group Limited. She is also Deputy Chair of the Australian Film, Television and Radio School. She was previously a Non-Executive Director of IVE Group Limited and The Sydney Film Festival.

Ms Campbell is a Fellow of Chartered Accountants Australia and New Zealand and a Graduate Member of the Australian Institute of Company Directors.

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

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

The Board supports Ms Campbell's election as her substantial experience in professional services and financial executive responsibilities, further enhances the Board's ability to oversee the Company's financial performance and governance. Ms Campbell's insights, knowledge and experience are particularly valuable in her roles as chair of the Audit Committee and as a member of the Risk and Compliance and Remuneration, People and Culture Committees.

#### **Board Recommendation**

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

#### 2.2 Election of Professor John Pollaers

##### **Professor John C Pollaers** *BElecEng (First Class Hons) BSc MBA*

Appointed Non-Executive Director on 23 June 2021. Member of the Audit Committee, Remuneration, People and Culture Committee, Nominations Committee and Risk and Compliance Committee.

Professor Pollaers has over thirty years' experience in FMCG and healthcare sectors, as well as considerable manufacturing experience. He also has experience on government advisory committees, in the education sector and not-for-profit space.

In his executive career, Mr Pollaers was CEO of Pacific Brands from 2012 until 2014 and before that was CEO of Fosters prior to the sale to SAB Miller. His executive career commenced with Diageo where he spent almost 20 years rising to the role of President Asia-Pacific.

Mr Pollaers is currently Chancellor of Swinburne University of Technology and Chairman and Founder of Leef Independent Living Solutions Pty Ltd. He was also recently appointed as Independent Chair of the Australian Financial Complaints Authority.



Mr Pollaers was formerly Chairman of the Australian Advanced Manufacturing Council, Chair of the Aged Care Workforce Strategy Taskforce for the Federal Government, Chairman of the Australian Industry and Skills Committee and a member of the Prime Minister's Industry 4.0 Taskforce.

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

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

The Board supports Mr Pollaers' election as he brings strong strategic skills, a deep understanding of manufacturing processes, customer relationship management, channel management dynamics, an innovation track record, government relations and a broad progressive commercial capability to the Board. Ms Pollaers' insights, knowledge and experience are particularly valuable in his roles as a member of the Audit, Risk and Compliance and Remuneration, People and Culture Committees.

#### **Board Recommendation**

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

### **Item 3 – Re-election of Mr David Robinson**

#### ***Mr David D Robinson BSc MSc***

Appointed Non-Executive Director on 20 December 2011, and Chair of the Remuneration, People and Culture Committee. Member of the Audit Committee, Nominations Committee and Risk and Compliance Committee.

Mr Robinson spent the 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.

David has been chair of the Remuneration Committee since 2018.

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

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

The Board supports Mr Robinson's re-election as his automotive experience is invaluable given the Group's increased exposure to the automotive aftermarket and Mr Robinson's insights, knowledge and experience are valuable to the Board.

#### **Board Recommendation**

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

### **Item 4 – 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 29 to 40 of the GUD Holdings Limited Annual Report for the year ended 30 June 2021 lodged with the ASX on 4 August 2021 and is also available on the Company's website ([www.gud.com.au](http://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 2021 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 5 - 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 51,653 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 2021/2022 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 2021 to 30 June 2024 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 32 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:

$$\# = \text{TFR} \times 60\% / \text{VWAP}, \text{ where}$$

TFR is the Total Fixed Remuneration of the Managing Director to be received in FY22, namely \$1,047,344.

VWAP is the volume weighted average price of the Company's shares on ASX over the ASX market trading days in June 2021 (being the month immediately prior to the commencement of the three year performance period), in this case \$12.1657.

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 three year period commencing on 1 July 2021 and ending on 30 June 2024. Vesting will be determined following 30 June 2024.

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)	\$1,047,344
Short term incentive	40% of TFR, being \$418,938
Long term incentive	60% of TFR, being \$628,406

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 10.14.1 because he is a director of the Company.

Mr Whickman has been granted 58,686 Rights in FY20 and 53,198 in FY21 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 6 – Financial Assistance – Banking facilities and Australian Clutch Services Acquisition**

#### ***Australian Clutch Services Acquisition***

The Company has purchased the entire issued share capital of Australian Clutch Services Pty Ltd (Target) (Acquisition).

On completion of the Acquisition, the Company became the Listed Australian Holding Company of the Target and its subsidiaries (Target Group).

#### ***Banking facilities***

The main finance documents are:

1. core debt facilities with Westpac, National Australia Bank and Citibank totalling \$150 million and maturing in 2024;
2. fixed term loan with Pricoa of \$50 million and maturing in January 2028;
3. short term facilities with Westpac and National Australia Bank totalling \$25 million;
4. an overdraft facility with Westpac of \$4.9 million; and
5. a Common Terms Deed dated 29 October 2013 between GUD Holdings Limited and each other party listed in Schedule 1 of that deed (as Transaction Parties) and the Initial Financiers listed in Schedule 2 of that deed, as amended, or amended and restated from time to time (Common Terms Deed).

The Common Terms Deed includes events of default, undertakings, representations and warranties from the borrower and in relation to material subsidiaries of the Company consistent with a facility of this nature or as required by the financiers. The undertakings include:

- a negative pledge;
- undertakings not to acquire or dispose of assets; and
- undertakings not to incur financial obligations,

in each case subject to agreed exceptions.

Under the Common Terms Deed the obligations of the borrowers are guaranteed by various subsidiaries of the Company under a guarantee and indemnity provision (Guarantee) in favour of the financiers.

Under the terms of the Common Terms Deed, each member of the Target Group is required to provide a guarantee and indemnity in favour of the Company's financiers.

The Target's accession will not become effective until the procedure outlined below is completed.

#### ***Financial assistance prohibition***

The entry by the Target and its performance of its rights and obligations under the Guarantee may constitute the giving of financial assistance in connection with the acquisition of shares in the Target, within the meaning of Part 2J.3 of the Corporations Act 2001 (Cth) (Corporations Act).

Section 260A(1) of the Corporations Act expressly provides that financial assistance may be given if the assistance is approved by shareholders under section 260B of the Corporations Act.

Under section 260B(1) of the Corporations Act, for a company to financially assist a person to acquire shares in itself or a holding company of the company, the financial assistance must be approved by its shareholders by:

- a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- a resolution agreed to, at a general meeting, by all ordinary shareholders.
- If, immediately after the acquisition, the company will be a subsidiary of another:
  - domestic corporation that is listed in Australia (Listed Australian Holding Company); or
  - domestic corporation that is not listed in Australia and is not itself a subsidiary of another domestic corporation (Ultimate Australian Holding Company),

then the financial assistance must also be approved by a special resolution passed under section 260B(2) (in the case of a Listed Australian Holding Company) or section 260B(3) (in the case of an Ultimate Australian Holding Company) of the Corporations Act at a general meeting of that corporation.

#### ***Financial assistance***

In addition to their accession to the Guarantee, the Target may, or may be required to:

- subordinate intercompany claims;
- transfer assets to, or assume other liabilities of, the borrowers or other subsidiaries or related parties of the Company;
- make available directly or indirectly their cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable the Company and the other borrower and guarantors to comply with their payment and other obligations in respect of the financing arrangements;
- consent or agree to amendments to the finance documents, including amendments that make their obligations more onerous;
- provide additional support which may include incurring additional obligations and/or providing additional guarantees, mortgages and/or charges or other security;
- provide other financial assistance in connection with the Acquisition including, without limitation, in connection with any refinancing.

Other subsidiaries of the Target may in the future also provide or be required to provide financial assistance in connection with the Acquisition in the same form as that to be provided by the Target or in another form or governed by another jurisdiction if necessary.

#### ***Reasons for giving financial assistance***

The reason for the giving of the financial assistance described above is to enable the Company to comply with certain of its obligations under the Common Terms Deed.

If such obligations are not complied with an 'Event of Default' will occur under the Common Terms Deed and any funding under the Common Terms Deed may be required to be repaid.

#### ***Effect of financial assistance***

The substantial effect of the financial assistance on the Target is that it will have guaranteed all amounts payable under the Common Terms Deed. The operations of the Target will also be restricted by the representations and undertakings given in the Common Terms Deed.

#### ***Advantages of the proposed financial assistance***

The advantage to the Company of the proposed financial assistance is that the accession by the Target to the Guarantee given in connection with the Common Terms Deed will become effective and so avoid an Event of Default occurring under the Common Terms Deed. If an Event of Default occurred, the financiers may require immediate repayment of the amounts due under the Common Terms Deed.

#### ***Disadvantages of the proposed financial assistance***

As the Company is already liable for the amounts due under the financing arrangements, the directors of the Company do not believe there are any disadvantages to the Company of the proposed resolution, except that the operations of the Target will be restricted by the representations and undertakings given in respect of them under the finance documents.

The disadvantages of the proposed resolution for the Target include the following:

- it will become liable for the amounts due under the Common Terms Deed;
- its operations will be restricted by the representations and undertakings given in respect of it under the finance documents;
- the borrowers may default under the Common Terms Deed;
- the financiers may make a demand under the guarantees provided by the Target requiring repayment of the amounts due under the Common Terms Deed; and
- a demand made under the Guarantee may result in the winding up of the Target and a sale of its assets upon an enforcement of a judgment against them may result in a return to the Company (and ultimately its shareholders) significantly lower than could have been achieved by the Company had those assets been sold in the ordinary course of business or had the Target continued trading.

#### ***Financial assistance resolution***

The financial assistance resolution in Item 6 of the notice of meeting will be passed if 75% of the votes validly cast on this item are in favour of the resolution.

Shareholders may vote either for or against the Financial Assistance Resolution.

#### ***Board Recommendation***

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

# 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. To participate online visit <https://web.lumiagm.com> on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

## TO LOG IN, YOU MUST HAVE THE FOLLOWING INFORMATION:

### Meeting ID

Meeting ID as provided in the Notice of Meeting.

### 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 of country codes is provided at the end of this guide.

### Appointed Proxies

To receive your unique 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.

## PARTICIPATING AT THE MEETING

**1** To participate in the meeting, you will be required to enter the unique 9-digit Meeting ID as provided in the Notice of Meeting.

LUMI agm

Enter Meeting ID

Join

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

Meeting Terms and Conditions

Terms and conditions must be read and accepted prior to proceeding to the meeting.

To view the full terms and conditions please click the following link.

[Terms and Conditions](#)

I agree to all of the above terms and conditions

DECLINE ACCEPT

3 Select the relevant log in option to represent yourself in the meeting.  
Note that only Securityholders and Proxies can vote and ask questions in the meeting.

**To register as a securityholder,** select 'Securityholder or Proxy' and enter your SRN or HIN and Postcode or Country Code.

← 123-456-789

**LUMI** agm

Securityholder or Proxy

Guest

**LUMI** agm

SRN or HIN

Postcode or Country Code

Login

**OR To register as a proxyholder,** select 'Securityholder or Proxy' and you will need your username and password as provided by Computershare. In the 'SRN or HIN' field enter your username and in the 'Postcode or Country Code' field enter your password.

← 123-456-789

**LUMI** agm

Securityholder or Proxy

Guest

**LUMI** agm

SRN or HIN

Postcode or Country Code

Login

**OR To register as a guest,** select 'Guest' and enter your name and email address.

← 123-456-789

**LUMI** agm

Securityholder or Proxy

Guest

← 123-456-789

**LUMI** agm

Title

First Name

Last Name

Email

Enter

4 Once logged in, you will see the home page, which displays the meeting title and name of the registered securityholder or nominated proxy.

123-456-789

**Computershare**

**Computershare Limited Annual General Meeting**

Mr Sam Sample

Welcome Securityholders and Guests

**To View the Webcast**  
To view/listen to proceedings please select the 'Broadcast' bar. This will display the webcast, please press play to start and ensure that your device isn't muted.

**Asking Questions**  
Shareholders and proxies have the ability to ask questions. Select the speech bubble icon to open the message module. Type your question in to the box at the

Broadcast

5 To view the webcast you must tap the broadcast arrow on your screen and press the play button. Click the arrow to switch between screens.

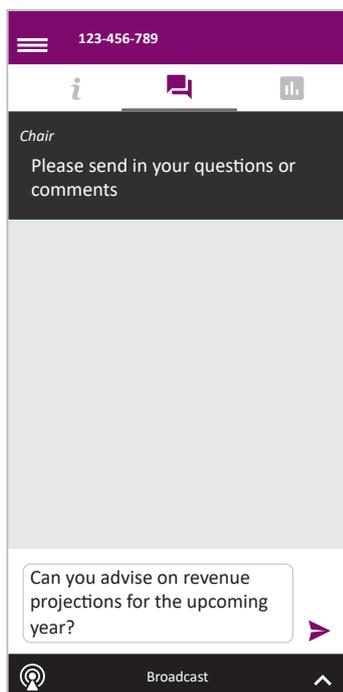
123-456-789

Broadcast

Today's Agenda

- Opening Remarks
- CEO Presentation
- Financial Update
- Q&A
- Resolutions

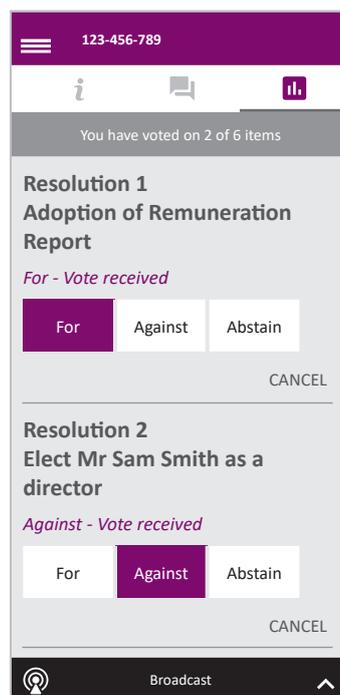
6 To ask a question tap on the question icon , type your question in the chat box at the bottom of the screen and select the send icon. Confirmation that your message has been received will appear.



7 When the Chair declares the poll open:

- > A voting icon  will appear on screen and the meeting resolutions will be displayed
- > To vote, select one of the voting options. Your response will be highlighted
- > To change your vote, simply select a different option to override

The number of items you have voted on or are yet to vote on, is displayed at the top of the screen. Votes may be changed up to the time the Chair closes the poll.



## Icon descriptions

 Home page icon, displays meeting information.

 Questions icon, used to ask questions.

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

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

## FOR ASSISTANCE

If you require assistance before or during the meeting please call +61 3 9415 4024



# COUNTRY CODES

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

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



## GUD Holdings Limited

ABN 99 004 400 891

### Need assistance?



**Phone:**

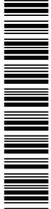
1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)



**Online:**

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

GUD



## GUD Holdings Limited Annual General Meeting

The GUD Holdings Limited Annual General Meeting will be held on Friday, 29 October 2021 at 10:00am (AEDT). You are encouraged to participate in the meeting using the following options:



### MAKE YOUR VOTE COUNT

To lodge a proxy, access the Notice of Meeting and other meeting documentation visit [www.investorvote.com.au](http://www.investorvote.com.au) and use the below information:



**Control Number: 999999**

**SRN/HIN: I9999999999**

**PIN: 99999**

For your proxy appointment to be effective it must be received by 10.00am (AEDT) on Wednesday, 27 October 2021.



### ATTENDING THE MEETING VIRTUALLY

To watch the webcast, ask questions and vote on the day of the meeting, please visit: [web.lumiagm.com/397063115](http://web.lumiagm.com/397063115)

For instructions refer to the online user guide [www.computershare.com.au/virtualmeetingguide](http://www.computershare.com.au/virtualmeetingguide)



## 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](http://www.investorcentre.com/contact)



### YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00am (AEDT) on Wednesday, 27 October 2021.**

# Proxy Form

## How to Vote on Items of Business

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

### APPOINTMENT OF PROXY

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

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

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

**A proxy need not be a securityholder of the Company.**

### SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

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

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

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

### PARTICIPATING IN THE MEETING

#### Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your vote online at [www.investorvote.com.au](http://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



**Control Number: 999999**

**SRN/HIN: I9999999999**

**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://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.

**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 as a virtual meeting on Friday, 29 October 2021 at 10:00am (AEDT) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** 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 4 and 5 (except where I/we have indicated a different voting intention in step 2) even though Items 4 and 5 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 4 and 5 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 show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
2.1 Election of Ms Carole Campbell as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.2 Election of Mr John Pollaers as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.1 Re-election of Mr David Robinson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of LTI grant to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Financial Assistance – Banking facilities and Australian Clutch Services acquisition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

## 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 ANNUAL REPORT 2021



**GUD HOLDINGS LIMITED**  
**ABN 99 004 400 891**  
**YEAR ENDED 30 JUNE 2021**





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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 2021.

### 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:

#### **G A Billings\*** **BComm FCA MAICD**

Appointed Non-Executive Director on 20 December 2011, and Chairman on 4 September 2020

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 Austco 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. He was formerly a Non-Executive Director of DomaCom Limited (retired 15 June 2021).

#### **M G Smith\*** **Dip. Business (Marketing) FAMI CPM FIML FAICD**

Former Chairman through to 4 September 2020

Mr Smith was 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.

#### **D D Robinson\*** **BSc MSc**

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

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

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

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

Appointed Non-Executive Director on 1 August 2015, and appointed Deputy Chair on 1 October 2020

Ms Templeman-Jones is currently Chair of Blackmores Limited (appointed 28 October 2020), a Non-Executive Director of Commonwealth Bank of Australia (appointed 5 March 2018) and a Non-Executive Director of Worley 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, and Chair of the Risk and Compliance Committee.

Ms Douglas is currently a Non-Executive Director of Hansen Technologies Limited (appointed 15 February 2017) 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. She is a former Non-Executive Director of Opticomm Limited (retired November 2020) 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.

**C L Campbell** **B Econ, Acc and Fin Mgmt GAICD**

Appointed Non-Executive Director on 16 March 2021, and Chair of Audit Committee

Ms Campbell has over 30 years' financial executive experience in a range of industries including professional services, financial services, media, mining and industrial services. Ms Campbell commenced her career with KPMG and has held executive roles with Macquarie Group, Westpac Institutional Bank, Seven West Media, Bis Industries and Merivale.

Ms Campbell is currently a Non-Executive Director and Chair of the Audit Committee for Humm Group Limited (appointed May 2018) and Non-Executive Director of Southern Cross Media Group Limited (appointed September 2020). She is also Deputy Chair of the Australian Film, Television and Radio School. She was previously a Non-Executive Director of IVE Group Limited (retired November 2020) and The Sydney Film Festival.

**Prof J Pollaers OAM** **BElecEng (First Class Hons) BSc MBA**

Appointed Non-Executive Director on 23 June 2021

Professor Pollaers has over thirty years' experience in FMCG and healthcare sectors, as well as considerable manufacturing experience. Mr Pollaers was CEO of Pacific Brands from 2012 until 2014. Before that he was CEO of Fosters prior to the sale to SAB Miller. His executive career commenced with Diageo where he spent almost 20 years rising to the role of President Asia-Pacific.

Mr Pollaers is currently Chancellor of Swinburne University of Technology, Chairman and Founder of Leef Independent Living Solutions Pty Ltd and recently appointed as Independent Chair of the Australian Financial Complaints Authority.

Mr Pollaers was formerly Chairman of the Australian Advanced Manufacturing Council, Chair of the Aged Care Workforce Strategy Taskforce for the Federal Government, Chairman of the Australian Industry and Skills Committee and a member of the Prime Minister's Industry 4.0 Taskforce.

**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.*

**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. Mr Fraser joined the Company in January 2012.

**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 35 years. Mr Tyler joined the Company in June 2005.



## Directors' Attendances at Meetings

The Board held eleven scheduled meetings during the year.

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

Directors	Board		Audit Committee		Risk and Compliance Committee		Nominations Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
G A Billings	11	11	4	4	4	4	4	4	7	7
A L Templeman-Jones	11	10	4	4	4	3	4	3	7	7
D D Robinson	11	11	4	4	4	4	4	4	7	7
J A Douglas	11	11	4	4	4	4	4	4	7	7
C L Campbell <sup>1</sup>	4	4	1	1	2	2	2	2	3	3
J C Pollaers <sup>2</sup>	-	-	-	-	-	-	-	-	-	-
M G Smith <sup>3</sup>	1	1	1	1	1	1	-	-	1	1
G Whickman	11	11								

<sup>1</sup> Ms Campbell joined the Board on 16 March 2021

<sup>2</sup> Mr John Pollaers joined the Board on 23 June 2021

<sup>3</sup> Mr Smith retired 4 September 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 2021	Total 30 June 2020
G A Billings	656	14,450	15,106	11,250
D D Robinson <sup>1</sup>	2,608	13,000	15,608	13,000
A L Templeman-Jones	540	7,102	7,642	7,642
J A Douglas	-	6,119	6,119	-
C L Campbell <sup>1, 2</sup>	-	-	-	-
J C Pollaers <sup>2</sup>	-	-	-	-
M G Smith <sup>3</sup>	-	-	-	66,000
G Whickman	27,000	-	27,000	27,000

<sup>1</sup> Mr Robinson is a participant in the Non-Executive Director Share Plan, and currently holds 1,705 Share Rights under that plan, which will convert into Restricted Shares six months after grant in March 2021 and June 2021. Ms Campbell joins the Non-Executive Director Share Plan effective 1 July 2021

<sup>2</sup> Ms Campbell joined the Board on 16 March 2021, and Mr Pollaers joined the Board on 23 June 2021

<sup>3</sup> Mr Smith retired on 4 September 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](http://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, United States of America and France.

Other than as referred herein and in the Operating and Financial Review set out on pages 7-14, 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.

## Share Capital

At 30 June 2021, there were 94,181,047 (2020: 86,701,174) ordinary shares on issue.

The increase in shares on issue resulted from:

- a) the issue of 224,234 shares under the Dividend Reinvestment Plan in September 2020;
- b) the issue of 4,888,889 shares under a share placement in November 2020;
- c) the issue of 1,882,997 shares under the Share Purchase Plan in December 2020, and
- d) the issue of 483,753 shares under the Dividend Reinvestment Plan in March 2021.

## Dividends

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

- A final ordinary dividend of 12 cents per share in respect of the year ended 30 June 2020 was declared on 28 July 2020 and paid on 28 August 2020, amounting to \$10,404,141. The final dividend includes dividend reinvested of \$2,540,117. This dividend was fully franked.
- An interim ordinary dividend of 25 cents per share in relation to the half year ended 31 December 2020 was declared on 11 February 2021 and paid on 5 March 2021, amounting to \$23,424,323. The final dividend includes dividend reinvested of \$5,793,877. This dividend was fully franked.
- A final ordinary dividend of 32 cents per share in respect of the year ended 30 June 2021 was determined on 4 August 2021 and is payable on 3 September 2021 to shareholders registered on 20 August 2021. This dividend will be fully franked. Shares will trade ex-dividend on 19 August 2021. 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 99 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 358,888 Performance Rights were granted to executives under the GUD Holdings 2023 Long Term Incentive Equity Plan. This included 53,198 Performance Rights granted to the Managing Director in October 2020, after receiving approval of shareholders at the 2020 Annual General Meeting.

As a result of failing to meet TSR targets, 218,496 performance rights granted in July and October 2018 lapsed in relation to the GUD Holdings 2021 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 95,483 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 previous financial 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 2021, there were 1,705 Share Rights on issue.

Additionally, during the current financial year, the Company established an Executive (Salary Sacrifice) Share Plan, pursuant to which executives may sacrifice some of their salary into Share Rights which six months later vest as Restricted Shares (subject to restrictions on dealing for a period of time nominated by the executive at the time of making application). Shares to satisfy the vesting will be acquired on market. As at 30 June 2021, there were 8,871 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 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 Key Management Personnel**

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



### Director and Executive Key Management Personnel Benefits

Details of the benefits paid or provided to Directors and specified Executive Key Management Personnel are included in the Remuneration Report, which forms part of this Directors' Report, and in summary in Note 32 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 4 August 2021, the Board of Directors declared a fully franked final dividend in respect of the 2021 financial year of 32 cents per share. Record date is 20 August 2021 and the dividend will be paid on 3 September 2021.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the 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.

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, appearing to read 'G A Billings', written over a horizontal line.

G A Billings  
Chairman of Directors

A handwritten signature in black ink, appearing to read 'G Whickman', written over a horizontal line.

G Whickman  
Managing Director

Dated at Melbourne, 4 August 2021

## 1. Overview

We are pleased to provide an update on the performance of GUD in FY21. This was a challenging period in an operational sense, but a successful one in respect of our relationships with employees, customers and suppliers. FY21 was also rewarding with the Group achieving a record financial operating performance.

FY21 began in the way that FY20 finished, with much uncertainty surrounding our business and the countries and customers we serve. Management of our businesses continued with the same level of focus employing our well documented COVID-19 response plan framework, with a view to managing our business in a responsible, deliberate and if required, tactical and nimble manner.

We maintained the same emphasis on both offence and defence, meaning that we didn't just stop at ensuring our business remained healthy. We also looked for tactics to make our business stronger than when we first entered the COVID-19 period.

The attention on our employees, customers and suppliers continued unwaveringly. The groundwork laid in the early COVID-19 response resulted in GUD enjoying the benefits of strengthening revenue and profitability as the market started to rebound. The Automotive Business Units (BUs) benefitted greatest from their resilient addressable market and industry, validating a view we have held for some time.

The beginning of the year started strongly, particularly in our Automotive businesses with our customers responding to strong domestic demand, in part to restock, and in part due to strengthening end user demand. We did, however, experience large fluctuations in demand throughout the year from our export customers.

The decisions made in the prior year to maintain a strong inventory position allowed us to leverage this increased demand. However, reasonably high operational costs were experienced to ensure we could meet elevated demand in the first half and this effect was heightened in the second half of the year. The significant effort shown by our many warehouse and logistics employees was commendable. There were periods where constrained employee numbers were in place due to mandated lockdowns, and other times where we had semi-permanent overtime hours and were employing incremental casual labour to keep pace with order backlogs and rebounding demand.

Our supply base remained loyal and provided tremendous support in ensuring our demand forecasts were met with priority and speed. The increase in global demand meant that the Group encountered substantial shipping and logistics challenges. Getting the products to the embarkation ports turned out to be the easiest part of the supply chain. The greater challenge was unprecedented increases in shipping costs which began to emerge early in the year. However, these costs escalated in late Q2 and continued to hit hard in Q3 and Q4. In addition to these cost increases, an unparalleled amount of time and energy was employed managing the logistics chain to maintain a constant supply of our goods. This often resulted in a difficult balance of sea and airfreight logistics, and we chose to take a position where we would airfreight products to avoid disappointing our customers. All these actions were taken in a calculated and strategic way, knowing that the upside in customer relationships could manifest in broader share of wallet and market share opportunities.

We are proud of our businesses, all of which remained operational throughout each lockdown. Our commitment then, and now, is to maintain a safe working environment. Our workplaces were in a constant state of flux reacting to various COVID-induced effects. Each business' response to the COVID-19 situation was built off a common 'platform' of WHS actions, developed through a dedicated COVID-19 WHS subcommittee. Naturally the normal health and safety efforts ran in the background, and we had a full year of utilising the Vault reporting platform. We were pleased with the increase in the level of general reporting through Vault, including the number of hazards and near misses, and believe the safety culture in GUD continues to get better each year. We recognise the Lost Time Injury Frequency Rate (LTIFR) measure increased vs. prior year. We re-classified physiotherapy-treated injuries as Medically Treated Injuries (MTI's). The increase in LTIFR was predominantly a trend of 'sprains and strains', which has driven a bespoke workstream to review and improve across the BUs.

GUD's overall LTIFR performance was still significantly better than the Safe Work Australia's industry benchmarks. However, we also need to recognise the performance of our acquired businesses, which by nature of their manufacturing operations, carry a greater injury risk potential to our employees. This has been mitigated with significant upweighting in the attention and focus of the acquisition management teams who are working to the GUD level of health and safety expectations and standards.

We were pleased with the results of our FY21 employee satisfaction survey. This was conducted at a time of much uncertainty and yet the results improved versus the prior year and again placed GUD in the top 25% of global companies measured in the Qualtrics study. Importantly, 15 of the 17 key attributes in this study improved over 2020 and employees' highest rated attribute at 94% was a "strong commitment to safety" at GUD (see Sustainability Review).



In terms of financials the revenue for the year increased 27.2% to \$557 million, with revenue growth in Australia up 24% and NZ up 37%. The performance of the latter reflects a longer and more severe lockdown in the prior year.

Reported EBIT increased 31% to \$97.4 million. This included \$2.8 million in JobKeeper receipts in H1 and also reflected \$3.9 million of significant items which principally relate to restructuring costs associated with AA Gaskets ceasing manufacturing and acquisition transaction and diligence costs.

Underlying EBIT increased 25.4% to \$101.2 million, which was just above the top end of our guidance and a record for operating performance. Underlying NPAT rose by 32.7% to \$64.0 million.

Consequently, the reported basic earnings per share of 67 cps was up 32.9% from the prior year's result of 50.4 cps. The final dividend payment to our shareholders is 32 cps bringing the full year total to 57 cps, and a pay-out ratio of 83.7% of underlying NPAT.

Our balance sheet remains strong with gearing, being lease adjusted net debt against net debt plus equity, of approximately 27%, and robust interest cover. Pre-tax cash conversion of 86.5% was achieved for the period which was above our guidance. At the reporting date, available unused banking lines were in excess of \$42 million with an undemanding lease-adjusted net debt to earnings ratio of 1.4 times. Hence, the Company is well placed to support both organic growth and further bolt-on acquisitions.

As outlined earlier, we saw the follow through of the expected step up in cost pressures in H2. These incremental costs came in the form of higher sea freight costs (in many cases the spot rates were between 6 to 10 times the normal contracted rates), a much higher proportion of air freight as well as the overtime and casual labour rates loadings. In addition, the hedged foreign currency cross rates in H2 were notably lower than H1. While we expect these cost pressures to remain, we expect to benefit from more favourable currency and pricing as we move into FY22.

As detailed, the operational impacts across all the GUD businesses have been comprehensive, as has our response. The fact remains that GUD's automotive businesses continued 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.

Every automotive business experienced double-digit sales growth and therefore contributed strongly to the aggregate 17.6% organic revenue growth.

Brown and Watson International (BWI) was the largest contributor to Automotive revenue growth. The breadth of category offering (upwards of 20 major categories) really assisted in tapping into strong demand from its traditional base of auto electrical products in auto retail and auto trade channels. BWI also benefitted from strong pent-up demand from OEM customers in the truck and trailer categories and were delighted to win the Jayco business with power management products in the Projecta brand range. The Group was proud to see BWI receive a top 10 place in the AFR Boss Most Innovative Companies category awards.

Innovative Mechatronic Group's (IMG) sales growth was outstanding. IMG's sales of engine management parts servicing the independent reseller channels continued strongly. The bigger lift came in repair and remanufacturing sales which regularly set record jobs per day through FY21. Importantly, IMG started to increase its repair footprint geographically by opening an operation in NSW during the year with new locations to follow. IMG were also excited by launching a groundbreaking ANZ Hybrid battery refurbishment program in H2 and the consequent long-term growth prospects for this greenfield business opportunity.

AA Gaskets (AAG) delivered strong growth throughout the year. This was even more impressive when you consider a year in which there was such significant operational disruption in both the domestic operations and the offshore supply chain. Domestically, AAG completed the proof-of-concept integration project. This resulted in the total operation moving 40 kms to the Ryco location. The scope was large and involved decommissioning the old site, building a 1,200 square metre mezzanine floor at Ryco to work from, moving to a shared Ryco ERP and setting up the complete operation, all while recording significant sales growth on the prior year.

Disc Brakes Australia's (DBA) performance in export markets improved on FY20 and achieved a faster rate of growth than the domestic business. This led to offshore customers contributing just over 20% of total sales in 2021. DBA added to its international customer base in countries such as USA, Peru, Chile, Fiji and Eastern European Countries such as Kazakhstan. Export and domestic sales both delivered double digit growth, and this was supported by strong rotor sales with particular attention on brake upgrades, growing New Zealand sales and later in the year the new disc pad program.

In the 2020 year, Wesfil delivered strong sales growth, which was counter to most other Automotive business units. It was satisfying to see that Wesfil was able to maintain good growth in FY21. Wesfil's product positioning in the market continues to be well received, particularly with the independent reseller network.



Ryco reversed its prior year fortunes with strong growth throughout the year. Ryco was watching closely for any sign that sales growth driven by the early Q1 restocking would abate. This didn't occur with the strong sales growth being sustained throughout the year. In addition to Ryco's typical filter range expansion, it also had a more expansive range of newly launched catch can products and reflecting the COVID-19 world in which we now live, Ryco launched a N99 cabin air filter range. Pleasingly, Ryco was the recipient of two top 10 rankings from the AFR, the AFR Most Innovative Companies and AFR Boss Best Places to Work awards.

Our water business fared less strongly given its exposure to local manufacturing and assembly which felt the direct impact of lockdowns. The numerous and lengthy lockdowns resulted in factory inefficiencies of substantive proportions. Davey remained operational at all times in FY21 but at factory loads of between 50% to 66%. In addition to an inefficient factory load, Davey was unable to produce certain products that were deemed "non-essential".

On the demand side, the domestic marketplace continued to show some strength, but the export markets of Davey were massively disrupted for large parts of FY21. When select export markets started to show some life, the Davey team were then short of product supply. This resulted in further cost imposts as we chose to supply whatever we could using higher cost labour and freight arrangements to support the customers. Davey will take some time to right size its demand-aligned inventory position as raw materials supply and production challenges normalize.

As part of strengthening the Group's Business Foundations, we previously outlined a focus on five key areas: Customer Relationships, Supplier Engagement, People Cycle Planning, Product Cycle Planning and Operational Efficiency. When we commenced work on the Group's business foundations, nobody could foresee a global pandemic. However, in FY21 our ongoing attention to these business foundations allowed a 'springboard' for better operations and results.

GUD's portfolio is centred on the Automotive and Water businesses. Product cycle planning is a critical workstream to drive organic growth. However, acquisitions also remain part of GUD's growth pathway. GUD laid out its acquisition thinking in the last Investor Day. We spoke of acquisitions in product categories where we do not presently operate, and two key themes, being 4WD/SUVS and Electric Vehicles.

In FY21, GUD reviewed multiple acquisition opportunities using our refined acquisition criteria developed and implemented over the last 2 years. During the year, GUD made two acquisitions that were in line with the strategy outlined at our 2019 Investor Day. GUD acquired Australian Clutch Services (ACS) and the ACAD businesses which consisted of 5 individual BUS serving the 4WD/SUV market. The latter are now internally referred to as the GUD 4WD & Commercial Vehicle accessories (G4CVA).

Mindful of avoiding any acquisition 'indigestion' issues, we put key structures in place. ACS has been put into a newly formed Friction Division, alongside DBA, and led by our existing DBA leader. We pulled out the AE4A business from G4CVA and moved that into the BWI Group, where AE4A's core auto electrical brands and products sit most naturally, and forms an Auto Electrical Division alongside Griffiths Equipment (GEL) in NZ. Finally, the onboarding of the remaining G4CVA businesses has been assisted by a dedicated integration leader. This is a first for GUD and picks up from recent lessons learnt. In terms of the G4CVA businesses, we are concentrating on three stages of 'buy, bolster and build', which is over the first 12 – 18 months.

We have been pleased with the top and bottom-line performance of the newly acquired businesses. Their performance is in line with our expectations and the integration efforts are well advanced. The businesses are working in line with the philosophy of 'sovereignty with strength', leveraging the scale of our operations without threatening the autonomy and accountability for delivery.

GUD believes acquisition opportunities for the automotive portfolio are still available and desirable. As the environment remains fluid with COVID-19 impacts, GUD will move with calculated caution to pursue its acquisition pathway.

As part of the GUD portfolio aspirations, we recognise there is further work on our ESG strategy to be completed. GUD was happy to see the continued improvement over prior years of its non-internal combustion engine (ICE) related revenue, which is now 60% of total Automotive revenue. We continue to take early steps to allocate human and financial resources reflecting the Group's ESG aspirations, and in the Sustainability Review we detail the next steps of our ESG journey. This will ensure GUD understands the impact of our footprint and takes a clear view on our part of the solution, whether it be the way we operate or the products and services we provide.



## 2. Financial Performance Review

### Revenue

Total Group revenue increased 27.2% on prior year inclusive of acquisitions, with organic growth of 15.2%. Davey's revenue grew by 5.8%, and the Automotive businesses reported growth of 34.1% with organic growth of 17.6%.

The result reflects not only the acquisitions for the year which contributed \$52.6 million, but organic growth of 15.2% from existing businesses. These businesses saw both a recovery in demand after the fall away in the fourth quarter of the prior year and strong year on year sales growth across the year. GUD's inventory was well positioned for recovery in demand, which is reflected in the growth in inventory balances in the year. This positioned us strongly to respond to the level of market demand and potentially achieve market share gains.

### Profitability

The Group reported a net profit after tax of \$61.0 million which increased by 39.6% on the prior year.

- i. Significant one-off costs of \$3.9 million were incurred in relation to supporting the portfolio activities including acquisition due diligence and execution costs (\$1.2 million),
- ii. Costs associated with the remaining AA Gaskets restructuring back-office integration into Ryco (\$2.3 million), and
- iii. Davey restructuring costs (\$0.4 million)

The reported underlying NPAT of \$64.0 million compared to \$48.2 million the prior year, representing an increase of 32.7%.

Reported underlying Earnings Before Interest and Tax (underlying EBIT) was \$101.2 million compared to \$80.7 million in the prior year, an increase of 25.4%. The result principally reflects higher Automotive end-user demand through the year as well as a contribution of \$6.7 million from the newly acquired entities. Similar to the prior year, we received an amount of \$2.8 million in government COVID-19 subsidies which were more than absorbed by higher operational costs and maintaining pay levels for staff who were underemployed or unable to do their job as a result of government mandated COVID-19 shutdowns.

### Dividends

The total dividend for FY21 was 57 cents per share, consisting of an interim dividend of 25 cents per share and a final dividend of 32 cents per share. Both dividends were fully franked and represent an aggregate 84% payout of full year underlying NPAT. This compares with total dividends of 37 cents per share in the previous financial year where caution was exercised given the uncertainty around the prevailing trading conditions and the potential impacts from the COVID-19 pandemic. The full year dividend represents circa 2% growth over FY19 (pre-COVID levels) which is pleasing considering the expanded capital base following the capital raise prior to the acquisition of the G4CVA business and that the G4CAV and the ACS acquisition only contributed six and four months, respectively, to the FY21 result.

In line with the desire to position the Company for organic or acquisition growth opportunities, the Board has re-activated the Dividend Reinvestment Plan for the final dividend with a 2.5% discount.

### Cash Generation and Capital Management

Reported Net Cash Flow from operating activities was \$74.4 million, up \$8.9 million from the \$65.5 million reported in FY20. A cash conversion result of 86.5% was achieved compared to 97.8% in the prior year but was slightly above our internal expectation. Running higher inventory levels was part of our COVID-19 response plan, and the lower cash conversion performance results reflects the higher inventory level sustained across the businesses. With the global recovery in demand in FY21, our entire supply chain is experiencing difficulties securing shipping containers, securing container positions on ships which is extending shipping times, and difficulties with port clearance times. Consequently, we believe that the higher inventory levels may need to remain for some time to mitigate supply chain disruptions and minimize lost sales.

During the year, the Company completed an equity raise of \$75.7 million in support of the G4CVA acquisition which involved a net cash outflow of \$66.5 million for this business. In the second half, we announced and completed the acquisition of the ACS business which involved a net cash outflow of \$30.1 million. At year end, net debt was \$146.6 million, an increase of \$4.5 million over the prior year. The total cash balance at year end was \$42.6 million





**External Financing**

During the year, the Company added to its core debt facilities of \$225.0 million with an additional facility of USD1 million. In addition, as part of a COVID-19 response plan, on 1 July 2020, the Company secured additional short-term facilities of \$22.5 million which were not renewed on their expiry date of 30 June 2021. With unused borrowing facilities of \$42.1million and solid financier support, the Company is well positioned to contemplate additional bolt on acquisitions and continue to fund organic growth.

**3. Strategy Overview**

In FY21, the Board and Management maintained its attention and focus on the individual business unit strategy plans.

At an individual business level, we continue to apply the GUD high-performance approach for both operational fitness actions and broad strategy execution. We utilise 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 same approach will be rolled out to our newly acquired business units over the next 12 – 18 months.

The Board and Management remain committed to delivering appropriate shareholder returns sustainably. We regularly review and update individual business unit strategy plans and remain confident in our current portfolio of businesses. We continue to sharpen our strategic direction by focussing on three pillars of **Core**, **Growth** and **Acquisition**.

We believe these pillars provide fertile ground for further top and bottom-line growth. However, these initiatives do not materialise overnight and require a steady and thoughtful approach in the short to medium term. Importantly, we pursue these workstreams with dedicated in-house people and cost-efficient external expertise to ensure we deliver results.

 <b>CORE</b> Group-wide initiatives that leverage scale and promote operational fitness	 <b>GROWTH</b> Individual business unit strategies seeking organic growth and innovation	 <b>ACQUISITION</b> Programmatic approach to capture strategic categories and grow the portfolio
Examples include: <ul style="list-style-type: none"> <li>&gt; GUD Quality Council and GUD IT Council leverage groupwide scale and skills</li> <li>&gt; Dedicated management resources to uplift IT capability and manage cybersecurity risks</li> <li>&gt; Completion of AAG/Ryco integration proof of concept which may serve as a blueprint for the future</li> </ul>	Examples include: <ul style="list-style-type: none"> <li>&gt; Maturing of business unit competitive strategies and introduction to Playing to Win framework in acquired businesses</li> <li>&gt; Increased investment in new product development across business units</li> <li>&gt; Further strengthened resources dedicated to innovation and strategy development</li> </ul>	Examples include: <ul style="list-style-type: none"> <li>&gt; Completed two acquisitions to strategically capture portfolio opportunities in new product categories (ACS: clutch) or strong industry thematics (G4CVA: 4WD accessories)</li> <li>&gt; Established acquisition integration blueprint for future acquisitions</li> <li>&gt; Strong automotive acquisition capacity of dedicated management team members</li> </ul>

*GUD Strategic Pillars*

Our belief remains that the focus on these three key pillars and our 5 business foundations will provide a good level of opportunity for further growth. In FY21, we added to the Group team two new roles whose mandate is to further assist in the M&A and strategy development at BU and Group level.

In FY21 the Board and Management have taken further steps to ensure we deliver comprehensive and methodical integration workstreams.

The GUD Board and Management operate a steady rhythm of strategic dialogue to proactively manage the portfolio in response to both opportunities and threats in the macro environment. We remain willing to make logical automotive acquisitions that bolster the competitive strength of our portfolio and increase long-term shareholder value.



#### 4. Risk Review

FY21 represented the third year since the Board created a separate Board committee to focus on Risk and Compliance. This year’s risk reviews continue to build on, mature and respond to evolving industry and global risks including, but not limited to, climate change, customer risks, supply chain risks, cyber risks.

Consequently, there has not been a need to make any fundamental changes to risk themes, key risks or key mitigating action plans. The enduring risk themes, key risks, and mitigating actions are:

<b>Risk Themes</b>	<b>Key Risks</b>	<b>Examples of Mitigating Actions</b>
Climate change	Disruption to customer and market segments due to climate change	Mitigation strategies and actions outlined in the following risk themes (e.g., customer risks, reputation risk and disruptive technology)
Customer risks	Over reliance on single customers, or new entrants’ routes to market, or potential disruptive existing customer behavior	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 in a loss in supply with potential sales impacts. Consistent supply depends on availability of reliable logistics	Multiple parallel sourcing for critical items, utilisation of a broad range of suppliers, supplier quality control processes, Quality and Supplier Council and shipping / freight agreements
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 and 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



Risk Themes	Key Risks	Examples of Mitigating Actions
Acquisition and Integration risks	Newly acquired business policies and processes do not meet GUD standards related to safety, compliance, cyber and risk management	Establishment of acquisition integration blueprint to uplift newly acquired business policies, processes and standards to GUD acceptable standards and levels. For larger acquisitions, assignment of dedicated integration lead
Information Technology and Cyber risks	Continuity of business impacted or loss of 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 and modern slavery risks

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

## 5. Outlook

At the time of writing, the country has been put back into lock down settings across many of the bigger states. These settings are different from state to state, with NSW under significant restriction settings. In the short term, mobility restrictions represent the largest swing factor of revenue. GUD’s ability to remain operational should follow the same pattern set in FY20, with both Automotive and Water businesses deemed as essential services. This of course requires GUD to ensure it complies with any Federal or State Government direction and could result in less-than-optimal operational patterns of work.

GUD believes our short-term prospects over the next year remain relatively positive. GUD’s contention put forward in last year’s OFR remains relevant. The mobility trends that have been experienced in FY21 such as higher domestic tourism, lower public transportation usage and used car sales velocity are expected to play out in a similar way, creating what GUD believes is a positive but hard to estimate net tailwind.

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	⬆️
More repair, less replacement	⬆️
Rise in DIY activities	⬆️
Cost inflation	⬇️
Supply chain disruption	⬇️
Export market volatility	⬇️



In the mid term to long term, GUD remains well placed. The Automotive division maintains strong brands, products and customer service in support of a large and proliferated car parc which is strongly defensive. The 5 years old plus car parc grew again in FY21 and is forecast to grow at a modest and steady rate in the mid-term. The average age and composition of the car parc, with higher volumes of Pick Ups and SUV's, is a strong trend that plays to our existing and newly acquired businesses products and channel to market strengths.

The vibrancy of the independent workshops was further assured in 2021, with the 'Right of Repair' legislation being passed into law in June 2021.

GUD's position on the long-term outlook for electric and autonomous vehicles remains unchanged. GUD modelling concluded that the addressable market in 2030 of 5 year-old plus vehicles with internal combustion engines (ICE) would remain largely consistent with the circa 14.5 million units seen in FY21. In FY21, GUD generated 40% of its automotive revenue from products specific to ICE vehicles, which was less than the prior year and is in line with recent GUD trajectory. Although our modelling concludes that there will not be a material impact of electrification for at least the next decade, GUD is already embarking on developing products and services to serve its early stage market, such as the Hybrid battery refurbishment program. In addition, our capital and human resource allocation is deployed with the future in mind.

GUD's view on our water business remains unchanged. Davey's prospects remain strong given the varying countries we serve and our view of the secular growth opportunity presented by the global need for water management. Short-term efforts are concentrating on getting Davey back to normal operational patterns which will not be an easy undertaking given supply chain disruptions. Disappointedly, Davey has clearly lost valuable time in its broader strategy execution. However, this does not serve as a deterrent for GUD to push hard to unlock further value in the Davey operation.

### **6. Trading and Guidance**

The underlying structural support for the Automotive aftermarket sector is unchanged and we expect that our strong market position, coupled with growth in the car parc is supportive of sustained organic growth in Automotive. Similarly, our desire and capacity to pursue Automotive aftermarket acquisitions has not altered and the pipeline of opportunities remains attractive.

That said, as we have articulated, short term challenges remain. Volatile trading conditions returned in July and have continued into August 2021. Looking through the lockdowns, and as we cycle a record sales performance in the prior year, our expectation is that Automotive organic growth will moderate and normalise over time. With a return to a more normal manufacturing environment, we expect the performance of the Water business to improve in FY22.

We anticipate that a mix of organic growth, the full year contribution for the acquired business, and focussed margin management will be the key profit growth drivers in FY22 although volume growth may continue to be impacted by COVID-19 lock-downs and mobility restrictions.

While ongoing COVID impacts continue to create uncertainty, the net effect of the tailwinds and headwinds suggest that GUD remains relatively well placed.

Given the recent and more widespread COVID lockdowns with uncertain durations, the demand environment is too dynamic to provide reliable full year guidance. We expect to provide a further update at the AGM on 29 October 2021.



## Performance Highlights

- 1. 94% of staff feel there is a “strong commitment to safety” placing GUD in the global top-quartile Safety focus**
  - For the fifth consecutive year, Safety was rated in the global top quartile in our annual employee engagement survey. 94% of respondents felt that there was a strong commitment to safety compared to the global top-quartile benchmark of 89%.
  - Adoption of our new mobile-app based safety reporting system, Vault, has seen an ~20% increase in safety hazard and incident reporting
  - The health, safety and wellbeing of our employees has continued to be a key priority as COVID-19 continues to impact our people and businesses
- 2. GUD employee engagement is ranked in the global top quartile with Ryco listed in the Top-Ten Best Places to Work**
  - Ryco recognised in the 2021 AFR Boss Top ten best places to work list for the Manufacturing and Consumer Goods category
  - Overall employee engagement is ranked in the global top quartile, up 2ppts on last year to 79%
- 3. Automotive Group revenue has grown to 60% non-ICE related product over the last three years**
  - Through a mix of organic growth and strategic acquisitions, the non-ICE share of Automotive group revenue has grown from 54% to 60% over the last three years balancing successful growth in the ICE related product range
- 4. We have strengthened female representation on the Board exceeding our minimum 30% target and increased female representation at the Senior Management level**
  - During the year our third female Director joined the Board exceeding our minimum 30% female representation target
  - Female representation at the Senior Management level has increased 4ppts to 20% highlighted by two new female business leads at Davey and Griffiths Equipment joining the Group
- 5. The GUD Ethical Sourcing Code has been extended to encompass the recently released Modern Slavery Statement**
  - GUD has upgraded and integrated its Ethical Sourcing program with the release of GUD’s first Modern Slavery Statement published in March 2021

## About this Review

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.

This Review covers GUD’s sustainability performance across our Australian and New Zealand operations for the year ended 30 June 2021.

GUD seeks to continuously enhance its disclosures utilising the GRI Standards to improve the comparability of our reporting. Selected Global Reporting Initiative (GRI) Standards were leveraged to inform the content and scope of the report where applicable and accordingly, this report is GRI-referenced.



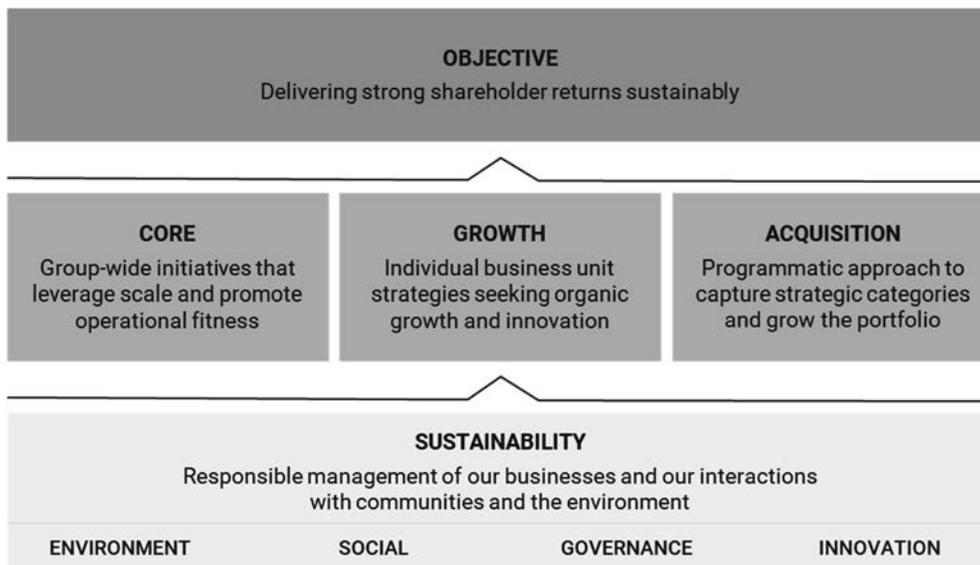
**Sustainability at GUD**

*GUD is committed to the responsible management of our businesses and our interactions with communities and the environment.*

**ESG Framework and Focus Areas**

GUD is focussed on delivering appropriate shareholder returns, sustainably. The company creates value through a set of reinforcing strategic pillars:

- Core: group-wide initiatives that leverage scale and promote operational fitness.
- Growth: individual business unit strategies seeking organic growth and innovation.
- Acquisition: a programmatic approach to capture categories and grow the portfolio.



Within each of these pillars, our actions are guided by our commitment to sustainability through the responsible management of our businesses and our interaction with communities and by living by GUD’s core values. We pay particular attention to material topics across four Sustainability categories Social, Environment, Governance and Innovation.

As a holding company, GUD comprises a group of businesses that deliver a diverse product range. 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.

**Our Values:** GUD’s core values are principles that guide our decisions and which the company and individuals live by.

**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.

## Focussing on the Topics that Matter

As an organisation, we continually review and evolve the key environmental, social, governance and innovation topics that could materially impact GUD and our stakeholders. In doing so we consider a range of factors, including regulatory and legislative changes, peer benchmarking, GRI Standards, macroeconomic trends and stakeholder feedback on prior-year disclosures. We have focussed this review on the environmental, social, governance and innovation topics outlined below with Climate Change and Clean Technology added as a new topic in FY21.

Element	Our Material Topics	Definitions
SOCIAL	Health and Safety	Our culture is driven by a strong level of engagement, ownership and accountability for health, safety, and wellbeing (HSW)
	Human Capital	Investing in people and culture strategies which foster a high-performing and engaged workforce and realise the full potential of our human capital
	Diversity and Inclusion	Building an inclusive workplace that values and promotes diversity and treats all people fairly and equitably
	Product Safety and Quality	Ensuring our products are designed and manufactured to be safe and of high quality for their intended use
ENVIRONMENT & CLIMATE CHANGE	Climate Change & Clean Technology Transition	Effectively managing and responding to the risks and opportunities presented by climate change and the transition to clean technologies
	Water Management	Efficient use of water resources and responding to the water scarcity and quality challenges in Australia and New Zealand
GOVERNANCE	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
	Sustainable Procurement	Partnering with responsible suppliers to build compliance, monitoring and improvement in the standards of labour, safety, ethical practices and environmental impact
INNOVATION	Product & Process Innovation	Change that adds value – focussing on new ideas and processes that create value for our customers

## Advancing the GUD Sustainability Strategy

As part of GUD’s commitment to sustainability and in response to the increasing importance of sustainable business practices and managing climate change risks GUD is undertaking a structured program to develop a comprehensive Sustainability Strategy and Reporting Framework over the next 24 months. Development of the Sustainability strategy will be integrated with the overall business and corporate strategy and aligned with internationally-recognised sustainability guidelines, standards and good practices.

The overall Sustainability strategy program will comprise three key phases:

1. **Materiality Assessment:** To identify, evaluate and prioritise the broad range of ESG issues most relevant to GUD and its stakeholders
2. **Strategy, Targets and Process Development:** To develop and integrate the ESG strategy and targets with the broader business and corporate strategy and remuneration structure
3. **Reporting:** To consolidate the ongoing measurement and reporting of ESG performance against agreed targets  
GUD is targeting completion of the Materiality Assessment in first half of FY22 and the Strategy Review in the second half FY2022

## Materiality Assessment

While we have previously conducted a materiality assessment with internal stakeholders to prioritise the sustainability topics that matter most to our businesses, feedback has highlighted the additional benefit of broadening our consultation to include a range of external stakeholders.

We have engaged a consultancy to conduct an externally focussed Materiality Assessment including consultation with a set of key shareholders, debt holders and customers to identify their expectations and topics of importance This materiality assessment will provide an additional input to the Board and Executive team in setting an integrated business-sustainability strategy and targets. This consultation program is now underway with the findings together with the above-mentioned Strategy Review to be reported in next year’s sustainability review.

## Social

### Workplace Health and Safety

***At GUD, our culture is driven by a strong level of engagement, ownership and accountability for health, safety, and wellbeing (HSW).***

Our HSW management system is aligned with AS/NZ 4801. 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. Individual sites or departments hold regular tool-box meetings to ensure safety is top of mind.

GUD's commitment to safety continues to be rated very highly by employees. For the fifth consecutive year, Safety was rated in the global top quartile in our annual employee engagement survey. 94% of respondents felt that there was a strong commitment to safety compared to the global top-quartile benchmark of 89%.

During FY21 our HSW approach continued to be underpinned by safety leadership, employee engagement, robust HSW plans, targeted risk assessments, safety audits and Board safety walks. In addition, the following three areas have been of particular focus over the past year.

#### **1. Maintaining employee safety, wellbeing and mental health in response to COVID**

The health, safety and wellbeing of our employees has continued to be a key priority as COVID-19 continues to impact our people and businesses. Initiatives to ensure a steady flow of information, communication and contact with all employees whether working from home or attending at their worksite have been a constant focus.

COVIDSafe plans have been actively deployed and employees engaged in ensuring everyone plays their part in keeping our people and workplaces COVID safe.

Our Non-Executive Directors continued their active Safety engagement program with safety walks and physically-distanced 'townhall' meetings with staff, held in our warehouses where space allowed this to occur safely.

The collaborative HSW sub-group formed in the early stages of COVID-19 and comprised of a member from each business has continued to be very active over 2021. The group has been instrumental in supporting the following key actions within our businesses:

- Communication campaigns on health and hygiene matters related to COVID-19
- Tailored plans to ensure the needs of our people were met in returning to our workplaces
- A comprehensive mental health and wellbeing program, including the establishment of a Peer Support Program, where people within each business are trained (and supported) to provide mental health and wellbeing support to their peers
- Promotion of our partnership with Benestar, our employee assistance programme provider

#### **2. Establishment of a new online reporting system to drive increased reporting and risk identification across all business units**

Over the past two years, we have established Vault, an online reporting system for workplace incidents and accidents, for all our businesses. Employees can report directly using the Vault app, through their supervisors, or via a member of their HSW committee. All hazards, incidents or matters reported via Vault are automatically forwarded to senior management in the business.

With the Vault platform now established, our focus over the last year turned to increasing the level of reporting of hazards across all business units. In addition, to ensure a complete picture of all injuries, preventative physiotherapist treatments which were historically not considered medical treatment injuries, were reclassified to being medical treatment injuries in this last year. The rationale is to ensure that all injuries, no matter how minor, are recorded to facilitate a better understanding of where and how our people are injured or are experiencing discomfort and to allow early intervention and support where this is the case. GUD actively works to combat complacency in respect of the safety of our people.

This increased reporting highlighted two areas key for the HSW Committee and sub-groups to apply focus on over the past year

- the risk of objects falling from height, and
- sprains and strains.

The comprehensive internal audit schedule forms a core element of the HSW system. Where restrictions did not allow physical on-site audits, these were moved to a virtual environment to allow these audits to continue.



### 3. Incorporating newly-acquired businesses into the GUD HSW system

The completion of detailed pre-acquisition safety reviews has facilitated a ‘fast start’ in ensuring GUD’s requisite level of HSW focus was met within all businesses joining the GUD Group in the past year

#### Our annual safety Awards recognised the excellent safety programs and initiatives within our businesses

Despite the disruptions of a COVID-19 restricted environment, we recognised the winners of the 5th Safety and Innovation Excellence Awards in late 2020. The awards are an opportunity to recognise and celebrate individuals and teams from across the businesses who have demonstrated key attributes in safety leadership. Last year’s winners were:

- The Simon Arnold Individual contribution for Safety Award - Hellen Prins from AAG for the buy/sell/swap program she developed and ran in support of team wellbeing.
- The Team award for Safety - Griffiths Equipment in New Zealand for their Speak Up Safety Culture program.
- The Business Award for Safety - Davey Water Products for their Work Safe/Home Safe campaign.

The 6th Safety and Innovation Excellence Awards winners will be celebrated in November 2021.

#### CASE STUDY

#### GRIFFITHS EQUIPMENT “BETTER EVERY DAY” PROGRAM



8am stretching program



Forklift hazard zone lighting

Griffiths Equipment Ltd (GEL) is a leading distributor of quality automotive products in the New Zealand Market. In 2020 GEL established the “Better Every Day” program to uplift WHS culture through every team member, every day. The program has implemented over 30 initiatives to-date focused on safety improvements, clear communication and developing safety leadership including:

- Daily 8am stretching program
- Formal manual handling training for warehouse staff
- Monthly team communications meeting and morning tea
- Wellness checks led by an occupational nurse to screen for blood pressure, cholesterol, weight, and diabetes and provide referrals for further action
- Updated traffic management plan and forklift safety controls
- Drug & Alcohol Policy and random drug and alcohol testing

We believe that every one of our initiatives create a huge jump forward in terms of being ‘better every day’ and demonstrating care and respect for each other.

#### How we measure progress

Recent acquisitions have included manufacturing-intensive operations with a different risk profile including Fabricated Metal Product Manufacturing operations (SafeWork Australia LTIFR benchmark of 26.4). As such, there is a concerted focus on integrating these businesses fully into GUD’s safety systems and the alignment of our performance metrics and targets with good-practice benchmarks.

On a like for like basis (excluding acquisitions), LTI’s increased from 4 in FY20 to 6 in FY21. These injuries were predominately sprains, which required the injured person to rest their injury. The increase in lost time injuries (LTI’s) this year, whilst being consistent with the drive for increased reporting and the inherently higher safety-risk profile of acquired manufacturing businesses, is disappointing and is an area of concerted focus.

Our total LTIFR of 5.4, continues to compare favourably to the SafeWork Australia industry benchmark for Wholesale Trade-Motor Vehicle Parts of 8.8.

The majority (61%) of the medical and lost time injuries experienced over the last year are relatively lower consequence muscular-skeletal injuries. 9% of the injuries were as a consequence of a cut, 5% were as a consequence of the actions of a third party (e.g. motor vehicle accident) and 5% were related to a slip or fall.

#### Lost Time Injury Frequency Rate

(Injuries per 1,000,000 hours worked)



GRI Indicator 403-9 Work-related injuries	FY19		FY20		FY21	
	Number	Rate <sup>1</sup>	Number	Rate <sup>1</sup>	Number	Rate <sup>1</sup>
<b>For employees</b>						
Fatalities as a result of work-related injury	0	0	0	0	0	0
High consequence work-related injuries <sup>2</sup>	1	0.67	1	0.68	2	1.13
Lost Time <sup>3</sup>	5	3.4	4	2.7	10	5.7
Recordable work-related injuries <sup>4</sup>	9	6.0	10	6.8	45	25.5
Main types of work-related injuries	Manual handling, slips, trips and falls		Manual handling, slips, trips and falls		Sprains, strains, cuts, slips/trips and falls	
Number of hours worked	1,489,008		1,464,942		1,766,697	
<b>For all workers who are not employees but whose work and/or workplace is controlled by the organisation (Contractors)</b>						
Fatalities as a result of work-related injury	0	0	0	0	0	0
Lost Time <sup>3</sup>					0	0
High consequence work-related injuries <sup>2</sup>	0	0	0	0	0	0
Recordable work-related injuries <sup>4</sup>	0	0	0	0	0	0
Main types of work-related injuries	-		-		-	
Number of hours worked	50,893		41,189		92,265	
<b>Work-related hazards</b>						
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.			<b>FY21</b> We have developed controls that respond to identified high-risk workplace hazards in areas including: Mobile Equipment (e.g., forklifts) Driving Materials falling from heights Individuals falling from heights Electrical safety Manual Handling			

1. Rates are per 1,000,000 hours worked
2. Note: Previous year reviews have counted LTIs in the high consequence category. This year's review excludes LTIs to align with GRI definitions
3. Lost Time Injury Frequency Rate is not a GRI metric, however, it is included as it is the standard Safe Work Australia benchmark metric
4. FY21 Recordables includes physio treatment injuries which have not previously been counted as Recordables. For FY21, 23 of the 45 FY21 Recordables were Physio treatments

**CASE STUDY**

**BWI SUPPORT OF THE 'SHINE A LIGHT ON ROAD SAFETY' – COMMUNITY WALK**



'Shine a Light' Walk Team  
May 2021 – Albert Park Lake

Brown & Watson International (BWI) is the company behind the market leading automotive light and electrical brands NARVA and Projecta which services markets as diverse as Automotive, Light and Heavy Transport, 4WD, Emergency Vehicles, Agriculture, Mining and Marine.

To highlight the important work Road Trauma Support Services Victoria (RTSSV) a team of BWI staff participated in the 'Shine a Light on Road Safety' community walk at Albert Park- Melbourne raising funds to support this non-profit organisation.

Shine a Light on Road Safety is a national community campaign led by RTSSV to raise awareness, stop deaths and injuries on our roads, and raise funds to support those impacted by road trauma.

**Human Capital, Diversity and Inclusion**

***We invest in people and culture strategies which foster a high-performing and engaged workforce and realise the full potential of our human capital.***

**GUD Employee engagement is strong and growing**

We were proud to have Ryco recognised as Australia & New Zealand's 7th best place to work in the AFR Boss Best Places to Work List (Manufacturing and Consumer Goods) for 2021.

In 2021, the overall employee engagement rating which last year moved into the global top quartile (IBM All Organisations Benchmark) remains in the top quartile. We saw an improvement in fifteen of the seventeen dimensions measured in our annual employee engagement while the other two dimensions remained at the 2020 level.

In 2021, a further six of the survey dimensions now sit within the top quartile. These are change and resilience, manager effectiveness, recognition, safety, work/life balance and engagement. The biggest positive shifts YOY were seen in communication, future vision, change and resilience, manager effectiveness, recognition, and innovation. These are all areas our leadership have actively sought to develop over the past year in response to analysis of prior surveys.

### CASE STUDY

### RYCO TOP-10 BEST PLACES TO WORK AWARD



Ryco 7<sup>th</sup> best place to work  
Manufacturing &  
Consumer Goods 2021

We're proud to report that RYCO Group has been awarded 7<sup>th</sup> place amongst the Manufacturing & Consumer Goods category of the 2021 AFR Best Places to Work competition.

The award recognises the strength of the Ryco workplace culture and the organisational commitment to *ensuring 'that our team go home in as good as or better state than when they arrive at work'* both through COVID-19 but more generally.

Employee's strongly value Ryco's wellbeing and development programs and flexible working conditions that prioritise mental health, promote sustainable working norms and smarter working practices. The positive employee experience shared by the Ryco team has resulted in a staff engagement score of 84% for FY21.

Ryco commits to continually improve and offer an even greater place to work for our valued employees. We thank our team for all their hard work in making RYCO what it is today and allowing us to continue to provide the best automotive filtration products on the market.

### We seek to build constructive partnerships with employees and unions

Our partnerships between employees, unions and the organisation are constructive and are highly valued. There are five collective agreements in place across the Group. The Ryco Australia and AA Gasket agreements have been renegotiated over the past year with three-year agreements reached. Renegotiation of the Davey agreement has begun and is currently in progress.

### We are investing in staff development and training

All staff have access to self-directed online learning in support of their personal and professional development. Limitations due to COVID-19 resulted in a temporary pause in the inaugural two-year, twelve module Emerging Leaders Program launched in 2020. During the pause, the cohort has continued self-directed learning and several emerging leaders participated in the co-delivery of the nine internally-developed and delivered wellbeing and leaderships modules for People Leaders. The Emerging Leaders Program encompasses a social volunteering element which will see the cohort working in Fareshare's Abbotsford kitchen to create nutritious food to feed those in need from ingredients that would otherwise go to waste.

### GUD is committed to building a diverse and inclusive organisation which treats all people fairly and equitably

The Board is active in setting and guiding the culture of GUD and is committed to a diverse and inclusive organisation which treats all people fairly and equitably. Our leaders set and hold themselves and our people to a high standard where no one is discriminated against 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. Our Speak Up Policy encourages people to raise concerns regarding unethical, unlawful or undesirable conduct supported by a confidential phone/online whistleblowing service. 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, including that the complainant is supported throughout the process.

As with many workplaces in the past year, our businesses have adopted hybrid working as the norm in roles where a daily presence in the workplace is not essential. This change represents the natural progression of the flexible work options policy introduced in 2019 as part of our Diversity & Inclusion work program.

### We have strengthened female representation on the Board exceeding our minimum 30% target and increased female representation at the Senior Management level

During the year, our third female Director joined the Board, improving gender diversity and exceeding the Board's target of 30% female representation at Director level.

The representation of women within the Senior Management Group (direct reports to the Managing Director and direct reports of chief executives of the principal business units) has increased 4ppts to 20% during 2021 emphasised by two new female business unit leads at Davey and Griffiths Equipment joining the Group.

### Our workforce and new-hire demographics

Our broader workforce demographics are as shown in the table following.

GRI Indicator 102-8 Employees & other workers	FY19		FY20		FY21 <sup>1</sup>		
	Male	Female	Male	Female	Male	Female	Non-binary
Number of full-time employees	550	217	545	203	852	244	1
Number of part time employees	14	24	6	27	13	22	
Number of temporary employees	21	16	13	18	18	10	
Total number of employees	585	257	564	248	883	276	1

1. FY21 inclusive of newly acquired businesses. On a like for like basis (i.e. excluding the businesses acquired in FY21) the percentage of females within levels other than Directors and Management (where the number of females has increased) has remained constant with FY20

GRI Indicator 401-1 New employee hires	FY19		FY20		FY21	
	Number	Rate <sup>1</sup>	Number	Rate <sup>1</sup>	Number	Rate <sup>1</sup>
Employee new starters by gender						
Male	91	74%	76	76%	175	78%
Female	32	26%	24	24%	49	22%
Employee new starters by age group						
Under 30 years old	27	22%	25	25%	72	32%
30 - 50 years old	70	57%	58	58%	121	54%
Over 50 years old	26	21%	17	17%	31	14%
Employee new starters by region						
Australia	114	93%	79	79%	202	90%
New Zealand	9	7%	21	21%	22	10%
Total	123	15%	100	12%	224	19%

1. For gender, age group and region the new hire rate is the % of new hires; The total new hire rate is the % of total employees

### Product Safety and Quality

#### Designing and manufacturing safe, reliable products that meet customers' needs is a key priority

GUD is committed to maximising the value of its brand portfolio as well as achieving superior brand reputation through providing safe and reliable products that meet customers' quality expectations. All our products are developed and tested against stringent quality control and assurance processes.

#### Product safety and quality is managed at the business level with best-practise guidance from the GUD Quality and Supplier Council

Product safety and quality processes are managed locally by each business unit to maximise effectiveness and allowing efficient responsiveness within the respective business environment based on its product diversity.

GUD has an established Quality and Supplier Council which brings together key functional leaders across all businesses to share best practices and thought leadership amongst the Group in all aspects of product safety and quality, ethical sourcing, supplier governance, supplier risk management and sustainability.

**Our product quality measures have resulted in zero recalls across all GUD business and product ranges in FY21**

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. GUD achieved zero product recalls in calendar year 2020 which demonstrates our strong track record. GUD product recalls compared with industry recall rates are illustrated in the table below.

Product Recalls	2016	2017	2018	2019	2020
GUD businesses	1	1	0	1	0
Industry Sector Total <sup>1</sup>	201	187	217	260	158
GUD % of total	0.5%	0.5%	0%	0.4%	0%

*Product Recall Quantity (GUD and Industry Sector) by Calendar Year*

1. Relevant industry sectors to GUD are Cars (within Transport) and Pools and Spas (within Outdoor) as reported online at [www.productsafety.gov.au/recalls](http://www.productsafety.gov.au/recalls).

**GUD continues to invest in leading-edge capabilities and infrastructure to ensure product safety, quality control and customer satisfaction**

GUD’s commitment to product safety, quality control and customer satisfaction is demonstrated by the investment in developing leading-edge capabilities and product testing infrastructure.

Over the last twelve months, GUD businesses have completed several significant product quality projects including:

- DBA: Commissioning of an advanced Disc Thickness Variation (DTV) measurement facility which provides a non-contact digital measurement capability not available elsewhere in Australia or New Zealand
- DBA: Certification for 1,200+ rotors and brake pads to European ECE R90 standard which provides the market assurance of the product compliance with stringent OEM/OES quality and performance standards
- Wesfil: Introduction of a new freight management system and software to improve product stocking and customer delivery performance

**CASE STUDY**

**RYCO – INVESTMENT IN AIR FILTER TEST LABORATORY**



Ryco Air Filter Test Laboratory

Australian vehicles regularly experience hot, dry and dusty environments and we have some of the finest dust in the world. The air filtration systems of many original equipment manufacturers are not adequately designed to suit the demands of the Australian environment.

Ryco has been designing and testing aftermarket filters to international standards for the ANZ market for decades and has acquired significant field experience during that time.

Ryco’s ability to develop world-class filters is underpinned by world-class testing facilities that can accurately measure filter performance. Unlike fluid filters that use the more accurate fractional efficiency method of testing, international standards for air filtration still employ a basic gravimetric method to establish filter efficiency.

Ryco has worked with a leading German test rig supplier to specify and build an air filter test system that tests air filters to a higher degree of accuracy. The system includes a particle counting system to measure the exact size of particles that permeate filter media providing a much higher resolution of filter media performance.

Ryco now has the capability to test air filters at a far greater accuracy than current international standards enabling better solutions to be developed to suit the ANZ automotive market as well as expand future opportunities.

**Environment and Climate Change**

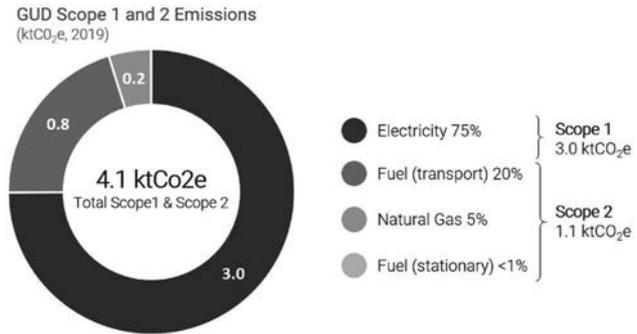
**Energy and Emission Management**

**GUD’s scope 1 and scope 2 emissions are well below National Greenhouse and Energy Reporting (NGER) thresholds, however, we are cognisant of the need to reduce emissions across the whole of industry and endeavour to reduce our existing carbon footprint**

At the instigation of the Board, a scope 1 and scope 2 emissions study was conducted in FY19 which confirmed GUD’s aggregated scope 1 and scope 2 emissions of 4.1ktCO<sub>2</sub>e are well below the National Greenhouse and Energy Reporting (NGER) thresholds at both facility level 25ktCO<sub>2</sub>e and corporate group level 50ktCO<sub>2</sub>e.



The Board nevertheless is cognisant of the need to reduce emissions across the whole of industry. As part of the aforementioned ESG strategy and targets, the Board and Management will come forward with a broader plan over time to reduce GUD’s carbon footprint and through 2022 we will continue with the monitoring of the emissions and encourage actions within the businesses to reduce emissions. We plan to renew the GUD Scope 1 and Scope 2 emissions study over the next year to incorporate business units acquired since the FY19 study. During development of the GUD sustainability strategy we will also consider further ways GUD can support the reduction of carbon emissions along the broader value chain (by our customers and suppliers) beyond GUD’s scope 1 and Scope 2 emissions including through clean energy transition actions



**Clean Technology Transition**

**We are actively rebalancing our portfolio to suit the extent and pace of the market transition towards clean technologies**

As the mix of propulsion systems in the car parc changes over time, we will actively rebalance our portfolio in a timely manner so that we can both leverage our strengths in combustion-based categories and grow opportunities in engine-agnostic and electric vehicle segments. Our focus is on managing our portfolio to suit the extent and pace of the transition away from internal combustion engines (ICE).

**CASE STUDY AUSTRALIA’S FIRST NATIONAL REMANUFACTURING SERVICE FOR HYBRID VEHICLE BATTERIES**



IMG Battery testing station

Innovative Mechatronics Group (IMG) is a leader in the testing, repair and remanufacture of automotive electronic components. Remanufacturing is the process of rebuilding a product to the specifications of the original manufactured product using a combination of reused, repaired and new parts. In February 2021, IMG launched Australia’s first national remanufacturing service for hybrid electric vehicles (HEV). This creates an affordable alternative for HEV vehicle owners who want to ensure a longer life for their car and avoid sending waste batteries to landfill.

When the battery packs in a HEV fails, the benefits of improved mileage, reduced fuel costs and lower emissions evaporate. A battery pack will fail when select cells stop functioning properly; however, remaining cells in the pack often remain fully functional. Remanufacture of hybrid batteries involves the disassembly of waste packs, testing and grading individual cells, recombining and rebalancing ‘like’ cells into a new pack. To this end, IMG has developed automated testing stations to accurately grade large volumes of cells and customised equipment for balancing the remanufactured packs. Cells that are no longer capable of meeting vehicle duty-cycle demands are recycled to recover valuable metals. IMG has developed strict protocols and packaging to ensure the safety of staff, fitters and customers.

**We closely monitor the industry, consumer and car parc trends**

According to the latest motor vehicle census, there are 23,000 electric vehicle (EV) registrations in Australia. This represents 0.1% of the 20.1m car parc. Whilst numbers are small, growth in the segment is strong and the trend towards electrification is likely to accelerate in the medium-to-long term. By regularly monitoring the market, GUD can proactively rebalance its portfolio to match the transition towards clean technologies.

**Capital allocation decisions consider our portfolio’s ICE exposure**

GUD considers ICE exposure when making capital allocation decisions. For instance, when evaluating potential acquisitions, we consider the impact on long-term exposure of the portfolio to ICE. This does not exclude ICE acquisitions from the consideration set; however, sizeable acquisitions with high ICE exposure are unlikely. Similarly, our investment in product development over-indexes on non-ICE initiatives without limiting the growth potential of businesses with a higher ICE reliance.

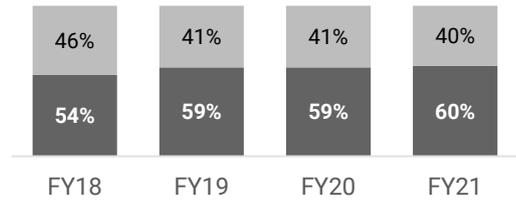


**We have grown the Automotive Group non-ICE vehicle related revenue mix to 60% over the last three years**

While revenue from ICE-related products continued to successfully grow in FY21, strategic acquisitions and organic growth initiatives have increased the non-ICE revenue mix of the automotive group from 54% in FY18 to 60% in FY21.

This continues the strategic trend of deleveraging GUD’s exposure to internal combustion engines.

Automotive Sales Split: ICE vs Non-ICE (Revenue %, FY18-21)



**Water Management**

**Davey Water Products has the capability to respond to the water scarcity and quality challenges in Australia and New Zealand**

We understand the challenge of water scarcity and quality in the Australian and New Zealand context and through our Davey Water Products business, have the capability to make a positive impact. Davey has a growing influence upon water management in society with the expansion of its product portfolio to include the commercial pumping, irrigation and commercial pool markets in addition to servicing its traditional domestic water pumping, water treatment and swimming pool and spa markets. 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, protecting the water supply through leak detection, and assuring water quality with treatment solutions.

Davey has several water management solutions in their range and are continuously investing in new opportunities that meet the challenges faced by our customers.

**CASE STUDY**

**MICROLENE UV WATER TREATMENT SYSTEMS - SAFE DRINKING WATER MADE SIMPLE**



**Microlene Centurion UV water filter system**

Many rural households and community groups rely on rainwater for their drinking water supply as they do not have access to a municipal-treated mains water supply.

Families and households are more focussed than ever on making sure their water supply is safe to drink and free from disease-carrying micro-organisms and pathogens that can commonly find their way into the rainwater collection systems including, E. coli, Giardia and Cryptosporidium.

Working closely with customers and the Davey dealer network, the Davey product development team have designed and developed the Microlene UV System range using the power of ultraviolet light for reliable, effective, chemical-free disinfection.

The Microlene UV disinfection process occurs almost instantly preventing the growth of disease-carrying micro-organisms with no impact on odour or taste, no chemical use or by-products and no moving parts to wear out or break.

Davey has a range of Microlene UV products that deliver safe and clean drinking water for the smallest cottagethrough to light commercial operations. The all-new Centurian range comprises easy-to-install kits which combine filtration and disinfection in a pre-assembled, wall-mounted unit launched in NZ in March 2021 with the Australian release to follow.

**CASE STUDY**

**AUCKLAND ZOO – DAVEY RAINBANK RAINWATER HARVESTING AND REUSE**



**Auckland Zoo**

Davey Water Products has been a strong advocate of rainwater reuse for many years, an “ahead of their time” concept. Many organisations across Australia and New Zealand are now embracing Davey’s innovative focus on water resource management. Harvesting and re-use of rainwater is becoming standard in all new builds, industrial/commercial and domestic, and where possible retro-fitted into existing facilities where practical.

Recently Auckland Zoo underwent a \$40m re-development which provided the opportunity for the Zoo to expand their water conservation measures and reduce their reliance on and operating costs of drawing water from the municipal water supply and the nearby Western Springs Lake.

In line with Davey’s partnership philosophy, the Davey technical team collaborated with the Zoo from the very beginning of the project to help shape the overall system design and specifications for an integrated rainwater harvesting and re-use system.

The Davey RainBank system now supplies “free” water for all non-potable uses at the zoo; public toilets, garden irrigation, animal enclosure cleaning, and filtered mist to provide a humid atmosphere for the reptile house. This type of system and project approach is a win-win-win for the Zoo, the city and most importantly the resource.

**Innovation**

***GUD is committed to innovation—from the smallest tweak to an existing process to brand-new business units that disrupt markets, innovation is instrumental in future-proofing our businesses.***

**We foster an innovation community of practice**

Each business has its own innovation frameworks and practices to suit its specific needs. In addition, several group-wide initiatives promote collaboration and sharing of insights between our businesses. For example, the Innovation Council offers a forum for our senior leaders and innovation managers to drive innovation strategy and culture. This is further supported by training programs and hands-on coaching by subject matter experts.

**We use an ecosystem approach to accelerate our efforts**

We recognise that partnerships with external parties such as universities, peak bodies and specialist agencies may help deliver on our innovation projects faster, better and sooner. Moreover, we proactively seek out opportunities to leverage grant funding support.

**Our businesses are ranked amongst the Most innovative Companies and have been successful in winning competitive grant funding**

As every business adopts its own innovation frameworks, measurement of innovation performance also sits at the business-unit level; there are deliberately no group-wide metrics that can accurately represent these activities. However, select highlights from our business units attest to GUD’s intent:

- Ryco Filters and Brown & Watson International were ranked Australia and New Zealand’s 5th and 8th most innovative companies, respectively, in the consumer goods and manufacturing category on the 2020 AFR BOSS Most Innovative Companies List
- Our businesses were successful in three government grant submissions across three business units
- Multiple business units derived in excess of 10% of FY21 revenue from products that did not exist 24 months ago—a testament to their product creation and commercialisation capability
- Group-wide we launched more than one thousand new SKUs during FY21
- Two business units enjoy active collaboration agreements with university partners, both domestic and international

**CASE STUDY**

**DELIVERING TECHNICAL FITMENT INFORMATION ON-DEMAND**



ACS Tech Bulletin and QR Code

Australian Clutch Services (ACS) is a market leader in the supply of new and re-manufactured clutch components and systems, with a commitment to delivering quality product and technical knowledge to their customers. To service modern vehicles ACS customers require ready access to up-to-date and intuitive technical information covering a vast range of vehicle platforms and components.

Through ACS’s customer engagement, it was identified that mechanics often suffer from an overload of paper-based workshop manuals, fitment instructions and service bulletins but struggle to find the right information, at the time, without impeding their workflow.

ACS has developed a simple 1-2 page critical instructions summary that ships in-box with every product. Each summary includes a QR code link to a video fitment tutorial. Mechanics now have instant access to a guided video fitment instruction directly from their mobile phone, avoiding the need to search through traditional paper-based manuals or leave their workshop to go to the office.

ACS technical information is continually updated and managed through an online database with every model of clutch individually tested and catalogued, giving ACS the edge in product knowledge.

The ACS YouTube channel has now generated 2.9 million views since launch demonstrating the value of this information platform to customers.



## Governance

### Corporate Governance

**We believe that corporate governance will allow us to be an organisation that operates effectively and efficiently to benefit our stakeholders while being a good corporate citizen.**

GUD is committed to practising high standards of business conduct and corporate governance. The Board considers that the Company's reputation for honesty and transparency, integrity and accountability, excellence and fairness is one of its most important assets—essential for the long-term performance and sustainability of the business, and for protecting and enhancing the interests of security holders and other stakeholders.

GUD's governance framework plays a critical role in helping the business deliver on its strategy. It provides the structure through which business objectives are set, performance is monitored, and risks are managed. It includes a framework for decision making across the business and provides guidance on the standards of behaviour expected of GUD's people.

GUD has a clear set of values that emphasise a culture of strong corporate governance, responsible business practices and good ethical conduct, incorporated in its general Company Code of Conduct, which applies to all employees. There are a number of other policies complementing the Code of Conduct. These policies and codes may be found in the corporate governance section of the Company's website at [www.gud.com.au](http://www.gud.com.au).

As part of the thrust to develop and integrate the ESG strategy and targets with the broader business and corporate strategy, the Board has broadened the STI incentive structure, introducing non-financial metric targets, encouraging and rewarding executives for effort focussed on ESG priorities. For FY22, emphasis will be placed upon safety, employee engagement and ethical sourcing. This emphasis may change in the future, particularly after we conclude our strategy development.

The Board has also adopted a number of policies, including a general policy on corporate governance, a code of conduct specifically for Directors in relation to Directors' duties and conflicts of interest, and a share trading policy, which together include procedures for dealing in Company shares, conflicts of interest, obtaining independent professional advice at the Company's expense, and full and timely access to such information necessary for Directors to discharge their responsibilities.

These policies and codes may be found in the corporate governance section of the Company's website at [www.gud.com.au](http://www.gud.com.au).

GUD complies with the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the ASX Principles and Recommendations).

GUD's governance framework and main governance practices for the year ended 30 June 2021 are detailed in our 2021 Corporate Governance Statement. This statement, together with GUD's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in GUD's Corporate Governance Statement, FY21 Corporate Report and website, is lodged with the ASX.

### 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.



**Sustainable Procurement**

**GUD is committed to sourcing products in a responsible manner and to supporting our suppliers to improve their social and environmental practices and ensure compliance with the Australian Modern Slavery Act.**

GUD’s businesses source products and services from a range of locations. Whilst approximately 40% of our products are sourced locally from within Australia, we obtain supply from many other locations including China, Taiwan, Europe and New Zealand. Sourcing products from these regions creates shared economic benefits as well as allowing our businesses to provide affordable products to consumers.

GUD’s Ethical Sourcing Program reflects a commitment to sustainable procurement across a broad range of areas. The program is built on GUD’s Ethical Sourcing Code (‘Code’) which imposes standards for supplier operations associated with safety, environmental sustainability and business ethical matters and explicitly prohibits human rights abuses requiring an absolute commitment to respect their workers’ welfare.

**GUD’s Ethical Sourcing Program underpins our engagement with our international supply chain**

GUD’s Ethical Sourcing Code’s tiered approach is designed to secure honest feedback from suppliers, develop awareness and support long-term sustainable change in advancing suppliers towards achieving ‘Gold’ standard. The tiered layers build additional expectations of broader corporate and social responsibility at each level:

- Bronze: to combat modern slavery practices, improve working conditions and improve labour standards
- Silver: to raise health and safety standards and to protect workers from discrimination
- Gold: to promote compliance with environmental standards and ethical business practices.

While the Bronze level addresses the minimum regulatory compliance, standards required of all GUD suppliers, we aim to partner with those suppliers committed to improving standards of labour, health and safety, equality, business ethics and environmental management.

GUD prioritises its Ethical Sourcing programme engagement with suppliers located in countries that are at a higher risk of having modern slavery practices. Currently, this has seen a prioritisation of suppliers in Asia, however, with a supply chain reaching across the world, we maintain ongoing evaluation and monitoring across a broad range of countries.

GUD’s Ethical Sourcing program is now well established, and GUD businesses have maintained good progress in implementing the Code through their supply chains, focussing on high and medium risk country suppliers. GUD has applied significant resources to bringing the newly-acquired GUD businesses into the Ethical Sourcing Program.



GUD’s success has been built on strong product design and development, and its companies’ skills in offshore sourcing and supply chain management. Fundamental to the efficient and effective delivery of quality products is the long-term relationships that GUD businesses have developed with their suppliers. GUD has an established Ethical Sourcing Policy and Code in place which articulates the minimum standards suppliers should adhere to when conducting business with GUD.

In the last year, GUD has upgraded and integrated its Ethical Sourcing program with the release of GUD’s first Modern Slavery Statement published in March 2021. Consistent with the requirements of the Modern Slavery Act 2018, the minimum ‘Bronze’ standard required of all GUD suppliers prohibits the use of involuntary labour or exercise of any ‘ownership’ type powers over workers; and requires compliance with local laws or collective bargaining agreements regulating wages and other working conditions.

As GUD acquires new businesses, it will work with each new GUD company to implement GUD’s ethical sourcing policy and code within a reasonable time after acquisition.

A copy of the Modern Slavery Statement may be found at: <https://gud.com.au/corporate-governance>



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. Executive Key Management Personnel Remuneration Strategy and Structure
4. Remuneration for the Executive Key Management Personnel
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 Board has determined that the Key Management Personnel (KMP) definition comprises Board members, the Managing Director and the Group CFO.

The key management personnel (including Non-Executive Directors) of GUD Holdings Limited, and its subsidiaries, during the year FY21 have been identified as the following persons:

- M G Smith (Non-executive) – Retired 4 September 2020
- A L Templeman-Jones (Non-executive)
- G A Billings (Non-executive)
- D D Robinson (Non-executive)
- J A Douglas (Non-executive)
- C L Campbell (Non-executive) – Appointed 16 March 2021
- J C Pollaers (Non-executive) – Appointed 23 June 2021
- G Whickman (Managing Director)
- M A Fraser (Chief Financial Officer)

## 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 the Group CFO (collectively, Executive Key Management Personnel (EKMP)).

The Remuneration, People and Culture Committee consists of the six 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 EKMP.

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

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



## 3. EKMP Remuneration Strategy and Structure

### Remuneration Strategy

Our remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced 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 EKMP and executive remuneration, we have developed remuneration guiding principles to assist in decision-making:

- The remuneration structure is relevant and simple for EKMP 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. In undertaking the review, the Company has received benchmarking and incentive structure input from two independent consultants during the year ended 30 June 2021. However, no recommendation was provided.

The review has highlighted areas for potential improvement of the incentive structures to better align executives with the strategic direction of the Company. From 1 July 2021, the Committee has agreed to include elements of non-financial metrics and deferred equity; for further details see Short Term Incentive below.

### Remuneration Structure

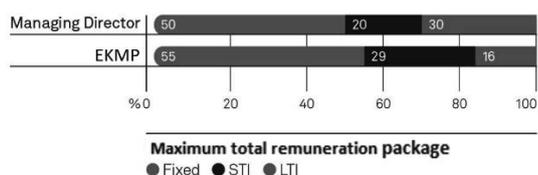
The remuneration framework provides a mix of fixed and variable remuneration and has five components:

- 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 EKMP.

Our approach in FY21 has been to position the maximum “at risk” components of EKMP 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 EKMP is as follows:



### Fixed Remuneration and Other Employment Related Benefits

The remuneration packages for the EKMP 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 EKMP 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 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.

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

### COVID-19 Impacts

As a result of COVID-19, two principal changes were enacted in respect of fixed remuneration:

1. EKMP and the Board agreed to temporary monthly fixed remuneration reductions of 20% pro rata in June and July 2020. By the end of July, business operations had recovered sufficiently to cease implementing these reductions, although there were no 'catch-up' payments.
2. Annual remuneration review (usually scheduled from 1 July) increases in EKMP remuneration were deferred until 1 December 2020, when they were introduced at an average of 1.75% applied from that date.

### Short Term Incentive (STI)

The Board considers that basing the STI payments on Cash Value Added (CVA) performance aligns the interests of the EKMP 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 KMP – 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
<b>Managing Director</b>	26.67	40.00	60.00
<b>Chief Financial Officer</b>	35.00	52.50	30.00



Details of the CVA STI bonuses payable to the EKMP for the year ended 30 June 2021 are set out in section four of this Report.

There are 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.

### *Changes proposed from FY22*

The Board Remuneration, People and Culture Committee recently approved amendments to the structure of the STI Plan for FY22 and beyond. The changes:

- increase the maximum percentage of salary attainable under the STI to bring the plan in to line with market practice;
- require the achievement of both the CVA threshold and identified non-financial performance metrics; and
- will be delivered in deferred equity with an additional one year service period before vesting, permitting the Board the discretion to withhold the award in circumstances of malus or otherwise warranting clawback.

The Committee has the discretion to make further changes to the STI structure as it sees fit.

### **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 Board believes the LTI plan supports the delivery of the Group's long-term strategy and encourages the EKMP to hold an exposure to equity. In FY20 we introduced changes that enhance this last aspect, permitting EKMP 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 EKMP's 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

In respect of all current LTI grants, there is an additional performance threshold: that the Company's absolute TSR performance over the three year performance measurement period must be positive.

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.

### 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 2021.



# Remuneration Report

## 4.1 Remuneration for the Managing Director and EKMP

Details of the nature and amount of each major element of remuneration of the EKMP are:

Year	Short-term employment benefits						Long-term benefits				Total remuneration	Proportion of total risk related remuneration	Value of equity remuneration as a proportion of total remuneration
	Salary <sup>1</sup> and fees	STI bonus	Leave entitlements	Income protection premium <sup>2</sup>	Other benefits	Total	Long service leave	Equity fair value of performance rights <sup>3</sup>	Superannuation				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
<b>Managing Director</b>													
G Whickman	2021	963,494	401,894	83,008	2,170	-	1,450,566	16,899	310,834	25,000	1,803,299	40	17
	2020	953,342	-	48,671	1,948	-	1,003,961	16,417	164,362	25,000	1,209,740	13.6	13.6
<b>Chief Financial Officer</b>													
M Fraser	2021	602,605	334,783	52,822	1,963	-	992,173	11,817	99,099	25,000	1,128,089	38	9
	2020	596,161	-	32,817	1,787	-	630,765	11,658	103,310	25,000	770,733	13.4	13.4
<b>Total remuneration of the Managing Director and Senior Executives of the Group</b>													
	2021	1,566,099	736,677	135,830	4,133	-	2,442,739	28,716	409,933	50,000	2,931,388	-	-
	2020	1,549,503	-	81,488	3,735	-	1,634,726	28,075	267,672	50,000	1,980,473	-	-
<b>Total remuneration of Non-Executive Directors</b>													
	2021	793,651	-	-	-	-	793,651	-	-	60,348	853,999	-	-
	2020	749,751	-	-	-	-	749,751	-	-	69,645	819,395	-	-
<b>Total remuneration (compensation of key management personnel of the Group)</b>													
	2021	2,359,750	736,677	135,830	4,133	-	3,236,390	28,716	409,933	110,348	3,785,387	-	-
	2020	2,299,254	-	81,488	3,735	-	2,384,477	28,075	267,672	119,645	2,799,869	-	-

1 Salary includes base and other salary, net of COVID 19 adjustments for the 2021 financial year.

2 Income protection insurance is only offered to age 65.

3 The fair value of performance rights granted under the 2021, 2022 and 2023 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 2021.



## 4.2 EKMP Take Home Remuneration prior to Taxation

This section uses non-IFRS financial information to detail realised pay earned by the EKMP during FY21 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 <sup>1</sup>	Cash short term incentives <sup>2</sup>	Total cash remuneration	Long term incentives vested with respect to the year <sup>3</sup>	Other non-monetary remuneration <sup>4</sup>		
	\$				\$	\$	
<b>Managing Director</b>							
G Whickman	2021	988,494	401,894	1,390,388	-	102,077	1,492,465
	2020	978,342	-	978,342	-	67,036	1,045,378
<b>Chief Financial Officer</b>							
M Fraser	2021	627,605	334,783	962,388	-	66,602	1,028,990
	2020	621,161	-	621,161	-	46,262	667,423
<b>Total remuneration of the Managing Director and Chief Financial Officer of the Group</b>							
	2021	1,616,099	736,677	2,352,776	-	168,679	2,521,455
	2020	1,599,503	-	1,599,503	-	113,298	1,712,801

- Salary and super includes base and other salary and employer superannuation contributions, net of Covid-19 impacts.
- The STI bonus column reflects the STI cash bonus paid in respect of performance during the year ended 30 June 2021 and paid following the announcement of the Group's year-end results.
- LTI performance rights granted in July and October 2018 lapsed in full as a result of the company not meeting TSR targets on 30 June 2021. Refer section 5 for disclosure in respect of performance achievement.
- Non-monetary benefits includes leave entitlements, income protection premiums, long service leave and certain personal expenses.

## 4.3 GUD Holdings Limited Equity Interests Held by the EKMP

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

### Performance Rights Granted During the Year

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

	Rights granted during the year ended 30 June 2021	Grant date	Vesting date	Fair value per performance right at grant date \$	Fair value of rights granted during the year ended 30 June 2021 \$
<b>Managing Director</b>					
G Whickman	53,198	30 October 2020	30 June 2023	8.21	436,756
<b>Chief Financial Officer</b>					
M Fraser	16,892	07 August 2020	30 June 2023	6.26	105,744
<b>Total</b>	<b>70,090</b>				<b>542,500</b>

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.

## Remuneration Report



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

	Grant date	Vesting period date	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
			\$	\$	%	%	%
Grant to Managing Director	30 October 2020	30 June 2023	-	12.52	28.00	0.09	4.0
Grant to Chief Financial Officer	07 August 2020	30 June 2023	-	11.55	28.00	0.29	4.0

### Performance Rights Outstanding

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

	Balance at 1 July 2020	Rights granted during the year	Rights vested during the year	Rights lapsed during the year	Balance at 30 June 2021	Rights vested with respect to the year <sup>1</sup>	Rights lapsed with respect to the year <sup>1</sup>	Balance at the date of this report
<b>Managing Director</b>								
G Whickman	88,820	53,198	-	-	142,018	-	(30,134)	111,884
<b>Chief Financial Officer</b>								
M Fraser	45,471	16,892	-	(13,575)	48,788	-	(13,261)	35,527
<b>Total</b>	<b>134,291</b>	<b>70,090</b>	<b>-</b>	<b>(13,575)</b>	<b>190,806</b>	<b>-</b>	<b>(43,395)</b>	<b>147,411</b>

<sup>1</sup> Performance rights granted under the 2021 performance rights plan lapsed in full on the basis of the Company not achieving the 50<sup>th</sup> percentile TSR hurdle as at 30 June 2021.

Table of aggregate Performance Share Rights Outstanding as at 30 June 2021

Year of Grant	Year of Vesting	Number Granted	Number Lapsed	Number vested	Balance Outstanding
2018	2021	256,578	256,578	-	-
2019	2022	408,484	38,144	-	370,340
2020	2023	358,888	19,290	-	339,598
<b>Total</b>		<b>1,023,950</b>	<b>314,012</b>		<b>709,938</b>

# Remuneration Report



## 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 2021	Balance at 1 July 2020	Shares issued from vested performance rights <sup>1</sup>	Shares issued from share plans	Shares purchased	Shares sold	Balance at 30 June 2021	Number of shares		
							Shares to be issued from vested performance rights and share plans <sup>2</sup>	Shares to be issued from share plans <sup>4</sup>	Balance at the date of this report
<b>Non-Executive Directors</b>									
G A Billings	11,250	-	656	3,200	-	15,106	-	-	15,106
A L Templeman-Jones	7,642	-	-	-	-	7,642	-	-	7,642
D D Robinson	13,000	-	2,608	-	-	15,608	-	1,705	17,313
J A Douglas	-	-	-	6,119	-	6,119	-	-	6,119
C Campbell <sup>5</sup>	-	-	-	-	-	-	-	-	-
J Pollaers <sup>6</sup>	-	-	-	-	-	-	-	-	-
M G Smith <sup>7</sup>	66,000	-	-	-	-	66,000	-	-	66,000
	<b>97,892</b>	<b>-</b>	<b>3,264</b>	<b>9,319</b>	<b>-</b>	<b>110,475</b>	<b>-</b>	<b>1,705</b>	<b>112,180</b>

For the year ended 30 June 2021	Balance at 1 July 2020	Shares issued from vested performance rights <sup>1</sup>	Shares issued from share plans	Shares purchased	Shares sold	Balance at 30 June 2021	Number of shares		
							Shares to be issued from vested performance rights and share plans <sup>2</sup>	Shares to be issued from share plans <sup>4</sup>	Balance at the date of this report
<b>Managing Director</b>									
G Whickman	27,000	-	-	-	-	27,000	-	-	27,000
<b>Chief Financial Officer</b>									
M Fraser <sup>3</sup>	110,657	-	1,063	2,728	(39,746)	74,702	-	1,921	76,623
	<b>137,657</b>	<b>-</b>	<b>1,063</b>	<b>2,728</b>	<b>(39,746)</b>	<b>101,702</b>	<b>-</b>	<b>1,921</b>	<b>103,623</b>

- 1 Performance rights granted under the 2020 performance rights plan lapsed in full on the basis of the Company not achieving the 50<sup>th</sup> percentile TSR hurdle.
- 2 Performance rights granted under the 2021 performance rights plan lapsed in full on the basis of the Company not achieving the 50<sup>th</sup> percentile TSR hurdle.
- 3 Some Executives' holdings include shares held either directly, or through other entities in which the Executive has a trustee role or controlling interest.
- 4 NED Share rights will after six months be satisfied by the Company purchasing shares on market.
- 5 Ms Campbell joined the Board on 16 March 2021
- 6 Mr Pollaers joined the Board on 23 June 2021
- 7 Mr Smith retired from the Board on 4 September 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 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 2021, other than to exclude the impact of the Government provided JobKeeper subsidies.

## STI

In the current year, the group as a consolidated entity exceeded CVA targets. Both the Managing Director and Chief Financial Officer received a bonus upon achieving the Group CVA target.

STI bonus payable for the year ended 30 June 2021	Maximum STI opportunity	Actual STI bonus payment		Disentitled
		Actual STI bonus payment <sup>1</sup>	Actual STI bonus payment as a % of maximum STI	
	\$	\$	%	%
<b>Managing Director</b>				
G Whickman	401,894	401,894	100	-
<b>Chief Financial Officer</b>				
M Fraser	334,783	334,783	100	-

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

## 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 2021 was -1.12%.

Financial year	Underlying EBIT <sup>1</sup> \$m	Underlying basic EPS <sup>1</sup> Cents	Total DPS Cents	Opening share price \$	Closing share price \$	Dividend yield %	TSR percentile rank for the 3 year period ending	Absolute TSR performance (%) for the 3 year period ended
30 June 2016	78.6	52.0	43.0	8.84	9.11	4.7	71.3	70.28
30 June 2017	83.6	60.5	46.0	9.11	12.91	3.6	91.2	153.59
30 June 2018	83.4	67.2	52.0	12.91	14.16	3.7	80.0	74.27
30 June 2019	88.9	70.4	56.0	14.16	10.01	5.6	59.0	26.69
30 June 2020	82.3	56.6	37.0	10.01	11.51	3.2	47.2	(1.20)
30 June 2021	101.6	67.0	56.0	11.51	11.99	4.7	38.8	(1.12)

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 percentile rank for the three-year period ended 30 June 2021 was at the 39<sup>th</sup> percentile, that is below the median company of the comparator group. In accordance with the plan rules, the Board lapsed all of the performance rights which were due to vest in respect of the period ended 30 June 2021.

## 6. Service Agreements

Remuneration and other terms of employment for EKMP 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
<b>G Whickman</b>	<ul style="list-style-type: none"> <li>Unlimited in term.</li> <li>A notice period of six months by either party applies, except in the case of termination by the Company for cause.</li> <li>On termination, Mr Whickman is entitled to receive statutory entitlements of accrued annual and long service leave.</li> </ul>
<b>M Fraser</b>	<ul style="list-style-type: none"> <li>Unlimited in term.</li> <li>Three months' notice by either party (or payment in lieu).</li> <li>On termination, Mr Fraser is entitled to receive statutory entitlements of accrued annual and long service leave.</li> </ul>

## 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 were enacted in respect of Non-Executive Directors' fees:

- Non-Executive Directors agreed to temporary fixed remuneration reductions of 20% per annum (pro-rata) in June and July 2020. By the end of July, business operations had recovered sufficiently to cease implementing these reductions, although there was no 'catch-up' payments.
- A decision was made to defer any increase in Directors' fees until 1 December 2020, when they were introduced at an average of 1.75% applied from that date.

# Remuneration Report



## 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 2021 are set out in the table below:

	Board	Deputy Chair	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Nominations Committee
Chairman of	294,007	15,000	15,000	15,000	15,000	Nil
Members of	118,571	-	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 in the form of the Non-Executive Director Equity Plan for Non-Executive Directors to convert a percentage of their prospective fees into GUD shares.

The Non-Executive Director Equity Plan permits 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 2021, two Non-Executive Director 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 Report



## Remuneration

Details of the nature and amount of each element of the remuneration of Non-Executive Directors for the year ended 30 June 2021 are set out in the table below.

	Year	Directors' Fees \$	Superannuation <sup>1</sup> \$	Fees converted to Equity <sup>2</sup>	Total \$
<b>Non-Executive Directors</b>					
G A Billings	2021	263,384	25,000	-	288,384
	2020	139,664	13,493	(7,009)	146,148
A L Templeman-Jones	2021	162,497	-	-	162,497
	2020	139,664	13,493	-	153,157
D D Robinson	2021	139,854	13,511	(31,957)	121,408
	2020	139,664	13,493	(17,756)	135,401
J Douglas	2021	134,427	12,979	-	147,406
	2020	41,652	4,166	-	45,818
C Campbell <sup>3</sup>	2021	41,783	3,969	-	45,752
J Pollaers <sup>4</sup>	2021	3,082	293	-	3,375
M G Smith <sup>5</sup>	2021	48,624	4,596	-	53,220
	2020	289,107	25,000	-	314,107
<b>Total Remuneration of Non-Executive Directors</b>	<b>2021</b>	<b>793,651</b>	<b>60,348</b>	<b>(31,957)</b>	<b>822,042</b>
	2020	749,751	69,645	(24,765)	794,631

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

2 Amounts sacrificed by the Non-Executive Directors during the year.

3 Ms Campbell joined the Board on 16 March 2021

4 Mr Pollaers joined the Board on 23 June 2021

5 Mr Smith retired from the Board on 4 September 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 2021 (2020: 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. The terms and conditions of the transactions with KMPs and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arms-length basis.

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



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**Consolidated Income Statement**

For the year ended 30 June

	Note	2021 \$'000	2020 \$'000
Revenue	2	556,982	438,016
Cost of goods sold		(310,475)	(234,981)
<b>Gross Profit</b>		<b>246,507</b>	203,035
Other income		588	1,020
Government grants-COVID19		2,820	2,950
Marketing and selling		(55,561)	(53,685)
Product development and sourcing		(15,596)	(12,555)
Logistics expenses and outward freight		(29,172)	(24,558)
Administration		(47,590)	(35,011)
Impairment of brand name	7	-	(2,115)
Other		(4,640)	(4,820)
<b>Results from operating activities</b>		<b>97,356</b>	74,261
Finance income	4	-	210
Finance expense	4	(10,382)	(10,824)
<b>Profit before tax</b>		<b>86,974</b>	63,647
Income tax expense	28	(26,008)	(19,969)
<b>Profit from operations, net of income tax</b>		<b>60,966</b>	43,678
<b>Profit attributable to owners of the Company</b>		<b>60,966</b>	43,678
<b>Earnings per share:</b>			
Basic earnings per share (cents per share)	5	67.0	50.4
Diluted earnings per share (cents per share)	5	66.5	50.0

The notes on pages 47 to 97 are an integral part of these consolidated financial statements.





**Consolidated Statement of Comprehensive Income**

For the year ended 30 June

	Note	2021 \$'000	2020 \$'000
<b>Profit for the year from continuing operations</b>		<b>60,966</b>	43,678
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit and loss</b>			
Equity investments at FVOCI – net change in fair value	22		-
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translating results of foreign operations	25	<b>209</b>	(537)
Net fair value adjustments recognised in the hedging reserve	25	<b>(1,707)</b>	3,237
Net change in fair value of cash flow hedges transferred to inventory	25	<b>4,663</b>	(3,578)
Income tax expense/(benefit) on items that may be reclassified subsequently to profit or loss	28	<b>(887)</b>	102
<b>Other comprehensive income / (loss) for the year, net of tax</b>		<b>2,278</b>	(776)
<b>Total comprehensive Profit attributable to owners of the Company</b>		<b>63,244</b>	42,902
<b>Total comprehensive Profit</b>		<b>63,244</b>	42,902

The notes on pages 47 to 97 are an integral part of these consolidated financial statements.



Consolidated Balance Sheet

As at 30 June

	Note	2021 \$'000	2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents	18	42,594	29,987
Trade and other receivables	8	146,355	114,479
Inventories	9	153,842	108,180
Derivative assets	20	2,071	549
Other financial assets	21	4,268	1,176
Current tax receivable		605	791
Other assets		6,717	5,261
<b>Total current assets</b>		<b>356,452</b>	<b>260,423</b>
<b>Non-current assets</b>			
Goodwill	12	210,545	162,149
Other intangible assets	13	140,273	121,436
Property, plant and equipment	14	22,321	16,495
Right of use assets	15	83,365	77,246
Other financial assets	21	4,212	4,111
Investments	22	1,734	1,734
<b>Total non-current assets</b>		<b>462,450</b>	<b>383,171</b>
<b>Total assets</b>		<b>818,902</b>	<b>643,594</b>
<b>Current liabilities</b>			
Trade and other payables	10	97,863	65,100
Employee benefits	11	15,715	12,147
Other provisions		1,119	1,389
Lease liabilities		14,311	10,058
Derivative liabilities	20	27	1,284
Other financial liabilities	22	-	3,250
Current tax payable		3,802	3,714
<b>Total current liabilities</b>		<b>132,837</b>	<b>96,942</b>
<b>Non-current liabilities</b>			
Employee benefits	11	2,367	1,308
Borrowings	19	189,158	172,139
Lease liabilities	15	74,280	69,904
Derivative liabilities	20	135	758
Deferred tax liabilities	29	28,565	27,701
Other provisions		2,776	57
<b>Total non-current liabilities</b>		<b>297,281</b>	<b>271,867</b>
<b>Total liabilities</b>		<b>430,118</b>	<b>368,809</b>
<b>Net assets</b>		<b>388,784</b>	<b>274,785</b>
<b>Equity</b>			
Share Capital	24	195,556	112,880
Reserves	25	15,186	11,001
Retained earnings	26	178,042	150,904
<b>Total equity</b>		<b>388,784</b>	<b>274,785</b>

The notes on pages 47 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June

For the year ended 30 June 2021

	Attributable to the owners of the Company							Total equity		
	Notes	Share Capital	Hedging reserve	Equity compensation reserve	Fair value reserve	Translation reserve	Retained earnings			
<b>Balance at 1 July 2020</b>		112,880	-	902	11,291	-	598	1,210	150,904	274,785
Total comprehensive income for the period										-
Profit for the period		-	-	-	-	-	-	-	60,966	60,966
Other comprehensive income		-	2,069	-	-	-	-	209	-	2,278
<b>Total comprehensive income for the period</b>		-	2,069	-	-	-	-	209	60,966	63,244
Transactions with the owners of the Company										
<i>Contributions and distributions</i>										
Issue of ordinary shares	24	75,703	-	-	-	-	-	-	-	75,703
Equity raise costs	24	-	1,361	-	-	-	-	-	-	(1,361)
Dividend reinvestment plan (net of issue costs)	27	8,334	-	-	-	-	-	-	-	8,334
Dividends paid	27	-	-	-	-	-	-	-	(33,828)	(33,828)
Equity settled share based payment		-	-	-	1,907	-	-	-	-	1,907
<b>Balance at 30 June 2021</b>		195,556	1,167	13,198	(598)	1,419	178,042		388,784	

For the year ended 30 June 2020

	Attributable to the owners of the Company							Total equity	
	Notes	Share Capital	Hedging reserve	Equity compensation reserve	Fair value reserve	Translation reserve	Retained earnings		
<b>Balance at 1 July 2019</b>		112,880	(663)	9,495	(598)	1,747	155,778	278,639	
Total comprehensive income for the period									
Profit for the period		-	(239)	-	-	(537)	43,678	43,678	(776)
Other comprehensive income		-	(239)	-	-	(537)	43,678	42,902	
<b>Total comprehensive income for the period</b>		-	(239)	-	-	(537)	43,678	42,902	
Transactions with the owners of the Company									
<i>Contributions and distributions</i>									
Dividends paid	27	-	-	-	-	-	(48,552)	(48,552)	
Equity settled share based payment		-	-	1,796	-	-	-	1,796	
<b>Balance at 30 June 2020</b>		112,880	(902)	11,291	(598)	1,210	150,904	274,785	

The amounts recognised directly in equity are net of tax.

The notes on pages 47 to 97 are an integral part of these consolidated financial statements.



Consolidated Cash Flow Statement

For the year ended 30 June

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		589,794	470,974
Payments to suppliers and employees		(489,305)	(380,335)
Income taxes paid		(28,956)	(28,075)
Receipt of Government grants		2,820	2,950
<b>Net cash provided by operating activities</b>	18	<b>74,353</b>	65,514
<b>Cash flows from investing activities</b>			
Acquisition of controlled entity, net of cash acquired	30a	(96,573)	-
Payment of IMG contingent consideration		(3,250)	-
Proceeds from sale of property, plant and equipment		69	104
Payments for property, plant and equipment	14	(5,957)	(6,489)
Payments for intangible assets	13	(165)	-
<b>Net cash provided by investing activities</b>		<b>(105,876)</b>	(6,385)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	19	91,610	175,805
Repayment of borrowings	19	(74,970)	(164,697)
(Advance)/Proceeds on other loans	19	(1,599)	(2,553)
Interest received	19	-	94
Interest paid	19	(5,621)	(6,320)
Payment of lease liabilities	16	(13,469)	(11,229)
Dividends paid (Net of dividend reinvested)	27	(25,494)	(48,552)
Proceeds from the issue of ordinary shares		75,703	-
Transaction costs related to equity raise		(1,944)	-
<b>Net cash used in financing activities</b>	19	<b>44,216</b>	(57,452)
<b>Net increase in cash held</b>		<b>12,693</b>	1,677
<b>Cash at the beginning of the year</b>		<b>29,987</b>	28,850
Effects of exchange rate changes on the balance of cash held in foreign currencies		(86)	(540)
<b>Cash at the end of the year</b>	18	<b>42,594</b>	29,987

The notes on pages 47 to 97 are an integral part of these consolidated financial statements.



# GUD Holdings Limited and Subsidiaries

## 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 2021 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, United States of America and France (Note 7).

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2021 are available on request from the Company's registered office at 29 Taras Avenue, Altona North, Victoria, 3025 or at [www.gud.com.au](http://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 3 August 2021.

### 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 20)
- Other financial instruments (Note 21)

### 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
- Acquisition of subsidiary: fair value of the consideration transferred and fair value of the assets acquired and liabilities assumed, measured on a provisional basis (Note 30).
- Goodwill (Note 12) and other intangible assets (Note 13): 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 22)
- Other financial instruments (Note 21): contingent consideration
- Leases (Note 15): lease term "whether the Group is reasonably certain to exercise extension options".

## 1. Basis of preparation (continued)

### *i. Measurement of fair values*

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 12 – Goodwill;
- Note 22 – Financial instruments;
- Note 30 – Business combination; and
- Note 32 – Performance rights

### **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 25), and
- Exchange differences on translating foreign operations (Note 25).



## 1. Basis of preparation (continued)

### New standards, interpretations and amendments adopted by the Group

The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 July 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies and details for the Group's acquisition of subsidiaries are set out in Note 30.

### Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

#### *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 (1 July 2022) to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at 30 June 2021 will be completed before the amendments become effective.

## 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 2021			For the year ended 30 June 2020		
	Automotive	Davey	Total	Automotive	Davey	Total
<b>Type of goods or services</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Sale of goods	443,530	112,240	555,770	330,748	105,602	436,350
Water solutions project income	-	1,212	1,212	-	1,666	1,666
<b>Total Revenue from contracts with customers</b>	<b>443,530</b>	<b>113,452</b>	<b>556,982</b>	<b>330,748</b>	<b>107,268</b>	<b>438,016</b>
<b>Geographical markets</b>						
Australia	393,324	90,110	483,434	298,978	88,334	387,312
New Zealand	47,296	12,829	60,125	31,770	11,987	43,757
Other	2,910	10,513	13,423	-	6,947	6,947
<b>Total revenue from contracts with customers</b>	<b>443,530</b>	<b>113,452</b>	<b>556,982</b>	<b>330,748</b>	<b>107,268</b>	<b>438,016</b>
<b>Timing of revenue recognition</b>						
Goods transferred at a point in time	443,530	112,240	555,770	330,748	105,602	436,350
Services transferred over time	-	1,212	1,212	-	1,666	1,666
<b>Total Revenue from contracts with customers</b>	<b>443,530</b>	<b>113,452</b>	<b>556,982</b>	<b>330,748</b>	<b>107,268</b>	<b>438,016</b>

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 \$294,000 and \$444,000 for the year ended 30 June 2021 and 2020 (estimated under AASB 9), respectively.



**2. Revenue (continued)**

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

	2021 \$'000	2020 \$'000
Receivables, which are included in trade and other receivables		
Contract assets	132	389

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><b><u>Right of return</u></b></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><b><u>Volume rebates</u></b></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><b><u>Marketing rebates</u></b></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.



## GUD Holdings Limited and Subsidiaries

### 3. Expenses (continued)

#### Expenses by nature

This table summarises expenses by nature from continuing operations:

	Note	2021 \$'000	2020 \$'000
<b>Profit before income tax has been arrived at after charging the following expenses:</b>			
Increase/(decrease) in inventory obsolescence provision	9	925	1,274
Loss/(gain) on sale of plant and equipment		414	340
Operating lease rental expense/short term or low value lease expense		177	905
Net foreign exchange (gain)/loss		3,894	(3,336)
<b>Employee benefits:</b>			
Wages and salaries (including on-costs)		78,259	73,184
Contributions to defined contribution plans		2,781	2,707
Movements in provisions for employee benefits		(4,627)	(1,020)
Equity settled share based payment expense	25	1,907	1,796
<b>Depreciation and amortisation:</b>			
Amortisation of customer relationships	13	319	319
Amortisation of software	13	100	18
Amortisation of other intangibles	13	147	140
Amortisation of brand names	13	324	303
Depreciation of plant and equipment	14	5,172	3,632
Depreciation of leased plant and equipment	15	12,509	10,588
<b>Total depreciation and amortisation</b>		<b>18,571</b>	<b>15,000</b>
Product development and sourcing costs		15,596	12,555
<b>Significant items:</b>			
Transaction expenses <sup>1</sup>		1,239	-
Redundancy costs <sup>1</sup>	7	-	1,594
Impairment of inventory <sup>1</sup>	7	-	2,750
Impairment of brand names	16	-	2,115
Restructuring costs – Relocation costs for AA Gaskets <sup>1</sup>	7	2,636	-
<b>Total significant items</b>		<b>3,875</b>	<b>6,459</b>

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:

	2021 \$'000	2020 \$'000
<b>Finance costs:</b>		
Interest income	-	(94)
Interest expense	5,621	6,320
Interest on lease liabilities	3,291	3,360
Net foreign exchange (gain) / loss	1,470	(116)
Unwinding of discount on contingent consideration payable	-	1,144
<b>Net finance costs</b>	<b>10,382</b>	<b>10,614</b>

The ineffective portion of cash flow hedges that is recognised in the income statement is \$33,000 (2020: 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.

	<b>Total</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit / (loss) for the period	<b>60,966</b>	43,678
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator for basic EPS	<b>90,942,751</b>	86,683,486
Effect of balance of performance rights outstanding at 30 June	<b>776,450</b>	684,098
Weighted average number of ordinary shares used as the denominator for diluted EPS	<b>91,719,201</b>	87,367,584
<b>EPS</b>	<b>Cents per share</b>	<b>Cents per share</b>
Basic EPS	<b>67.0</b>	50.4
Diluted EPS	<b>66.5</b>	50.0

**6. Auditors' remuneration**

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

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Audit and review services:</b>		
The auditor of GUD Holdings Limited		
- audit and review of financial reports	<b>627,725</b>	518,422
	<b>627,725</b>	518,422
<b>Other services:</b>		
The auditor of GUD Holdings Limited		
- in relation to transaction advice	<b>150,000</b>	-
- in relation to taxation advice and compliance	<b>422,044</b>	247,363
- in relation to sustainability review	<b>36,971</b>	-
	<b>609,015</b>	247,363



### 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.



7. Segment information (continued)

	For the year ended 30 June 2021			Total \$'000
	Automotive \$'000	Davey \$'000	Unallocated <sup>1</sup> \$'000	
<b>Business segments</b>				
<b>Total segment revenue (external)</b>	<b>443,530</b>	<b>113,452</b>	<b>-</b>	<b>556,982</b>
<b>EBITDA pre- significant items</b>	<b>115,084</b>	<b>9,040</b>	<b>(4,706)</b>	<b>119,418</b>
Less: Depreciation	(12,775)	(4,273)	(718)	(17,766)
Less: Amortisation of intangibles	(421)	-	-	(421)
<b>EBIT pre-significant items</b>	<b>101,888</b>	<b>4,767</b>	<b>(5,424)</b>	<b>101,231</b>
Transaction costs <sup>2</sup>	-	-	(1,239)	(1,239)
Restructuring costs <sup>3</sup>	(2,252)	(376)	(8)	(2,636)
<b>Segment result (EBIT)</b>	<b>99,636</b>	<b>4,391</b>	<b>(6,671)</b>	<b>97,356</b>
Interest on lease liability	(2,403)	(306)	(582)	(3,291)
Interest expense	(116)	(151)	(5,354)	(5,621)
Net foreign exchange loss	(1,098)	(372)	-	(1,470)
<b>Profit / (loss) before tax</b>	<b>96,019</b>	<b>3,562</b>	<b>(12,607)</b>	<b>86,974</b>
Tax expense	(30,900)	(1,332)	6,224	(26,008)
<b>Profit / (loss) attributable to owners of the Company</b>	<b>65,119</b>	<b>2,230</b>	<b>(6,383)</b>	<b>60,966</b>
<b>Segment assets</b>	<b>676,471</b>	<b>123,973</b>	<b>18,458</b>	<b>818,902</b>
<b>Segment liabilities</b>	<b>193,378</b>	<b>32,162</b>	<b>204,578</b>	<b>430,118</b>
<b>Segment capital expenditure</b>	<b>5,634</b>	<b>304</b>	<b>19</b>	<b>5,957</b>

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

2. Transaction cost in the Unallocated segment relate to the acquisition of G4CVA (\$0.456 million), ACS (\$0.04 million) and other transaction costs (\$0.749 million).

3. Restructuring costs in the Automotive segment relate to relocation costs for AA Gaskets (\$2.206 million), and redundancy costs (\$0.046 million). Restructuring costs in Davey relate to redundancy costs.

7. Segment information (continued)

Business segments	For the year ended 30 June 2020			Total \$'000
	Automotive \$'000	Davey \$'000	Unallocated <sup>1</sup> \$'000	
<b>Total segment revenue (external)</b>	<b>330,748</b>	<b>107,268</b>	<b>-</b>	<b>438,016</b>
<b>EBITDA pre- significant items</b>	<b>90,992</b>	<b>13,006</b>	<b>(8,278)</b>	<b>95,720</b>
Less: Depreciation	(9,235)	(4,274)	(711)	(14,220)
Less: Amortisation of intangibles	(779)	-	(1)	(780)
<b>EBIT pre-significant items</b>	<b>80,978</b>	<b>8,732</b>	<b>(8,990)</b>	<b>80,720</b>
Impairment of inventory <sup>2</sup>	(250)	(2,500)	-	(2,750)
Impairment of brand names <sup>3</sup>	-	(2,115)	-	(2,115)
Restructuring costs <sup>4</sup>	(202)	(1,392)	-	(1,594)
<b>Segment result (EBIT)</b>	<b>80,526</b>	<b>2,725</b>	<b>(8,990)</b>	<b>74,261</b>
Interest income	-	116	94	210
Interest on lease liability	(2,437)	(315)	(608)	(3,360)
Interest expense	(123)	(157)	(7,184)	(7,464)
<b>Profit / (loss) before tax</b>	<b>77,966</b>	<b>2,369</b>	<b>(16,688)</b>	<b>63,647</b>
Tax expense	(23,953)	(1,288)	5,272	(19,969)
<b>Profit / (loss) attributable to owners of the Company</b>	<b>54,013</b>	<b>1,081</b>	<b>(11,416)</b>	<b>43,678</b>
<b>Segment assets</b>	<b>511,748</b>	<b>121,747</b>	<b>10,099</b>	<b>643,594</b>
<b>Segment liabilities</b>	<b>145,722</b>	<b>29,290</b>	<b>193,797</b>	<b>368,809</b>
<b>Segment capital expenditure</b>	<b>4,881</b>	<b>1,557</b>	<b>51</b>	<b>6,489</b>

<sup>^</sup> 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 16 for further information.
4. Associated with product outsourcing at AA Gaskets and realignment of the Davey business.

## 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.

	2021 \$'000	2020 \$'000
<b>Current</b>		
Trade receivables	147,528	115,438
Less: Allowance for doubtful debts	(1,305)	(959)
Net trade receivables	146,223	114,479
Amounts receivable from projects	132	-
	<b>146,355</b>	<b>114,479</b>

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.

	2021 \$'000	2020 \$'000
<b>Movement in allowance for doubtful debts</b>		
Balance at the beginning of the year	(959)	(558)
Acquisitions through business combinations	(70)	-
Doubtful debts recognised	(306)	(436)
Amounts written off as uncollectible	30	35
Balance at the end of the year	<b>(1,305)</b>	<b>(959)</b>

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.

<b>2021</b>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
Ageing of trade receivables	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not past due	130,253	(247)	130,006
Past due 1 - 60 days	14,640	(263)	14,377
Past due 61 - 120 days	1,996	(254)	1,742
Past due 121 - 365 days	357	(201)	156
Past due more than one year	414	(340)	74
<b>Total trade receivables</b>	<b>147,660</b>	<b>(1,305)</b>	<b>146,355</b>

<b>2020</b>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
Ageing of trade receivables	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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
<b>Total trade receivables</b>	<b>115,438</b>	<b>(959)</b>	<b>114,479</b>

Additional information relating to credit risk is included in Note 23.

**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.

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Raw materials and stores	17,305	18,151
Work in progress	1,256	459
Finished goods	146,517	100,061
<b>Inventory – at cost</b>	<b>165,078</b>	<b>118,671</b>
Less: Provision for slow moving inventory	(11,236)	(10,491)
<b>Total inventory</b>	<b>153,842</b>	<b>108,180</b>

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.

	2021 \$'000	2020 \$'000
<b>Current</b>		
Accrued expenses	40,188	20,439
Trade payables	57,675	44,661
<b>Trade payables and accrued expenses</b>	<b>97,863</b>	<b>65,100</b>

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.

	2021 \$'000	2020 \$'000
<b>Current</b>	<b>15,715</b>	<b>12,147</b>
Non-current	2,367	1,308
Accrued wages and salaries	1,181	542
<b>Total employee benefits</b>	<b>19,263</b>	<b>13,997</b>

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

## 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.

### 12. 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:

	Note	2021 \$'000	2020 \$'000
<b>Gross carrying amount</b>			
Balance at the beginning of the year		162,149	162,708
Liquidation of GEL Australia		-	(290)
Acquisitions through business combinations	30a	48,187	-
Net foreign currency difference arising on translation of financial statements of foreign operations		209	(269)
Balance at the end of the year		<b>210,545</b>	162,149

### 13. 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).

**13. 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 16).

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 16).

\$'000	Brand, Business Names & Trademarks	Patents, Licences & Distribution Rights	Software	Customer Relationships	Total
<b>Gross carrying amount</b>					
<b>Balance at 30 June 2019</b>	<b>119,241</b>	<b>1,876</b>	<b>149</b>	<b>4,441</b>	<b>125,707</b>
Acquisition of patents and software	-	47	70	-	117
Foreign currency movements	(4)	(8)	-	-	(12)
<b>Balance at 30 June 2020</b>	<b>119,237</b>	<b>1,915</b>	<b>219</b>	<b>4,441</b>	<b>125,812</b>
Additions from business combinations	11,207	131	-	8,397	19,735
Acquisition of patents and software	-	12	153	-	165
Foreign currency movements	-	(2)	-	-	(2)
<b>Balance at 30 June 2021</b>	<b>130,444</b>	<b>2,056</b>	<b>372</b>	<b>12,838</b>	<b>145,710</b>
<b>Accumulated amortisation</b>					
<b>Balance at 30 June 2019</b>	-	<b>(408)</b>	<b>(147)</b>	<b>(933)</b>	<b>(1,488)</b>
Amortisation expense	(303)	(140)	(18)	(319)	(780)
Foreign currency movements	-	7	-	-	7
Impairment	(2,115)	-	-	-	(2,115)
<b>Balance at 30 June 2020</b>	<b>(2,418)</b>	<b>(541)</b>	<b>(165)</b>	<b>(1,252)</b>	<b>(4,376)</b>
Additions from business combinations	(63)	(110)	-	-	(173)
Amortisation expense	(324)	(147)	(100)	(319)	(890)
Foreign currency movements	-	1	1	-	2
<b>Balance at 30 June 2021</b>	<b>(2,805)</b>	<b>(797)</b>	<b>(264)</b>	<b>(1,571)</b>	<b>(5,437)</b>
<b>Carrying amount</b>					
As at 30 June 2020	116,819	1,374	54	3,189	121,436
<b>As at 30 June 2021</b>	<b>127,639</b>	<b>1,259</b>	<b>108</b>	<b>11,267</b>	<b>140,273</b>

Amortisation is recognised as an expense in Note 3.

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

**14. 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 2021, 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	Plant and Equipment \$'000
<b>Gross carrying amount</b>		
<b>Balance at 30 June 2019</b>		<b>52,757</b>
Additions		6,489
Disposals		(3,917)
Foreign currency movements		(87)
<b>Balance at 30 June 2020</b>		<b>55,242</b>
Additions from business combinations	30a	11,917
Additions		5,957
Disposals		(2,148)
Foreign currency movements		18
<b>Balance at 30 June 2021</b>		<b>70,986</b>
<b>Accumulated depreciation and amortisation</b>		
<b>Balance at 30 June 2019</b>		<b>(38,675)</b>
Depreciation expense		(3,632)
Disposals		3,528
Foreign currency movements		32
<b>Balance at 30 June 2020</b>		<b>(38,747)</b>
Additions from business combinations	30a	(6,705)
Depreciation expense		(5,172)
Disposals		1,959
<b>Balance at 30 June 2021</b>		<b>(48,665)</b>
<b>Carrying amount</b>		
As at 30 June 2020		16,495
<b>As at 30 June 2021</b>		<b>22,321</b>

Depreciation is recognised as an expense in Note 3.

**15. 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
<b>Balance at 1 July 2020</b>	<b>73,542</b>	<b>3,421</b>	<b>283</b>	<b>77,246</b>
Depreciation charge for the year	(10,445)	(1,879)	(185)	(12,509)
Lease reassessments	(3,388)	3	-	(3,385)
Additions to right-of-use assets	1,655	820	8	2,483
Additions from business combinations	18,882	66	-	18,948
Foreign exchange movements	582	-	-	582
<b>Balance at 30 June 2021</b>	<b>80,828</b>	<b>2,431</b>	<b>106</b>	<b>83,365</b>

**15. Leases (continued)**

*ii. Amounts recognised in profit and loss*

\$'000

**2021 – Leases under AASB 16**

Interest on lease liabilities	3,291
Expenses relating to short-term leases and low value assets	960

**2020 – Leases under AASB 16**

Interest on lease liabilities	3,360
Expenses relating to short-term leases and low value assets	905

*iii. Amounts recognised in statement of cash flows*

	2021 \$'000	2020 \$'000
<b>Total cash outflows for leases</b>	<i>(13,469)</i>	<i>(11,229)</i>

*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 that are expected to be exercised in determining its lease liability calculations.

**16. 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.

**16. Impairment (continued)**

**Results**

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

All intangible assets with indefinite lives (goodwill and brand names), have been allocated for impairment testing purposes to CGUs (or groups of units). Where appropriate, the recoverable amount for brand names has been tested on a stand-alone basis, based on its fair value, in addition to being considered as part of the CGU assessment.

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 budget for the 2022 (2020: based on 2021 budget) year, projections for a further 4 years based on expected growth rates for the specific CGU and terminal value growth rate of 3.0% consistent with the sectors in which the CGUs operate. The values assigned reflect past experience, risk adjusted outcomes expected from strategic initiatives or, where appropriate, external sources of information.

The following summarises the carrying value of goodwill and indefinite life intangible assets for each CGU (\$'000), together with the range of post-tax discount rates applied to cash flows of each CGU for the years ended 30 June 2021 and 2020:

	2021			2020		
	Goodwill ('000)	Indefinite life intangibles	Discount rate	Goodwill	Indefinite life intangibles	Discount rate
Automotive	174,070	126,539	9.1 – 9.6%	125,634	116,022	9.3 – 9.6%
Davey	36,497	1,100	8.6 – 9.2%	36,515	1,100	8.9 – 9.5%

The Directors have assessed that no impairment charge is required in relation to the tangible or intangible assets for the year ended 30 June 2021. At 30 June 2020, no impairment charge was required in relation to the tangible or intangible asset, except as described in the impairment section below, except in relation to a specific brandname (refer note 7)

Based on the value in use analysis, the estimated recoverable amount of the Davey CGU exceeded its carrying amount by approximately \$20 million. Having regard to the business improvement initiatives currently underway in the Davey business, holding all other assumptions constant, a reasonably possible change in the forecast growth in gross margin (growth expected to average 3% over the FY23-FY26 period) could cause the carrying amount to exceed the recoverable amount.

**17. Commitments for expenditure**

**Plant & equipment**

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

\$'000	2021	2020
Within 1 year	67	746
Between 1 and 5 years	-	-
Later than 5 years	-	-
<b>Total plant and equipment capital expenditure</b>	<b>67</b>	<b>746</b>



## 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.

### 18. 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	2021 \$'000	2020 \$'000
<b>Current</b>		
Cash and cash equivalents in the balance sheet	42,594	29,987
Total cash and cash equivalents	42,594	29,987

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

	2021 \$'000	2020 \$'000
Profit/(loss) from operations, net of income tax	60,966	43,678
Depreciation and amortisation	18,331	15,000
Amortisation of brand names	324	-
Impairment of brand names	-	2,115
Impairment of inventory	-	2,750
Unwind of discount on contingent consideration payable	-	1,144
Interest received	-	(94)
Interest paid	5,622	6,320
Interest lease liability	3,291	3,360
(Gain)/Loss on sale of property, plant and equipment	18	340
<b>Changes in working capital assets and liabilities:</b>		
Increase/(decrease) in net tax liability	(2,948)	(8,105)
(Increase)/decrease in inventories	(20,370)	(1,979)
(Increase)/decrease in trade receivables	(14,858)	(7,652)
(Increase)/decrease in other assets	1,103	(682)
Increase/(decrease) in provisions	(1,375)	(1,131)
Increase/(decrease) in payables	23,466	8,754
Increase/(decrease) in derivatives	783	1,696
<b>Net cash provided by/(used in) operating activities</b>	<b>74,353</b>	<b>65,514</b>

**19. 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**

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 2021		Facilities as at 30 June 2020	
	Amount	Maturity	Amount	Maturity
	\$ million		\$ million	
Bank borrowings – 4-year facility	150.0	28/01/2024	150.0	28/01/2024
Bank borrowings (USD) – 4-year facility	1.3	28/01/2024	-	
Fixed term loan	50.0	23/01/2028	50.0	23/01/2028
Short-term facilities	25.0	28/01/2022	25.0	28/01/2021
Overdraft	4.9	28/01/2024	4.9	28/01/2024
<b>Total</b>	<b>231.2</b>		<b>229.9</b>	

**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 2021 is 3.30% (30 June 2020: 4.44%).

This table summarises Borrowings relating to all operations at 30 June 2021 and 30 June 2020:

	Note	2021 \$'000	2020 \$'000
<b>Current</b>			
Unsecured bank loans		-	-
Secured finance lease liabilities		-	-
Total current borrowings	22	-	-
<b>Non-current</b>			
Unsecured bank loans		<b>189,158</b>	<b>172,139</b>
Total non-current borrowings	22	<b>189,158</b>	<b>172,139</b>

19. Borrowings (continued)

Financing facilities

This table summarises facilities available, used and not utilised related to all operations at 30 June 2021 and 30 June 2020:

	2021 \$'000	2020 \$'000
<b>Total facilities available:</b>		
Unsecured bank overdrafts	4,931	4,934
Unsecured bank loans	201,330	200,000
Short term facilities	25,000	25,000
Balance at 30 June	<b>231,261</b>	229,934
<b>Facilities used at balance date:</b>		
Unsecured bank overdrafts	-	-
Unsecured bank loans	189,158	172,139
Short term facilities	-	-
Balance at 30 June	<b>189,158</b>	172,139
<b>Facilities not utilised at balance date:</b>		
Unsecured bank overdrafts	4,931	4,934
Unsecured bank loans	12,172	27,861
Short term facilities	25,000	25,000
Balance at 30 June	<b>42,103</b>	57,795

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

	Note	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	Share capital	Total
<b>Balance at 1 July 2020</b>		166,852	79,962	549	2,042	11,001	150,904	112,880	524,190
Proceeds from loans and borrowings		91,610	-	-	-	-	-	-	91,610
Repayment/(Advance) of loans and borrowings		(76,569)	-	-	-	-	-	-	(76,569)
Payment of lease liability		-	(13,469)	-	-	-	-	-	(13,469)
Dividend paid		-	-	-	-	-	(25,494)	-	(25,494)
Proceeds from issue of ordinary shares (net of transaction costs)		-	-	-	-	-	-	73,759	73,759
Interest received		-	-	-	-	-	-	-	-
Interest paid		(5,621)	-	-	-	-	-	-	(5,621)
<b>Total changes from financing cash flows</b>		<b>9,420</b>	<b>(13,469)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25,494)</b>	<b>73,759</b>	<b>44,216</b>
<b>The effect of changes in foreign exchange rates</b>		<b>(86)</b>	<b>(6)</b>	<b>1,522</b>	<b>(1,235)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195</b>
Other changes		981	17,343	-	(645)	4,185	52,632	8,917	82,830
Interest expense		5,621	4,761	-	-	-	-	-	10,382
<b>Total other changes</b>		<b>6,602</b>	<b>22,104</b>	<b>-</b>	<b>(645)</b>	<b>4,185</b>	<b>52,632</b>	<b>8,917</b>	<b>101,546</b>
<b>Balance at 30 June 2021</b>		<b>182,788</b>	<b>88,591</b>	<b>2,071</b>	<b>162</b>	<b>15,186</b>	<b>178,042</b>	<b>195,556</b>	<b>662,396</b>

19. Borrowings (continued)

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

	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
<b>Balance at 1 July 2019</b>	<b>165</b>	<b>158,837</b>	<b>-</b>	<b>898</b>	<b>1,836</b>	<b>9,981</b>	<b>155,778</b>	<b>327,495</b>
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)
<b>Total changes from financing cash flows</b>	<b>-</b>	<b>2,329</b>	<b>(11,229)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(48,552)</b>	<b>(57,452)</b>
<b>The effect of changes in foreign exchange rates</b>	<b>-</b>	<b>(540)</b>	<b>(264)</b>	<b>(349)</b>	<b>871</b>	<b>-</b>	<b>-</b>	<b>(282)</b>
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
<b>Total other changes</b>	<b>(165)</b>	<b>6,226</b>	<b>91,455</b>	<b>-</b>	<b>(665)</b>	<b>1,020</b>	<b>43,678</b>	<b>141,549</b>
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>166,852</b>	<b>79,962</b>	<b>549</b>	<b>2,042</b>	<b>11,001</b>	<b>150,904</b>	<b>411,310</b>

20. 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.

**20. 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 2021 and at 30 June 2020:

	Note	2021 \$'000	2020 \$'000
<b>Current</b>			
Derivatives - Foreign currency forward contracts	21	2,071	549
Current derivative assets		2,071	549
<b>Non-current</b>			
Derivatives - Interest rate swaps	21	-	--
Non-current derivative assets		-	--

**Derivative liabilities**

This table summarises derivative liabilities related to all operations at 30 June 2021 and at 30 June 2020:

	Note	2021 \$'000	2020 \$'000
<b>Current</b>			
Derivatives - Foreign currency forward contracts	21	-	1,235
Derivatives - Interest rate swaps at fair value	21	27	49
Current derivative liabilities		27	1,284
<b>Non-current</b>			
Derivatives - Interest rate swaps at fair value	21	135	758
Non-current derivative liabilities		135	758

**20. 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.

	2021					2020				
	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
<b>Interest rate swaps</b>										
Assets	-	-	-	-	-	-	-	-	-	-
Liabilities	(162)	(162)	(162)	-	-	(807)	(807)	(49)	-	(758)
<b>Forward exchange contracts</b>										
Assets	2,071	2,071	1,244	827	-	549	549	549	-	-
Liabilities	-	-	-	-	-	1,235	1,235	1,235	-	-
<b>Total</b>	<b>1,909</b>	<b>1,909</b>	<b>1,082</b>	<b>827</b>		<b>977</b>	<b>977</b>	<b>1,735</b>	<b>-</b>	<b>(758)</b>

**21. 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.

**21. Other financial instruments (continued)**

**Other financial assets**

This table summarises other financial assets related to all operations at 30 June 2021 and at 30 June 2020:

	Note	2021 \$'000	2020 \$'000
<b>Current</b>			
Loans receivable - third parties	22	2,158	1,176
G4CVA revenue adjustment <sup>1</sup>	30a	2,110	-
Other current financial assets		4,268	1,176
<b>Non-current</b>			
Loans receivable - third parties	22	4,212	4,111
Other non-current financial assets		4,212	4,111

1. G4CVA did not achieve the revenue target as set out in the Sales and Purchase Agreement. As a result, GUD will be refunded in full the escrow amount \$2.110 million, refer note 30a.

**Other financial liabilities**

This table summarises other financial liabilities at 30 June 2021 and at 30 June 2020:

	Note	2021 \$'000	2020 \$'000
<b>Current</b>			
Contingent consideration payable		-	3,250
<b>Non-current</b>			
Contingent consideration payable		-	-
Total other financial liabilities	22	-	3,250

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.

**22. 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.

22. Financial instruments (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value
<p><b>Interest rate swaps</b></p>	<p>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.</p>	<p><i>Not applicable.</i></p>	<p><i>Not applicable.</i></p>
<p><b>Foreign exchange contracts</b></p>	<p>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.</p>	<p><i>Not applicable.</i></p>	<p><i>Not applicable.</i></p>
<p><b>Contingent consideration</b></p>	<p>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.</p>	<p><i>-The probability attached to each scenario</i>  <i>- Forecast EBIT growth (2021: 0-30%,2020: 0-30%)</i>  <i>- Risk adjusted discount rate (2021: 8.0%,2020: 8.0%)</i></p>	<p><i>The estimated fair value would increase (decrease) if:</i>  <i>- The EBITDA growth is lower/ (higher)</i>  <i>- The risk adjusted discount rate moves lower (higher).</i></p>
<p><b>Investments</b></p>	<p>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.</p>	<p><i>- Recent capital raises</i>  <i>- Internal management information</i></p>	<p><i>The estimated fair value varies in line with equity prices established during capital raising and performance based on management results.</i></p>





**22. 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 2021.

**Level 3 fair value reconciliation**

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

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Opening balance <sup>1</sup>	<b>1,516</b>	693
Contingent consideration payable – acquisition of 100% of IMG	<b>(1,516)</b>	(321)
Unwinding of discount	-	1,144
Closing balance	-	1,516

1. Opening balance includes Investments and Contingent consideration



## 22. Financial instruments (continued)

	As at 30 June 2021						
	Carrying value		Total	Fair value			Total
	Current	Non-current		Level 1	Level 2	Level 3	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets measured at fair value</b>							
Investment	-	1,734	1,734	-	-	1,734	1,734
Derivatives - Foreign currency forward contracts	2,071	-	2,071	-	2,071	-	2,071
Other financial assets	-	228	228	-	-	228	228
<b>Total financial assets measured at fair value</b>	<b>2,071</b>	<b>1,962</b>	<b>4,033</b>	<b>-</b>	<b>2,071</b>	<b>1,962</b>	<b>4,033</b>
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents <sup>a</sup>	42,594	-	42,594	-	-	-	-
Trade and other receivables <sup>a</sup>	146,355	-	146,355	-	-	-	-
Other financial assets <sup>a</sup>	4,268	4,212	8,480	-	-	-	-
<b>Total financial assets not measured at fair value</b>	<b>193,217</b>	<b>4,212</b>	<b>197,429</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total financial assets</b>	<b>195,288</b>	<b>6,174</b>	<b>201,462</b>	<b>-</b>	<b>2,071</b>	<b>1,962</b>	<b>4,033</b>
<b>Financial liabilities measured at fair value</b>							
Derivatives - Foreign currency forward contracts	-	-	-	-	-	-	-
Derivatives - Interest rate swaps at fair value	27	135	162	-	162	-	162
Other financial liabilities	-	-	-	-	-	-	-
<b>Total financial liabilities measured at fair value</b>	<b>27</b>	<b>135</b>	<b>162</b>	<b>-</b>	<b>162</b>	<b>-</b>	<b>162</b>
<b>Financial liabilities not measured at fair value</b>							
Unsecured borrowings and loans <sup>a</sup>	-	139,158	139,158	-	-	-	-
Fixed rate loan	-	50,000	50,000	-	56,661	-	56,661
<b>Total financial liabilities not measured at fair value</b>	<b>-</b>	<b>189,158</b>	<b>189,158</b>	<b>-</b>	<b>56,661</b>	<b>-</b>	<b>56,661</b>
<b>Total financial liabilities</b>	<b>27</b>	<b>189,293</b>	<b>189,320</b>	<b>-</b>	<b>56,823</b>	<b>-</b>	<b>56,823</b>

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



## 22. Financial instruments (continued)

	As at 30 June 2020						
	Carrying value		Total	Fair value			Total
	Current	Non-current		Level 1	Level 2	Level 3	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets measured at fair value</b>							
Investment	-	1,734	1,734	-	-	1,734	1,734
Derivatives - Foreign currency forward contracts	549	-	549	-	549	-	549
Other financial assets	-	229	229	-	-	229	229
<b>Total financial assets measured at fair value</b>	<b>549</b>	<b>1,963</b>	<b>2,512</b>	<b>-</b>	<b>549</b>	<b>1,963</b>	<b>2,512</b>
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents <sup>a</sup>	29,987	-	29,987	-	-	-	-
Trade and other receivables <sup>a</sup>	114,479	-	114,479	-	-	-	-
Other financial assets <sup>a</sup>	1,176	3,882	5,058	-	-	-	-
<b>Total financial assets not measured at fair value</b>	<b>145,642</b>	<b>3,882</b>	<b>149,524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total financial assets</b>	<b>146,191</b>	<b>5,845</b>	<b>152,036</b>	<b>-</b>	<b>549</b>	<b>1,963</b>	<b>2,512</b>
<b>Financial liabilities measured at fair value</b>							
Derivatives - Foreign currency forward contracts	1,235	-	1,235	-	1,235	-	1,235
Derivatives - Interest rate swaps at fair value	49	758	807	-	807	-	807
Other financial liabilities	3,250	-	3,250	-	-	3,250	3,250
<b>Total financial liabilities measured at fair value</b>	<b>4,534</b>	<b>758</b>	<b>5,292</b>	<b>-</b>	<b>2,042</b>	<b>3,250</b>	<b>5,292</b>
<b>Financial liabilities not measured at fair value</b>							
Borrowings and loans <sup>a</sup>	-	122,139	122,139	-	-	-	-
Fixed rate loan	-	50,000	50,000	-	60,252	-	60,252
<b>Total financial liabilities not measured at fair value</b>	<b>-</b>	<b>172,139</b>	<b>172,139</b>	<b>-</b>	<b>60,252</b>	<b>-</b>	<b>60,252</b>
<b>Total financial liabilities</b>	<b>4,534</b>	<b>172,897</b>	<b>177,431</b>	<b>-</b>	<b>62,294</b>	<b>3,250</b>	<b>65,544</b>

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

## 23. 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 180 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,
- ageing of customer receivables is reviewed in detail each month by businesses within the Group and by the Company in an oversight capacity.

**23. 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.

The maximum exposure to credit risk is the sum of cash and cash equivalents (Note 18), the total value of trade and other receivables (Note 8) and other financial instruments (Note 21). 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 \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Beyond 5 years \$'000
<b>2021</b>						
<b>Financial liabilities</b>						
Trade and other payables	97,863	97,863	97,863	-	-	-
Derivatives	162	162	27	135	-	-
Unsecured bank loans	189,158	201,579	3,210	3,210	143,497	51,661
<b>Total financial liabilities</b>	<b>287,183</b>	<b>299,604</b>	<b>101,100</b>	<b>3,345</b>	<b>143,497</b>	<b>51,661</b>

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Beyond 5 years \$'000
<b>2020</b>						
<b>Financial liabilities</b>						
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	-	-	-
<b>Total financial liabilities</b>	<b>242,531</b>	<b>267,068</b>	<b>74,495</b>	<b>5,619</b>	<b>133,464</b>	<b>53,490</b>

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.

**23. Financial risk management (continued)**

As disclosed in Note 19, 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 2021, the Group is exposed to \$12 million (2020: \$8.2 million) of USD denominated net trade liabilities, \$12.9 million of NZD net trade receivables (2020: \$2.1 million net trade receivables), \$2.5 million of Euro net trade receivables (2020: \$2.3 million) and \$1.6 million of CNY net trade liabilities (2020: \$1.8 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 <sup>1</sup>		2021	2020	2021	2020	2021	2020
	2021	2020	FC'000	FC'000	\$'000	\$'000	\$'000	\$'000
<b>Buy</b>								
United States Dollars	<b>0.7761</b>	0.6708	<b>36,850</b>	53,250	<b>47,481</b>	79,385	<b>2,035</b>	(511)
Chinese Renminbi	<b>4.9189</b>	4.7057	<b>10,000</b>	23,350	<b>2,033</b>	4,962	<b>20</b>	(202)
Total forward foreign exchange contracts					<b>49,514</b>	83,812	<b>2,055</b>	(713)

<sup>1</sup> Represents weighted average hedge exchange rates in the foreign currency contracts

	2021	2020
<b>Sensitivity Analysis - foreign exchange AUD/USD</b>	<b>\$'000</b>	<b>\$'000</b>
For every 1c decrease in AUD:USD rate, total exposures increase by:		
Income statement	<b>844</b>	1,120
Equity	<b>(225)</b>	65

**23. 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.

<b>Sensitivity Analysis - interest rates</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
For every 100 basis points increase in interest rates:		
Income statement	<b>(1,465)</b>	(1,422)
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			
	2021	2020	2021	2020	2021	2020
<b>Outstanding floating for fixed contracts</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Less than 1 year	-	2.91	-	80,000	-	(379)
1 to 2 years	<b>1.18</b>	-	<b>39,099</b>	-	<b>(158)</b>	-
2 to 5 years	-	-	-	-	-	-
<b>Total floating for fixed contracts</b>	<b>1.18</b>	2.91	<b>39,099</b>	80,000	<b>(158)</b>	(379)

**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 2021 and 2020 financial years. There were no changes to the Group's approach to capital management during the year.



**24. 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.

	<b>2021</b>	<b>2021</b>	2020	2020
	<b>\$'000</b>	<b>Number</b>	<b>\$'000</b>	<b>Number</b>
Balance at the beginning of the year	<b>112,880</b>	<b>86,701,174</b>	112,880	86,485,972
Performance share rights vested	-	-	-	215,202
Share issue	<b>75,703</b>	<b>6,771,886</b>	-	-
Issue costs	<b>(1,361)</b>	-	-	-
Dividend reinvested	<b>8,334</b>	<b>707,987</b>	-	-
<b>Balance at the end of the year</b>	<b>195,556</b>	<b>94,181,047</b>	112,880	86,701,174

During the year, the Company issued 7,479,873 shares (2020: 215,202 shares).

During the year, no shares were bought back on market and cancelled by the Group (2020: nil). 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. 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.

**25. 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.



**25. 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:

	2021	2020
	\$'000	\$'000
<b>Hedging Reserve</b>		
Balance at the beginning of the year	(902)	(663)
Fair value adjustments transferred to equity - net of tax	(1,195)	2,266
Amounts transferred to inventory - net of tax	3,264	(2,505)
Balance at the end of the year	1,167	(902)
<b>Equity Compensation Reserve</b>		
Balance at the beginning of the year	11,291	9,495
Equity settled share based payment transactions	1,907	1,796
Balance at the end of the year	13,198	11,291
<b>Fair Value Reserve</b>		
Balance at the beginning of the year	(598)	(598)
Fair value adjustments	-	-
Balance at the end of the year	(598)	(598)
<b>Translation Reserve</b>		
Balance at the beginning of the year	1,210	1,747
Exchange differences on translating foreign operations	209	(537)
Balance at the end of the year	1,419	1,210
<b>Dividend Reserve</b>		
Balance at the beginning of the year	-	-
Transfer to retained earnings	-	-
Amounts set aside for dividends	-	-
Balance at the end of the year	-	-
<b>Reserves at the end of the year</b>	<b>15,186</b>	<b>11,001</b>



**26. Retained earnings**

This table summarises the movement in retained earnings:

	2021 \$'000	2020 \$'000
Balance at the beginning of the year	150,904	155,778
Profit for the period	60,966	43,678
Transfer from dividend reserve	-	-
Dividends paid	(33,828)	(48,552)
Balance at the end of the year	178,042	150,904

**27. 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
<b>2021</b>					
Final dividend in respect of the 2020 financial year <sup>1</sup>	12	10,404	28 August 2020	30%	100%
Interim dividend in respect of the 2021 financial year <sup>1</sup>	25	23,424	28 February 2021	30%	100%
<b>Total dividends</b>	<b>37</b>	<b>33,828</b>			
<b>2020</b>					
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%
<b>Total dividends</b>	<b>56</b>	<b>48,552</b>			

1. Final dividend paid in respect of the 2020 and interim dividend paid in respect of the 2021 financial year, includes dividend reinvested of \$2.54m and \$5.79m respectively.

**Unrecognised amounts**

<b>Fully Paid Ordinary Shares</b>	Cents per share	Total amount \$'000	Date of payment	Tax rate	Percentage franked
<b>2021</b>					
Final dividend in respect of the 2021 financial year	32	30,138	3 September 2021	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.

	2021 \$'000	2020 \$'000
30% (2020: 30%) franking credits available to shareholders of GUD Holdings Limited for subsequent financial years	70,236	40,295

## 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.

### 28. 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 30b.

##### *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

	2021	2020
	\$'000	\$'000
<b>Prima facie income tax expense calculated at 30% (2020: 30%) on profit</b>	<b>26,092</b>	19,094
<b>Increase/(decrease) in income tax expense / (benefit) due to:</b>		
Non-deductible expenditure	466	987
(Over)/under provision of income tax in prior year	220	(122)
Research and development incentives	(314)	(253)
Tax incentives not recognised in profit or loss	-	-
Non-assessable income	(456)	263
<b>Income tax expense</b>	<b>26,008</b>	19,969
<b>Tax expense / (benefit) comprises:</b>		
Current tax expense	30,320	21,033
Adjustments recognised in the current year in relation to tax of prior years	220	(122)
Deferred tax expense from origination and reversal of temporary differences	(4,532)	(942)
<b>Total tax expense</b>	<b>26,008</b>	19,969

**28. Current tax (continued)**

Income tax expense recognised in other comprehensive income

<b>2021</b>	<b>Before tax</b>	<b>Tax (expense) / benefit</b>	<b>Net of tax</b>
Income tax on items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating results of foreign operations	209	-	209
Fair value adjustments transferred to hedging reserve	(1,707)	512	(1,195)
Net change in fair value of cash flow hedges transferred to inventory	4,663	(1,399)	3,264
<b>Income tax expense recognised in other comprehensive income</b>	<b>3,165</b>	<b>(887)</b>	<b>2,278</b>

<b>2020</b>	<b>Before tax</b>	<b>Tax (expense) / benefit</b>	<b>Net of tax</b>
Income tax on items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating results of foreign operations	(537)	-	(537)
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)
<b>Income tax expense recognised in other comprehensive income</b>	<b>(878)</b>	<b>102</b>	<b>(776)</b>

**29. 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.



## 29. Deferred tax (continued)

	Opening balance	Acquisition through business combinations	Recognised in Profit or Loss	Recognised in Equity	Closing balance
2021	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax assets</b>					
Employee benefit provisions	4,026	714	671	-	5,411
Restructuring provisions	15	-	(20)	-	(5)
Warranty provisions	139	-	36	-	175
Doubtful debts	302	-	103	-	405
Inventory	3,427	-	(39)	-	3,388
Accrued expenses	1,532	158	2,164	-	3,854
Derivative liabilities	715	-	(560)	-	155
Property, plant and equipment	24	-	2,810	-	2,834
Other intangible assets	1,718	475	1,438	-	3,631
Other	21	16	(160)	583	460
Total deferred tax asset	11,919	1,363	6,443	538	20,308
Set off of tax	(11,919)				(20,308)
Net deferred tax asset	-				-
<b>Deferred tax liabilities</b>					
Property, plant and equipment	331	4,052	(2,610)	-	1,773
Capitalised product development	3	-	(3)	-	-
Other intangible assets	38,519	5,862	(1,066)	-	43,315
Derivative assets	164	-	458	-	622
Other	603	186	2,374	-	3,163
Total deferred tax liabilities	39,620	10,100	(847)	-	48,873
Set off of tax	(11,919)				(20,308)
Net deferred tax liability	27,797				28,565
<b>Net deferred tax assets/(liabilities)</b>	<b>(27,797)</b>	<b>-</b>	<b>-</b>	<b>--</b>	<b>(28,565)</b>



29. Deferred tax (continued)

2020	Opening balance \$'000	Acquisition through business combinations \$'000	Recognised in Profit or Loss \$'000	Recognised in Equity \$'000	Closing balance \$'000
<b>Deferred tax assets</b>					
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	-				-
<b>Deferred tax liabilities</b>					
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)
<b>Net deferred tax assets/(liabilities)</b>	<b>(29,414)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27,701)</b>

## Business Combinations

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

### 30. 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 17). 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.

**30. Investments in subsidiaries (continued)**

**30a Acquisitions**

**Acquisition of G4CVA**

On 31 December 2020, the Company acquired 100% of the shares in ACAD Limited (ACAD Aust) and 100% of the shares of AMA Fully Equipped NZ Holding Pty Ltd (ACAD NZ). The total estimated consideration for ACAD Aust and ACAD NZ (collectively "G4CVA") is \$68.269 million, subject to customary purchase price adjustments and capex adjustments.

Included in the identifiable assets and liabilities acquired at the date of acquisition of G4CVA are inputs (a head office, several factories, patented technology, inventories and customer relationships), production processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

The acquisition is expected to provide the Group with an expanded presence in automotive aftermarket parts.

For the six months ended 30 June 2021, G4CVA contributed revenue of \$39.2 million, EBIT of \$4.215 million and profit before tax of \$4.0 million to the Group's results. If the acquisition had occurred on 1 July 2020, management estimates that consolidated revenue would have been \$79.3 million and profit before tax for the year would have been \$9.847 million (including JobKeeper of \$2.2 million). In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2020.

**Consideration paid**

The total consideration for the acquisition of G4CVA was \$68.269 million.

**Contingent consideration**

The Company had agreed to pay the selling shareholders contingent consideration based on the consolidated revenue of G4CVA for financial year ended 2021. The vendors revenue target was not achieved and the amount in escrow will be refunded to GUD in FY22.

**Acquisition-related costs**

During the year ended 30 June 2021, the Company incurred approximately \$0.456 million of acquisition related costs including legal fees, due diligence, and other advisory fees. This amount has been included in administrative expenses.

**Identifiable assets acquired, and liabilities assumed**

The following table summarises the recognised amounts of assets and liabilities assumed at the date of acquisition with subsequent adjustment for identified intangible assets arising from the purchase price allocation exercise:

\$'000	31 December 2020	Fair value adjustments	30 June 2021
Cash and cash equivalents	3,870	-	3,870
Trade and other receivables	8,032	-	8,032
Inventories	10,905	-	10,905
Other assets	2,457	-	2,457
Other intangible assets	-	19,559	19,559
Property, plant and equipment	6,634	(2,270)	4,364
Right of Use asset	19,780	(6,273)	13,507
Deferred tax assets	686	5,138	5,824
Trade and other payables	(6,461)	(17)	(6,478)
Provisions	(3,319)	(1,708)	(5,027)
Lease liability	(20,374)	6,435	(13,939)
Deferred tax liabilities	-	(10,037)	(10,037)
<b>Total identifiable net assets acquired</b>	<b>22,210</b>	<b>10,827</b>	<b>33,037</b>



**30. Investments in subsidiaries (continued)**

30a Acquisitions (continued)

**Fair values measured on a provisional basis**

All assets and liabilities acquired have been determined on a provisional basis and the Company is in the process of finalising the assessment of fair value for specific assets and liabilities.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

**Goodwill**

Goodwill arising from the acquisition has been recognised as follows:

	<b>\$'000</b>
Total consideration	68,269
Less Fair value of identifiable net assets	<u>33,037</u>
<b>Goodwill</b>	<b><u>35,232</u></b>

The goodwill is largely attributable to G4CVA's:

- Expanded Customer channels including OEMs, fleets, car dealerships and specialist independent 4WD resellers and entry into the fast-growing product category of 4WD accessories
- Exposure to fast growing pick up and SUV vehicle segments
- Portfolio of market leading brands
- Extensive operational footprint across ANZ and addition of manufacturing capabilities

**Acquisition of ACS**

On 1 March 2021, the Company acquired 100% of the shares in Australian Clutch Services Pty Ltd (ACS) with business operations in Australia, New Zealand and USA. The total cash consideration for ACS was \$34.709 million.

Included in the identifiable assets and liabilities acquired at the date of acquisition of ACS are inputs (a head office, several factories, patented technology, inventories and customer relationships), production processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

The acquisition is expected to provide the Group with an expanded presence in automotive aftermarket parts.

For the four months ended 30 June 2021, ACS contributed revenue of \$13.4 million, EBIT of \$2.478 million and profit before tax of \$2.4 million to the Group's results. If the acquisition had occurred on 1 July 2020, management estimates that consolidated revenue would have been \$39.906 million and profit before tax for the year would have been \$10.168 million (including job keeper of \$0.780 million). In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2020.

**Consideration paid**

The total consideration for the acquisition of ACS was \$34.709 million. \$33.940 million was paid on 1 March 2021 and \$0.769 million was paid on 24 May 2021 upon receipt of the completion accounts.

**Acquisition-related costs**

During the year ended 30 June 2021, the Company incurred approximately \$0.4 million of acquisition related costs including legal fees, due diligence, and other advisory fees. This amount has been included in administrative expenses.

**30. Investments in subsidiaries (continued)**

30a Acquisitions (continued)

Acquisition of ACS (continued)

**Identifiable assets acquired, and liabilities assumed**

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:

	1 March 2021	Fair value adjustments	30 June 2021
	\$'000	\$'000	\$'000
Cash and cash equivalents	4,645	-	4,645
Trade and other receivables	8,158	-	8,158
Inventories	14,387	-	14,387
Property, plant and equipment	848	-	848
Other intangible assets	2	-	2
Deferred tax asset	-	2,107	2,107
Right of use asset	-	5,441	5,441
Trade and other payables	(5,108)	-	(5,108)
Current tax payable	(949)	-	(949)
Provisions	(704)	-	(704)
Deferred tax liability	-	(1,632)	(1,632)
Lease liability	-	(5,441)	(5,441)
<b>Total identifiable net assets acquired</b>	<b>21,279</b>	<b>475</b>	<b>21,754</b>

**Fair values measured on a provisional basis**

All assets and liabilities acquired have been determined on a provisional basis and the Company is in the process of finalising the assessment of fair value for specific assets and liabilities.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

**Goodwill**

Goodwill has been adjusted as a result of the identified intangible assets as follows:

	<b>\$'000</b>
Total consideration	34,709
Less Fair value of identifiable net assets	21,754
<b>Goodwill</b>	<b>12,955</b>

30. Investments in subsidiaries (continued)

30b Shareholdings

	Country of incorporation	% ownership interest	
		2021	2020
<b>Parent entity</b>			
GUD Holdings Limited <sup>(1)</sup>	Australia		
<b>Subsidiaries</b>			
AA Gaskets Pty Ltd <sup>(2) (3)</sup>	Australia	100	100
ACAD Limited <sup>(2) (3)</sup>	Australia	100	-
AECAA Pty Ltd <sup>(2) (3)</sup>	Australia	100	-
Australian Clutch Services Pty Ltd <sup>(2) (3)</sup>	Australia	100	-
Brown & Watson International Pty Ltd <sup>(2) (3)</sup>	Australia	100	100
Davey Water Products Pty Ltd <sup>(2) (3)</sup>	Australia	100	100
Disc Brakes Australia Pty Ltd <sup>(2) (3)</sup>	Australia	100	100
E C B Pty Ltd <sup>(2) (3)</sup>	Australia	100	-
Innovative Mechatronics Group Pty Ltd <sup>(2) (3)</sup>	Australia	100	100
Ryco Group Pty Ltd <sup>(2) (3)</sup>	Australia	100	100
Service Body Manufacturing Australia Pty Ltd <sup>(2) (3)</sup>	Australia	100	-
Uneek 4x4 Australia Pty Ltd <sup>(2) (3)</sup>	Australia	100	-
Wesfil Australia Pty Ltd <sup>(2) (3)</sup>	Australia	100	100
ACS NZ Pty Ltd	New Zealand	100	-
Fully Equipped Group Limited (formerly Fully Equipped Holdings Limited)	New Zealand	100	-
Fully Equipped Limited	New Zealand	100	-
Fully Equipped (Wellington) Limited	New Zealand	100	-
Fully Equipped Auckland Limited	New Zealand	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.	France	100	100
XClutchUSA, Inc.	USA	100	-

All overseas subsidiaries except for Davey Water Products S.A.S. 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.



30. Investments in subsidiaries (continued)

30c 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:

	2021	2020
	\$'000	\$'000
<b>Income Statement</b>		
Revenue	521,842	411,508
Net finance costs	-9,125	(9,238)
Other expenses	(427,470)	(340,237)
<b>Profit before income tax</b>	<b>85,247</b>	62,033
Income tax expense	(25,417)	(19,865)
<b>Profit for the year</b>	<b>59,830</b>	42,168
Retained earnings at the beginning of the year	93,441	99,825
Dividends paid	(33,828)	(48,552)
<b>Retained earnings at the end of the year</b>	<b>119,443</b>	93,441
<b>Balance Sheet</b>		
<b>Current assets</b>		
Cash and cash equivalents	36,897	24,940
Trade and other receivables	138,129	109,937
Other assets	16,173	6,731
Inventories	133,371	92,839
<b>Total current assets</b>	<b>324,570</b>	234,447
<b>Non-current assets</b>		
Other financial assets	48,623	40,055
Property, plant and equipment	83,704	77,490
Deferred tax assets	18,015	10,641
Goodwill	180,100	138,606
Other intangible assets	137,867	121,548
<b>Total non-current assets</b>	<b>468,309</b>	388,340
<b>Total assets</b>	<b>792,879</b>	622,787
<b>Current liabilities</b>		
Trade and other payables	91,697	62,058
Borrowings	99	11
Current tax payables	3,718	4,106
Provisions	16,071	12,976
Other financial liabilities	11,767	12,593
<b>Total current liabilities</b>	<b>123,352</b>	91,744
<b>Non-current liabilities</b>		
Borrowings	171,941	154,854
Other financial liabilities	105,358	97,452
Provisions	4,872	1,291
<b>Total non-current liabilities</b>	<b>282,171</b>	253,597
<b>Total liabilities</b>	<b>405,523</b>	345,341
<b>Net assets</b>	<b>387,356</b>	277,446
Share Capital	195,556	112,880
Reserves	72,357	71,125
Retained earnings	119,443	93,441
<b>Total equity</b>	<b>387,356</b>	277,446

## Other Notes

### 31. 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.

### 32. Key management personnel

The key management personnel (including Non-Executive Directors) of GUD Holdings Ltd, and its subsidiaries, during FY21 and FY20 have been identified as the following persons:

- M G Smith (Former Chairman) (Non-executive) Through to 4 September 2020
- G A Billings (Chairman) (Non-executive) – Appointed 4 September 2020
- A L Templeman-Jones (Non-executive)
- D D Robinson (Non-executive)
- J A Douglas (Non-executive)
- C L Campbell (Non-executive) – Appointed 16 March 2021
- J C Pollaers (Non-executive) – Appointed 23 June 2021
- G Whickman (Managing Director)
- M A Fraser (Chief Financial Officer)

#### Key management personnel compensation policy

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

	2021	2020
	\$	\$
Short-term employment benefits	<b>3,236,390</b>	2,384,476
Long-term benefits	<b>28,716</b>	28,075
Post-employment benefits	<b>110,348</b>	119,645
Share based payments	<b>409,933</b>	267,672
<b>Total key management personal compensation</b>	<b>3,785,387</b>	2,799,868

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.

**32. Key management personnel (continued)**

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows.

	Performance rights programme			
	Managing Director		CFO	
	2021	2020	2021	2020
Fair value at grant date	8.21	5.37	6.26	5.41
Share price at grant date	12.52	10.33	11.55	10.37
Expected volatility (weighted average)	28.00%	24.00%	28.00%	24.00%
Expected dividends	4.00%	5.00%	4.00%	5.00%
Risk free interest rate (based on government bonds)	0.09%	0.70%	0.29%	0.80%

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.

**33. Related parties**

**Directors**

Details of Directors' compensation is disclosed in Note 32.

**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 2021, key management personnel held directly, indirectly or beneficially 101,702 ordinary shares (2020: 150,835) in the Group. Performance rights issued under the 2021 plan will not vest. Key management personnel were issued 70,090 (2020: 77,321) performance rights under the 2021 long term incentive 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 30b.

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 \$465,066 excluding GST (2020: \$455,944 excluding GST). The Group's policy is that related party lease arrangements are undertaken with commercial terms and conditions.

**34. Parent entity disclosures**

As at and for the financial year ending 30 June 2021 the parent company of the Group was GUD Holdings Limited.

	2021	2020
<b>GUD Holdings Limited</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Results of the parent entity</b>		
Profit/(loss) for the period	56,284	12,873
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	56,284	12,873
<b>Financial position of the parent entity at the year end</b>		
Current assets	7,009	1,036
Total assets	422,154	315,219
Current liabilities	7,022	17,437
Total liabilities	210,422	210,191
Net assets	211,732	105,028
<b>Total equity of the parent entity comprising of:</b>		
Share capital	194,973	112,880
Retained earnings / (accumulated losses)	4,130	(18,326)
Other reserves	12,629	10,474
Total equity	211,732	105,028

	2021	2020
<b>GUD Holdings Limited</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Parent entity contingencies</b>		
Contingent liabilities	227,579	167,710

The parent entity is party to two guarantees relating to subsidiaries. The bank borrowing facility described in Note 19 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 30c. 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 2021.

**35. Contingent liabilities**

The Group had no material contingent liabilities at 30 June 2021 (2020: Nil).

**36. Subsequent events**

**Dividends declared**

On 4 August 2021, the Board of Directors declared a fully franked final dividend in respect of the 2021 financial year of 32 cents per share. Record date is 20 August 2021 and the dividend will be paid on 3 September 2021.

**Other**

Other than the item 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 2021 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.

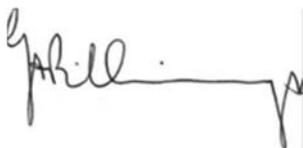
There are reasonable grounds to believe that the Company and the Group entities identified in Note 30b will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC 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 2021.

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

On behalf of the Directors



G A Billings  
Chairman



G Whickman  
Managing Director

Melbourne, 4 August 2021





# 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 2021 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*

Melbourne

4 August 2021



# 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 2021 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 2021
- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

### Basis for opinion

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

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

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

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## Key Audit Matters

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

- Recoverability of goodwill and other intangible assets
- Valuation of inventory
- Acquisition accounting

**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 (\$210.55 million) and other intangible assets (\$140.27 million)

Refer to Note 12 Goodwill, Note 13 Other intangible assets and Note 16 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.</p> <p>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. 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</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• assessing the Group’s VIU models and key assumptions by: <ul style="list-style-type: none"> <li>- evaluating the appropriateness of the VIU models against accounting standard requirements;</li> <li>- comparing inputs into the relevant cash flow forecasts to the Board approved budgets and projections;</li> <li>- assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models, including assessing the impact of business changes;</li> <li>- 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</li> <li>- 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.</li> </ul> </li> <li>• considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and</li> </ul>

<p>this key audit matter.</p>	<p>discount rates, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application. We also assessed the related impairment breakeven points for these assumptions in order to identify those assets at higher risk of impairment and to focus our further procedures;</p> <ul style="list-style-type: none"> <li>• working with our valuation specialists we compared the implied multiples from the Group’s models to multiples derived from comparable companies;</li> <li>• assessing the Group’s valuation of its brand names, including considering the appropriateness of an indefinite useful life assumption (where relevant); and</li> <li>• 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.</li> </ul>
<b>Valuation of inventory (\$153.84 million)</b>	
<p>Refer to Note 9 Inventories to the Financial Report.</p>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>At 30 June 2021, the Group held inventory with a net carrying value of \$153.84 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"> <li>• assessing the appropriateness of inventory valuation accounting policies applied by the different business units within the Group against the requirements of accounting standards;</li> <li>• understanding processes and testing key controls relating to inventory movements, standard costing, weighted average costing and valuation;</li> <li>• attending cycle or year-end inventory counts to ascertain the existence and condition of inventory;</li> <li>• 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;</li> <li>• comparing individual inventory carrying values</li> </ul>

	<p>against current selling prices to identify individual products at risk of being recorded in excess of their net realisable value; and</p> <ul style="list-style-type: none"> <li>challenging the Group's judgements relating to the provision for stock obsolescence (including slow moving or excess stock), by comparing current inventory levels to historical and forecast sales. We assessed the level of provision in light of our knowledge of the industry and businesses the Group operates in, the Group's business strategy with respect to maintaining a wide range of products, the aging of inventory and from further inquiries with key personnel.</li> </ul>
<b>Acquisition accounting</b>	
<p>Refer to Note 30a Investment in subsidiaries to the Financial Report.</p>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>On 31 December 2020, the Group purchased ACAD Limited and AMA Fully Equipped NZ Holding Pty Ltd, collectively "G4CVA", for consideration of \$68.269 million. In addition, on 1 March 2021 the Group purchased Australian Clutch Services Pty Ltd ("ACS") business for total consideration of \$34.709 million.</p> <p>Accounting for the acquisition of these businesses is a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>size of the acquisitions and therefore the impact on the financial report;</li> <li>significant judgement required to be exercised by the Group in determining the purchase price allocation (PPA). The Group engaged independent valuation experts to advise on the identification and measurement of acquired assets and liabilities determining the allocation of purchase consideration to goodwill and separately identifiable intangible assets;</li> <li>judgement required to be exercised by the Group in assessing the nature and amount recognised for obligations to make future payments based on income generated; and</li> <li>complexity of disclosures required by accounting standards.</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>reading the acquisition agreements and other related transaction documents to understand the structure, key terms and conditions;</li> <li>evaluating the methodology used for the preliminary acquisition accounting against accounting standard requirements and industry practice;</li> <li>challenging the Group's significant judgement assumptions such as the identification of separate identifiable intangible assets and the approach and methodology adopted by the Group's independent experts to valuing the acquired net assets by comparing to the requirements of the accounting standards;</li> <li>evaluating the competence and objectivity of the Group's external experts and extent to which information provided by them could be relied upon;</li> <li>assessing the Group's accounting treatment of post-acquisition payments against the transaction documents and relevant accounting standards; and</li> <li>assessing the disclosure in the financial report using our understanding of the acquisition, obtained from our testing, against the</li> </ul>

	requirements of accounting standards.
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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: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf) This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of GUD Holdings Limited for the year ended 30 June 2021 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 2021.

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

4 August 2021

## 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 20 August 2021

Shares held	No. of Shareholders	%	Shares	%
1 – 1,000	3,886	36.99	1,926,411	2.05
1,001 – 5,000	4,872	46.38	12,262,034	13.02
5,001 – 10,000	1,104	10.51	7,901,797	8.39
10,001 – 100,000	621	5.91	11,884,717	12.62
100,001 and over	22	0.21	60,206,088	63.92

There are 448 shareholders holding less than a marketable parcel of shares. A marketable parcel is \$500.00.

### Twenty Largest Shareholders as at 20 August 2021

	No. of Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	29,769,960	31.61
CITICORP NOMINEES PTY LIMITED	9,707,335	10.31
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,308,403	7.76
ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	3,454,191	3.67
ARGO INVESTMENTS LIMITED	2,236,508	2.37
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,624,308	1.72
NATIONAL NOMINEES LIMITED	1,480,194	1.57
UBS NOMINEES PTY LTD	1,042,063	1.11
BNP PARIBAS NOMS PTY LTD <DRP>	745,573	0.79
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	526,196	0.56
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	334,791	0.36
AMP LIFE LIMITED	328,824	0.35
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	269,675	0.29
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	237,151	0.25
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	204,037	0.22
WARBONT NOMINEES PTY LTD <ACCUMULATION ENTREPOT A/C>	178,352	0.19
WOODROSS NOMINEES PTY LTD	157,150	0.17
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	134,854	0.14
KULANDRA PTY LIMITED	132,749	0.14
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	129,317	0.14
<b>Total Twenty Largest Shareholders of Ordinary Fully Paid Shares</b>	<b>60,001,631</b>	<b>63.71</b>
<b>Total Remaining Holders Balance</b>	<b>34,179,416</b>	<b>36.29</b>

### Substantial Shareholders of GUD Holdings Limited

As at 20 August 2021, the current notices of substantial shareholders were:

	No. of Shares	%
Marathon Asset Management LLP	6,505,646	6.91
Perpetual Limited	5,743,825	6.10
Vanguard Group	5,310,573	6.11
Aware Super Pty Ltd as trustee for Aware Super	4,835,514	5.13





## Shareholder Services

### Dividend Reinvestment Plan (DRP)

The GUD Holdings Limited DRP Plan was reinstated on 29 July 2020. Shareholders wishing to nominate participation in the DRP and receive all or some of their dividend in additional shares in GUD can make that election by accessing the share registry Investor Centre at [www.investorcentre.com](http://www.investorcentre.com).

### 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](http://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.

### Securities 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](http://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 shareholdings into one name and identification number. Please download a 'Request to Consolidate Holdings' form from the share registry Investor Centre at [www.investorcentre.com](http://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](http://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](http://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](http://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](http://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](http://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

Enquiries Within Australia – 1300 850 505

Investor Enquiries Facsimile Number – 61 3 9473 2500

Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067

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